2005 ANNUAL REPORT AND PROXY STATEMENT

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Dear Stockholders,

When I joined SIRIUS as CEO in November 2004, the company was concluding a year of exceptional initiatives and accomplishments. While we were very pleased with our progress at the time, we sensed that 2005 would be a defining period in our history and that we were on the threshold of spectacular growth.

I am very proud to report that 2005 was every bit as exciting as we anticipated, and more. Our ability to effectively execute our business plan resulted in greater subscriber growth than previously anticipated, as well as improvements in our overall metrics that we expect will enable SIRIUS to generate greater revenue and positive cash-flow sooner than many have estimated.

2006 will bring us continued spectacular growth, not only in our automotive OEM channel, but also at retail, where SIRIUS continues to have a strong presence. We will also launch exciting new products, introduce new services, and continue to shape and refine the programming that has kept our customer satisfaction very high (above 90%), confirming SIRIUS as the leading content provider in radio.

We experienced better-than-expected subscriber and revenue growth, and lowered our subscriber acquisition costs while maintaining low churn.

SIRIUS ended 2005 with 3,316,560 subscribers, a 190% increase in total subscribers for the year with record net subscriber additions of 2,173,302. The fourth quarter of 2005 was not only our best quarter ever, but also marked the first time that SIRIUS led the satellite radio industry in net subscriber additions. In 2005, we also achieved 54% market share in the retail channel, and we captured a substantial lead in the fourth quarter with 60% retail market share as measured by The NPD Group.(1)

Revenue grew to $242.2 million in 2005, which was 262% higher than our $66.9 million of revenue in 2004. Subscriber acquisition costs (SAC) per gross subscriber addition was $139 for the year, which was better than our guidance of under $145 for 2005. We achieved these excellent results while keeping our churn very low at 1.5% for the year. During 2006, we expect to lower our SAC even more to approach $110 for the full-year, with further improvements in 2007.

Our automotive OEM partners are committed to SIRIUS.

During 2005, we extended our long-term agreements with all of our exclusive automotive partners. We extended our exclusivity with DaimlerChrysler (including Mercedes-Benz) until September 2012, with BMW until August 2008, and with Ford until September 2011, with Ford having an option to extend further through 2013.

In 2005, we added 620,224 net subscribers from our automotive OEM channel, more than 241% above 2004. During 2006, we expect to more than double our OEM subscriber base, as we expect SIRIUS to be offered in at least 129 vehicle models with over 115 of those offering SIRIUS as a factory installed option.

We offer the best programming in all of radio.

Today we broadcast 133 channels of outstanding programming in North America, including our Canadian channels. We are the only satellite radio company offering 100% commercial-free music, and our channels provide a broad range of musical genres to cover just about any taste. With programming from the NFL, NBA, NHL, English Premier League soccer and college sports, including the NCAA, we provide the broadest sports lineup in radio. In 2007, SIRIUS will also become the exclusive satellite radio partner of NASCAR, the number one spectator sport in the country. NASCAR has 75 million fans that purchase over $2 billion in licensed products annually. More Fortune 500 corporations participate in NASCAR than in any other sport, and SIRIUS is going to tap into this market.

During the past year, we have added exclusive new programming from Richard Simmons, Adam Curry (the king of podcasting), legendary New York radio personality “Cousin Brucie” (Bruce Morrow) and Martha Stewart to our lineup of major brand names and popular celebrities such as Maxim; Eminem’s Shade 45; Lance Armstrong; Tony Hawk; 50 Cent; Senator Bill Bradley and Jay Thomas. Howard Stern, the leading radio personality in the country, started broadcasting his show on SIRIUS in January 2006. His contribution to our subscriber growth has been tremendous, and we expect to benefit from his presence on SIRIUS throughout the five-year term of his agreement. We recently launched channels for Cosmopolitan and Playboy, and, even though major spending for content is now complete, we will continue to refine our programming lineup to provide our subscribers with the most diverse offering available. Programming is the heart and soul of SIRIUS, and we will do everything we can to ensure our continued dominance in this area.

We are looking to expand our platform through other strategic opportunities.

Because we believe that our content is unique and compelling, we are always looking for ways to make our programming available through other technology platforms. We currently offer SIRIUS subscribers the ability to listen to our 100% commercial-free music and selected non-music channels over the Internet, and we plan to include additional content over the Internet for subscribers in the future. Our music channels are available to DISH satellite

(1) Retailer information does not include sales from Wal-Mart, clubs and direct sales.

television subscribers. We are also providing 21 channels of programming (20 music channels and 1 channel of interview clips) to Sprint for rebroadcast over its cellular network for a fee to Sprint subscribers. This is the first time that satellite radio programming has been available over cell phones.

We continue to develop exciting new products, including the first portable satellite radio/MP3 player introduced in 2005.

In 2005, we introduced the SIRIUS S50, the first portable satellite radio with MP3/WMA storage capabilities. During 2006, we plan to introduce a live portable satellite radio that will include more innovative features and functionality. We will also introduce new versions of other existing products that will be lighter, thinner, more feature-rich, and less costly to produce, as well as new initiatives for the home market. You can also expect to see new data and video services in the future. Our products are some of the most exciting on the market today, and we will continue to make major strides in this area, while keeping costs in line.

Our balance sheet is strong, our cash position is solid, and our future subscriber and revenue projections are compelling.

We ended 2005 with approximately $879 million in cash, cash equivalents and marketable securities giving us great flexibility moving forward. Under the current business plan, we can expect to generate positive free cash flow, after capital expenditures, as early as the fourth quarter of 2006 and for the full-year 2007.

With our current subscriber growth, we expect to have over 6 million subscribers by the end of 2006, and to generate approximately $600 million of revenue in 2006. In 2007, we believe that revenue will increase to approximately $1 billion, and in 2010, we expect SIRIUS will generate approximately $3 billion in revenue and approximately $1 billion in free cash flow, after capital expenditures. Again, spectacular growth!

Our advertising revenue was up over 500% in 2005 from the previous year, and in January 2006, we already had more advertising commitments on the books than we had for all of 2005.

SIRIUS' exceptional management team has delivered on all promises made in last year's stockholder letter, including the commitment to value our equity. For 2006, SIRIUS is on track for even greater subscriber additions than we had in 2005. We will continue to stay focused on achieving positive free cash flow, accelerating our path to profitability, and capitalizing on our mission to provide the best content in all of radio.

I want to thank all of our stockholders, subscribers and employees for their dedication as we look to the future. We believe that we are building a company that will define entertainment for generations to come.

Mel Karmazin
Chief Executive Officer

The following cautionary statements identify important factors that could cause our actual results to differ materially from those projected in forward-looking statements made in this report and in other reports and documents published by us from time to time. Any statements about our beliefs, plans, objectives, expectations, assumptions, future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "will likely result," "are expected to," "will continue," "is anticipated," "estimated," "intend," "plan," "projection" and "outlook." Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this report and in our Annual Report on Form 10-K for the year ended December 31, 2005.

Among the significant factors that could cause our actual results to differ materially from those expressed in the forward-looking statements are:

- *the useful life of our satellites, which have experienced circuit failures on their solar arrays and other component failures and are not insured;*
- *our dependence upon third parties, including manufacturers of SIRIUS radios, retailers, automakers and programming providers; and*
- *our competitive position versus XM Radio, the other satellite radio service provider in the United States, which may have certain competitive advantages, and versus other forms of audio and video entertainment.*

Because the risk factors referred to above could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us or on our behalf, you should not place undue reliance on any of these forward-looking statements. In addition, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which the statement is made, to reflect the occurrence of unanticipated events or otherwise. New factors emerge from time to time, and it is not possible for us to predict which will arise or to assess with any precision the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(All dollar amounts referenced are in thousands, unless otherwise stated)

We are a satellite radio provider in the United States. We currently broadcast 133 channels of programming to listeners across the country. We offer 69 channels of 100% commercial-free music and feature 64 channels of sports, news, talk, entertainment, traffic, weather and data content for a monthly subscription fee of $12.95.

We transmit our satellite broadcasts through our proprietary satellite radio system, which currently consists of three orbital satellites, 140 terrestrial repeaters that receive and retransmit our signal, a satellite uplink facility and our studios. Subscribers receive our service through SIRIUS radios, which are sold by automakers, consumer electronics retailers and mobile audio dealers and through our website. Subscribers can also receive our music channels and certain other channels over the Internet. Our music channels are also available to DISH satellite television subscribers and certain of our music channels are offered to Sprint subscribers over multi-media handsets.

SIRIUS radios are primarily distributed through retailers and automakers. SIRIUS radios can be purchased at major retailers, including Best Buy, Circuit City, Crutchfield, Costco, Target, Wal-Mart and through RadioShack on an exclusive basis. On December 31, 2005, SIRIUS radios were available at over 25,000 retail locations. We have exclusive agreements with DaimlerChrysler, Ford, Mitsubishi, BMW and Rolls-Royce to offer SIRIUS radios as factory or dealer-installed equipment. We also have relationships with Nissan, Infiniti, Toyota, Lexus, Scion, Volkswagen, Audi and Subaru to offer SIRIUS radios as factory or dealer-installed equipment. As of December 31, 2005, SIRIUS radios were available as a factory-installed option in 89 vehicle models and as a dealer-installed option in 19 vehicle models. SIRIUS radios are also offered to renters of Hertz vehicles at 55 airport locations nationwide.

In 2005, SIRIUS Canada Inc., a Canadian corporation owned by us, Canadian Broadcasting Corporation and Standard Broadcasting Corporation, received a license from the Canadian Radio-television and Telecommunications Commission to offer a satellite radio service in Canada. In December 2005, SIRIUS Canada launched service in Canada with 100 channels of commercial-free music and news, sports, talk and entertainment programming, including 10 channels of Canadian content.

Our primary source of revenue is subscription fees, with most of our customers subscribing to SIRIUS on either an annual or a monthly basis. We offer discounts for pre-paid and long-term subscriptions as well as discounts for multiple subscriptions. Currently we receive an average of approximately nine months of prepaid revenue per subscriber upon activation. We also derive revenue from activation fees, the sale of advertising on our non-music channels and the direct sale of SIRIUS radios and accessories.

In certain cases, automakers include a subscription to our radio service in the sale or lease price of vehicles. The length of these prepaid subscriptions varies, but is typically six months to one year. In many cases, we receive subscription payments from automakers in advance of the activation of our service. We also reimburse various automakers for certain costs associated with SIRIUS radios installed in their vehicles.

Costs associated with acquiring subscribers are generally incurred and expensed in advance of acquiring a subscriber and are recognized as subscriber acquisition costs. A large percentage of our annual gross subscriber additions are acquired in the fourth quarter in connection with holiday sales. As a result, our subscriber acquisition costs per gross subscriber addition, a key operating metric for our business, is generally higher in the first three quarters of our fiscal year and declines in the fourth quarter as we experience higher activation rates.

In 2005 we achieved significant financial and operational milestones, including:

- satellite radio market share parity in the retail channel—retail market share of 54% for the full-year and 60% for the fourth quarter, according to the NPD Group;
- rapid acceleration in OEM subscriber additions;
- extended long-term exclusive agreements with DaimlerChrysler, Ford and BMW;
- material reduction in subscriber acquisition costs (SAC) per gross subscriber addition;
- new programming agreements with Martha Stewart, Richard Simmons, the NBA, Adam Curry's Podcast Show and NASCAR;
- introduction of the SIRIUS S50, the satellite radio industry's first wearable device with MP3/WMA capabilities;
- enhanced financial position and liquidity through a $500,000 debt offering of our 9⅝% Senior Notes due 2013;
- redeemed our outstanding 15% Senior Secured Discount Notes due 2007 and our 14½% Senior Secured Notes due 2009; and
- launched SIRIUS music on the Sprint wireless network, an industry first.

On January 9, 2006, Howard Stern moved his radio show to SIRIUS from terrestrial radio as part of two channels programmed by Howard Stern and us.

Subscribers:

As of December 31, 2005, we had 3,316,560 subscribers compared with 1,143,258 subscribers as of December 31, 2004. Our subscriber totals include subscribers under our regular pricing plans, as well as subscribers currently in promotional periods; subscribers that have prepaid, including payments received from automakers for prepaid subscriptions included in the sale or lease price of a new vehicle; and active SIRIUS radios under our agreement with Hertz.

The following table contains a breakdown of our subscribers:

	As of December 31,		
	2005	2004	2003
Retail	2,465,363	911,255	215,227
OEM	823,693	203,469	21,823
Hertz	27,504	28,534	24,011
Total subscribers	3,316,560	1,143,258	261,061

We expect an increasing proportion of our subscribers will be generated through our relationships with automakers, or OEMs. We believe our ability to attract and retain subscribers depends in large part on creating and sustaining distribution channels for SIRIUS radios and on the quality and entertainment value of our programming. We expect to concentrate our future efforts on enhancing and refining our programming, whether through additional agreements with third parties or our own creative efforts; introducing SIRIUS radios with new features and functions; and expanding the distribution of SIRIUS radios through arrangements with automakers and through additional retail points-of-sale.

Metrics:

We use various key metrics to monitor our operating performance including average monthly churn, average monthly revenue per subscriber, or ARPU, SAC per gross subscriber addition and adjusted loss from operations**.** The following table represents the results of our metrics for the past three fiscal years:

	For the Years Ended December 31,		
	2005	2004	2003
Gross subscriber additions	2,519,301	986,556	255,798
Average monthly churn(1)(6)	1.5%	1.6%	1.5%
ARPU(2)(6)	$ 10.34	$ 10.16	$ 9.48
SAC per gross subscriber addition(3)(6)	$ 139	$ 177	$ 293
Customer service and billing expenses per average subscriber(4)(6)	$ 2.10	$ 3.56	$ 6.84
Total revenue	$ 242,245	$ 66,854	$ 12,872
Adjusted loss from operations(5)(6)	$ (567,507)	$(456,209)	$(330,094)
Net cash used in operating activities	$ (273,740)	$(334,463)	$(284,487)

(1) Average monthly churn represents the average of the number of deactivated subscribers divided by average quarterly subscribers.

(2) ARPU is derived from total earned subscriber revenue and net advertising revenue divided by the daily weighted average number of subscribers for the period.

(3) SAC per gross subscriber addition is derived from total subscriber acquisition costs and margins from the direct sale of SIRIUS radios and accessories divided by the number of gross subscriber additions for the period. Figures are rounded to the nearest whole dollar.

(4) Customer service and billing expenses per average subscriber is derived from total customer service and billing expenses divided by the daily weighted average number of subscribers per month.

(5) Adjusted loss from operations represents the loss from operations before depreciation and equity granted to third parties and employees. We believe adjusted loss from operations is a useful metric because it represents operating expenses excluding the effects of non-cash items. A reconciliation of our reported loss from operations to our adjusted loss from operations is set forth below:

	For the Years Ended December 31,		
	2005	2004	2003
Loss from operations, as reported	$(829,140)	$(678,304)	$(437,530)
Depreciation	98,555	95,370	95,353
Equity granted to third parties and employees	163,078	126,725	12,083
Adjusted loss from operations	$(567,507)	$(456,209)	$(330,094)

(6) Average monthly churn, ARPU, SAC per gross subscriber addition, customer service and billing expenses per average subscriber and adjusted loss from operations are not measures of financial performance under U.S. generally accepted accounting principles and are used by us as a measure of operating performance. As a result, these metrics 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 or as a substitute for measures of financial performance prepared in accordance with U.S. generally accepted accounting principles.

Revenue and Expenses:

The following revenue and operating expense categories reflect the drivers of our business:

Total Revenue

Subscriber Revenue. Subscriber revenue includes subscription fees, activation fees and the effect of mail-in rebates.

Advertising Revenue. Advertising revenue includes the sale of advertising on our non-music channels, net of agency fees. Agency fees are based on a stated percentage per the advertising agreements applied to gross billing revenue for our advertising inventory.

Equipment Revenue. Equipment revenue includes revenue from the direct sale of SIRIUS radios and accessories through our direct to consumer distribution channel.

Operating Expenses

Satellite and Transmission. Satellite and transmission expenses consist of costs associated with the operation and maintenance of our satellite telemetry, tracking and control system, terrestrial repeater network, satellite uplink facility and broadcast studios and in-orbit satellite insurance.

Programming and Content. Programming and content expenses include costs to acquire, create and produce content, on-air talent costs and broadcast royalties. We have entered into various agreements with third parties for music and non-music programming. These agreements require us to pay license fees, share advertising revenue, purchase advertising on media properties owned or controlled by the licensor and pay certain other guaranteed amounts. Purchased advertising is recorded as a sales and marketing expense in the period the advertising is broadcast.

Customer Service and Billing. Customer service and billing expenses include costs associated with the operation of our customer service centers and subscriber management system.

Cost of Equipment. Cost of equipment includes costs for SIRIUS radios and accessories sold through our direct to consumer distribution channel.

Sales and Marketing. Sales and marketing expenses include advertising, media and production costs and distribution costs. Advertising, media and production costs primarily include promotional events, sponsorships, media, advertising, production and market research. Distribution costs primarily include the costs of residuals, market development funds, revenue share and in-store merchandising. Residuals are monthly fees paid based upon the number of subscribers using a SIRIUS radio purchased from a retailer. Market development funds are fixed and variable payments to reimburse retailers and radio manufacturers for the cost of advertising and other product awareness activities.

Subscriber Acquisition Costs. Subscriber acquisition costs include hardware subsidies paid to radio manufacturers, distributors and automakers, including subsidies paid to automakers who include a SIRIUS radio and a prepaid subscription to our service in the sale or lease price of a new vehicle; subsidies paid to chip set manufacturers; and commissions paid to retailers and automakers as incentives to purchase, install and activate SIRIUS radios. The majority of subscriber acquisition costs are incurred and expensed in advance of acquiring a subscriber. Subscriber acquisition costs do not include advertising, loyalty payments to distributors and dealers of SIRIUS radios and revenue share payments to automakers and retailers of SIRIUS radios which are included in sales and marketing expense. Subscriber acquisition costs also do not include amounts capitalized in connection with our agreement with Hertz, as we retain ownership of certain SIRIUS radios used by Hertz.

General and Administrative. General and administrative expenses include rent and occupancy, finance, legal, human resources, information technology and investor relations costs and bad debt expense.

Engineering, Design and Development. Engineering, design and development expenses include costs to develop our future generation of chip sets and new products and costs associated with the incorporation of SIRIUS radios into vehicles manufactured by automakers, including tooling expense.

Equity Granted to Third Parties and Employees. Equity granted to third parties and employees expense includes the costs associated with warrants, stock options, restricted stock, restricted stock units and other stock-based awards granted to third parties pursuant to programming, sales and marketing and distribution agreements; employees; members of our board of directors; consultants; and employee benefit plans.

Other Income (Expense)

Interest and Investment Income. Interest and investment income includes realized gains and losses, dividends and interest income, including amortization of the premium and discount arising at purchase.

Interest Expense. Interest expense includes interest on outstanding debt and debt conversion costs. Debt conversion costs represent the loss associated with debt exchanged for shares of our common stock and are calculated as the difference between the fair market value of additional shares issued in excess of the fair market value of the amount of shares that would have been issued under original conversion ratios.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods. We have disclosed all significant accounting policies in Note 2 to the consolidated financial statements included in this report. We have identified the following policies, which were discussed with the audit committee of our board of directors, as critical to our business and understanding our results of operations.

Subscriber Revenue Recognition. Revenue from subscribers consists of subscription fees, including revenues associated with prepaid subscriptions included in the sale or lease price of a new vehicle; revenue derived from our agreement with Hertz; non-refundable activation fees; and the effects of mail-in rebates.

We recognize subscription fees as our service is provided to a subscriber. We record deferred revenue for prepaid subscription fees and amortize these prepayments to revenue ratably over the term of the respective subscription plan.

At the time of sale, vehicle owners purchasing or leasing a vehicle with a subscription to our service typically receive between a six month and one year prepaid subscription. We receive payment from automakers for these subscriptions in advance of our service being activated. Such prepayments are recorded to deferred revenue and amortized to revenue ratably over the term upon activation. We also reimburse the automakers for certain costs associated with the SIRIUS radio installed in the applicable vehicle at the time the vehicle is manufactured. The associated payments to the automakers are included in subscriber acquisition costs. Although we receive payments from the automakers, they do not resell our service; rather, automakers facilitate the sale of our service to our customers, acting similar to an agent. We believe this is the appropriate characterization of our relationship since we are responsible for providing service to our customers including being obligated to the customer if there was interruption of service.

Activation fees are recognized ratably over the estimated term of a subscriber relationship, currently estimated to be 3.5 years. The estimated term of a subscriber relationship is based on market research and management's judgment and, if necessary, will be refined in the future as historical data becomes available.

As required by Emerging Issues Task Force ("EITF") No. 01-09, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)," an estimate of mail-in rebates that are paid by us directly to subscribers is recorded as a reduction to subscriber revenue in the period the subscriber activates our service. We estimate the effects of mail-in rebates based on actual take-rates for rebate incentives offered in prior periods, adjusted as deemed necessary based on any current take-rate data available at the time. In subsequent periods, estimates are adjusted when necessary.

Stock-Based Compensation. In accordance with Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," we use the intrinsic value method to measure the compensation costs of stock-based awards granted to employees and members of our board of directors. Accordingly, we record compensation expense for stock-based awards granted to employees and members of our board of directors over the vesting period equal to the excess of the market price of the underlying common stock at the date of grant over the exercise price of the stock-based award. The intrinsic value of restricted stock units as of the date of grant is amortized to expense over the vesting period. These charges are recorded as a component of equity granted to third parties and employees in our accompanying consolidated statements of operations. Effective January 1, 2006 we will adopt Statement of Financial Accounting Standards ("SFAS") No. 123R "Share-Based Payment." SFAS No. 123R requires all share-based payments to employees to be recognized in the financial statements based on fair value.

We account for modifications to stock-based awards in accordance with Financial Accounting Standards Board Interpretation ("FIN") No. 44, "Accounting for Certain Transactions Involving Stock Compensation." FIN No. 44 provides that when the modification of a stock-based award occurs, a new measurement date results because the modification may allow an employee to vest in an award that would have otherwise been forfeited pursuant to the original terms. A new measurement of potential compensation is measured as of the date of the modification. While measurement of the potential compensation is made as of that date, the recognition of the compensation expense depends on whether the employee ultimately retains the stock-based award that otherwise would have been forfeited under the award's original vesting terms. We have granted stock-based awards which vest on a specific date with acceleration to earlier time periods as performance targets for fiscal periods are met. The performance targets are established annually and may be modified by our board of directors. As these targets are established or modified new measurement dates result. We recognize expense resulting from a new measurement date only if such employees voluntarily resign or are terminated for cause and exercise such stock-based awards during the period of the accelerated vest date through the original vest date. Under these conditions, employees are deemed to benefit from the accelerated vest date. Stock compensation expense associated with stock options for the year ended December 31, 2005 included a charge of $479 for an employee that was deemed to have benefited from the modification of a stock-based award resulting in a new measurement date. No additional expense will be recognized for employees deemed to benefit from accelerated vest dates as modifications to stock-based awards effective January 1, 2006 will be accounted for in accordance with SFAS No. 123R.

In accordance with FIN No. 44, we record compensation charges or benefits related to repriced stock options based on the market value of our common stock until the repriced stock options are exercised, forfeited or expire.

We account for stock-based awards granted to non-employees, other than non-employee members of our board of directors, at fair value in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation." The fair value of equity instruments granted to non-employees is measured in accordance with EITF No. 96-18, "Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services." The final measurement date of equity instruments with performance criteria is the date that each performance commitment for such equity instrument is satisfied. These charges are recorded as a component of equity granted to third parties and employees in our accompanying consolidated statements of operations.

The measure of fair value most often employed under SFAS No. 123 is the Black-Scholes option valuation model ("Black-Scholes"). Black-Scholes was developed to estimate the fair market value of traded options, which have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because our stock-based awards have characteristics significantly different from those of traded options and because changes in the subjective assumptions can materially affect the fair market value estimate, the existing option valuation models do not necessarily provide a reliable single measure of the fair value of our stock-based awards. Fair value determined using Black-Scholes varies based on assumptions used for the expected life, expected stock price

volatility and risk-free interest rates. During 2005, we continued to refine the assumptions used in estimating fair value in response to changing market conditions and the issuance of additional accounting guidance, including SFAS No. 123R. Our assumptions may change in future periods. For the year ended December 31, 2005, a change in volatility of 10% would have resulted in aproximately a 2% change in expense for stock-based awards granted to third parties.

Subscriber Acquisition Costs. Subscriber acquisition costs include hardware subsidies paid to radio manufacturers, distributors and automakers, including subsidies paid to automakers who include a SIRIUS radio and a prepaid subscription to our service in the sale or lease price of a new vehicle; subsidies paid to chip set manufacturers; and commissions paid to retailers and automakers as incentives to purchase, install and activate SIRIUS radios. The majority of subscriber acquisition costs are incurred in advance of acquiring a subscriber. Subscriber acquisition costs do not include advertising, loyalty payments to distributors and dealers of SIRIUS radios and revenue share payments to automakers and retailers of SIRIUS radios which are included in sales and marketing expense. Subscriber acquisition costs also do not include amounts capitalized in connection with our agreement with Hertz, as we retain ownership of certain SIRIUS radios used by Hertz.

Subsidies paid to radio manufacturers and automakers are expensed upon shipment or installation. Commissions paid to retailers and automakers are expensed either upon activation or sale of the SIRIUS radio. Chip sets that are shipped to radio manufacturers and held on consignment are recorded as inventory and expensed as subscriber acquisition costs when placed into production by radio manufacturers. Costs for chip sets not held on consignment are expensed as subscriber acquisition costs when the chip sets are shipped to radio manufacturers.

Long-Lived Assets. We carry our long-lived assets at cost less accumulated depreciation. In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," we review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset is not recoverable. At the time an impairment in value of a long-lived asset is identified, the impairment will be measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. To determine fair value, we would employ an expected present value technique, which utilizes multiple cash flow scenarios that reflect the range of possible outcomes and an appropriate discount rate.

Useful Life of Satellite System. Our satellite system includes the costs of our satellite construction, launch vehicles, launch insurance, capitalized interest, spare satellite, terrestrial repeater network and satellite uplink facility. In accordance with SFAS No. 144, we monitor our satellites for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset is not recoverable. The expected useful lives of our in-orbit satellites are 15 years from the date they were placed into orbit. We are depreciating our three in-orbit satellites over their respective remaining useful lives beginning February 2002 or, in the case of our spare satellite, from the date it was delivered to ground storage in April 2002. Our spare satellite is expected to operate effectively for 15 years from the date of launch.

Our satellites have experienced circuit failures on their solar arrays. We continue to monitor these failures, which we believe have not affected the expected useful lives of our satellites. If events or circumstances indicate that the useful lives of our satellites have changed, we will modify the depreciable life accordingly.

FCC License. In October 1997 the FCC granted us a license to operate a commercial satellite radio service in the United States. While the FCC license has a renewable eight-year term, we expect to renew our license as there are no legal, regulatory, contractual, competitive, economic or other factors that limit its useful life. As a result, we treat the FCC license as an indefinite-lived intangible asset under the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets." We re-evaluate the useful life determination for our FCC license each reporting period to determine whether events and circumstances continue to support an indefinite useful life. To date, we have not recorded any amortization expense related to our FCC license.

We test our FCC license for impairment at least annually unless indicators of impairment exist. We use a direct approach in performing our annual impairment test for this asset which

requires estimates of future cash flows and other factors. If these estimates or projections change in the future, we may be required to record an impairment charge related to this asset. We began using the direct approach in 2005. Prior to 2005, we used the residual method in estimating the fair value of our FCC license. Use of the direct approach is in accordance with a September 29, 2004 Staff Announcement from the staff of the Securities and Exchange Commission, "Use of the Residual Method to Value Acquired Assets Other Than Goodwill." Under either the direct method or the residual method, if the fair value of our license was less than the aggregated carrying amount of the license, an impairment would have been recognized.

Income Taxes. We account for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Our operating losses have generated significant state and federal tax net operating losses, or NOL carryforwards. We are required to record a valuation allowance against the deferred tax asset associated with these NOL carryforwards if it is "more likely than not" that we will not be able to utilize it to offset future taxes. Due to our history of unprofitable operations and our expected future losses, we have recorded a valuation allowance equal to 100% of these deferred tax assets. We could be profitable in the future at levels which would cause management to conclude that it is more likely than not that we will realize all or a portion of these NOL carryforwards. Upon reaching such a conclusion, we would record the estimated net realizable value of the deferred tax asset at that time and would then provide for income taxes at a rate equal to our combined federal and state effective tax rates. Subsequent revisions to the estimated net realizable value of the deferred tax asset could cause our provision for income taxes to vary significantly from period to period, although our cash tax payments would remain unaffected until the benefit of these NOL carryforwards is utilized.

Results of Operation

Year Ended December 31, 2005 Compared with Year Ended December 31, 2004

Total Revenue

Subscriber Revenue. Subscriber revenue increased $160,734 to $223,615 for the year ended December 31, 2005 from $62,881 for the year ended December 31, 2004. The increase was attributable to the growth of subscribers to our service. As of December 31, 2005, we had 3,316,560 subscribers compared with 1,143,258 subscribers at December 31, 2004, an increase of 2,173,302 subscribers.

The following table contains a breakdown of our subscriber revenue:

	For the Years Ended December 31,		
	2005	2004	Variance
Subscription fees	$233,635	$65,201	$168,434
Activation fees	6,790	2,102	4,688
Effects of mail-in rebates	(16,810)	(4,422)	(12,388)
Total subscriber revenue	$223,615	$62,881	$160,734

Future subscriber revenue will be dependent upon, among other things, the growth of our subscriber base, promotions, mail-in rebates offered to subscribers and corresponding take-rates, plan mix, subscription prices and the identification of additional revenue streams from subscribers.

Advertising Revenue. Advertising revenue increased $5,225 to $6,131 for the year ended December 31, 2005 from $906 for the year ended December 31, 2004. The increase was a result of an increase in rates per spot, more spots due to new and more attractive programming and increased advertiser interest as we continue to build brand awareness.

We expect advertising revenue to grow as our subscribers increase and we continue to improve brand awareness and content, including the impact from the launch of The Howard Stern Show, which began in January 2006.

ARPU. Set forth below is a table showing the calculation of ARPU:

	For the Years Ended December 31,	
	2005	2004
Average monthly subscriber revenue per subscriber before effects of Hertz subscribers and mail-in rebates	$10.78	$10.91
Effects of Hertz subscribers	0.04	(0.19)
Effects of mail-in rebates	(0.76)	(0.70)
Average monthly subscriber revenue per subscriber	10.06	10.02
Average monthly net advertising revenue per subscriber	0.28	0.14
ARPU	$10.34	$10.16

The increase in ARPU to $10.34 for the year ended December 31, 2005 from $10.16 for the year ended December 31, 2004 was primarily attributable to the improvement in our Hertz program, plan mix and increased advertising revenue, offset by the effects of the timing of the commencement of revenue recognition for prepaid subscriptions and the impact of mail-in rebates.

Equipment Revenue. Equipment revenue increased $9,373 to $12,271 for the year ended December 31, 2005 from $2,898 for the year ended December 31, 2004. The increase was the result of increased sales through our direct to consumer distribution channel.

We expect equipment revenue to increase in the future as we continue to introduce new products and as sales through our direct to consumer distribution channel grow.

Operating Expenses

Satellite and Transmission. Satellite and transmission expenses decreased $3,301 to $27,856 for the year ended December 31, 2005 from $31,157 for the year ended December 31, 2004. The decrease was primarily attributable to a reduction in satellite insurance costs. Effective August 2004, we discontinued our in-orbit satellite insurance. This decision was made after a review of the health of our satellite constellation; the exclusions from coverage contained in the available insurance; the costs of the available insurance; and the practices of other satellite companies as to in-orbit insurance. Such decrease was offset by increased compensation related costs for additions to headcount. As of December 31, 2005, we had 140 terrestrial repeaters in operation compared with 137 terrestrial repeaters as of December 31, 2004.

Future increases in satellite and transmission expenses will primarily be attributable to the addition of new terrestrial repeaters and maintenance costs of existing terrestrial repeaters. We expect to deploy a significant number of additional terrestrial repeaters in 2006. Such expenses may also increase in future periods if we decide to reinstate our in-orbit satellite insurance or launch new satellites.

Programming and Content. Programming and content expenses increased $35,254 to $98,607 for the year ended December 31, 2005 from $63,353 for the year ended December 31, 2004. The increase was primarily attributable to license fees associated with new programming agreements, compensation related costs for additions to headcount, broadcast royalties as a result of the increase in our subscribers and additional on-air talent costs due to the expansion of the programming lineup.

Our programming and content expenses will increase as we continue to develop and enhance our channels. Our agreements with Howard Stern beginning January 2006, FOX News beginning February 2006 and NASCAR beginning February 2007 will significantly increase our programming and content expenses. In addition, we expect broadcast royalties to increase as our subscriber base grows. We regularly evaluate programming opportunities and may choose to acquire and develop new content or renew current programming agreements in the future at substantial cost.

Customer Service and Billing. Customer service and billing expenses increased $24,312 to $46,653 for the year ended December 31, 2005 from $22,341 for the year ended December 31, 2004. The increase was primarily due to increased customer service representative costs and telecommunication charges as a result of the expansion and growth of our call centers to accommodate our subscriber base and increased credit card fees due to the addition of new subscribers. Customer service and billing expenses increased 109% compared with an increase in

our end of period subscribers of 190% as of December 31, 2005 compared with December 31, 2004. Customer service and billing expenses per average subscriber per month declined 41% to $2.10 for 2005 compared with $3.56 for 2004.

We expect our customer care and billing expenses to increase and our costs per subscriber to decrease on an annual basis as our subscriber base grows.

Cost of Equipment. Cost of equipment increased $8,360 to $11,827 for the year ended December 31, 2005 from $3,467 for the year ended December 31, 2004. The increase was primarily attributable to higher sales through our direct to consumer distribution channel.

We expect cost of equipment to increase in the future as we introduce new products and as sales through our direct to consumer distribution channel grow.

Sales and Marketing. Sales and marketing expenses increased $16,097 to $170,592 for the year ended December 31, 2005 from $154,495 for the year ended December 31, 2004. The increase was primarily attributable to higher advertising, media and production costs for marketing campaigns, offset by reductions in costs for the expiration of certain sponsorships in 2004. In addition, distribution costs increased primarily as a result of higher costs associated with advertising for both the holiday season and the rollout of new products in the retail distribution channel, retail residuals and OEM revenue share. Such increases in distribution costs were offset in part by decreases in certain retail costs associated with sales efforts for the RadioShack rollout in 2004. Compensation related costs also increased as a result of additions to headcount to support our growth.

We expect sales and marketing expenses to increase as we continue to build brand awareness through national advertising and promotional activities and expand the distribution of SIRIUS radios. Beginning in 2007, our agreement with NASCAR will increase our sponsorship costs included in sales and marketing expense.

Subscriber Acquisition Costs. Subscriber acquisition costs increased $175,939 to $349,641 for the year ended December 31, 2005 from $173,702 for the year ended December 31, 2004, an increase of 101%. Over the same period, gross subscriber additions increased 155% from 986,556 for the year ended December 31, 2004 to 2,519,301 for the year ended December 31, 2005. The increase in subscriber acquisition costs was attributable to subsidies for higher shipments of SIRIUS radios and chip sets to accommodate the growth of our subscriber base and increases in commissions resulting from the increase in gross subscriber additions, offset by reductions in average subsidy rates as we continued to reduce manufacturing and chip set costs.

Subscriber acquisition costs per gross subscriber addition were $139 and $177 for the years ended December 31, 2005 and 2004, respectively. The decline was primarily attributable to the reduction in average subsidy rates as we continued to reduce manufacturing and chip set costs.

We expect total subscriber acquisition costs to increase in the future as our gross subscriber additions increase and we continue to offer subsidies, commissions and other incentives to acquire subscribers. However, we anticipate that, on a per gross subscriber addition basis, the costs of certain subsidized components of SIRIUS radios will continue to decrease in the future as manufacturers experience economies of scale in production and we secure additional manufacturers of these components. If competitive forces require us to increase hardware subsidies or promotions, subscriber acquisition costs per gross subscriber addition could increase. Our subscriber acquisition costs per gross subscriber addition are generally higher in the first three quarters of our fiscal year and decline in the fourth quarter as we experience higher activation rates.

General and Administrative. General and administrative expenses increased $15,803 to $59,831 for the year ended December 31, 2005 from $44,028 for the year ended December 31, 2004. The increase was primarily a result of additional personnel-related costs and rent and occupancy costs to support the growth of our business and bad debt expense.

We expect our general and administrative expenses to increase in future periods for personnel-related costs and facility costs to support our growth.

Engineering, Design and Development. Engineering, design and development expenses increased $14,225 to $44,745 for the year ended December 31, 2005 from $30,520 for the year ended December 31, 2004. The increase was primarily attributable to additional personnel-related costs to support research and development efforts, costs associated with OEM tooling and

manufacturing upgrades to support factory installations of SIRIUS radios and development costs for our next generation of radios. These increases were offset by decreases in chip set development costs.

We expect our engineering, design and development expenses to increase in future periods as automakers continue their efforts to incorporate SIRIUS radios across a broader range of their vehicles and as we develop future generations of chip sets and new products and services.

Equity Granted to Third Parties and Employees. Equity granted to third parties and employees expense for warrants increased $25,649 to $100,349 for the year ended December 31, 2005 from $74,700 for the year ended December 31, 2004. This increase was primarily attributable to warrants granted to certain distribution partners for achieving production and other milestones during the year partially offset by changes in the estimated fair value of such awards compared with the prior year.

Equity granted to third parties and employees expense for stock options, restricted stock, restricted stock units and other stock-based awards increased $9,137 to $56,877 for the year ended December 31, 2005 from $47,740 for the year ended December 31, 2004. The increase was primarily attributable to expense associated with grants of restricted stock and restricted stock units, modifications of existing stock-based awards, and profit sharing. Such increases were offset by expense for the accelerated vesting of stock options upon the satisfaction of performance targets in 2004 and certain 2004 vesting events for awards granted to consultants.

Equity granted to third parties and employees expense for the years ended December 31, 2005 and 2004 also included $5,852 and $4,285, respectively, of expense associated with the 15,173,070 shares of our common stock granted to the NFL upon signing a seven-year agreement with the NFL.

We will adopt SFAS No. 123R using the modified prospective method. This method requires that we recognize compensation expense for all share-based payments granted on or after January 1, 2006 and for all awards granted to employees prior to January 1, 2006 that remain unvested on January 1, 2006. The adoption of SFAS No. 123R is expected to have a material impact on our equity granted to third parties and employees expense. Future expense associated with equity granted to third parties and employees is contingent upon a number of factors, including the amount of stock-based awards granted, the price of our common stock, valuation assumptions, vesting provisions and the timing as to when certain performance criteria are met, and could materially change.

In January 2006, Howard Stern and his agent were granted an aggregate of 34,375,000 shares of our common stock as a result of certain performance targets that were satisfied in January 2006. The value of these shares was approximately $225,000 and will be recorded to equity granted to third parties and employees expense in the first quarter of 2006.

Other Income (Expense)

Interest and Investment Income. Interest and investment income increased $17,165 to $26,878 for the year ended December 31, 2005 from $9,713 for the year ended December 31, 2004. The increase was attributable to higher interest rates and the increase in our average cash, cash equivalents and marketable securities balance as a result of funds raised through offerings of debt securities.

Interest Expense. Interest expense increased $3,975 to $45,361 for the year ended December 31, 2005 from $41,386 for the year ended December 31, 2004. The increase was primarily due to interest expense resulting from the issuance of our 9⅝% Senior Notes due 2013 in August 2005 and a full year of interest impact from our 3¼% Convertible Notes due 2011 issued in October 2004 and our 2½% Convertible Notes due 2009 issued in the first quarter of 2004. This increase was offset by debt conversion costs recorded in 2004 of $19,592 as a result of the issuance of 56,409,853 shares of our common stock in exchange for $69,000 in aggregate principal amount of our 3½% Convertible Notes due 2008, including accrued interest, and a decrease in interest expense resulting from the redemption of our 15% Senior Secured Discount Notes due 2007 and our 14½% Senior Secured Notes due 2009 in the third quarter of 2005.

Loss from Redemption of Debt. For the year ended December 31, 2005, a loss from redemption of debt of $6,214 was recognized in connection with the redemption of our 15% Senior Secured Discount Notes due 2007 and our 14½% Senior Secured Notes due 2009, including a redemption premium of $5,502 and the write-off of unamortized debt issuance costs of $712.

Income (Expense) from Affiliate. For the year ended December 31, 2005, we recorded $6,938 for our share of SIRIUS Canada Inc.'s net loss.

Other Income. Other income for the year ended December 31, 2004 was primarily related to a legal settlement in our favor and a New York State franchise tax refund.

Income Taxes

Income Tax Expense. We recorded income tax expense of $2,311 and $4,201 for the years ended December 31, 2005 and 2004, respectively. This expense represents the recognition of a deferred tax liability related to the difference in accounting for our FCC license, which is amortized over 15 years for tax purposes but not amortized for book purposes in accordance with U.S. generally accepted accounting principles.

Year Ended December 31, 2004 Compared with Year Ended December 31, 2003

Total Revenue

Subscriber Revenue. Subscriber revenue increased $50,266 to $62,881 for the year ended December 31, 2004 from $12,615 for the year ended December 31, 2003. The increase was attributable to the growth of subscribers to our service. As of December 31, 2004, we had 1,143,258 subscribers compared with 261,061 subscribers at December 31, 2003, an increase of 882,197 subscribers.

The following table contains a breakdown of our subscriber revenue:

	For the Years Ended December 31,		
	2004	2003	Variance
Subscription fees	$65,201	$13,759	$51,442
Activation fees	2,102	534	1,568
Effects of mail-in rebates	(4,422)	(1,678)	(2,744)
Total subscriber revenue	$62,881	$12,615	$50,266

Advertising Revenue. Advertising revenue increased $790 to $906 for the year ended December 31, 2004 from $116 for the year ended December 31, 2003. The increase was a result of an increase in the number of spots sold.

ARPU. Set forth below is a table showing the calculation of ARPU:

	For the Years Ended December 31,	
	2004	2003
Average monthly subscriber revenue per subscriber before effects of Hertz subscribers and mail-in rebates	$10.91	$12.02
Effects of Hertz subscribers	(0.19)	(1.38)
Effects of mail-in rebates	(0.70)	(1.25)
Average monthly subscriber revenue per subscriber	10.02	9.39
Average monthly net advertising revenue per subscriber	0.14	0.09
ARPU	$10.16	$ 9.48

The increase in ARPU to $10.16 for the year ended December 31, 2004 from $9.48 for the year ended December 31, 2003 was primarily attributable to a lower effect from mail-in rebates, which resulted from an increase in our average subscriber base and the reduction of our rebate offer to $30 from $50 per eligible activation; an improvement in our Hertz program; and increased advertising revenue. These positive trends were offset in part by the effects of promotional activity, our $6.99 multi-receiver plan, and the popularity of our annual and longer subscription plans.

Equipment Revenue. Equipment revenue increased $2,837 to $2,898 for the year ended December 31, 2004 from $61 for the year ended December 31, 2003. The increase was attributable to the increased sales from our direct to consumer distribution channel.

Operating Expenses

Satellite and Transmission. Satellite and transmission expenses decreased $1,447 to $31,157 for the year ended December 31, 2004 from $32,604 for the year ended December 31, 2003. The decrease was primarily attributable to a reduction in satellite insurance costs. In addition, during 2003, we recorded a loss of $1,028 as a result of the write-off of site acquisition costs capitalized in prior periods for terrestrial repeaters that will not be placed in operation. Such decreases were offset by increased costs associated with additional technical lines used primarily to receive programming from third parties, maintenance of existing terrestrial repeaters, costs associated with the addition of new terrestrial repeaters and the purchase of our satellite uplink facility. As of December 31, 2004, we had 137 terrestrial repeaters in operation compared with 133 terrestrial repeaters as of December 31, 2003.

Programming and Content. Programming and content expenses increased $33,533 to $63,353 for the year ended December 31, 2004 from $29,820 for the year ended December 31, 2003. The increase was primarily attributable to personnel-related costs, consultant costs, license fees, advertising revenue share and on-air talent costs due to the expansion of our programming lineup. We also incurred additional broadcast royalties as a result of the increase in our subscriber base.

Customer Service and Billing. Customer service and billing expenses decreased $1,316 to $22,341 for the year ended December 31, 2004 from $23,657 for the year ended December 31, 2003. The decrease was primarily due to a $14,465 loss on the disposal of our prior subscriber management system in May 2003 as a result of the termination of our agreement with the provider. This decrease was offset by increased customer service representative costs and credit card fees necessary to support the growth of our subscriber base and increased operation and maintenance costs associated with our new billing system implemented in 2004. Customer service and billing expenses, excluding the loss on disposal of our prior subscriber management system, increased 143% compared with an increase in our end of period subscribers of 338% as of December 31, 2004 compared with December 31, 2003. Excluding the loss on disposal of our prior subscriber management system, customer service and billing expenses per average subscriber per month declined 48% to $3.56 for 2004 compared with $6.84 for 2003.

Cost of Equipment. Cost of equipment increased $3,352 to $3,467 for the year ended December 31, 2004 from $115 for the year ended December 31, 2003. The increase was attributable to the increased sales from our direct to consumer distribution channel.

Sales and Marketing. Sales and marketing expenses increased $33,330 to $154,495 for the year ended December 31, 2004 from $121,165 for the year ended December 31, 2003. The increase was a result of higher advertising, media and production costs primarily due to launch costs for our SIRIUS NFL Sunday Drive initiative, offset in part by a decline in media spending incurred in connection with the introduction of our Plug & Play radios for the year ended December 31, 2003 and a decline in sponsorship costs. Distribution costs also increased primarily as a result of the expansion of our retail distribution channel, including our national rollout in RadioShack stores. The remaining increase was primarily attributable to personnel-related costs to support our continued growth, including the costs of outsourced specialists for support at retail stores and automotive dealerships.

Subscriber Acquisition Costs. Subscriber acquisition costs increased $98,842 to $173,702 for the year ended December 31, 2004 from $74,860 for the year ended December 31, 2003, an increase of 132%. Over the same period, gross subscriber additions increased 286% from 255,798 for the year ended December 31, 2003 to 986,556 for the year ended December 31, 2004. The increase in subscriber acquisition costs was attributable to subsidies for higher shipments of SIRIUS radios and chip sets to accommodate the growth of our subscriber base and commissions resulting from the increase in gross subscriber additions.

Subscriber acquisition costs per gross subscriber addition were $177 and $293 for the years ended December 31, 2004 and 2003, respectively. The decline was primarily attributable to the

reduction in hardware and chip set subsidy rates and higher activation to sales ratios in 2004 than in 2003.

General and Administrative. General and administrative expenses increased $7,817 to $44,028 for the year ended December 31, 2004 from $36,211 for the year ended December 31, 2003. The increase was primarily a result of additional personnel-related costs; consulting fees, including costs incurred in order to comply with the Sarbanes-Oxley Act of 2002; and rent and occupancy costs to support the continued growth of our business. These increases were partially offset by a decrease in legal fees and settlement costs incurred in 2003 associated with the termination of our agreement with the prior provider of our subscriber management system.

Engineering, Design and Development. Engineering, design and development expenses increased $5,986 to $30,520 for the year ended December 31, 2004 from $24,534 for the year ended December 31, 2003. The increase was primarily attributable to additional personnel-related costs to support research and development efforts and costs associated with OEM tooling and manufacturing upgrades in preparation for SIRIUS factory installations, offset in part by reduced chip set development costs.

Equity Granted to Third Parties and Employees. Equity granted to third parties and employees expense for warrants increased $74,255 to $74,700 for the year ended December 31, 2004 from $445 for the year ended December 31, 2003. The increase was primarily attributable to expense associated with vesting events for warrants granted pursuant to various distribution and programming agreements and media assets provided to us under the NFL agreement. The remaining increase in expense associated with warrants for the year ended December 31, 2004 was accrued based on certain third parties' performance toward achieving milestones.

Equity granted to third parties and employees expense for stock options, restricted stock, restricted stock units and other stock-based awards increased $36,102 to $47,740 for the year ended December 31, 2004 from $11,638 for the year ended December 31, 2003. The increase was primarily attributable to expense associated with vesting events for awards granted to consultants; the issuance of stock-based awards to employees and members of our board of directors, which included a combination of stock options with exercise prices below fair market value at the date of grant and restricted stock units; and common stock granted to employee benefit plans. Of this expense, $5,706 resulted from the accelerated vesting of stock options upon the satisfaction of performance criteria in 2004. The remaining increase in expense associated with stock options, restricted stock, restricted stock units and other stock-based awards for the year ended December 31, 2004 was primarily accrued based on certain consultants' performance toward achieving milestones.

Equity granted to third parties and employees expense for the year ended December 31, 2004 also included $4,285 of expense associated with the 15,173,070 shares of our common stock granted to the NFL upon signing a seven-year agreement with the NFL.

Other Income (Expense)

Debt Restructuring. For the year ended December 31, 2003, we recorded a gain of $256,538 in connection with the restructuring of our long-term debt. This gain represents the difference between the carrying value of our 15% Senior Secured Discount Notes due 2007, 14½% Senior Secured Notes due 2009, Lehman and Loral term loans, including accrued interest, and the fair market value of the common stock issued in exchange therefor, adjusted for unamortized debt issuance costs and direct costs associated with the restructuring. This gain is net of a loss on our 8¾% Convertible Subordinated Notes due 2009 exchanged in the restructuring. The loss represents the difference between the fair market value of the common stock issued in the exchange and the fair market value of the common stock which would have been issued under the original conversion ratio, including accrued interest, adjusted for unamortized debt issuance costs and direct costs associated with the restructuring.

Interest and Investment Income. Interest and investment income increased $4,426 to $9,713 for the year ended December 31, 2004 from $5,287 for the year ended December 31, 2003. The increase was primarily attributable to the increase in our average cash and cash equivalents balance resulting from funds raised through offerings of our common stock and debt securities.

Interest Expense. Interest expense decreased $9,124 to $41,386 for the year ended December 31, 2004 from $50,510 for the year ended December 31, 2003. The decrease was a result of the reduction in our outstanding debt and the exchange of debt for our common stock in connection with our 2003 restructuring, offset by additional interest expense in 2004 associated with our 2½% Convertible Notes due 2009 and 3¼% Convertible Notes due 2011. Interest expense included debt conversion costs of $19,592 and $19,439 for the years ended December 31, 2004 and 2003, respectively. Debt conversion costs for 2004 were a result of the issuance of 56,409,853 shares of our common stock in exchange for $69,000 in aggregate principal amount of our 3½% Convertible Notes due 2008, including accrued interest. Debt conversion costs for 2003 were a result of the issuance of 54,805,993 shares of our common stock in exchange for $65,000 in aggregate principal amount of our 3½% Convertible Notes due 2008, including accrued interest.

Other Income. Other income for the year ended December 31, 2004 was primarily related to a legal settlement in our favor and a New York State franchise tax refund.

Income Taxes

Income Tax Expense. We recorded income tax expense of $4,201 for the year ended December 31, 2004. This expense represents the recognition of a deferred tax liability related to the difference in accounting for our FCC license, which is amortized over 15 years for tax purposes but not amortized for book purposes in accordance with U.S. generally accepted accounting principles.

Liquidity and Capital Resources

Cash Flows for the Year Ended December 31, 2005 Compared with Year Ended December 31, 2004

As of December 31, 2005, we had $762,007 in cash and cash equivalents compared with $753,891 as of December 31, 2004, an increase of $8,116. The increase was a result of net cash provided by financing activities of $453,931, offset by net cash used in operating and investing activities of $273,740 and $172,075, respectively.

Net Cash Used in Operating Activities. The following table contains a breakdown of our net loss adjusted for non-cash items and our changes in operating assets and liabilities:

	For the Years Ended December 31,		
	2005	**2004**	**Variance**
Net loss adjusted for non-cash items:			
Net loss	$(862,997)	$(712,162)	$(150,835)
Depreciation	98,555	95,370	3,185
Non-cash interest expense	3,169	21,912	(18,743)
Provision for doubtful accounts	4,311	1,648	2,663
Non-cash income (expense) from affiliate	3,192	—	3,192
Non-cash loss from redemption of debt	712	—	712
Loss on disposal of assets	1,028	70	958
Equity granted to third parties and employees	163,078	126,725	36,353
Deferred income taxes	2,311	4,201	(1,890)
Total net loss adjusted for non-cash items	(586,641)	(462,236)	(124,405)
Changes in operating assets and liabilities:			
Marketable securities	16	(292)	308
Accounts receivable	(28,440)	(7,684)	(20,756)
Inventory	(6,329)	(1,850)	(4,479)
Prepaid expenses and other current assets	(29,129)	(5,636)	(23,493)
Other long-term assets	6,476	(44,563)	51,039
Accounts payable and accrued expenses.	145,052	108,511	36,541
Accrued interest	17,813	4,689	13,124
Deferred revenue	210,947	78,541	132,406
Other long-term liabilities	(3,505)	(3,943)	438
Total changes in operating assets and liabilities	312,901	127,773	185,128
Net cash used in operating activities	$(273,740)	$(334,463)	$ 60,723

Net cash used in operating activities decreased $60,723 to $273,740 for the year ended December 31, 2005 from $334,463 for the year ended December 31, 2004. Such decrease was attributable to a $185,128 increase from changes in operating assets and liabilities, offset by an increase of $124,405 in the net loss adjusted for non-cash items, from $462,236 for the year ended December 31, 2004 to $586,641 for the year ended December 31, 2005.

The net inflow of cash from changes in operating assets and liabilities was primarily attributable to the $132,406 change in deferred revenue for subscribers electing annual and other prepaid subscription programs. We currently receive an average of approximately nine months of prepaid revenue per subscriber upon activation. The net inflow of cash was also attributable to the $51,039 change in other long-term assets primarily for payments made in 2004 for future services pursuant to certain programming agreements and the $36,541 change in accounts payable and accrued expenses to support the growth of our business. These net inflows of cash were offset in part by the ($20,756) change in accounts receivable and the ($23,493) change in prepaid expenses and other current assets as a result of the increase in subscribers and payments received from automakers for prepaid subscriptions included in the sale or lease price of a new vehicle, respectively.

The increase in the net loss adjusted for non-cash items was primarily a result of a 101%, or $175,939, increase in subscriber acquisition costs reflecting subsidies for higher shipments of SIRIUS radios and chip sets and increased commissions to support a 155% increase in gross subscriber additions, offset by reductions in average subsidy rates as we continued to reduce manufacturing and chip set costs. Increases in other operating expenses were also required to support the 190% increase in our subscriber base; the growth of our operations; and to acquire content, primarily associated with new programming agreements. Such increases were offset by a 256%, or $160,734, increase in subscriber revenue.

We expect to continue to have net outflows of cash for 2006 to fund the continued growth of our operations, offset by cash received from subscribers on prepaid subscription programs. However, our first quarter of positive free cash flow could be reached as early as the fourth quarter of 2006.

Net Cash Used in Investing Activities. Net cash used in investing activities increased $79,223 to $172,075 for the year ended December 31, 2005 from $92,852 for the year ended December 31, 2004. For the year ended December 31, 2005, we purchased $148,900 of auction rate securities with the proceeds from the offering of our 9⅝% Senior Notes due 2013, of which we sold $31,850. We also deposited $21,291 in escrow pursuant to certain partner agreements. Additional cash inflows of $5,085 were a result of the maturity of available-for-sale securities. These decreases in cash and cash equivalents were offset by the release of $10,997 of funds as a result of the termination of the Ford escrow in June 2005.

For the year ended December 31, 2004, we deposited $89,706 in escrow pursuant to certain partner agreements. These deposits were offset by cash inflows of $25,000 as a result of the maturity of available-for-sale securities.

Capital expenditures increased to $49,888 for the year ended December 31, 2005 from $28,589 for the year ended December 31, 2004. The increase in capital expenditures was primarily a result of payments made in the fourth quarter of 2005 for the construction of a satellite launch vehicle.

In 2006, we will incur significant capital expenditures to secure a satellite launch vehicle and improve our terrestrial repeater network and broadcast and administrative infrastructure. These capital expenditures will support the resiliency of our operations and the growth we are experiencing as well as support the delivery of new revenue streams in the future through our video, telematics and navigation offerings.

Net Cash Provided by Financing Activities. Net cash provided by financing activities decreased $206,296 to $453,931 for the year ended December 31, 2005 from $660,227 for the year ended December 31, 2004. We raised net proceeds of $493,005 in 2005 through the offering of $500,000 in aggregate principal amount of our 9⅝% Senior Notes due 2013. We raised net proceeds of $614,438 in 2004 through the offering of 25,000,000 shares of our common stock resulting in net proceeds of $96,025, $230,000 in aggregate principal amount of our 3¼% Convertible Notes due 2011 resulting in net proceeds of $224,813, and $300,000 in aggregate principal amount of our

2½% Convertible Notes due 2009 resulting in net proceeds of $293,600. We also received proceeds from the exercise of options of $18,543 and $26,051 for the years ended December 31, 2005 and 2004, respectively, and proceeds from the exercise of warrants of $19,850 for the year ended December 31, 2004.

Cash Flows for the Year Ended December 31, 2004 Compared with Year Ended December 31, 2003

As of December 31, 2004, we had $753,891 in cash and cash equivalents compared with $520,979 as of December 31, 2003, an increase of $232,912. The increase was a result of net cash provided by financing activities of $660,227, offset by net cash used in operating and investing activities of $334,463 and $92,852, respectively.

Net Cash Used in Operating Activities. The following table contains a breakdown of our net loss adjusted for non-cash items and our changes in operating assets and liabilities:

	For the Years Ended December 31,		
	2004	2003	Variance
Net loss adjusted for non-cash items:			
Net loss	$(712,162)	$(226,215)	$(485,947)
Depreciation	95,370	95,353	17
Non-cash interest expense	21,912	22,708	(796)
Provision for doubtful accounts	1,648	542	1,106
Loss on disposal of assets	70	15,493	(15,423)
Non-cash gain associated with debt restructuring	—	(261,275)	261,275
Costs associated with debt restructuring	—	4,737	(4,737)
Equity granted to third parties and employees	126,725	12,083	114,642
Deferred income taxes	4,201	—	4,201
Total net loss adjusted for non-cash items	(462,236)	(336,574)	(125,662)
Changes in operating assets and liabilities:			
Marketable securities	(292)	(1,184)	892
Accounts receivable	(7,684)	(1,860)	(5,824)
Inventory	(1,850)	(6,077)	4,227
Prepaid expenses and other current assets	(5,636)	5,518	(11,154)
Other long-term assets	(44,563)	(79)	(44,484)
Accounts payable and accrued expenses.	108,511	21,996	86,515
Accrued interest	4,689	12,821	(8,132)
Deferred revenue	78,541	16,709	61,832
Other long-term liabilities	(3,943)	4,243	(8,186)
Total changes in operating assets and liabilities	127,773	52,087	75,686
Net cash used in operating activities	$(334,463)	$(284,487)	$ (49,976)

Net cash used in operating activities increased $49,976 to $334,463 for the year ended December 31, 2004 from $284,487 for the year ended December 31, 2003. Such increase was attributable to a $125,662 increase in the net loss adjusted for non-cash items, from $336,574 for the year ended December 31, 2003 to $462,236 for the year ended December 31, 2004, offset by an increase of $75,686 from changes in operating assets and liabilities.

The increase in the net loss adjusted for non-cash items was primarily a result of the $132,172 increase in subscriber acquisition costs and sales and marketing expenses to support the 338% increase in our subscriber base and the expansion of our retail distribution channel.

The net inflow of cash from changes in operating assets and liabilities was primarily attributable to the $86,515 change in accounts payable and accrued expenses to support our operations and the $61,832 change in deferred revenue for subscribers electing annual and other prepaid subscription programs. Such net inflows of cash were offset in part by the ($44,484)

change in other long-term assets primarily for payments made for future services pursuant to certain programming agreements and the ($11,154) change in prepaid expenses and other current assets.

Net Cash (Used in) Provided by Investing Activities. Net cash used in investing activities was $92,852 for the year ended December 31, 2004 compared with net cash provided by investing activities of $105,056 for the year ended December 31, 2003. For the year ended December 31, 2004, we deposited $89,706 in escrow pursuant to certain partner agreements. These deposits were offset by cash inflows of $25,000 as a result of the maturity of available-for-sale securities, which were purchased in the year ended December 31, 2003. For the year ended December 31, 2003, we received $150,000 in connection with the maturity of certain available-for-sale securities. Capital expenditures increased to $28,589 for the year ended December 31, 2004 from $20,118 for the year ended December 31, 2003, primarily as a result of the implementation of our new subscriber management system.

Net Cash Provided by Financing Activities. Net cash provided by financing activities decreased $21,808 to $660,227 for the year ended December 31, 2004 from $682,035 for the year ended December 31, 2003. We raised net proceeds of $614,438 in 2004 through the offering of 25,000,000 shares of our common stock resulting in net proceeds of $96,025, $230,000 in aggregate principal amount of our 3¼% Convertible Notes due 2011 resulting in net proceeds of $224,813, and $300,000 in aggregate principal amount of our 2½% Convertible Notes due 2009 resulting in net proceeds of $293,600. During 2003, we sold 371,151,111 shares of common stock in various offerings resulting in net proceeds of $492,659. In addition, we issued $201,250 in aggregate principal amount of our 3½% Convertible Notes due 2008 resulting in net proceeds of $194,224, and incurred costs associated with our debt restructuring of $4,737. We also received proceeds from the exercise of options and warrants of $26,051 and $19,850, respectively, for the year ended December 31, 2004.

Financings and Capital Requirements

We have financed our operations through the sale of debt and equity securities. Debt and equity transactions in 2005 and 2004 included the following:

- in August 2005, we sold $500,000 in aggregate principal amount of our 9⅝% Senior Notes due 2013 resulting in net proceeds of $493,005.
- in October 2004, we sold 25,000,000 shares of our common stock and issued $230,000 in aggregate principal amount of our 3¼% Convertible Notes due 2011 resulting in aggregate net proceeds of $320,838.
- in the first quarter of 2004, we issued $300,000 in aggregate principal amount of our 2½% Convertible Notes due 2009 resulting in net proceeds of $293,600. We also issued 21,027,512 shares of our common stock for $19,850 in net proceeds in connection with the exercise of warrants held by affiliates of The Blackstone Group L.P.

Future Liquidity and Capital Resource Requirements

Based upon our current plans, we believe that our cash, cash equivalents and marketable securities will be sufficient to cover our estimated funding needs through cash flow breakeven, the point at which our revenues are sufficient to fund expected operating expenses, capital expenditures, working capital requirements, interest and principal payments and taxes. We expect to generate positive free cash flow for the full year 2007, and our first quarter of positive free cash flow could be reached as early as the fourth quarter of 2006. Our financial projections are based on assumptions, which we believe are reasonable but contain significant uncertainties.

Our business is in its early stages, and we regularly evaluate our plans and strategy. These evaluations often result in changes to our plans and strategy, some of which may be material and significantly change our cash requirements or cause us to achieve cash flow breakeven at a later date. These changes in our plans or strategy may include: the acquisition of unique or compelling programming; the introduction of new features or services; significant new or enhanced distribution

arrangements; investments in infrastructure, such as satellites, equipment or radio spectrum; and acquisitions of third parties that own programming, distribution, infrastructure, assets, or any combination of the foregoing.

To fund incremental cash requirements, or as market opportunities arise, we may choose to raise additional funds through the sale of additional debt securities, equity securities or a combination of debt and equity securities. The incurrence of indebtedness would result in increased fiscal obligations and could contain restrictive covenants. The sale of additional equity or convertible debt securities may result in dilution to our stockholders. These additional sources of funds may not be available or, if available, may not be available on terms favorable to us.

2003 Long-Term Stock Incentive Plan

In January 2003, our board of directors adopted the Sirius Satellite Radio 2003 Long-Term Stock Incentive Plan (the "2003 Plan"), and on March 4, 2003 our stockholders approved this plan. On May 25, 2004, our stockholders approved an amendment to the 2003 Plan to include members of our board of directors as eligible participants. Employees, consultants and members of our board of directors are eligible to receive awards under the 2003 Plan. The 2003 Plan provides for the grant of stock options, restricted stock, restricted stock units and other stock-based awards that the compensation committee of our board of directors may deem appropriate.

Vesting and other terms of stock-based awards are set forth in the agreements with the individuals receiving the awards. Stock-based awards granted under the 2003 Plan are generally subject to a vesting requirement that includes one or all of the following: (1) over time, generally three to five years from the date of grant; (2) on a specific date in future periods with acceleration to earlier periods if performance criteria are satisfied; or (3) as certain performance targets set at the time of grant are achieved. Stock-based awards generally expire in ten years from date of grant. Each restricted stock unit granted entitles the holder to receive one share of our common stock upon vesting.

Approximately 109,001,000 stock options and restricted stock units were outstanding as of December 31, 2005. As of December 31, 2005, approximately 91,980,000 shares of our common stock were available for grant under the 2003 Plan. During the year ended December 31, 2005, 14,460,738 stock options were exercised at exercise prices ranging from $0.67 to $5.32 per share, resulting in proceeds to us of $18,817. The exercise of the remaining outstanding, vested options could result in an inflow of cash in future periods.

Contractual Cash Commitments

We have entered into various contracts that have resulted in significant cash obligations in future periods. These cash obligations could vary in future periods if we change our business plan or strategy, which could include significant additions to our programming, infrastructure or distribution. The following table summarizes our expected cash contractual commitments as of December 31, 2005:

	2006	2007	2008	2009	2010	Thereafter	Total
Long-term debt obligations	$ —	$ —	$ 52,693	$301,744	$ —	$730,000	$1,084,437
Cash interest payments	67,943	65,096	64,174	59,502	55,600	148,962	461,277
Lease obligations	8,472	7,689	7,470	7,416	7,190	26,046	64,283
Satellite and transmission	35,912	3,460	3,460	3,460	6,467	13,215	65,974
Programming and content	137,665	106,392	104,385	127,702	130,151	20,500	626,795
Customer service and billing	5,314	3,138	—	—	—	—	8,452
Marketing and distribution	72,400	22,466	13,075	16,750	18,125	10,750	153,566
Chip set development and production	23,813	3,000	—	—	—	—	26,813
Other	6,220	319	125	—	—	—	6,664
Total contractual cash commitments	$357,739	$211,560	$245,382	$516,574	$217,533	$949,473	$2,498,261

Long-Term Debt Obligations. Long-term debt obligations include principal payments on our outstanding debt.

Cash Interest Payments. Cash interest payments include interest due on our outstanding debt through maturity.

Lease Obligations. We have entered into operating leases related to our national broadcast studio, office space, terrestrial repeaters and equipment.

Satellite and Transmission. We have entered into agreements with third parties to operate and maintain our off-site satellite telemetry, tracking and control facilities and certain components of our terrestrial repeater network. We have also entered into an agreement with a launch services provider to secure a satellite launch on a Proton rocket prior to the end of 2010.

Programming and Content. We have entered into agreements with licensors of programming and other content providers and, in certain instances, are obligated to pay license fees and guarantee minimum advertising revenue share. In addition, we have agreements with various rights organizations pursuant to which we pay royalties for public performances of music.

Customer Service and Billing. We have entered into agreements with third parties to provide customer service, billing and subscriber management services.

Marketing and Distribution. We have entered into various marketing, sponsorship and distribution agreements to promote our brand and are obligated to make payments to sponsors, retailers, automakers and radio manufacturers under these agreements. In addition, certain programming and content agreements require us to purchase advertising on properties owned or controlled by the licensors. We also reimburse automakers for certain engineering and development costs associated with the incorporation of SIRIUS radios into vehicles they manufacture.

Chip Set Development and Production. We have entered into agreements with third parties to develop, produce and supply chip sets, and in certain instances to license intellectual property related to such chip sets. Certain of these agreements require that we purchase a minimum quantity of chip sets.

Other. We have entered into an agreement with Canadian Broadcasting Corporation and Standard Broadcasting Corporation to fund SIRIUS Canada. We have also entered into various agreements with third parties for general operating purposes. Amounts associated with SIRIUS Canada and these various other agreements are included in the commitments table.

In addition to the contractual cash commitments described above, we have entered into agreements with automakers, radio manufacturers and others that include per-radio, per-subscriber and per-show payments and revenue share arrangements. These future costs are dependent upon many factors including our future subscriber growth and are difficult to anticipate; however, these costs may be substantial. We may enter into additional programming, distribution, marketing and other agreements that contain similar provisions.

Under the terms of a joint development agreement with XM Radio, the other holder of a FCC satellite radio license, each party is obligated to fund one half of the development cost for a unified standard for satellite radios. The costs related to the joint development agreement are being expensed as incurred to engineering, design and development expense. We are currently unable to determine the expenditures necessary to complete this process, but they may be significant.

We are required under the terms of certain agreements to provide letters of credit and deposit monies in escrow, which place restrictions on our cash and cash equivalents. As of December 31, 2005 and December 31, 2004, $107,615 and $97,321, respectively, were classified as restricted investments as a result of our reimbursement obligations under these letters of credit and escrow arrangements.

As of December 31, 2005, we have not entered into any off-balance sheet arrangements or transactions.

Recent Accounting Pronouncements

In May 2005, the Financial Accounting Standards Board ("FASB") issued SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB

Statement No. 3," which changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS No. 154 applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. SFAS No. 154 requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS No. 154 defines retrospective application as the application of a different accounting principle to prior accounting periods as if that principle had always been used or as the adjustment of previously issued financial statements to reflect a change in the reporting entity. SFAS No. 154 also redefines restatement as the revising of previously issued financial statements to reflect the correction of an error. SFAS No. 154 shall be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We will adopt SFAS No. 154 effective January 1, 2006. We do not believe the adoption of SFAS No. 154 will have a material impact on our consolidated results of operations or financial position.

In March 2005, the FASB issued FIN No. 47, "Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143," which clarifies that the term "conditional asset retirement obligation" as used in SFAS No. 143, "Accounting for Asset Retirement Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The fair value of a liability for the conditional asset retirement obligation should be recognized when incurred. Uncertainty about the timing and/or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. FIN No. 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN No. 47 is effective no later than the end of fiscal years ending after December 15, 2005. We adopted FIN No. 47 effective December 31, 2005. The adoption of FIN No. 47 did not have a material impact on our consolidated results of operations or financial position.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets—an amendment of APB Opinion No. 29." SFAS No. 153 amends APB No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Therefore, we are required to adopt SFAS No. 153 effective January 1, 2006. We do not believe the adoption of SFAS No. 153 will have a material impact on our consolidated results of operations or financial position.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment." SFAS No. 123R revises SFAS No. 123 and supersedes APB No. 25, "Accounting for Stock Issued to Employees." In April 2005, the SEC announced SFAS No. 123R would be effective no later than the first fiscal year beginning after June 15, 2005. We will adopt the provisions of SFAS No. 123R effective January 1, 2006.

SFAS No. 123R requires all share-based payments to employees to be recognized in the financial statements based on fair value. We currently account for share-based payments to employees using APB No. 25's intrinsic value method. We will be required to follow a fair value approach, such as the Black-Scholes or lattice option valuation models, at the date of a stock-based award grant. SFAS No. 123R permits one of two methods of adoption: (1) modified prospective method or (2) modified retrospective method. We will adopt SFAS No. 123R using the modified prospective method. This method requires that we recognize compensation expense for all

share-based payments granted on or after January 1, 2006 and for all awards granted to employees prior to January 1, 2006 that remain unvested on January 1, 2006. In March 2005, the SEC issued Staff Accounting Bulletin (“SAB”) No. 107. SAB No. 107 provides guidance related to the valuation of share-based payment arrangements for public companies, including guidance related to share-based payment transactions with non-employees, expected volatility, expected term and the accounting for income tax effects of share-based payment arrangements upon adoption of SFAS No. 123R.

The adoption of SFAS No. 123R is expected to have a material impact on our equity granted to third parties and employees expense included in our consolidated statements of operations in future periods. The actual impact will depend on levels and terms of future share-based payments granted, as well as other variables. Had we adopted SFAS No. 123R in prior periods, the impact of that standard would have approximated the impact of SFAS No. 123 as described in the disclosure of pro forma net loss and net loss per share applicable to common stockholders in Note 2 to our consolidated financial statements.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. We have performed an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our internal control over financial reporting. Our management used the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations to perform this evaluation. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our internal control over financial reporting was effective as of December 31, 2005.

Ernst & Young LLP, our independent registered public accounting firm, who audited the consolidated financial statements included in this report, has issued an attestation report on our management’s assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005, a copy of which is included in this report.

Market For Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the Nasdaq National Market under the symbol “SIRI.” The following table sets forth the high and low closing bid price for our common stock, as reported by Nasdaq, for the periods indicated below:

	High	Low
Year ended December 31, 2004		
First Quarter	$3.82	$2.63
Second Quarter	4.02	2.94
Third Quarter	3.20	2.05
Fourth Quarter	9.01	3.14
Year ended December 31, 2005		
First Quarter	$7.64	$5.15
Second Quarter	6.58	4.67
Third Quarter	7.39	6.39
Fourth Quarter	7.87	5.86

On April 12, 2006, the closing bid price of our common stock on the Nasdaq National Market was $5.20 per share. On April 12, 2006, there were approximately 900,000 beneficial holders of our common stock. We have never paid cash dividends on our common stock. We currently intend to retain earnings, if any, for use in our business and do not anticipate paying any cash dividends in the foreseeable future.

Quantitative and Qualitative Disclosure About Market Risks

As of December 31, 2005, we did not have any derivative financial instruments and we do not intend to use derivatives. We do not hold or issue any free-standing derivatives. We hold investments in marketable securities, which consist of United States government notes, certificates of deposit and auction rate securities. We classify our marketable securities as available-for-sale. These securities are consistent with the investment objectives contained within our investment policy. The basic objectives of our investment policy are the preservation of capital, maintaining sufficient liquidity to meet operating requirements and maximizing yield. Despite the underlying long-term maturity of auction rate securities, from the investor's perspective, such securities are priced and subsequently traded as short-term investments because of the interest rate reset feature. Interest rates are reset through an auction process at predetermined periods of 28 or 35 days. Failed auctions rarely occur. As of December 31, 2005, we held approximately $117,050 in auction rate securities.

Our long-term debt includes fixed interest rates and the fair market value of the debt is sensitive to changes in interest rates. Under our current policies, we do not use interest rate derivative instruments to manage our exposure to interest rate fluctuations.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Sirius Satellite Radio Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Sirius Satellite Radio Inc. and Subsidiaries (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedule listed in Schedule II. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2005 and 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2005 in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 7, 2006 expressed an unqualified opinion thereon.

Ernst & Young LLP

New York, NY
March 7, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Sirius Satellite Radio Inc. and Subsidiaries:

We have audited management's assessment, included in Management's Report on Internal Control over Financial Reporting, that Sirius Satellite Radio Inc. and Subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2005 of the Company and our report dated March 7, 2006 expressed an unqualified opinion thereon.

Ernst & Young LLP

New York, NY
March 7, 2006

SIRIUS SATELLITE RADIO INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	For the Years Ended December 31,		
	2005	2004	2003
Revenue:			
Subscriber revenue, including effects of mail-in rebates	$ 223,615	$ 62,881	$ 12,615
Advertising revenue, net of agency fees	6,131	906	116
Equipment revenue	12,271	2,898	61
Other revenue	228	169	80
Total revenue	242,245	66,854	12,872
Operating expenses:			
Cost of services (excludes depreciation shown separately below):			
Satellite and transmission	27,856	31,157	32,604
Programming and content	98,607	63,353	29,820
Customer service and billing	46,653	22,341	23,657
Cost of equipment	11,827	3,467	115
Sales and marketing	170,592	154,495	121,165
Subscriber acquisition costs	349,641	173,702	74,860
General and administrative	59,831	44,028	36,211
Engineering, design and development	44,745	30,520	24,534
Depreciation.	98,555	95,370	95,353
Equity granted to third parties and employees(1)	163,078	126,725	12,083
Total operating expenses	1,071,385	745,158	450,402
Loss from operations	(829,140)	(678,304)	(437,530)
Other income (expense):			
Debt restructuring	—	—	256,538
Interest and investment income	26,878	9,713	5,287
Interest expense	(45,361)	(41,386)	(50,510)
Loss from redemption of debt	(6,214)	—	—
Income (expense) from affiliate	(6,938)	—	—
Other income	89	2,016	—
Total other income (expense)	(31,546)	(29,657)	211,315
Loss before income taxes	(860,686)	(707,961)	(226,215)
Income tax expense	(2,311)	(4,201)	—
Net loss	(862,997)	(712,162)	(226,215)
Preferred stock dividends	—	—	(8,574)
Preferred stock deemed dividends	—	—	(79,634)
Net loss applicable to common stockholders	$ (862,997)	$ (712,162)	$(314,423)
Net loss per share applicable to common stockholders (basic and diluted)	$ (0.65)	$ (0.57)	$ (0.38)
Weighted average common shares outstanding (basic and diluted)	1,325,739	1,238,585	827,186

(1) Allocation of equity granted to third parties and employees to other operating expenses:

	2005	2004	2003
Satellite and transmission	$ 1,942	$ 2,041	$ 508
Programming and content	19,469	23,899	1,206
Customer service and billing	549	439	136
Sales and marketing	42,149	48,353	4,854
Subscriber acquisition costs	49,709	33,149	—
General and administrative	27,724	13,877	4,210
Engineering, design and development	21,536	4,967	1,169
Total equity granted to third parties and employees	$ 163,078	$ 126,725	$ 12,083

See Notes to Consolidated Financial Statements.

SIRIUS SATELLITE RADIO INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	As of December 31,	
	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 762,007	$ 753,891
Marketable securities	117,250	5,277
Accounts receivable, net of allowance for doubtful accounts of $1,550 and $532	31,688	7,559
Inventory	14,256	7,927
Prepaid expenses	18,248	12,956
Restricted investments	25,165	4,706
Other current assets	42,834	18,724
Total current assets	1,011,448	811,040
Property and equipment, net	828,357	881,280
FCC license	83,654	83,654
Restricted investments, net of current portion	82,450	92,615
Deferred financing fees	16,303	13,140
Other long-term assets	63,150	75,884
Total assets	$ 2,085,362	$ 1,957,613
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 331,953	$ 182,447
Accrued interest	23,546	5,758
Deferred revenue	251,468	81,309
Total current liabilities	606,967	269,514
Long-term debt	1,084,437	656,274
Deferred revenue, net of current portion	56,479	15,691
Other long-term liabilities	12,511	15,501
Total liabilities	1,760,394	956,980
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Common stock, $0.001 par value: 2,500,000,000 shares authorized, 1,346,226,851 and 1,276,922,634 shares issued and outstanding at December 31, 2005 and 2004, respectively	1,346	1,277
Additional paid-in capital	3,079,169	2,916,199
Deferred compensation	(26,694)	(50,963)
Accumulated other comprehensive loss	—	(24)
Accumulated deficit	(2,728,853)	(1,865,856)
Total stockholders' equity	324,968	1,000,633
Total liabilities and stockholders' equity	$ 2,085,362	$ 1,957,613

See Notes to Consolidated Financial Statements.

SIRIUS SATELLITE RADIO INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share and per share amounts)

	Common Stock		Additional Paid-In Capital	Deferred Compensation	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount					
Balances, December 31, 2002	77,454,197	$ 77	$ 963,335	$ —	$913	$ (927,479)	$ 36,846
Net loss	—	—	—	—	—	(226,215)	(226,215)
Change in unrealized loss on available-for-sale securities	—	—	—	—	(887)	—	(887)
Total comprehensive loss							$ (227,102)
Issuance of common stock to employees and employee benefit plans	810,814	1	537	—	—	—	538
Compensation in connection with the issuance of stock-based awards	—	—	980	—	—	—	980
Issuance of stock-based awards	—	—	58,110	(58,110)	—	—	—
Cancellation of stock-based awards	—	—	(135)	135	—	—	—
Amortization of deferred compensation	—	—	—	10,564	—	—	10,564
Sale of common stock, par value $0.001 per share, at $0.92 and $1.04 per share, net of expenses	211,730,379	212	192,641	—	—	—	192,853
Exchange of Lehman term loan, including accrued interest	120,988,793	121	85,781	—	—	—	85,902
Exchange of Loral term loan, including accrued interest	58,964,981	59	41,806	—	—	—	41,865
Exchange of 15% Senior Secured Discount Notes due 2007, including accrued interest	204,319,915	204	144,863	—	—	—	145,067
Exchange of 14½% Senior Secured Notes due 2009, including accrued interest	148,301,817	148	105,146	—	—	—	105,294
Exchange of 8¾% Convertible Subordinated Notes due 2009, including accrued interest	12,436,656	13	24,342	—	—	—	24,355
Exchange of 9.2% Series A and B Junior Cumulative Convertible Preferred Stock, including accrued dividends	39,927,796	40	304,807	—	—	—	304,847
Exchange of 9.2% Series D Junior Cumulative Convertible Preferred Stock, including accrued dividends	37,065,069	37	283,748	—	—	—	283,785
Issuance of warrants in connection with the exchange of 9.2% Series A, B and D Junior Cumulative Convertible Preferred Stock, at $0.92 and $1.04 per share	—	—	30,731	—	—	—	30,731
Sale of common stock, par value $0.001 per share, $1.80 per share, net of expenses	86,250,000	86	144,811	—	—	—	144,897
Sale of common stock, par value $0.001 per share, $2.10 per share, net of expenses	73,170,732	73	149,527	—	—	—	149,600
Exercise of warrants, $1.04 per share	11,531,805	12	(12)	—	—	—	—
Exchange of 3½% Convertible Notes due 2008, including accrued interest	54,805,993	55	82,325	—	—	—	82,380
Preferred stock dividends	—	—	(8,574)	—	—	—	(8,574)
Preferred stock deemed dividends	—	—	(79,634)	—	—	—	(79,634)
Balances, December 31, 2003	1,137,758,947	1,138	2,525,135	(47,411)	26	(1,153,694)	1,325,194
Net loss	—	—	—	—	—	(712,162)	(712,162)
Change in unrealized loss on available-for-sale securities	—	—	—	—	(50)	—	(50)
Total comprehensive loss							$ (712,212)

(table continued on next page)

SIRIUS SATELLITE RADIO INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY—(Continued)

(In thousands, except share and per share amounts)

(table continued from previous page)

	Common Stock		Additional Paid-In Capital	Deferred Compensation	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount					
Sale of common stock, par value $0.001 per share, $3.87 per share, net of expenses	25,000,000	25	96,000	—	—	—	96,025
Issuance of common stock to employees and employee benefit plans	3,942,133	4	1,624	—	—	—	1,628
Issuance of common stock to third parties	99,602	—	280	—	—	—	280
Compensation in connection with the issuance of stock-based awards.	—	—	87,029	—	—	—	87,029
Issuance of stock-based awards.	—	—	33,499	(33,499)	—	—	—
Cancellation of stock-based awards	—	—	(703)	703	—	—	—
Amortization of deferred compensation	—	—	—	29,244	—	—	29,244
Issuance of equity to the NFL	15,173,070	15	40,952	—	—	—	40,967
Exercise of options, $0.49 to $7.61 per share	17,447,086	18	26,042	—	—	—	26,060
Exchange of 3½% Convertible Notes due 2008, including accrued interest	56,409,853	56	86,512	—	—	—	86,568
Exercise of warrants, $0.92 and $1.04 per share	21,091,943	21	19,829	—	—	—	19,850
Balances, December 31, 2004	1,276,922,634	1,277	2,916,199	(50,963)	(24)	(1,865,856)	1,000,633
Net loss	—	—	—	—	—	(862,997)	(862,997)
Change in unrealized gain on available-for-sale securities	—	—	—	—	24	—	24
Total comprehensive loss							$ (862,973)
Issuance of common stock to employees and employee benefit plans	2,773,776	3	3,366	—	—	—	3,369
Issuance of common stock to third parties	38,580	—	480	—	—	—	480
Compensation in connection with the issuance of stock-based awards	—	—	109,112	—	—	—	109,112
Issuance of stock-based awards	—	—	18,300	(18,300)	—	—	—
Cancellation of stock-based awards	—	—	(1,333)	1,333	—	—	—
Amortization of deferred compensation	—	—	—	41,236	—	—	41,236
Exercise of options, $0.67 to $5.32 per share	14,460,738	14	18,803	—	—	—	18,817
Exchange of 3½% Convertible Notes due 2008, including accrued interest	10,548,545	11	14,283	—	—	—	14,294
Exercise of warrants, $0.92 to $2.392 per share	41,482,578	41	(41)	—	—	—	—
Balances, December 31, 2005	1,346,226,851	$1,346	$3,079,169	$(26,694)	$—	$(2,728,853)	$ 324,968

See Notes to Consolidated Financial Statements.

SIRIUS SATELLITE RADIO INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For the Years Ended December 31,		
	2005	2004	2003
Cash flows from operating activities:			
Net loss	$(862,997)	$(712,162)	$(226,215)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	98,555	95,370	95,353
Non-cash interest expense	3,169	21,912	22,708
Provision for doubtful accounts	4,311	1,648	542
Non-cash income (expense) from affiliate	3,192	—	—
Non-cash loss from redemption of debt	712	—	—
Loss on disposal of assets	1,028	70	15,493
Non-cash gain associated with debt restructuring	—	—	(261,275)
Costs associated with debt restructuring	—	—	4,737
Equity granted to third parties and employees	163,078	126,725	12,083
Deferred income taxes	2,311	4,201	—
Changes in operating assets and liabilities:			
Marketable securities	16	(292)	(1,184)
Accounts receivable	(28,440)	(7,684)	(1,860)
Inventory	(6,329)	(1,850)	(6,077)
Prepaid expenses and other current assets	(29,129)	(5,636)	5,518
Other long-term assets	6,476	(44,563)	(79)
Accounts payable and accrued expenses	145,052	108,511	21,996
Accrued interest	17,813	4,689	12,821
Deferred revenue	210,947	78,541	16,709
Other long-term liabilities	(3,505)	(3,943)	4,243
Net cash used in operating activities	(273,740)	(334,463)	(284,487)
Cash flows from investing activities:			
Additions to property and equipment	(49,888)	(28,589)	(20,118)
Sale of property and equipment	72	443	—
Purchases of restricted investments	(21,291)	(89,706)	—
Release of restricted investments	10,997	—	—
Purchases of available-for-sale securities	(148,900)	—	(24,826)
Sales of available-for-sale securities	31,850	—	—
Maturities of available-for-sale securities	5,085	25,000	150,000
Net cash (used in) provided by investing activities	(172,075)	(92,852)	105,056
Cash flows from financing activities:			
Proceeds from issuance of long-term debt, net	493,005	518,413	194,224
Proceeds from issuance of common stock, net	—	96,025	492,659
Redemption of debt	(57,609)	—	—
Costs associated with debt restructuring	—	—	(4,737)
Proceeds from exercise of stock options	18,543	26,051	—
Proceeds from exercise of warrants	—	19,850	—
Other	(8)	(112)	(111)
Net cash provided by financing activities	453,931	660,227	682,035
Net increase in cash and cash equivalents	8,116	232,912	502,604
Cash and cash equivalents at the beginning of period	753,891	520,979	18,375
Cash and cash equivalents at the end of period	$ 762,007	$ 753,891	$ 520,979

See Notes to Consolidated Financial Statements.

1. Business

We are a satellite radio provider in the United States. We currently broadcast 133 channels of programming to listeners across the country. We offer 69 channels of 100% commercial-free music and feature 64 channels of sports, news, talk, entertainment, traffic, weather and data content for a monthly subscription fee of $12.95.

We transmit our satellite broadcasts through our proprietary satellite radio system, which currently consists of three orbital satellites, 140 terrestrial repeaters that receive and retransmit our signal, a satellite uplink facility and our studios. Subscribers receive our service through SIRIUS radios, which are sold by automakers, consumer electronics retailers, mobile audio dealers and through our website. Subscribers can also receive our music channels and certain other channels over the Internet. Our music channels are also available to DISH satellite television subscribers and certain of our music channels are offered to Sprint subscribers over multi-media handsets. As of December 31, 2005, we had 3,316,560 subscribers.

In 2005, SIRIUS Canada Inc., a Canadian corporation owned by us, Canadian Broadcasting Corporation and Standard Broadcasting Corporation, received a license from the Canadian Radio-television and Telecommunications Commission to offer a satellite radio service in Canada. In December 2005, SIRIUS Canada launched service in Canada with 100 channels of commercial-free music and news, sports, talk and entertainment programming, including 10 channels of Canadian content. Subscribers to the SIRIUS Canada service are not included in our subscriber counts.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements of Sirius Satellite Radio Inc. and its subsidiaries have been prepared in accordance with U.S. generally accepted accounting principles. All intercompany transactions and accounts have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgment and available information. Actual results could differ from those estimates.

Significant estimates inherent in the preparation of the accompanying consolidated financial statements include allowances for doubtful accounts, depreciation, equity granted to third parties and employees, mail-in rebates, certain subscriber acquisition costs and asset retirement obligations and impairments.

Revenue Recognition

Revenue from subscribers consists of subscription fees, including revenues associated with prepaid subscriptions included in the sale or lease price of a new vehicle; revenue derived from our agreement with Hertz; non-refundable activation fees; and the effects of mail-in rebates.

We recognize subscription fees as our service is provided to a subscriber. We record deferred revenue for prepaid subscription fees and amortize these prepayments to revenue ratably over the term of the respective subscription plan.

At the time of sale, vehicle owners purchasing or leasing a vehicle with a subscription to our service typically receive between a six month and one year prepaid subscription. We receive payment from automakers for these subscriptions in advance of our service being activated. Such prepayments are recorded to deferred revenue and amortized ratably over the term upon activation. We also reimburse the automakers for certain costs associated with the SIRIUS radio

installed in the applicable vehicle at the time the vehicle is manufactured. The associated payments to the automakers are included in subscriber acquisition costs. Although we receive payments from the automakers, they do not resell our service; rather, automakers facilitate the sale of our service to our customers, acting similar to an agent. We believe this is the appropriate characterization of our relationship since we are responsible for providing service to our customers including being obligated to the customer if there was interruption of service.

Activation fees are recognized ratably over the estimated term of a subscriber relationship, currently estimated to be 3.5 years. The estimated term of a subscriber relationship is based on market research and management's judgment and, if necessary, will be refined in the future as historical data becomes available.

As required by Emerging Issues Task Force ("EITF") No. 01-09, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)," an estimate of mail-in rebates that are paid by us directly to subscribers is recorded as a reduction to subscriber revenue in the period the subscriber activates our service. We estimate the effects of mail-in rebates based on actual take-rates for rebate incentives offered in prior periods, adjusted as deemed necessary based on current take-rate data available at the time. In subsequent periods, estimates are adjusted when necessary.

We recognize revenues from the sale of advertising on our non-music channels as the advertising is broadcast. Agency fees are calculated based on a stated percentage applied to gross billing revenue for our advertising inventory and are reported as a reduction of advertising revenue. Advertising revenue includes advertising sold in exchange for goods or services (barter) recorded at fair value. Revenue from barter transactions is recognized when the advertising is broadcast and goods or services exchanged are received. Goods or services received are charged to expense when received and/or used. Barter transactions are not significant to our consolidated financial statements. We pay certain partners a percentage of advertising revenue. Advertising revenue is recorded gross of such revenue share payments in accordance with EITF No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent," as we are the primary obligor in the transaction. Advertising revenue share payments are recorded to programming and content expense during the period in which the advertising is broadcast.

Equipment revenue from the direct sale of SIRIUS radios and accessories is recognized upon shipment. Shipping and handling costs billed to customers are recorded as revenue. Shipping and handling costs associated with shipping goods to customers are recorded to cost of equipment.

Stock-Based Compensation

In accordance with Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," we use the intrinsic value method to measure the compensation costs of stock-based awards granted to employees and members of our board of directors. Accordingly, we record compensation expense for stock-based awards granted to employees and members of our board of directors over the vesting period equal to the excess of the market price of the underlying common stock at the date of grant over the exercise price of the stock-based award. The intrinsic value of restricted stock units as of the date of grant is amortized to expense over the vesting period. These charges are recorded as a component of equity granted to third parties and employees in our accompanying consolidated statements of operations. We have adopted the disclosure provisions of Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—An Amendment of FASB Statement No. 123." Effective January 1, 2006 we will adopt SFAS No. 123R, "Share-Based Payment." SFAS No. 123R requires all share-based payments to employees to be recognized in the financial statements based on fair value.

We account for modifications to stock-based awards in accordance with Financial Accounting Standards Board Interpretation ("FIN") No. 44, "Accounting for Certain Transactions Involving Stock Compensation." FIN No. 44 provides that when the modification of a stock-based award occurs, a new measurement date results because the modification may allow an employee to vest in an award that would have otherwise been forfeited pursuant to the original terms. A new measurement of potential compensation is measured as of the date of the modification. While measurement of the potential compensation is made as of that date, the recognition of the compensation expense depends on whether the employee ultimately retains the stock-based award that otherwise would have been forfeited under the award's original vesting terms. We have granted stock-based awards which vest on a specific date with acceleration to earlier time periods as performance targets for fiscal periods are met. The performance targets are established annually and may be modified by our board of directors. As these targets are established or modified, new measurement dates result. We recognize expense resulting from a new measurement date only if such employees voluntarily resign or are terminated for cause and exercise such stock-based awards during the period of the accelerated vest date through the original vest date. Under these conditions, employees are deemed to benefit from the accelerated vest date. Stock compensation expense associated with stock options for the year ended December 31, 2005 included a charge of $479 for an employee that was deemed to have benefited from the modification of a stock-based award resulting in a new measurement date. No additional expense will be recognized for employees deemed to benefit from accelerated vest dates as modifications to stock-based awards effective January 1, 2006 will be accounted for in accordance with SFAS No. 123R.

In accordance with FIN No. 44, we record compensation charges or benefits related to repriced stock options based on the market value of our common stock until the repriced stock options are exercised, forfeited or expire.

We account for stock-based awards granted to non-employees, other than non-employee members of our board of directors, at fair value in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation." The fair value of equity instruments granted to non-employees is measured in accordance with EITF No. 96-18, "Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services." The final measurement date of equity instruments with performance criteria is the date that each performance commitment for such equity instrument is satisfied. These charges are recorded as a component of equity granted to third parties and employees in our accompanying consolidated statements of operations.

The measure of fair value most often employed under SFAS No. 123 is the Black-Scholes option valuation model ("Black-Scholes"). Black-Scholes was developed to estimate the fair market value of traded options, which have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because our stock-based awards have characteristics significantly different from those of traded options and because changes in the subjective assumptions can materially affect the fair market value estimate, the existing option valuation models do not necessarily provide a reliable single measure of the fair value of our stock-based awards. Fair value determined using Black-Scholes varies based on assumptions used for the expected life, expected stock price volatility and risk-free interest rates. During 2005, we continued to refine the assumptions used in estimating fair value in response to changing market conditions and the issuance of additional accounting guidance, including SFAS No. 123R. Our assumptions may change in future periods.

Expense for stock-based awards issued to non-employees, other than non-employee members of our board of directors, was estimated using Black-Scholes with the following range of assumptions for each period:

	For the Years Ended December 31,		
	2005	2004	2003
Risk-free interest rate	2.83-4.58%	1.99-4.69%	2.84%
Expected life of stock-based awards—years	1.00-9.93	1.00-10.00	3.37-10.00
Expected stock price volatility	56-116%	56-116%	110-118%
Expected dividend yield	N/A	N/A	N/A

The following table illustrates the effect on net loss applicable to common stockholders and net loss per share applicable to common stockholders had stock-based compensation to employees been recorded based on the fair value method under SFAS No. 123:

	For the Years Ended December 31,		
	2005	2004	2003
Net loss applicable to common stockholders—as reported	$(862,997)	$(712,162)	$(314,423)
Stock-based compensation to employees—included in equity granted to third parties and employees	49,219	35,789	11,454
Stock-based compensation to employees—pro forma	(94,677)	(62,491)	(43,198)
Net loss applicable to common stockholders—pro forma	$(908,455)	$(738,864)	$(346,167)
Net loss per share applicable to common stockholders:			
Basic and diluted—as reported	$ (0.65)	$ (0.57)	$ (0.38)
Basic and diluted—pro forma	$ (0.69)	$ (0.60)	$ (0.42)

The pro forma stock-based compensation to employees was estimated using Black-Scholes with the following weighted average assumptions for each period:

	For the Years Ended December 31,		
	2005	2004	2003
Risk-free interest rate	4.18%	3.85%	2.88%
Expected life of options—years	5.07	6.23	5.88
Expected stock price volatility	89.47%	109.98%	117.99%
Expected dividend yield	N/A	N/A	N/A

Sports Programming Costs

We record the costs associated with our sports programming agreements in accordance with SFAS No. 63, "Financial Reporting by Broadcasters." Programming costs which are for a specified number of events are amortized on an event-by-event basis; programming costs which are for a specified season are amortized over the season on a straight-line basis. We allocate that portion of sports programming costs which are related to sponsorship and marketing activities to sales and marketing expenses on a straight-line basis over the term of the agreement.

Subscriber Acquisition Costs

Subscriber acquisition costs include hardware subsidies paid to radio manufacturers, distributors and automakers, including subsidies paid to automakers who include a SIRIUS radio and a prepaid subscription to our service in the sale or lease price of a new vehicle; subsidies paid to chip set manufacturers; and commissions paid to retailers and automakers as incentives to purchase, install and activate SIRIUS radios. The majority of subscriber acquisition costs are incurred in advance of acquiring a subscriber. Subscriber acquisition costs do not include advertising, loyalty payments to distributors and dealers of SIRIUS radios and revenue share payments to automakers and retailers of SIRIUS radios which are included in sales and marketing expense. Subscriber acquisition costs also do not include amounts capitalized in connection with our agreement with Hertz, as we retain ownership of certain SIRIUS radios used by Hertz.

Subsidies paid to radio manufacturers and automakers are expensed upon shipment or installation. Commissions paid to retailers and automakers are expensed either upon activation or sale of the SIRIUS radio. Chip sets that are shipped to radio manufacturers and held on consignment are recorded as inventory and expensed as subscriber acquisition costs when placed into production by radio manufacturers. Costs for chip sets not held on consignment are expensed as subscriber acquisition costs when the chip sets are shipped to radio manufacturers.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs for the years ended December 31, 2005, 2004 and 2003 were $31,865, $21,154 and $18,054, respectively, and are included in engineering, design and development expenses.

Advertising Costs

We record the costs associated with advertising in accordance with Statement of Position ("SOP") No. 93-7, "Reporting on Advertising Costs." Media is expensed when aired and advertising production costs are expensed as incurred. Market development funds are fixed and variable payments to reimburse retailers for the cost of advertising and other product awareness activities. Fixed market development funds are expensed over the periods specified in the applicable agreement; variable costs are expensed at the time a subscriber is activated.

Net (Loss) Income Per Share

We compute net (loss) income per share in accordance with SFAS No. 128, "Earnings Per Share." Basic net (loss) income per share is based on the weighted average common shares outstanding during each reporting period. Diluted net (loss) income per share adjusts the weighted average for the potential dilution that could occur if common stock equivalents (convertible debt, warrants, stock options and restricted stock units) were exercised or converted into common stock. Common stock equivalents of approximately 235,000,000, 190,000,000 and 122,000,000 were not considered in the calculation of diluted net loss per share for the years ended December 31, 2005, 2004 and 2003, respectively, as the effect would have been anti-dilutive.

Comprehensive (Loss) Income

We report comprehensive (loss) income in accordance with SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 established a standard for reporting and displaying other comprehensive (loss) income and its components within financial statements. Unrealized gains and losses on available-for-sale securities are the only component of our other comprehensive loss. Comprehensive loss for the years ended December 31, 2005, 2004 and 2003 was $862,973, $712,212 and $227,102, respectively.

Income Taxes

We account for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Deferred income taxes are recognized for the tax consequences related to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes at each year-end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance is established when necessary based on the weight of available evidence, if it is considered more likely than not that all or some portion of the deferred tax assets will not be realized. Income tax expense is the sum of current income tax plus the change in deferred tax assets and liabilities.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, money market funds and investments with an original maturity of three months or less when purchased. Cash and cash equivalents are stated at fair market value.

Marketable Securities

We account for marketable securities in accordance with the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Marketable securities consist of United States government notes, certificates of deposit and auction rate securities. The basic objectives of our investment policy are the preservation of capital, maintaining sufficient liquidity to meet operating requirements and maximizing yield. We classify our marketable securities as available-for-sale securities. Available-for-sale securities are carried at fair market value. Unrealized gains and losses are included in accumulated other comprehensive income (loss) as a separate component of stockholders' equity in the accompanying consolidated balance sheets. Realized gains and losses, dividends and interest income, including amortization of the premium and discount arising at purchase, are included in interest and investment income in the accompanying consolidated statements of operations. The specific-identification method is used to determine the cost of all securities and the basis by which amounts are reclassified from accumulated comprehensive income (loss) into earnings. While the underlying securities of auction rate securities have contractual maturities of more than 20 years, the interest rates on such securities reset at intervals of 28 or 35 days. Therefore, these auction rate securities are priced and subsequently trade as short-term investments because of such interest rate reset feature.

We received proceeds from sales and/or maturities of marketable securities of $5,085, $25,000 and $150,000 for the years ended December 31, 2005, 2004 and 2003, respectively. There were no unrealized holding gains or losses on marketable securities as of December 31, 2005.

Accounts Receivable

Accounts receivable are stated at amounts due from customers net of an allowance for doubtful accounts. We specifically reserve for customers with known disputes or collectibility issues. The remaining reserve recorded in the allowance for doubtful accounts is our best estimate of the amount of probable losses in our existing accounts receivable based on our actual write-off experience.

Inventory

Inventory is stated at the lower of cost or market value and consists of chip sets on consignment and finished goods. Cost is determined using the first-in, first-out method.

Restricted Investments

Restricted investments consist of United States government notes, certificates of deposit and money market funds. As of December 31, 2005 and 2004, long-term restricted investments were $82,450 and $92,615, respectively, and short-term restricted investments were $25,165 and $4,706, respectively.

As of December 31, 2005 and 2004, long-term restricted investments included certificates of deposit and money market funds deposited in escrow for certain partners pursuant to programming agreements and certificates of deposit deposited in escrow to secure our reimbursement obligations under letters of credit issued for the benefit of the lessor of our headquarters.

As of December 31, 2005, short-term restricted investments included certificates of deposit deposited in escrow for a certain partner pursuant to a programming agreement. As of December 31, 2004, short-term restricted investments included monies deposited in escrow to

secure our obligation to reimburse Ford for certain costs incurred in connection with the introduction of SIRIUS radios as a factory option. This escrow for Ford was terminated in June 2005.

Equity Method Investments

We have a 49.9% economic interest in SIRIUS Canada. Our investment in SIRIUS Canada is recorded using the equity method since we have significant influence, but less than a controlling voting interest in the entity. Under this method, our investment in SIRIUS Canada, originally recorded at cost, is adjusted to recognize our share of net earnings or losses as they occur rather than as dividends or other distributions are received, limited to the extent of our investment in, advances to and commitments to fund SIRIUS Canada. Our share of net earnings or losses of SIRIUS Canada is recorded in income (expense) from affiliate in our accompanying consolidated statements of operations.

Property and Equipment

Property and equipment is stated at cost and depreciated on a straight-line basis over the estimated useful lives of the related assets, which range from 2 to 30 years. Our satellite system is depreciated on a straight-line basis over the respective remaining useful lives of our satellites from the date we launched our service in February 2002 or, in the case of our spare satellite, from the date it was delivered to ground storage in April 2002. Leasehold improvements and equipment under capital leases is depreciated using the straight-line method over the lesser of the lease term or the estimated useful life.

Major additions and improvements are capitalized, while replacements, repairs and maintenance that do not improve or extend the life of the assets are charged to expense. In the period assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss on disposal is included in our results of operations.

The costs of acquiring, developing and testing software are capitalized under SOP No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." We capitalize costs associated with software developed or obtained for internal use when the following occur: (1) the preliminary project stage is completed and (2) management has authorized funding a computer software project and it is probable that the project will be completed and the software will be used to perform the function intended. Capitalized costs include external direct costs of materials and services consumed in developing or obtaining internal-use software. Capitalization of such costs ceases no later than the point at which the project is substantially complete and ready for its intended use. Costs associated with the development of software for internal use have been capitalized in the amounts of $4,146 and $15,372 for the years ended December 31, 2005 and 2004, respectively. The total net book value of capitalized software costs was $14,943 and $14,248 for the years ended December 31, 2005 and 2004, respectively.

The estimated useful lives of our property and equipment are as follows:

Customer care, billing and conditional access	3-7 years
Furniture, fixtures, equipment and other	2-7 years
Broadcast studio equipment	3-8 years
Satellite telemetry, tracking and control facilities	3 or 15 years
Terrestrial repeater network	5 or 15 years
Leasehold improvements	2-15 years
Satellite system	15 years
Building	30 years

Our satellites have experienced circuit failures on their solar arrays. The circuit failures our satellites have experienced to date do not limit the power of our broadcast signal or affect our

current operations. We continue to monitor these failures, which we believe have not affected the expected useful lives of our satellites. If events or changes in circumstances indicate that the useful lives of our satellites have changed, we will modify the depreciable life accordingly.

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset is not recoverable. If an impairment in value of a long-lived asset is identified, except for our FCC license discussed below, the impairment will be measured in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," as the amount by which the carrying amount of a long-lived asset exceeds its fair value. To determine fair value we would employ an expected present value technique, which utilizes multiple cash flow scenarios that reflect the range of possible outcomes and an appropriate discount rate.

FCC License

In October 1997 the FCC granted us a license to operate a commercial satellite radio service in the United States. While the FCC license has a renewable eight-year term, we expect to renew our license as there are no legal, regulatory, contractual, competitive, economic or other factors that limit its useful life. As a result, we treat the FCC license as an indefinite-lived intangible asset under the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets." We re-evaluate the useful life determination for our FCC license each reporting period to determine whether events and circumstances continue to support an indefinite useful life. To date, we have not recorded any amortization expense related to our FCC license.

We test our FCC license for impairment at least annually unless indicators of impairment exist. We use a direct approach in performing our annual impairment test for this asset which requires estimates of future cash flows and other factors. If these estimates or projections change in the future, we may be required to record an impairment charge related to this asset. We began using the direct approach in 2005. Prior to 2005, we used the residual method in estimating the fair value of our FCC license. Use of the direct approach is in accordance with a September 29, 2004 Staff Announcement from the staff of the Securities and Exchange Commission, "Use of the Residual Method to Value Acquired Assets Other Than Goodwill." Under either the direct method or the residual method, if the fair value of our license was less than the aggregated carrying amount of the license, an impairment would have been recognized

Deferred Financing Fees

Costs associated with the issuance of debt are deferred and amortized to interest expense over the term of the respective debt.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts and other receivables, and accounts payable approximate fair value due to the short-term nature of these instruments.

We determined the estimated fair values of our debt using available market information and commonly accepted valuation methods. Considerable judgment is necessary to develop estimates of fair value, and the estimates presented are not necessarily indicative of the amounts that could be realized upon disposition. The use of alternative valuation methods and/or estimates may have resulted in materially different estimates from those presented.

Quoted market prices were used to estimate the fair market values of our debt as of December 31, 2005 and 2004. The following table summarizes the book and fair values of our debt:

	As of December 31,			
	2005		2004	
	Book Value	Fair Value	Book Value	Fair Value
9⅝% Senior Notes due 2013	$500,000	$492,500	$ —	$ —
3¼% Convertible Notes due 2011	230,000	338,443	230,000	393,300
2½% Convertible Notes due 2009	300,000	484,875	300,000	565,125
3½% Convertible Notes due 2008	52,693	255,693	67,250	375,423
8¾% Convertible Subordinated Notes due 2009	1,744	907	1,744	907
14½% Senior Secured Notes due 2009	—	—	28,080	30,081
15% Senior Secured Discount Notes due 2007	—	—	29,200	31,536

Asset Retirement Obligation

In accordance with SFAS No. 143, "Accounting for Asset Retirement Obligations," we recorded costs equal to the present value of the future obligation associated with the retirement of our terrestrial repeater network. These costs, which are included in other long-term liabilities, include an amount that we estimate will be sufficient to satisfy our obligations under leases to remove our terrestrial repeater equipment and restore the sites to their original condition. The following table reconciles the beginning and ending aggregate carrying amount of this asset retirement obligation:

	Asset Retirement Obligation
Balance, December 31, 2004	$361
Present value of asset retirement obligation	11
Accretion expense	83
Balance, December 31, 2005	$455

Reclassifications

Certain amounts in the prior period consolidated financial statements have been reclassified to conform to the current period presentation.

Recent Accounting Pronouncements

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3," which changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS No. 154 applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. SFAS No. 154 requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS No. 154 defines retrospective application as the application of a different accounting principle to prior accounting periods as if that principle had always been used or as the adjustment of previously issued financial statements to reflect a change in the reporting entity. SFAS No. 154 also redefines restatement as the revising of previously issued financial statements to reflect the correction of an error. SFAS No. 154 shall be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We will adopt SFAS No. 154 effective January 1, 2006. We do not believe the

adoption of SFAS No. 154 will have a material impact on our consolidated results of operations or financial position.

In March 2005, the FASB issued FIN No. 47, "Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143," which clarifies that the term "conditional asset retirement obligation" as used in SFAS No. 143, "Accounting for Asset Retirement Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The fair value of a liability for the conditional asset retirement obligation should be recognized when incurred. Uncertainty about the timing and/or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. FIN No. 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN No. 47 is effective no later than the end of fiscal years ending after December 15, 2005. We adopted FIN No. 47 effective December 31, 2005. The adoption of FIN No. 47 did not have a material impact on our consolidated results of operations or financial position.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets—an amendment of APB Opinion No. 29." SFAS No. 153 amends APB No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Therefore, we are required to adopt SFAS No. 153 effective January 1, 2006. We do not believe the adoption of SFAS No. 153 will have a material impact on our consolidated results of operations or financial position.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment." SFAS No. 123R revises SFAS No. 123 and supersedes APB No. 25, "Accounting for Stock Issued to Employees." In April 2005, the SEC announced SFAS No. 123R would be effective no later than the first fiscal year beginning after June 15, 2005. We will adopt the provisions of SFAS No. 123R effective January 1, 2006.

SFAS No. 123R requires all share-based payments to employees to be recognized in the financial statements based on fair value. We currently account for share-based payments to employees using APB No. 25's intrinsic value method. We will be required to follow a fair value approach, such as the Black-Scholes or lattice option valuation models, at the date of a stock-based award grant. SFAS No. 123R permits one of two methods of adoption: (1) modified prospective method or (2) modified retrospective method. We will adopt SFAS No. 123R using the modified prospective method. This method requires that we recognize compensation expense for all share-based payments granted on or after January 1, 2006 and for all awards granted to employees prior to January 1, 2006 that remain unvested on January 1, 2006. In March 2005, the SEC issued Staff Accounting Bulletin ("SAB") No. 107. SAB No. 107 provides guidance related to the valuation of share-based payment arrangements for public companies, including guidance related to share-based payment transactions with non-employees, expected volatility, expected term and the accounting for income tax effects of share-based payment arrangements upon adoption of SFAS No. 123R.

The adoption of SFAS No. 123R is expected to have a material impact on our equity granted to third parties and employees expense included in our consolidated statements of operations in future periods. The actual impact will depend on levels and terms of future share-based payments granted, as well as other variables. Had we adopted SFAS No. 123R in prior periods, the impact of that standard would have approximated the impact of SFAS No. 123 as described above in the disclosure of pro forma net loss and net loss per share applicable to common stockholders.

3. Subscriber Revenue

Subscriber revenue consists of subscription fees, non-refundable activation fees and the effects of mail-in rebates. Revenues received from automakers for prepaid subscriptions included in the sale or lease price of a new vehicle are also included in subscriber revenue over the service period upon activation.

Subscriber revenue consists of the following:

	For the Years Ended December 31,		
	2005	2004	2003
Subscription fees	$233,635	$65,201	$13,759
Activation fees	6,790	2,102	534
Effects of mail-in rebates	(16,810)	(4,422)	(1,678)
Total subscriber revenue	$223,615	$62,881	$12,615

4. Interest Costs

The following is a summary of our interest costs:

	For the Years Ended December 31,		
	2005	2004	2003
Interest costs charged to expense	$45,361	$21,794	$31,071
Debt conversion costs charged to expense	—	19,592	19,439
Total interest expense	$45,361	$41,386	$50,510

Debt conversion costs for the year ended December 31, 2004 were a result of the exchange of $69,000 in aggregate principal amount of our 3½% Convertible Notes due 2008 for shares of our common stock. Debt conversion costs for the year ended December 31, 2003 were a result of the exchange of $65,000 in aggregate principal amount of our 3½% Convertible Notes due 2008 for shares of our common stock.

5. Supplemental Cash Flow Disclosures

The following represents supplemental cash flow information:

	For the Years Ended December 31,		
	2005	2004	2003
Cash paid for interest	$24,387	$14,920	$ 14,998
Supplemental non-cash operating activities:			
Common stock issued in satisfaction of accrued compensation	2,557	913	—
Supplemental non-cash investing and financing activities:			
Common stock issued to the NFL	—	40,967	—
Common stock issued in exchange for 3½% Convertible Notes due 2008, including accrued interest	14,294	86,568	82,380
Common stock issued in exchange for 15% Senior Secured Discount Notes due 2007, including accrued interest	—	—	145,067
Common stock issued in exchange for 14½% Senior Secured Notes due 2009, including accrued interest	—	—	105,294
Common stock issued in exchange for Lehman term loan, including accrued interest	—	—	85,902
Common stock issued in exchange for Loral term loan, including accrued interest	—	—	41,865
Common stock issued in exchange for 8¾% Convertible Subordinated Notes due 2009, including accrued interest	—	—	24,355
Common stock issued in exchange for 9.2% Series A and B Junior Cumulative Convertible Preferred Stock, including accrued dividends	—	—	304,847
Common stock issued in exchange for 9.2% Series D Junior Cumulative Convertible Preferred Stock, including accrued dividends	—	—	283,785
Warrants issued in exchange for 9.2% Series A, B and D Junior Cumulative Convertible Preferred Stock, including accrued dividends	—	—	30,731

6. Property and Equipment

Property and equipment consists of the following:

	As of December 31,	
	2005	2004
Satellite system	$ 948,573	$ 945,548
Terrestrial repeater network	73,076	71,988
Leasehold improvements	28,476	27,715
Broadcast studio equipment	32,437	28,926
Customer care, billing and conditional access	29,534	23,298
Satellite telemetry, tracking and control facilities	17,416	16,732
Furniture, fixtures, equipment and other	46,336	41,362
Land	311	311
Building	1,936	1,763
Construction in progress	27,907	4,698
Total property and equipment	1,206,002	1,162,341
Accumulated depreciation	(377,645)	(281,061)
Property and equipment, net	$ 828,357	$ 881,280

Construction in progress consists of the following:

	As of December 31,	
	2005	2004
Satellite system	$21,000	$1,033
Terrestrial repeater network	2,619	1,984
Leasehold improvements	1,472	554
Other	2,816	1,127
Construction in progress	$27,907	$4,698

Satellites

Our satellites were successfully launched in June 2000, September 2000 and November 2000. Our spare satellite was delivered to ground storage in April 2002. Our three-satellite constellation and terrestrial repeater network were placed into service in February 2002.

In October 2005, we entered into an agreement with a launch services provider to secure a satellite launch on a Proton rocket prior to the end of 2010. The launch services contract may be used to launch our spare satellite or a new satellite we may decide to purchase in the future. As of December 31, 2005, we recorded $21,000 to property and equipment in our accompanying consolidated balance sheet in connection with this agreement.

Subscriber Management System

In April 2003, we terminated our agreement with the prior provider of our subscriber management system. As a result of this termination, we recorded a non-cash charge of $14,465 related to the write-off of the net book value of our subscriber management system and $6,846 of legal fees and settlement costs. Such costs are included in customer service and billing expenses and general and administrative expenses, respectively, in the accompanying consolidated statement of operations for the year ended December 31, 2003.

7. Accounts Payable and Accrued Expenses

Our accounts payable and accrued expenses consists of the following:

	As of December 31,	
	2005	2004
Accounts payable	$ 6,829	$ 5,525
Accrued programming	41,436	12,263
Accrued advertising	14,941	9,355
Accrued compensation and other payroll related costs	26,370	19,865
Accrued capital expenditures	4,542	6,168
Accrued subsidies and distribution	151,311	83,776
Accrued web streaming and broadcast royalties	19,190	14,183
Other accrued expenses	67,334	31,312
Total accounts payable and accrued expenses	$331,953	$182,447

8. Long-Term Debt and Accrued Interest

Our long-term debt consists of the following:

	Conversion Price (per share)	As of December 31, 2005	As of December 31, 2004
9⅝% Senior Notes due 2013	N/A	$ 500,000	$ —
3¼% Convertible Notes due 2011	$ 5.30	230,000	230,000
2½% Convertible Notes due 2009	4.41	300,000	300,000
3½% Convertible Notes due 2008	1.38	52,693	67,250
8¾% Convertible Subordinated Notes due 2009	28.4625	1,744	1,744
14½% Senior Secured Notes due 2009	N/A	—	28,080
15% Senior Secured Discount Notes due 2007	N/A	—	29,200
Total long-term debt		$1,084,437	$656,274

Accrued interest associated with our long-term debt is as follows:

	As of December 31, 2005	As of December 31, 2004
9⅝% Senior Notes due 2013	$18,888	$ —
3¼% Convertible Notes due 2011	1,557	1,708
2½% Convertible Notes due 2009.	2,902	2,902
3½% Convertible Notes due 2008.	161	196
8¾% Convertible Subordinated Notes due 2009	38	38
14½% Senior Secured Notes due 2009	—	549
15% Senior Secured Discount Notes due 2007	—	365
Total accrued interest	$23,546	$ 5,758

The maturities of our long-term debt are as follows:

	As of December 31, 2005
2006	$ —
2007	—
2008	52,693
2009	301,744
2010	—
Thereafter	730,000
Total debt	$1,084,437

9⅝% Senior Notes due 2013

In August 2005, we issued $500,000 in aggregate principal amount of our 9⅝% Senior Notes due 2013 resulting in net proceeds of $493,005. Our 9⅝% Senior Notes due 2013 mature on August 1, 2013 and interest is payable semi-annually on February 1 and August 1 of each year. The obligations under our 9⅝% Senior Notes due 2013 are not secured by any of our assets.

In September 2005, we used proceeds from the issuance of our 9⅝% Senior Notes due 2013 to redeem our outstanding 15% Senior Secured Discount Notes due 2007 and our 14½% Senior Secured Notes due 2009, including accrued interest. We recognized a loss from redemption of debt of $6,214 in connection with this redemption, including a redemption premium of $5,502 and the write-off of unamortized debt issuance costs of $712. The obligations under our 15% Senior

Secured Discount Notes due 2007 and 14½% Senior Secured Notes due 2009 were secured by liens on certain of our assets which were released in connection with the redemption of the notes.

3¼% Convertible Notes due 2011

In October 2004, we issued $230,000 in aggregate principal amount of our 3¼% Convertible Notes due 2011 resulting in net proceeds of $224,813. These notes are convertible, at the option of the holder, into shares of our common stock at any time at a conversion rate of 188.6792 shares of common stock for each $1,000.00 principal amount, or $5.30 per share of common stock, subject to certain adjustments. Our 3¼% Convertible Notes due 2011 mature on October 15, 2011 and interest is payable semi-annually on April 15 and October 15 of each year. The obligations under our 3¼% Convertible Notes due 2011 are not secured by any of our assets.

2½% Convertible Notes due 2009

In February 2004, we issued $250,000 in aggregate principal amount of our 2½% Convertible Notes due 2009 resulting in net proceeds of $244,625. In March 2004, we issued an additional $50,000 in aggregate principal amount of our 2½% Convertible Notes due 2009 pursuant to an option granted in connection with the initial offering of the notes, resulting in net proceeds of $48,975. These notes are convertible, at the option of the holder, into shares of our common stock at any time at a conversion rate of 226.7574 shares of common stock for each $1,000.00 principal amount, or $4.41 per share of common stock, subject to certain adjustments. Our 2½% Convertible Notes due 2009 mature on February 15, 2009 and interest is payable semi-annually on February 15 and August 15 of each year. The obligations under our 2½% Convertible Notes due 2009 are not secured by any of our assets.

3½% Convertible Notes due 2008

In May 2003, we issued $201,250 in aggregate principal amount of our 3½% Convertible Notes due 2008 resulting in net proceeds of $194,224. These notes are convertible, at the option of the holder, into shares of our common stock at any time at a conversion rate of 724.6377 shares of common stock for each $1,000.00 principal amount, or $1.38 per share of common stock, subject to certain adjustments. Our 3½% Convertible Notes due 2008 mature on June 1, 2008 and interest is payable semi-annually on June 1 and December 1 of each year. The obligations under our 3½% Convertible Notes due 2008 are not secured by any of our assets.

During the year ended December 31, 2005, we issued 10,548,545 shares of our common stock in exchange for $14,557 in aggregate principal amount of our 3½% Convertible Notes due 2008, including accrued interest. In January 2004, we issued 56,409,853 shares of our common stock in exchange for $69,000 in aggregate principal amount of our 3½% Convertible Notes due 2008, including accrued interest. In December 2003, we issued 54,805,993 shares of our common stock in exchange for $65,000 in aggregate principal amount of our 3½% Convertible Notes due 2008, including accrued interest. We incurred debt conversion costs of $19,592 and $19,439 for the years ended December 31, 2004 and 2003, respectively. There were no debt conversion costs recorded for the year ended December 31, 2005.

8¾% Convertible Subordinated Notes due 2009

In 1999, we issued our 8¾% Convertible Subordinated Notes due 2009. The remaining balance of our 8¾% Convertible Subordinated Notes due 2009 mature on September 29, 2009 and interest is payable semi-annually on March 29 and September 29 of each year. These notes are convertible, at the option of the holder, into shares of our common stock at any time at a conversion rate of 35.134 shares of common stock for each $1,000.00 principal amount, or $28.4625 per share of common stock, subject to certain adjustments. The obligations under our 8¾% Convertible Subordinated Notes due 2009 are not secured by any of our assets.

Debt Restructuring

In March 2003, we issued 545,012,162 shares of our common stock in exchange for approximately 91% of our then outstanding debt. We recorded a gain of $256,538 in connection with the restructuring. This gain represents the difference between the carrying value of our 15% Senior Secured Discount Notes due 2007, 14½% Senior Secured Notes due 2009, Lehman and Loral term loans, including accrued interest, and the fair market value of the common stock issued in exchange therefor, adjusted for unamortized debt issuance costs and direct costs associated with the restructuring. This gain is net of a loss on our 8¾% Convertible Subordinated Notes due 2009 exchanged in the restructuring. This loss represents the difference between the fair market value of the common stock issued in the exchange and the fair market value of the common stock which would have been issued under the original conversion ratio, including accrued interest, adjusted for unamortized debt issuance costs and direct costs associated with the restructuring.

9. Stockholders' Equity

Common Stock, Par Value $0.001 Per Share

We are authorized to issue 2,500,000,000 shares of our common stock as of December 31, 2005. As of December 31, 2005, approximately 519,823,000 shares of our common stock were reserved for issuance in connection with outstanding convertible debt, warrants, incentive stock plans and common stock to be granted to third parties upon satisfaction of performance targets.

During the year ended December 31, 2005, 14,460,738 stock options were exercised at exercise prices ranging from $0.67 to $5.32 per share, resulting in proceeds to us of $18,817. Of this amount, $18,534 was collected as of December 31, 2005. During the year ended December 31, 2004, 17,447,086 stock options were exercised at exercise prices ranging from $0.49 to $7.61 per share, resulting in proceeds to us of $26,060. Of this amount, $26,051 was collected as of December 31, 2004 and $9 was collected in 2005.

In October 2004, we sold 25,000,000 shares of our common stock resulting in net proceeds of $96,025.

In January 2004, we signed a seven-year agreement with the NFL. We delivered to the NFL 15,173,070 shares of our common stock valued at $40,967 upon execution of this agreement. These shares of common stock are subject to certain transfer restrictions which lapse over time. We recognized $5,852 and $4,285 of expense associated with these shares during the years ended December 31, 2005 and 2004, respectively. Of the remaining $30,830 in common stock value, $5,852 and $24,978 are included in other current assets and other long-term assets, respectively, on our accompanying consolidated balance sheet as of December 31, 2005.

In November 2003, we sold 73,170,732 shares of our common stock resulting in net proceeds of $149,600.

In June 2003, we sold 86,250,000 shares of our common stock resulting in net proceeds of $144,897.

In March 2003, we sold 24,060,271 shares of our common stock to affiliates of Apollo Management, L.P. ("Apollo") for an aggregate of $25,000; 24,060,271 shares of our common stock to affiliates of The Blackstone Group L.P. ("Blackstone") for an aggregate of $25,000; and 163,609,837 shares of our common stock to affiliates of OppenheimerFunds, Inc. for an aggregate of $150,000. We received net proceeds of $197,112 in connection with these sales.

Preferred Stock

In December 1998, we sold Apollo 1,350,000 shares of our 9.2% Series A Junior Cumulative Convertible Preferred Stock, par value $0.001 per share, for an aggregate purchase price of $135,000. Each share of our 9.2% Series A Junior Cumulative Convertible Preferred Stock was

convertible into a number of shares of our common stock calculated by dividing the $100.00 per share liquidation preference by a conversion price of $30.00. Dividends on our 9.2% Series A Junior Cumulative Convertible Preferred Stock were payable annually in cash or additional shares of our 9.2% Series A Junior Cumulative Convertible Preferred Stock, at our option.

In December 1998, Apollo granted to us an option to sell to Apollo 650,000 shares of our 9.2% Series B Junior Cumulative Convertible Preferred Stock, par value $0.001 per share, for an aggregate purchase price of $65,000. We exercised this option on December 23, 1999. The terms of our 9.2% Series B Junior Cumulative Convertible Preferred Stock were similar to those of our 9.2% Series A Junior Cumulative Convertible Preferred Stock.

In January 2000, we sold Blackstone 2,000,000 shares of our 9.2% Series D Junior Cumulative Convertible Preferred Stock, par value $0.001 per share, for an aggregate purchase price of $200,000. Each share of our 9.2% Series D Junior Cumulative Convertible Preferred Stock was convertible into a number of shares of our common stock calculated by dividing the $100.00 per share liquidation preference by a conversion price of $34.00. Dividends on our 9.2% Series D Junior Cumulative Convertible Preferred Stock were payable annually in cash or additional shares of our 9.2% Series D Junior Cumulative Convertible Preferred Stock, at our option.

In March 2003, we issued 39,927,796 shares of our common stock to Apollo in exchange for all of our outstanding 9.2% Series A Junior Cumulative Convertible Preferred Stock and 9.2% Series B Junior Cumulative Convertible Preferred Stock, and 37,065,069 shares of our common stock to Blackstone in exchange for all of our outstanding 9.2% Series D Junior Cumulative Convertible Preferred Stock, including, in each case, accrued dividends.

We recorded a deemed dividend of $79,510 in connection with the exchange in March 2003 of all outstanding shares of our preferred stock for shares of our common stock and warrants to purchase our common stock. This deemed dividend represents the difference between the fair market value of the common stock and warrants issued in exchange for all outstanding shares of our 9.2% Series A Junior Cumulative Convertible Preferred Stock, 9.2% Series B Junior Cumulative Convertible Preferred Stock and 9.2% Series D Junior Cumulative Convertible Preferred Stock and the fair market value of the common stock which would have been issued under the original conversion ratios, adjusted for unamortized issuance costs and direct costs associated with the exchange of the preferred stock.

Warrants

In June 2004, we issued DaimlerChrysler AG warrants to purchase up to 21,500,000 shares of our common stock at an exercise price of $1.04 per share. These warrants vest based on the achievement of various performance milestones, including the volume thresholds contained in our agreement with DaimlerChrysler. These warrants replaced warrants issued to DaimlerChrysler AG in October 2002.

In February 2004, we announced an agreement with RadioShack Corporation to distribute, market and sell SIRIUS radios. In connection with this agreement, we issued RadioShack warrants to purchase up to 10,000,000 shares of our common stock. These warrants have an exercise price of $5.00 per share and vest and become exercisable if RadioShack achieves activation targets during the five-year term of the agreement.

In January 2004, we signed an agreement with Penske Automotive Group, Inc., United Auto Group, Inc., Penske Truck Leasing Co. L.P. and Penske Corporation (collectively, the "Penske Companies"). In connection with this agreement, we agreed to issue the Penske companies warrants to purchase up to 38,000,000 shares of our common stock at an exercise price of $2.392 per share. Two million of these warrants vested upon issuance. The balance of these warrants vest over time and upon achievement of certain milestones by the Penske companies. During the year

ended December 31, 2005, Penske exercised 2,838,700 vested warrants in a series of cashless exercises. In connection with these transactions, we issued 1,944,073 shares of our common stock.

In January 2004, we issued the NFL warrants to purchase 50,000,000 shares of our common stock at an exercise price of $2.50 per share. Of these warrants, 16,666,665 vest upon the delivery to us of media assets by the NFL and its member clubs, and 33,333,335 of these warrants will be earned by the NFL or its member clubs as we acquire subscribers which are directly trackable through their efforts.

During the year ended December 31, 2004, we issued warrants to purchase 9,425,000 shares of our common stock at exercise prices of $3.00 to $3.21 per share to other third parties as part of distribution and programming arrangements. These warrants vest over time and upon achievement of certain milestones. During the years ended December 31, 2005 and 2004, 230,000 and 62,000 of these warrants to purchase shares of our common stock, respectively, were issued to consultants as stock options and included in our stock option activity.

In March 2003, we issued warrants to purchase 45,416,690 shares of our common stock in exchange for all of our outstanding 9.2% Series A Junior Cumulative Convertible Preferred Stock and 9.2% Series B Junior Cumulative Convertible Preferred Stock held by Apollo. Apollo exercised all of these warrants prior to their expiration on March 7, 2005 in a series of cashless exercises. In connection with these transactions, we issued 39,538,505 shares of our common stock.

In March 2003, we issued warrants to purchase 42,160,424 shares of our common stock in exchange for all our outstanding 9.2% Series D Junior Cumulative Convertible Preferred Stock held by Blackstone. Blackstone exercised all of these warrants prior to their expiration on September 7, 2004 in a series of transactions that included cashless exercises and exercises for cash. In connection with these transactions, we issued 32,623,748 shares of our common stock and received $19,850 in proceeds.

Warrants to acquire shares of our common stock were outstanding as follows (shares in thousands):

	Average Exercise Price	Expiration Date	Number of Warrants Outstanding as of December 31, 2005	2004
NFL	$ 2.50	March 2008—March 2010	50,000	50,000
Apollo	0.99	March 2005	—	45,417
Penske Companies	2.392	July 2009	35,161	38,000
DaimlerChrysler	1.04	May 2012	21,500	21,500
RadioShack	5.00	December 2010	10,000	10,000
Ford	3.00	September 2011	4,000	4,000
Other distribution and programming partners	3.16	January 2008—June 2014	9,133	9,363
Other	20.33	June 2005—April 2011	4,533	6,333
Total	$ 3.09		134,327	184,613

We recognized expense of $100,349 and $74,700 in connection with warrants for the years ended December 31, 2005 and 2004, respectively.

10. Benefit Plans

In January 2003, our board of directors adopted the Sirius Satellite Radio 2003 Long-Term Stock Incentive Plan (the "2003 Plan"), and on March 4, 2003 our stockholders approved this plan. On May 25, 2004, our stockholders approved an amendment to the 2003 Plan to include members of our board of directors as eligible participants. Employees, consultants and members of our

board of directors are eligible to receive awards under the 2003 Plan. The 2003 Plan provides for the grant of stock options, restricted stock, restricted stock units and other stock-based awards that the compensation committee of our board of directors may deem appropriate.

Vesting and other terms of stock-based awards are set forth in the agreements with the individuals receiving the awards. Stock-based awards granted under the 2003 Plan are generally subject to a vesting requirement that includes one or all of the following: (1) over time, generally three to five years from the date of grant; (2) on a specific date in future periods with acceleration to earlier periods if performance criteria are satisfied; or (3) as certain performance targets set at the time of grant are achieved. Stock-based awards generally expire ten years from the date of grant. Each restricted stock unit entitles the holder to receive one share of our common stock upon vesting.

As of December 31, 2005, approximately 109,001,000 stock options and restricted stock units were outstanding. As of December 31, 2005, approximately 91,980,000 shares of our common stock were available for grant under the 2003 Plan.

Stock Options

The following table summarizes the stock option activity under our stock incentive plans (shares in thousands):

	For the Years Ended December 31,					
	2005		2004		2003	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	97,724	$4.04	64,731	$3.28	13,341	$12.16
Granted	5,665	6.17	51,121	4.11	53,379	1.17
Exercised	(14,461)	1.30	(17,447)	1.49	—	—
Cancelled or expired	(1,904)	4.63	(681)	3.78	(1,989)	6.27
Outstanding at end of year	87,024	4.61	97,724	4.04	64,731	3.28
Weighted average grant date fair value of options granted during the period		$6.17		$4.12		$ 1.49

The following table provides certain information with respect to stock options outstanding and exercisable at December 31, 2005 (shares in thousands):

	Stock Options Outstanding			Stock Options Exercisable	
Range of Exercise Price per Share	Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$0.47–$1.00	170	7.4	$ 0.71	137	$ 0.72
$1.01–$4.99	71,002	8.3	3.16	31,102	2.40
$5.00–$14.99	13,234	7.0	7.15	7,884	7.71
$15.00–$34.99	2,526	2.3	31.01	2,526	31.01
$35.00–$54.19	92	4.6	45.38	92	45.38
Total	87,024	7.9	$ 4.61	41,741	$ 5.24

We recorded additional deferred compensation of $209 and $1,002 during the years ended December 31, 2005 and 2004, respectively, in connection with stock options granted. As of December 31, 2005 and 2004, we had $2,073 and $7,363, respectively, of deferred compensation in connection with stock options granted to employees below fair market value at the date of grant

and stock options granted to members of our board of directors. Such deferred compensation is being amortized to expense over the vesting period. We also record expense for stock options granted to consultants based on fair value at the date of grant as determined in accordance with SFAS No. 123. We recognized stock compensation expense associated with stock options of $13,814 and $27,957 for the years ended December 31, 2005 and 2004, respectively. Stock compensation expense associated with stock options for the year ended December 31, 2005 included a charge of $479 for an employee that was deemed to benefit from the modification of a stock-based award resulting in a new measurement date.

Restricted Stock Units and Restricted Stock

The following table summarizes the restricted stock unit activity under our stock incentive plans and provides certain information with respect to restricted stock units outstanding (shares in thousands):

	For the Years Ended December 31,		
	2005	2004	2003
Outstanding at beginning of year	22,479	16,951	138
Granted	2,065	5,948	16,860
Exercised	(2,206)	(404)	(13)
Cancelled	(361)	(16)	(34)
Outstanding at end of year	21,977	22,479	16,951
Weighted average grant date fair value of restricted stock units granted during the period	$ 6.11	$ 3.14	$ 1.65

The average remaining contractual life for restricted stock units outstanding at December 31, 2005 was 4.83 years.

In November 2004, we granted 3,000,000 shares of restricted common stock. Such shares were issued and outstanding as of December 31, 2005. The restrictions applicable to these shares lapse in equal installments on November 18 of each of the five years beginning on November 18, 2005.

We recorded additional deferred compensation of $18,091 and $32,497 during the years ended December 31, 2005 and 2004 respectively, in connection with restricted stock units granted. As of December 31, 2005 and 2004, we had $24,621 and $43,600, respectively, of deferred compensation associated with restricted stock and restricted stock units. Such deferred compensation is being amortized to expense over the vesting period. We recognized stock compensation expense associated with these restricted stock units and shares of restricted stock of $34,398 and $13,896 for the years ended December 31, 2005 and 2004, respectively. For the year ended December 31, 2005, we also recognized stock compensation expense of $3,361 for restricted stock units expected to be granted in February 2006 for services performed in 2005. For the year ended December 31, 2004, we also recognized stock compensation expense of $2,651 for restricted stock units granted in February 2005 for services performed in 2004.

401(k) Savings Plan

We sponsor the Sirius Satellite Radio 401(k) Savings Plan (the "Plan") for eligible employees. The Plan allows eligible employees to voluntarily contribute from 1% to 50% of their pre-tax salary subject to certain defined limits. Currently we match 50% of employee voluntary contributions, up to 6% of an employee's pre-tax salary, in the form of shares of our common stock. Our matching contribution vests at a rate of 33⅓% for each year of employment and is fully vested after three years of employment. Expense resulting from our matching contribution to the Plan was $926, $718 and $801 for the years ended December 31, 2005, 2004 and 2003, respectively.

We may also elect to contribute to the profit sharing portion of the Plan based upon the total compensation of all participants eligible to receive an allocation. These additional contributions, referred to as profit-sharing contributions, are determined by the compensation committee of our board of directors. Employees are only eligible to share in profit-sharing contributions during any year in which they are employed on the last day of the year. Profit sharing contribution expense was $4,378, $2,518 and $913 for the years ended December 31, 2005, 2004 and 2003, respectively.

11. Income Taxes

Our income tax expense consisted of the following:

	For the Years Ended December 31,		
	2005	2004	2003
Current taxes:			
Federal	$ —	$ —	$ —
State	—	—	—
Total current taxes	$ —	$ —	$ —
Deferred taxes:			
Federal	$1,952	$3,662	$ —
State	359	539	—
Total deferred taxes	$2,311	$4,201	$ —
Total income tax expense	$2,311	$4,201	$ —

The following table indicates the significant elements contributing to the difference between the federal tax provision (benefit) at the statutory rate and at our effective rate:

	For the Years Ended December 31,		
	2005	2004	2003
Federal tax benefit, at statutory rate	$(301,240)	$(247,786)	$(79,175)
State income tax benefit, net of federal benefit	(55,414)	(36,459)	(11,644)
Change in state tax rates	(23,650)	—	—
Change in taxes resulting from permanent differences, net	(24,163)	(15,627)	8,944
Other	—	(2,237)	—
Change in valuation allowance	406,778	306,310	81,875
Income tax expense	$ 2,311	$ 4,201	$ —

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

	As of December 31,	
	2005	2004
Deferred tax assets:		
Net operating loss carryforwards	$ 1,148,362	$ 823,723
Stock-based awards	90,987	45,560
Start-up costs capitalized for tax purposes	25,635	48,833
Capitalized interest expense	53,976	66,530
Other	51,860	10,398
Total deferred tax asset	1,370,820	995,044
Deferred tax liabilities:		
Depreciation of property and equipment	(223,237)	(254,445)
Amortization of FCC license	(8,955)	(6,438)
Total deferred tax liability	(232,192)	(260,883)
Net deferred tax assets before valuation allowance	1,138,628	734,161
Valuation allowance	(1,147,377)	(740,599)
Net deferred tax liability	$ (8,749)	$ (6,438)

The net deferred tax liability of $8,749 and $6,438 at December 31, 2005 and 2004, respectively, is a result of the difference in accounting for our FCC license, which is amortized over 15 years for tax purposes but not amortized for book purposes. This net deferred tax liability cannot be offset against our deferred tax assets under U.S. generally accepted accounting principles since it relates to an indefinite-lived asset and is not anticipated to reverse in the same period.

A significant portion of our costs incurred to date have been capitalized for tax purposes as a result of our status as a start-up enterprise. Total unamortized start-up costs as of December 31, 2005 and 2004 were $64,551 and $124,316, respectively. These capitalized costs are being amortized over 60 months. The total deferred tax asset includes $57,065, which, if realized, would not affect financial statement income but would be recorded directly to stockholders' equity.

At December 31, 2005, we had net operating loss ("NOL") carryforwards of approximately $2,773,000 for federal and state income tax purposes available to offset future taxable income. These NOL carryforwards expire on various dates beginning in 2008. We have had several ownership changes under Section 382 of the Internal Revenue Code, which may limit our ability to utilize tax deductions. Furthermore, future changes in our ownership may limit our ability to utilize our deferred tax asset. Realization of our deferred tax assets is dependent upon future earnings; accordingly, a full valuation allowance was recorded against the assets.

12. Lease Obligations

We have entered into cancelable and non-cancelable operating leases for office space, equipment and terrestrial repeaters. These leases provide for minimum lease payments, additional operating expense charges, have initial terms ranging from one to fifteen years, and certain leases have options to renew. Total rent expense recognized in connection with leases for the years ended December 31, 2005, 2004 and 2003 was $14,958, $13,567 and $12,275, respectively.

Future minimum lease payments under non-cancelable leases as of December 31, 2005 were as follows:

	Operating
2006	$ 8,472
2007	7,689
2008	7,470
2009	7,416
2010	7,190
Thereafter	26,046
Total minimum lease payments	$64,283

13. Commitments and Contingencies

Contractual Cash Commitments

We have entered into various contracts, which have resulted in significant cash obligations in future periods. The following table summarizes our expected contractual cash commitments as of December 31, 2005:

	2006	2007	2008	2009	2010	Thereafter	Total
Satellite and transmission	$ 35,912	$ 3,460	$ 3,460	$ 3,460	$ 6,467	$13,215	$ 65,974
Programming and content	137,665	106,392	104,385	127,702	130,151	20,500	626,795
Customer service and billing	5,314	3,138	—	—	—	—	8,452
Marketing and distribution	72,400	22,466	13,075	16,750	18,125	10,750	153,566
Chip set development and production	23,813	3,000	—	—	—	—	26,813
Other	6,220	319	125	—	—	—	6,664
Total contractual cash commitments	$281,324	$138,775	$121,045	$147,912	$154,743	$44,465	$888,264

Satellite and Transmission. We have entered into an agreement with a provider of satellite services to operate our off-site satellite telemetry, tracking and control facilities and certain components of our terrestrial repeater network. We have also entered into an agreement with a launch services provider to secure a satellite launch on a Proton rocket prior to the end of 2010.

Programming and Content. We have entered into agreements with licensors of programming and other content providers and, in certain instances, are obligated to pay license fees and guarantee minimum advertising revenue share. In addition, we have agreements with various rights organizations pursuant to which we pay royalties for public performances of music.

Customer Service and Billing. We have entered into agreements with third parties to provide customer service, billing and subscriber management services.

Marketing and Distribution. We have entered into various marketing, sponsorship and distribution agreements to promote our brand and are obligated to make payments to sponsors, retailers, automakers and radio manufacturers under these agreements. In addition, certain programming and content agreements require us to purchase advertising on properties owned or controlled by the licensors. We also reimburse automakers for certain engineering and development costs associated with the incorporation of SIRIUS radios into vehicles they manufacture.

Chip Set Development and Production. We have entered into agreements with third parties to develop, produce and supply chip sets, and in certain instances to license intellectual property related to such chip sets. Certain of these agreements require that we purchase a minimum quantity of chip sets.

Other. We have entered into an agreement with Canadian Broadcasting Corporation and Standard Broadcasting Corporation to fund SIRIUS Canada. We have also entered into various

agreements with third parties for general operating purposes. Amounts associated with SIRIUS Canada and these various other agreements are included in the commitments table.

In addition to the contractual cash commitments described above, we have entered into agreements with automakers, radio manufacturers and others that include per-radio, per-subscriber and per-show payments and revenue share arrangements. These future costs are dependent upon many factors including our subscriber growth and are difficult to anticipate; however, these costs may be substantial. We may enter into additional programming, distribution, marketing and other agreements that contain similar provisions.

Under the terms of a joint development agreement with XM Radio, the other holder of a FCC satellite radio license, each party is obligated to fund one half of the development cost for a unified standard for satellite radios. The costs related to the joint development agreement are being expensed as incurred to engineering, design and development expense in the accompanying consolidated statements of operations. We are currently unable to determine the expenditures necessary to complete this process, but they may be significant.

We are required under the terms of certain agreements to provide letters of credit and deposit monies in escrow, which place restrictions on our cash and cash equivalents. As of December 31, 2005 and 2004, $107,615 and $97,321, respectively, were classified as restricted investments as a result of our reimbursement obligations under these letters of credit and escrow deposits.

As of December 31, 2005, we have not entered into any off-balance sheet arrangements or transactions.

Legal Proceedings

In September 2001, a purported class action lawsuit, entitled *Sternbeck v. Sirius Satellite Radio, Inc.*, 2:01-CV-295, was filed against us and certain of our current and former executive officers in the United States District Court for the District of Vermont. Subsequently, additional purported class action lawsuits were filed. These actions were consolidated in a single purported class action, entitled *In re: Sirius Satellite Radio Securities Litigation*, No. 01-CV-10863, pending in the United States District Court for the Southern District of New York. This action was brought on behalf of all persons who acquired our common stock on the open market between February 16, 2000 and April 2, 2001. The complaint alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The complaint alleged, among other things, that the defendants issued materially false and misleading statements and press releases concerning when our service would be commercially available, which caused the market price of our common stock to be artificially inflated.

In January 2006, we and certain of our current and former executive officers who are also defendants agreed in principle to settle this action for $8 million in cash. Our insurer will fund the entire amount of the settlement payment. We do not anticipate incurring any additional significant expenses in connection with this action and we will not seek recovery of any unreimbursed defense costs previously incurred and paid by us. This agreement in principle is subject to completion of a definitive settlement agreement and approval by the United States District Court for the Southern District of New York.

On February 28, 2006, CBS Radio Inc. commenced a lawsuit in New York State Supreme Court against Howard Stern, Stern's production company, Stern's agent and us. The suit alleges, among other things, that Stern breached his former agreement with CBS Radio by reason of certain statements he made during the course of his show broadcast by CBS Radio. The complaint further alleges that we are liable for unjust enrichment, unfair competition, aiding and abetting fraud and tortiously interfering with the agreement between CBS Radio and Stern. The complaint seeks damages in an unspecified amount. We do not believe that the allegations regarding us in the complaint have merit, and we intend to defend this suit vigorously.

In the ordinary course of business, we are a defendant in various lawsuits and arbitration proceedings, including actions filed by former employees, parties to contracts or leases and owners of patents, trademarks, copyrights or other intellectual property. None of these actions are, in our opinion, likely to have a material adverse effect on our business or financial results.

14. Quarterly Financial Data (Unaudited)

Our quarterly results of operations are summarized below:

	For the Three Months Ended			
	March 31	June 30	September 30	December 31
2005:				
Total revenue	$ 43,216	$ 52,194	$ 66,831	$ 80,004
Cost of services[1]	(41,559)	(32,127)	(41,639)	(69,618)
Net loss applicable to common stockholders	(193,612)	(177,546)	(180,450)	(311,389)
Net loss per share applicable to common stockholders (basic and diluted)[2]	$ (0.15)	$ (0.13)	$ (0.14)	$ (0.23)
2004:				
Total revenue	$ 9,291	$ 13,230	$ 19,116	$ 25,217
Cost of services[1]	(20,901)	(23,370)	(32,827)	(43,220)
Net loss applicable to common stockholders[3]	(144,059)	(136,797)	(169,433)	(261,873)
Net loss per share applicable to common stockholders (basic and diluted)[2]	$ (0.12)	$ (0.11)	$ (0.14)	$ (0.21)

(1) Quarterly cost of services previously reported for the quarters ended March 31, 2005 and 2004 and June 30, 2005 and 2004 reflect the reclassification of certain costs from cost of services to sales and marketing expenses.

(2) The sum of the quarterly net loss per share applicable to common stockholders (basic and diluted) does not necessarily agree to the net loss per share for the year due to the timing of our common stock issuances.

(3) Net loss applicable to common stockholders for the three months ended March 31, 2004 included debt conversion costs of $19,592.

15. Subsequent Event

In January 2006, Howard Stern and his agent were granted an aggregate of 34,375,000 shares of our common stock as a result of certain performance targets that were satisfied in January 2006. The value of these shares was approximately $225,000 and will be recorded to equity granted to third parties and employees expense in the first quarter of 2006.

SIRIUS SATELLITE RADIO INC. AND SUBSIDIARIES

Schedule II—Schedule of Valuation and Qualifying Accounts

	Balance at Beginning of Year	Charged to Expense	Write-offs/ Other	Balance at End of Year
For the year ended December 31, 2003				
Allowance for Doubtful Accounts	$ 32	$ 542	$ (194)	$ 380
Deferred Tax Assets—Valuation Allowance	352,414	81,875	—	434,289
For the year ended December 31, 2004				
Allowance for Doubtful Accounts	$ 380	$ 1,648	$(1,496)	$ 532
Deferred Tax Assets—Valuation Allowance	434,289	306,310	—	740,599
For the year ended December 31, 2005				
Allowance for Doubtful Accounts	$ 532	$ 4,311	$(3,293)	$ 1,550
Deferred Tax Assets—Valuation Allowance	740,599	406,778	—	1,147,377

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON TUESDAY, MAY 23, 2006

To our Stockholders:

You are cordially invited to attend our Annual Meeting of Stockholders, which will be held on Tuesday, May 23, 2006, at 9:00 a.m., New York City time, in The Auditorium at The Equitable Center, 787 Seventh Avenue, New York, New York 10019. The annual meeting is being held to:

1. Elect eight directors.
2. Transact any other business that may properly come before the meeting.

Only stockholders of record at the close of business on April 3, 2006 are entitled to vote at the annual meeting. A list of stockholders entitled to vote will be available for examination for the ten days prior to the annual meeting, between the hours of 9:00 a.m. and 4:00 p.m., New York City time, at our offices at 1221 Avenue of the Americas, 36th Floor, New York, New York 10020.

Whether or not you expect to attend in person, we urge you to vote your shares via the Internet, by phone, or by signing, dating, and returning the enclosed proxy card at your earliest convenience. This will ensure the presence of a quorum at the meeting. If you wish to vote your shares by mail, an addressed envelope for which no postage is required if mailed in the United States is enclosed.

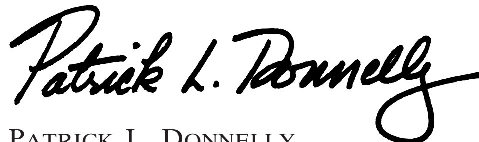
Voting over the Internet or by telephone is fast, convenient, and your vote is immediately confirmed and tabulated. Most important, by using the Internet or telephone, you help us reduce postage and proxy tabulation costs. Please do not return the enclosed paper ballot if you are voting over the Internet or by telephone.

Instead of receiving future copies of our proxy statement and annual report materials by mail, most stockholders can elect to receive an e-mail that will provide electronic links to them. Opting to receive your proxy materials online will save us the cost of producing and mailing documents to you and will also give you an electronic link to the proxy voting site. Please see page 2 (*"How can I access the proxy materials and annual report on the Internet?"*) of this proxy statement for instructions on receiving your materials by e-mail.

If You Plan to Attend

Please note that space limitations make it necessary to limit attendance to stockholders. Admission to the meeting will be on a first-come, first-served basis. Stockholders holding stock in brokerage accounts ("street name" holders) will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date to enter the meeting. Cameras, recording devices and other electronic equipment will not be permitted in the meeting.

By Order of the Board of Directors,



PATRICK L. DONNELLY
Executive Vice President,
General Counsel and Secretary

New York, New York
April 21, 2006

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SIRIUS SATELLITE RADIO INC.

PROXY STATEMENT

This proxy statement contains information related to the annual meeting of stockholders of Sirius Satellite Radio Inc. to be held on Tuesday, May 23, 2006, beginning at 9:00 a.m., New York City time, in The Auditorium at The Equitable Center, 787 Seventh Avenue, New York, New York 10019, and at any postponements or adjournments thereof. This proxy statement is being mailed to stockholders on or about April 21, 2006.

A copy of our Annual Report on Form 10-K for the year ended December 31, 2005 as filed with the Securities and Exchange Commission, except for exhibits, will be furnished without charge to any stockholder upon written request to Sirius Satellite Radio Inc., Attention: Corporate Secretary, 1221 Avenue of the Americas, 36th Floor, New York, New York 10020.

ABOUT THE MEETING

What is the purpose of the annual meeting?

At our annual meeting, stockholders will elect eight directors to our board (Leon D. Black, Joseph P. Clayton, Lawrence F. Gilberti, James P. Holden, Mel Karmazin, Warren N. Lieberfarb, Michael J. McGuiness and James F. Mooney). In addition, management will report on its 2005 performance and respond to questions from stockholders.

Who is entitled to vote?

Only stockholders of record at the close of business on April 3, 2006, the record date for the meeting, are entitled to receive notice of and to participate at the annual meeting. If you were a stockholder of record on that date, you will be entitled to vote all of the shares that you held on that date at the meeting, or any postponements or adjournments of the meeting.

What are the voting rights of the holders of SIRIUS common stock?

Each outstanding share of our common stock is entitled to one vote on each matter considered at the meeting.

Who can attend the annual meeting?

Subject to space availability, all stockholders as of the record date, or their duly appointed proxies, may attend the meeting. Since seating is limited, admission to the meeting will be on a first-come, first-served basis. Registration and seating will begin at 8:30 a.m., New York City time.

If you are a registered stockholder (that is, if you hold your stock in certificate form or participate in the Sirius Satellite Radio Inc. 401(k) Savings Plan), an admission ticket is enclosed with your proxy card. If you wish to attend the annual meeting, please vote your proxy but keep the admission ticket and bring it with you to the annual meeting.

If your shares are held in "street name" (that is, through a bank, broker or other holder of record) and you wish to attend the annual meeting, you need to bring a copy of a bank or brokerage statement to the annual meeting reflecting your stock ownership as of the record date.

What constitutes a quorum?

The presence at the meeting, in person or by proxy, of the holders of a majority of the aggregate voting power of the common stock outstanding on the record date will constitute a quorum, permitting the meeting to conduct its business. As of the record date, 1,401,867,483 shares of our common stock were outstanding.

Proxies received but marked as abstentions or broker non-votes will be included in the calculation of the number of votes considered to be present at the meeting.

How do I vote?

Stockholders of record can vote as follows:

- *Via the Internet:* Stockholders may vote through the Internet at *www.proxyvotenow.com/siri* by following the instructions included with your proxy card.
- *By Telephone:* Stockholders may vote by telephone (1-866-353-7844) by following the instructions included with your proxy card.
- *By Mail:* Stockholders may sign, date and return their proxy cards in the pre-addressed, postage-paid envelope that is provided.
- *At the Meeting:* If you attend the annual meeting, you may vote in person by ballot, even if you have previously returned a proxy card.

If your shares are held in "street name", through a broker, bank or other nominee, that institution will send you separate instructions describing the procedure for voting your shares. "Street name" stockholders who wish to vote at the meeting will need to obtain a proxy form from the institution that holds their shares.

Can I vote by telephone or electronically?

If your shares are held in "street name", please check your proxy card or contact your broker or nominee to determine whether you will be able to vote by telephone or electronically. The deadline for voting by telephone or electronically is 5:00 p.m., New York City time, on Monday, May 22, 2006.

If you are a registered stockholder (that is, if you hold your stock in certificate form or participate in the Sirius Satellite Radio Inc. 401(k) Savings Plan), you may vote by telephone (1-866-353-7844), or electronically through the Internet at *www.proxyvotenow.com/siri,* by following the instructions included with your proxy card.

How can I access the proxy materials and annual report on the Internet?

This proxy statement and our annual report are available on our website at *www.sirius.com.* Instead of receiving future copies of our proxy statement and annual report materials by mail, most stockholders can elect to receive an e-mail that will provide electronic links to them. Opting to receive your proxy materials online will save us the cost of producing and mailing documents to you and will also give you an electronic link to the proxy voting site.

Registered Stockholders: If you vote on the Internet at *www.proxyvotenow.com/siri* simply follow the prompts for enrolling in the electronic proxy delivery service. You also may enroll in the electronic proxy delivery service at any time in the future by going directly to *www.giveconsent.com/siri* and following the enrollment instructions.

Beneficial Owners: If your shares are held in "street name", through a broker, bank or other nominee, you also may have the opportunity to receive copies of these documents electronically. Please check the information provided in the proxy materials mailed to you by your bank or other holder of record regarding the availability of this service.

Can I change my vote?

Yes. You may change your vote at any time before your shares are voted at the annual meeting by:

- Notifying our Corporate Secretary, Patrick L. Donnelly, in writing at Sirius Satellite Radio Inc., 1221 Avenue of the Americas, 36th Floor, New York, New York 10020 that you are revoking your proxy; or
- Executing and delivering a later dated proxy card; or
- Voting in person at the annual meeting.

However, if you have shares held through a brokerage firm, bank or other custodian, you may revoke your instructions only by informing the custodian in accordance with any procedures it has established.

What vote is required to elect directors?

The affirmative vote of a plurality of the votes cast at the meeting is required for the election of directors. A properly executed proxy marked "Withhold Authority" with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum.

Who will count the votes?

A representative of The Bank of New York, our transfer agent, will tabulate the votes and act as inspector of election.

What is a proxy?

A proxy is a person you appoint to vote on your behalf. We are soliciting your vote so that all shares of our common stock may be voted at the annual meeting.

Who am I designating as my proxy?

You will be designating Patrick L. Donnelly, our Executive Vice President, General Counsel and Secretary, and Ruth A. Ziegler, our Deputy General Counsel, as your proxies.

How will my proxy vote my shares?

Your proxy will vote according to your instructions. If you complete your proxy card but do not indicate your vote on one or all of the business matters, your proxy will vote "FOR" these items. Also, your proxy is authorized to vote on any other business that properly comes before the annual meeting in accordance with the recommendation of our board of directors.

What happens if a nominee for director is unable to serve as a director?

If any of the nominees becomes unavailable for election, which we do not expect, votes will be cast for such substitute nominee or nominees as may be designated by our board of directors, unless our board of directors reduces the number of directors on our board.

Who is soliciting my proxy, and who will pay the costs of the solicitation?

SIRIUS is soliciting your proxy. The cost of soliciting proxies will be borne by SIRIUS, which has engaged MacKenzie Partners, Inc. to assist in the distribution and solicitation of proxies. We have agreed to pay MacKenzie $10,000 plus reimburse the firm for its reasonable out-of-pocket expenses. SIRIUS will also reimburse brokerage firms, banks and other custodians for their reasonable out-of-pocket expenses for forwarding these proxy materials to you. Our directors, officers and employees may solicit proxies on our behalf by telephone or in writing.

When, and how, do I submit a proposal for next year's annual meeting of stockholders?

To be eligible for inclusion in our proxy statement and form of proxy for next year's annual meeting, stockholder proposals must be submitted in writing by the close of business on December 15, 2006 to Patrick L. Donnelly, Executive Vice President, General Counsel and Secretary, Sirius Satellite Radio Inc., 1221 Avenue of the Americas, 36th Floor, New York, New York 10020.

If any proposal that is not submitted for inclusion in next year's proxy statement (as described in the preceding paragraph) is instead sought to be presented directly at next year's annual meeting, the proxies may vote in their discretion if (a) we receive notice of the proposal before the close of business on February 28, 2007 and advise stockholders in next year's proxy statement about the nature of the matter and how management intends to vote on such matter or (b) we do not receive notice of the proposal prior to the close of business on February 28, 2007. Notices of intention to present proposals at next year's annual meeting should be addressed to Patrick L. Donnelly, Executive Vice President, General Counsel and Secretary, Sirius Satellite Radio Inc., 1221 Avenue of the Americas, 36th Floor, New York, New York 10020.

STOCK OWNERSHIP

Who are the owners of the largest amount of SIRIUS' common stock?

The following table sets forth information regarding beneficial ownership of our common stock as of February 28, 2006 by each person known by us to be the beneficial owner of more than 5% of our outstanding common stock. In general, "beneficial ownership" includes those shares a person has the power to vote or transfer, and options to acquire our common stock that are exercisable currently or become exercisable within 60 days. We believe that the beneficial owners of the common stock listed below, based on information furnished by these owners, have sole investment and voting power with respect to these shares.

Name and Address of Beneficial Owner of Common Stock	Shares Beneficially Owned as of February 28, 2006	
	Number	Percent
Apollo Investment Fund IV, L.P.[(1)] Apollo Overseas Partners IV, L.P. Two Manhattanville Road Purchase, New York 10577	95,707,857	6.9%

(1) This information is based upon an amendment to Schedule 13D filed by Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P. and Apollo Advisors IV, L.P. on November 23, 2005.

How much stock do the directors and executive officers of SIRIUS own?

The following table shows the number of shares of common stock beneficially owned by each of our directors, our Chief Executive Officer and the four other most highly compensated executive officers during 2005 as of February 28, 2006. The table also shows common stock beneficially owned by all of our directors and executive officers as a group as of February 28, 2006.

Name of Beneficial Owner	Number of Shares Beneficially Owned(1)	Percent of Class	Shares Acquirable within 60 days
Leon D. Black[(2)]	50,104	*	13,838
Joseph P. Clayton[(3)]	9,247,260	*	6,350,000
Lawrence F. Gilberti	189,389	*	53,838
James P. Holden	183,351	*	53,838
Warren N. Lieberfarb	88,076	*	13,838
Michael J. McGuiness	81,451	*	13,838
James F. Mooney[(4)]	103,849	*	13,838
Mel Karmazin	11,506,975	*	6,000,000
Scott A. Greenstein	3,325,874	*	1,600,000
James E. Meyer	1,976,054	*	783,332
Patrick L. Donnelly	3,259,175	*	1,983,332
David J. Frear[(5)]	2,010,077	*	1,016,666
All Executive Officers and Directors as a Group (12 persons)[(6)]	32,021,635	2.3%	17,896,358

* Less than 1% of our outstanding shares of common stock.

(1) These amounts include shares of common stock, restricted shares of common stock and restricted stock units which the individuals hold and shares of common stock they have a right to acquire within the next 60 days through the exercise of stock options as shown in the last column. Also included are the shares of common stock acquired under our 401(k) savings plan as of February 28, 2006: Mr. Karmazin—6,975 shares; Mr. Greenstein—1,638 shares; Mr. Meyer—1,160 shares; Mr. Donnelly—397 shares; and Mr. Frear—3,675 shares.

(2) Mr. Black is the founding partner of Apollo Management, L.P., an affiliate of Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. Mr. Black disclaims beneficial ownership of all shares of our common stock in excess of his pecuniary interest.

(3) Includes 10,000 shares held by a partnership and 15,000 shares held in a trust. Mr. Clayton has adopted a plan pursuant to Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. Pursuant to this plan, in 2006 Mr. Clayton may exercise options with respect to 3,100,000 shares of our common stock and sell the shares received upon exercise. The exercise of these options and the sale of the underlying common stock are subject to conditions contained in the plan.

(4) Includes 9,100 shares held as custodian for a child.

(5) Includes 1,900 shares held by spouse.

(6) Does not include 32,206,392 shares issuable under stock options that are not exercisable within 60 days.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers to file reports of ownership of our common stock and changes in such ownership

with the Securities and Exchange Commission, or the SEC. Based on our records and other information, we believe that our executive officers met all applicable filing requirements during 2005 and our directors, with the exception of one late report filing by Leon D. Black, Lawrence F. Gilberti, James P. Holden, Warren N. Lieberfarb, James F. Mooney and Michael J. McGuiness in connection with their director compensation award, met all 2005 applicable filing requirements.

GOVERNANCE OF THE COMPANY

What are the responsibilities of the board of directors?

The business and affairs of SIRIUS are managed by or under the direction of our board of directors. Our board reviews and ratifies senior management selection and compensation, monitors overall corporate performance and ensures the integrity of our financial controls. Our board of directors also oversees our strategic and business planning processes.

What are the current committees of the board of directors and who are the members of these committees?

Our board of directors maintains an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Our board of directors established the Nominating and Corporate Governance Committee in October 2005, and at the same time dissolved its Finance Committee after concluding that its functions could be discharged by the board of directors as a whole.

A copy of the charters for the Audit Committee and the Nominating and Corporate Governance Committee are available on our website at *www.sirius.com.* A copy of the charter of the Nominating and Corporate Governance Committee is also attached as Appendix A to this proxy statement.

The following table shows the current members and chairman of each committee, the number of committee meetings held during 2005 and the principal functions performed by each committee:

Committee	Functions
Audit Number of Meetings: 9 Members: James P. Holden Michael J. McGuiness James F. Mooney*	• Selects our independent registered public accounting firm • Reviews reports of our independent registered public accounting firm • Reviews and approves the scope and cost of all services, including all non-audit services, provided by the firm selected to conduct the audit • Monitors the effectiveness of the audit process • Reviews adequacy of financial and operating controls • Monitors corporate compliance program
Compensation Number of Meetings: 4 Members: Leon D. Black Lawrence F. Gilberti* James P. Holden	• Reviews and approves salaries and other compensation matters for executive officers • Administers stock compensation program, including grants of options, restricted stock units and other equity based compensation under our long-term incentive plan
Nominating and Corporate Governance Number of Meetings: 0 Members: Leon D. Black Lawrence F. Gilberti James P. Holden* Warren N. Lieberfarb Michael J. McGuiness James F. Mooney	• Develops and implements policies and practices relating to corporate governance • Reviews and monitors implementation of our policies and procedures • Assists in developing criteria for open positions on the board of directors • Reviews background information on potential candidates and makes recommendations to the board of directors • Makes recommendations to the board of directors with respect to committee assignments

* Chairman

How often are directors elected to the board?

All directors stand for election annually. Our board reaffirms its accountability to stockholders through this annual election process.

Does the board have a nominating or corporate governance committee?

In October 2005, our board of directors established a Nominating and Corporate Governance Committee. This Committee is comprised of all independent directors. The Nominating and Corporate Governance Committee charter is attached as Appendix A to the proxy statement. A copy of the charter is also available on our website at *www.sirius.com/pdf/corpgov.pdf*.

How are nominees for the board of directors selected?

Our Nominating and Corporate Governance Committee reviews possible candidates for the board and is responsible for overseeing matters of corporate governance, including the evaluation of performance and practices of the board of directors, the board's committees, management succession plans and executive resources. The Nominating and Corporate Governance Committee considers suggestions from many sources, including stockholders, for possible directors. Such suggestions, together with appropriate biographical information, should be submitted to our Corporate Secretary, Sirius Satellite Radio Inc., 1221 Avenue of the Americas, 36th Floor, New York, New York 10020. Candidates who are suggested by our stockholders are evaluated by the Nominating and Corporate Governance Committee in the same manner as are other possible candidates. During 2005, our board of directors did not retain any third parties to assist in the process of identifying and evaluating potential nominees for our board of directors.

Who is the board's chairman?

Joseph P. Clayton serves as chairman of our board of directors. The chairman of our board organizes the work of the board and ensures that the board has access to sufficient information to enable the board to carry out its functions, including monitoring the company's performance and the performance of management. In carrying out this role, the chairman, among other things, presides over meetings of the board of directors, establishes the agendas of each meeting of the board in consultation with our Chief Executive Officer, and oversees the distribution of information to directors.

How does the board determine which directors are considered independent?

Our board reviews the independence of our directors annually. The provisions of our *Corporate Governance Guidelines* regarding director independence meet, and in some areas exceed, the listing standards of the NASDAQ National Market.

Pursuant to the *Guidelines*, the board undertook its annual review of director independence in April 2006. As part of this review, we reviewed written questionnaires submitted by each directors. The questionnaires were designed to uncover transactions and relationships between each director and members of his immediate family and SIRIUS, other directors, members of our senior management and our affiliates.

As a result of this review, the board determined that all of the directors nominated for election at the annual meeting are independent of the company and its management under the standards set forth in the *Corporate Governance Guidelines*, with the exception of Mel Karmazin and Joseph P. Clayton. Mr. Karmazin is considered an inside director because of his employment as our Chief Executive Officer. Mr. Clayton is considered an inside director because of his prior employment as a senior executive of the Company.

Who is the Audit Committee's financial expert?

Our board of directors has determined that James F. Mooney, the chairman of the Audit Committee and a independent director, is qualified as an "audit committee financial expert" within the meaning of SEC regulations, and he has accounting and related financial management expertise within the meaning of the listing standards of the NASDAQ.

How often did the board meet during 2005?

During 2005, there were seven meetings of our board of directors, and the board took action once by written consent in lieu of a meeting. Each director attended more than 90% of the total number of meetings of the board and meetings held by committees on which he served. Directors are encouraged to attend the annual meeting of stockholders. Messrs. Clayton, Gilberti and Karmazin attended and participated in our 2004 annual meeting of stockholders.

How are the directors compensated?

Each member of our board of directors who is not employed by us receives an annual retainer of $80,000 per year payable in the following manner:

- $24,000 in the form of cash, restricted stock units, options to purchase our common stock, or any combination thereof, at the election of the director; and
- $56,000 in the form of restricted stock units, options to purchase our common stock, or any combination thereof, at the election of the director.

If any director fails to attend at least 75% of the meetings of the board of directors in any given year, he or she will forfeit 25% of his or her compensation that is payable in cash. During 2005, all of our directors attended over 90% of the meetings of our board of directors.

Each director who serves as chair of a committee of the board of directors receives an additional payment of $20,000. These fees are payable in the form of cash, restricted stock units, options to purchase our common stock, or any combination thereof, at the election of the director.

All options to purchase common stock awarded to our directors vest over a four-year period, and all restricted stock units awarded to our directors vest on the date that is one year following the director's resignation, retirement from the board of directors or failure to be re-elected for any reason whatsoever.

We also pay reasonable travel and accommodation expenses of directors in connection with their participation in meetings of the board of directors.

Does the chairman of the board of directors receive more compensation than other directors?

On November 18, 2004, Joseph P. Clayton relinquished his role as our Chief Executive Officer and became chairman of our board of directors. On November 18, 2004, we granted Mr. Clayton options to purchase 2,000,000 shares of our common stock, at an exercise price of $4.72 per share, and 500,000 restricted stock units. Of these stock options, 500,000 vested immediately; 750,000 vested on December 31, 2005; and 750,000 stock options will vest on December 31, 2006. Mr. Clayton's restricted stock units vest in equal installments; 250,000 vested on January 1, 2006 and 250,000 will vest on January 1, 2007. Mr. Clayton's stock options will terminate three years after he ceases to be chairman of our board of directors.

Mr. Clayton remained an employee through June 30, 2005, and we paid him a salary of $300,000 in 2005. In February 2006, the Compensation Committee of our board of directors awarded Mr. Clayton a $300,000 cash bonus for his work as an employee during 2005. In June 2005, when his employment with us ended, we paid Mr. Clayton $1,050,000 in severance. We are obligated to provide Mr. Clayton medical, dental, vision, and life insurance until the earlier of five years after his agreement expires or until he secures comparable coverage from a new employer. Through May 2005, we reimbursed Mr. Clayton for his reasonable living expenses in New York City, including rent. We also reimburse Mr. Clayton for his reasonable travel expenses between his home and New York City to the extent travel is required for the business of SIRIUS or our board of directors.

How can stockholders communicate with the board of directors?

Stockholders may communicate directly with our board of directors, or specified individual directors, according to the procedures described on our website at *www.sirius.com/aboutus/directors*.

Our Corporate Secretary reviews all correspondence to our directors and forwards to the board a summary and/or copies of any such correspondence that, in the opinion of the Corporate Secretary, deals with the functions of the board or committees thereof or that he otherwise

determines requires their attention. Directors may at any time review all correspondence received by us that is addressed to members of our board.

In addition, the Audit Committee has established procedures for the receipt, retention and treatment, on a confidential basis, of complaints received by us, our board of directors and the Audit Committee regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters. These procedures are available upon request.

Does SIRIUS have corporate governance guidelines and a code of ethics?

Our board of directors has adopted *Corporate Governance Guidelines* which set forth a flexible framework within which the board, assisted by its committees, directs the affairs of the company. The *Guidelines* cover, among other things, the composition and functions of our board of directors, director independence, management succession and review, committee assignments and selection of new members of our board of directors. A copy of the *Guidelines* are attached as Appendix B to this proxy statement.

Our board of directors has also adopted a *Code of Ethics*, which is applicable to all our employees, including our principal executive officer, principal financial officer and principal accounting officer.

Our *Code of Ethics* is available on the our website at *www.sirius.com/aboutus/ethics* and in print to any stockholder who requests it from our Corporate Secretary. If we amend or waive the *Code of Ethics* with respect to our chief executive officer, principal financial officer or principal accounting officer, we will post the amendment or waiver at this location on our website.

REPORT OF THE AUDIT COMMITTEE

The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other filing by us under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate this Report by reference therein.

The SEC rules require us to include in this proxy statement a report from the Audit Committee of our board of directors. The following report concerns the Audit Committee's activities regarding oversight of our financial reporting and auditing process.

The Audit Committee is comprised solely of independent directors, as defined in the Marketplace Rules of the NASDAQ Stock Market and under Securities Exchange Act Rule 10A-3(b)(1), and it operates under a written charter adopted by our board of directors. A copy of the Audit Committee's charter is available on our website at *www.sirius.com/pdf/audit.pdf.* The composition of the Audit Committee, the attributes of its members and the responsibilities of the Audit Committee, as reflected in its charter, are intended to be in accordance with applicable requirements for corporate audit committees. The Audit Committee reviews and assesses the adequacy of its charter on an annual basis.

The Audit Committee met nine times during 2005. The Audit Committee schedules its meetings with a view to ensuring that it devotes appropriate attention to all of its tasks. The Audit Committee's meetings include regular executive sessions with our independent registered public accounting firm, without the presence of our management. During 2005, the Audit Committee devoted a substantial amount of time discussing and monitoring our efforts to comply with the requirements of the Sarbanes-Oxley Act of 2002. As part of that effort, the Audit Committee reviewed our key initiatives and programs aimed at strengthening the effectiveness of our internal and disclosure control structure.

As described more fully in its charter, the purpose of the Audit Committee is to assist our board of directors in its general oversight of our financial reporting, internal control and audit functions. Management is responsible for the preparation, presentation and integrity of our consolidated financial statements; accounting and financial reporting principles; and internal controls and procedures designed to ensure compliance with accounting standards, applicable laws and regulations. Ernst & Young LLP, our independent registered public accounting firm, is responsible

for performing an independent audit of our consolidated financial statements in accordance with auditing standards generally accepted in the United States.

The Audit Committee members are not professional accountants or auditors, and their functions are not intended to duplicate or to certify the activities of management and our independent registered public accounting firm, nor can the Audit Committee certify that our independent registered public accounting firm is "independent" under applicable rules. The Audit Committee serves a board-level oversight role, in which it provides advice, counsel and direction to management and our independent registered public accounting firm on the basis of the information it receives, its discussions with management and our independent registered public accounting firm and the experience of the Audit Committee's members in business, financial and accounting matters.

Among other matters, the Audit Committee monitors the activities and performance of our independent registered public accounting firm, including the audit scope, external audit fees, auditor independence matters and the extent to which the independent registered public accounting firm may be retained to perform non-audit services. The Audit Committee and our board of directors have ultimate authority and responsibility to select, evaluate and, when appropriate, replace our independent registered public accounting firm. The Audit Committee also reviews the results of the audit work with regard to the adequacy and appropriateness of our financial, accounting and internal controls. The Audit Committee also covers various topics and events that may have significant financial impact or are the subject of discussions between management and the independent registered public accounting firm. In addition, the Audit Committee generally oversees our internal compliance programs.

The Audit Committee has reviewed and discussed our consolidated financial statements with management and our independent registered public accounting firm. Management represented to the Audit Committee that our consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles, and our independent registered public accounting firm represented that its presentations included the matters required to be discussed with the Audit Committee by Statement on Auditing Standards No. 61, as amended, "Communication with Audit Committees."

Ernst & Young LLP, our independent registered public accounting firm, also provided the Audit Committee with the written disclosures and the letter required by Independence Standards Board Standard No. 1, "Independence Discussions with Audit Committees," and the Audit Committee discussed with Ernst & Young LLP the firm's independence.

Following the Audit Committee's discussions with management and Ernst & Young LLP, the Audit Committee recommended that our board of directors include the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2005.

Audit Committee

JAMES P. HOLDEN
MICHAEL J. MCGUINESS
JAMES F. MOONEY, *Chairman*

Principal Accountant Fees and Services

The following table sets forth the fees billed to us by Ernst & Young LLP, our independent registered public accounting firm, as of and for the years ended December 31, 2005 and 2004:

	For the Years Ended December 31,	
	2005	**2004**
Audit fees[1]	$1,037,900	$ 984,362
Audit-related fees[2]	35,000	30,000
All other fees	—	—
	$1,072,900	$1,014,362

(footnotes on next page)

(footnotes from previous page)

(1) Audit fees billed by Ernst & Young LLP in 2005 and 2004 related to the audit of our annual consolidated financial statements and internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002; the review of our interim consolidated financial statements included in our Quarterly Reports on Form 10-Q for the periods ended March 31, June 30 and September 30, in each of 2005 and 2004; attest services; the provision of comfort letters; and the provision of consents. Included in audit fees for the year ended December 31, 2004 is $84,750 of fees billed to us by Ernst & Young LLP related to the audit of our consolidated financial statements for the year ended December 31, 2003.

(2) Audit-related fees billed by Ernst & Young LLP in 2005 related to audits of employee benefit plans. Audit-related fees billed in 2004 related to audits of employee benefit plans and non-regulatory attest services.

Pre-Approval Policy for Services of Independent Auditor

It is the Audit Committee's responsibility to review and consider, and ultimately pre-approve, all audit and permitted non-audit services to be performed by our independent registered public accounting firm. In accordance with its charter, the Audit Committee has established pre-approval policies with respect to audit and permitted non-audit services to be provided by our independent registered public accounting firm. The following sets forth the primary principles of the Audit Committee's pre-approval policies:

- The independent registered public accounting firm is not permitted to perform consulting, legal, book-keeping, valuation, internal audit, management functions, or other prohibited services, under any circumstances;
- The engagement of our independent registered public accounting firm, including related fees, with respect to the annual audits and quarterly reviews of our consolidated financial statements is specifically approved by the Audit Committee on an annual basis;
- The Audit Committee reviews and pre-approves a detailed list of other audit and audit-related services annually or more frequently, if required. Such services generally include services performed under the audit and attestation standards established by regulatory authorities or standard setting bodies and include services related to SEC filings, employee benefit plan audits and subsidiary audits;
- The Audit Committee reviews and pre-approves a detailed list of permitted non-audit services annually or more frequently, if required; and
- The Audit Committee pre-approves each proposed engagement to provide services not previously included in the approved list of audit and non-audit services and for fees in excess of amounts previously pre-approved.

The Audit Committee has delegated to the chairman of the Audit Committee the authority to approve permitted services by the independent registered public accounting firm so long as he reports decisions to the Audit Committee at its next meeting.

The Audit Committee has appointed Ernst & Young LLP to audit our 2006 consolidated financial statements. Representatives of the firm will be available at the annual meeting to make a statement, if they choose, and to answer any questions you may have.

EXECUTIVE COMPENSATION

Report of the Compensation Committee

The following Report of the Compensation Committee of our board of directors and the performance graph included elsewhere in this proxy statement do not constitute soliciting material and should not be deemed filed or incorporated by reference into any other filings by us under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate this Report or the performance graph by reference therein.

The Compensation Committee of our board of directors, comprised solely of independent directors, is responsible for overseeing and administering our compensation programs. The Compensation Committee also reviews, monitors and approves executive compensation, establishes compensation guidelines for our officers, reviews projected personnel needs and administers our long-term stock incentive plan.

We believe that the quality, skills and dedication of our executive officers are critical factors affecting the long-term value of our company. Our key compensation goals are to attract world-class executive talent; retain our key leaders; reward past performance; incent future performance; and align our executives' long-term interests with those of our stockholders.

The Compensation Committee's decisions on executive officer compensation are based primarily upon the assessment of each executive's leadership and operational performance and potential to enhance long-term stockholder value. The Compensation Committee relies upon its judgment about each individual—and not on rigid formulas or short-term changes in business performance—in determining the amount and mix of compensation elements and whether each particular payment or award provides an appropriate incentive and reward for performance that sustains and enhances long-term stockholder value. Key factors affecting the Committee's judgment include: performance compared to the financial, operational and strategic goals established for the executive at the beginning of the year; nature, scope and level of responsibilities; contribution to our financial results, particularly with respect to key metrics such as subscribers, cash flow, revenue and subscriber acquisition costs; contribution to our commitment to corporate responsibility, including success in creating a culture of unyielding integrity and compliance with applicable laws and our ethics policies; and commitment to leadership and diversity.

In making its decisions, the Compensation Committee considered each executive's current salary and prior-year bonus, the appropriate balance between incentives for long-term and short-term performance and the compensation paid to the executive's peers. In addition, the Compensation Committee reviewed a tally sheet setting forth the total compensation potentially payable to, and the benefits accruing to, the executive.

The Compensation Committee did not consult with an executive compensation expert during 2005, and the Committee does not tie compensation decisions to any particular range or level of total compensation paid to executives at other companies.

During 2005, we entered into new or amended employment agreements with James E. Meyer, our President, Sales and Operations; Scott A. Greenstein, our President, Sports and Entertainment; and David J. Frear, our Executive Vice President and Chief Financial Officer. A summary of these employment agreements and the employment agreements with Mel Karmazin, our Chief Executive Officer, and Patrick L. Donnelly, our Executive Vice President, General Counsel and Secretary, are described under the heading "Employment Agreements."

Compensation Philosophy

Our compensation program in 2005 for executive officers consisted of three key elements:

- a base salary;
- an annual bonus; and
- equity-based compensation, consisting of stock options and/or restricted stock units.

The Compensation Committee believes that this three-part approach is consistent with programs adopted by similarly situated companies and best serves the interests of our stockholders. It enables us to meet the requirements of the competitive environment in which we operate, while ensuring that executive officers are compensated in a manner that advances both the short and long-term interests of stockholders. Under this approach, compensation for our executive officers involves a high proportion of pay that is "at risk"—namely, the annual bonus and the value and vesting of stock options and restricted stock units. Stock options and restricted stock units relate a significant portion of each executive's long-term remuneration directly to the stock price appreciation realized by our stockholders.

Base Salaries

The base salaries paid to each of our executive officers during 2005 were paid pursuant to the written employment agreements described under the heading "Employment Agreements."

The Compensation Committee approved base salary increases in February 2005 for Mr. Donnelly from $358,800 to $369,564, for Mr. Frear from $331,500 to $351,488, for Mr. Greenstein from $525,000 to $540,750, and for Mr. Meyer from $525,000 to $540,750. These increases were made as part of our normal annual merit increase program and took into account the executives' contributions during 2004 and their expected contributions in the future.

In August 2005, the Compensation Committee approved base salary increases for Mr. Greenstein from $540,750 to $700,000 and Mr. Frear from $331,500 to $450,000. These increases were made as part of the review and renegotiation of employment agreements with Messrs. Greenstein and Frear.

Annual Bonus

During 2005, the Compensation Committee approved a bonus plan for executive officers and other employees. Under this program, employees were awarded bonuses based upon the attainment of prescribed levels of individual and corporate achievement, including subscriber activations, average monthly subscriber churn, cash flow and automakers' models available for installation of SIRIUS radios. The Compensation Committee assigned each of the objectives a weight, and measured the achievement of these items in January 2006 based upon objective data certified by management. These criteria were established by the Compensation Committee after review of our business plan, and discussions with our management.

In February 2006, the Compensation Committee awarded an annual bonus to Mr. Greenstein of $700,000, Mr. Meyer of $800,000, Mr. Donnelly of $400,000, and Mr. Frear of $450,000. These annual bonus awards were determined in accordance with the criteria contained in our 2005 bonus program and a subjective review of the performance of each individual during the year. These bonuses were paid half in cash and half in the form of restricted stock units. These restricted stock units will vest in February 2007.

The Compensation Committee has approved performance goals applicable to our executive officers for the year ending December 31, 2006. Our executive officers and eligible employees will be awarded bonuses based upon individual performance and the attainment of prescribed levels of corporate achievement, including subscriber activations and cash flow. The Compensation Committee will measure the achievement of these items in 2007 based upon objective data. The criteria of corporate achievement were established by the Compensation Committee after review of our business plan, and discussions with our management.

Stock Options and Restricted Stock Units

We provide long-term incentives through stock options and restricted stock units granted to our executive officers under our long-term stock incentive plan. The Compensation Committee believes that stock ownership by executives and other employees is the most effective method by which the interests of management may be aligned with those of our stockholders.

In connection with the amendment to his employment agreement in August 2005, Mr. Greenstein was awarded 1,250,000 options to purchase our common stock at an exercise price of $6.60 per share and 400,000 restricted stock units. Mr. Greenstein was also awarded 62,222 restricted stock units in recognition of meeting an equity accumulation requirement.

In March 2005, we also entered into an amended employment agreement with Mr. Meyer. As part of this agreement, we accelerated the vesting of 450,000 stock options from April 15, 2007 to April 15, 2006 and accelerated the vesting of 317,000 restricted stock units from April 15, 2007 to April 15, 2006. Mr. Meyer was also awarded 148,067 restricted stock units in 2005; 48,067 of these restricted stock units were awarded to Mr. Meyer in recognition of meeting an equity accumulation requirement.

In August 2005, we entered into an amended employment agreement with Mr. Frear. Pursuant to this agreement, Mr. Frear was awarded 700,000 options to purchase our common stock at an exercise price of $6.61 and 300,000 restricted stock units.

The size and terms of each of these equity-based awards, particularly the vesting provisions, was the product of negotiations between Messrs. Greenstein, Meyer and Frear and the Compensation Committee. In general, the awards were designed to compensate Messrs. Greenstein, Meyer and Frear based upon future performance. The Compensation Committee considered the size of the equity awards to the individuals; the expected dollar value of these individual equity awards, calculated based on a binomial lattice model; the reasonableness of the awards in light of current market conditions and competitive practices; and the importance of motivating these executives to achieve our objectives.

No stock options or restricted stock units were awarded to Messrs. Karmazin or Donnelly during 2005, other than the restricted stock units Mr. Donnelly received as part of our bonus program described above.

The Compensation Committee has also authorized executive management to grant stock options to employees below the senior management level on an annual basis according to guidelines intended to be competitive with comparable companies and to reward individual achievement appropriately. Our executive officers do not receive annual stock option grants under this program.

Stock Option Repricing

During 2005, no options held by executive officers or other employees were repriced.

Common Stock Ownership Requirement

During 2004, the Compensation Committee formalized a common stock ownership requirement for all of our officers. Effective December 31, 2005, the Compensation Committee discontinued this requirement. The Compensation Committee discontinued this common stock equity requirement after a review of the amount of common stock owned by our officers; an evaluation of the goals and costs of the equity requirement; and an assessment and re-evaluation of the appropriateness of the requirement in light of the developing nature of our business.

Although we do not have a formal common stock ownership requirement for officers, all of our executive officers own a substantial number of shares of our common stock. Please see *"How much stock do the directors and executive officers of SIRIUS own?"* on page 4.

Compensation of our Chief Executive Officer

In November 2004, our board of directors negotiated, and we entered into, a five-year employment agreement with Mel Karmazin to serve as our Chief Executive Officer. The material terms of Mr. Karmazin's employment agreement are described below under "Employment Agreements—Mel Karmazin."

The terms of Mr. Karmazin's employment were established by negotiations between Mr. Karmazin and members of our board of directors, including members of the Compensation Committee. The board of directors and the Compensation Committee did not retain an independent compensation consultant to advise them in the negotiation of Mr. Karmazin's compensation arrangements or to assess the reasonableness of the compensation arrangements. In assessing Mr. Karmazin's compensation, the Compensation Committee and our board of directors evaluated:

- Mr. Karmazin's historical compensation; and
- other publicly available compensation information for chief executive officers that was prepared by Frederick W. Cook, Inc. at the request of the Compensation Committee as part of the process of evaluating potential compensation for Mr. Clayton if it wished to extend his employment as our chief executive officer.

Our board of directors and the Compensation Committee concluded that, in their business judgment, Mr. Karmazin's profile, qualifications and experience, particularly in radio, were uniquely suited for SIRIUS' needs, and that the compensation, including the base salary, stock option and

restricted stock components of the compensation, was, taken as a whole, reasonable and appropriate under the circumstances.

In February 2006, the Compensation Committee awarded an annual bonus to Mr. Karmazin of $2,200,000 in recognition of his performance and our corporate performance relative to prescribed levels of individual and corporate goals. Mr. Karmazin's bonus was paid in cash, not a combination of cash and restricted stock units. In awarding Mr. Karmazin's bonus in cash, the Compensation Committee considered his existing compensation arrangements and the amount of our common stock currently owned by him as well as stock options and restricted shares of common stock held by him. The Compensation Committee concluded that Mr. Karmazin's interests were already highly aligned with stockholders, and that an award of additional restricted stock was not necessary to advance other corporate interests, such as retention or alignment.

Policy with Respect to Internal Revenue Code Section 162(m)

Section 162(m) of the Internal Revenue Code places a $1 million per person limitation on the tax deduction we may take for compensation paid to our Chief Executive Officer and our four other highest paid executive officers, except that compensation constituting performance-based compensation, as defined by the Internal Revenue Code, is not subject to the $1 million limit. The Compensation Committee generally intends to grant awards under our long-term stock incentive plan consistent with the terms of Section 162(m) so that such awards will not be subject to the $1 million limit. However, the Compensation Committee reserves the discretion to pay compensation that does not qualify for exemption under Section 162(m) where the Compensation Committee believes such action to be in the best interests of our stockholders.

Compensation Committee

Leon D. Black
Lawrence F. Gilberti, *Chairman*
Warren N. Lieberfarb

Compensation Committee Interlocks and Insider Participation

There were no Compensation Committee interlocks or insider participation in 2005.

Employment Agreements

We have entered into an employment agreement with each of our executive officers, and these agreements are described below.

Mel Karmazin. In November 2004, we entered into a five-year agreement with Mel Karmazin to serve as our Chief Executive Officer. We pay Mr. Karmazin a base salary of $1,250,000 per year, and annual bonuses in an amount determined each year by the Compensation Committee of our board of directors.

Pursuant to our agreement with Mr. Karmazin, his stock options and shares of restricted stock will vest upon his termination of employment for good reason, upon his death or disability and in the event of a change in control. In the event Mr. Karmazin's employment is terminated by us without cause, his unvested stock options and shares of restricted stock will thereupon vest and become exercisable, and he will receive his current base salary for the remainder of the term and any earned but unpaid annual bonus.

In the event that any payment we make, or benefit we provide, to Mr. Karmazin would require him to pay an excise tax under Section 280G of the United States Internal Revenue Code, we have agreed to pay Mr. Karmazin the amount of such tax and such additional amount as may be necessary to place him in the exact same financial position that he would have been in if the excise tax was not imposed.

Scott A. Greenstein. In May 2004, we entered into an employment agreement with Scott A. Greenstein to serve as our President, Entertainment and Sports, and in August 2005, we amended

that agreement. Mr. Greenstein has agreed to serve as our President, Entertainment and Sports, through July 2009, and we pay Mr. Greenstein an annual salary of $700,000.

If Mr. Greenstein's employment is terminated without cause or he terminates his employment for good reason, he is entitled to receive a lump sum payment equal to (1) his base salary in effect from the termination date through May 4, 2007 and (2) any annual bonuses, at a level equal to 60% of his base salary, that would have been customarily paid during the period from the termination date through May 4, 2007. In the event Mr. Greenstein's employment is terminated without cause or he terminates his employment for good reason, we are also obligated to continue his medical, disability and life insurance benefits for eighteen months following his termination.

If, following the occurrence of a change in control, Mr. Greenstein is terminated without cause or he terminates his employment for good reason, we are obligated to pay Mr. Greenstein the lesser of (1) four times his base salary and (2) 80% of the multiple of base salary, if any, that our chief executive officer would be entitled to receive under his or her employment agreement if he or she was terminated without cause or terminated for good reason following such change in control. We are also obligated to continue Mr. Greenstein's medical, disability and life insurance benefits, or pay him an amount sufficient to replace these benefits, until the third anniversary of his termination date.

In the event that any payment we make, or benefit we provide, to Mr. Greenstein would require him to pay an excise tax under Section 280G of the United States Internal Revenue Code, we have agreed to pay Mr. Greenstein the amount of such tax and such additional amount as may be necessary to place him in the exact same financial position that he would have been in if the excise tax was not imposed.

James E. Meyer. In May 2004, we entered into an employment agreement with James E. Meyer to serve as our President, Sales and Operations, and in March 2005 and February 2006, we amended that agreement. Mr. Meyer has agreed to serve as our President, Sales and Operations, until April 2007 and we pay Mr. Meyer an annual salary of $800,000.

If, following the occurrence of a change in control, Mr. Meyer is terminated without cause or he terminates his employment for good reason, we are obligated to pay Mr. Meyer the lesser of (1) four times his base salary, and (2) 80% of the multiple of base salary, if any, that our chief executive officer would be entitled to receive under his or her employment agreement if he or she was terminated without cause or terminated for good reason following such change of control. We are also obligated to continue Mr. Meyer's medical, disability and life insurance benefits, or pay him an amount sufficient to replace these benefits, until the third anniversary of his termination date.

In the event that any payment we make, or benefit we provide, to Mr. Meyer would require him to pay an excise tax under Section 280G of the United States Internal Revenue Code, we have agreed to pay Mr. Meyer the amount of such tax and such additional amount as may be necessary to place him in the exact same financial position that he would have been in if the excise tax were not imposed.

Upon the expiration of Mr. Meyer's employment agreement in April 2007, we have agreed to offer Mr. Meyer a one-year consulting agreement. We expect to reimburse Mr. Meyer for all of his reasonable out-of-pocket expenses associated with the performance of his obligations under this consulting agreement, but do not expect to pay him any cash compensation. Mr. Meyer's stock options will continue to vest and will be exercisable during the term of this consulting agreement.

Patrick L. Donnelly. In November 2004, we entered into an employment agreement with Patrick L. Donnelly to serve as our Executive Vice President, General Counsel and Secretary until May 2007. We pay Mr. Donnelly an annual base salary of $400,000.

If Mr. Donnelly's employment is terminated without cause or he terminates his employment for good reason, we are obligated to pay Mr. Donnelly his annual salary and the annual bonus last paid to him and to continue his medical, disability and life insurance benefits for one year.

In the event that any payment we make, or benefit we provide, to Mr. Donnelly would require him to pay an excise tax under Section 280G of the United States Internal Revenue Code, we have agreed to pay Mr. Donnelly the amount of such tax and such additional amount as may be necessary to place him in the exact same financial position that he would have been in if the excise tax was not imposed.

David J. Frear. In June 2003, we entered into an employment agreement with David J. Frear to serve as our Executive Vice President and Chief Financial Officer, and in August 2005, we amended that agreement. Mr. Frear has agreed to serve as our Executive Vice President and Chief Financial Officer through July 2008, and we pay Mr. Frear an annual base salary of $450,000.

If Mr. Frear's employment is terminated without cause or he terminates his employment for good reason, we are obligated to pay Mr. Frear his annual salary and the annual bonus last paid to him.

In the event that any payment we make, or benefit we provide, to Mr. Frear would require him to pay an excise tax under Section 280G of the United States Internal Revenue Code, we have agreed to pay Mr. Frear the amount of such tax and such additional amount as may be necessary to place him in the exact same financial position that he would have been in if the excise tax was not imposed.

Summary Compensation Table

The table below shows the compensation for the last three years for our Chief Executive Officer and the other four most highly compensated executive officers at the end of 2005.

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-Term Compensation Awards		
Name and Principal Position(1)	**Year**	**Salary ($)**	**Bonus ($)(2)**	**Other Annual Compensation($)(3)**	**Restricted Stock Awards ($)(4)**	**Securities Underlying Options/ SARS (#)(5)**	**All Other Compensation ($)(6)**
Mel Karmazin	2005	1,250,000	2,200,000	—	—	—	15,908
Chief Executive Officer	2004	147,436	—	—	14,160,000(7)	30,000,000	—
	2003	—	—	—	—	—	—
Scott A. Greenstein	2005	602,831	700,000	—	3,050,665(8)	1,250,000	16,356
President, Entertainment	2004	344,279	550,000	—	5,386,500(9)	2,800,000	16,238
and Sports	2003	—	—	—	—	—	—
James E. Meyer	2005	539,438	800,000	141,305	858,049(10)	—	16,356
President, Sales and	2004	344,279	550,000	96,832	4,104,000(11)	2,800,000	13,613
Operations	2003	—	—	—	—	—	—
Patrick L. Donnelly	2005	368,667	400,000	—	—	—	18,333
Executive Vice President,	2004	357,650	321,885	—	—	—	18,450
General Counsel and Secretary	2003	345,000	235,700	—	1,944,000(12)	2,800,000	22,655
David J. Frear	2005	388,658	450,000	—	1,983,000(13)	700,000	17,330
Executive Vice President	2004	330,958	297,862	75,203	—	—	13,435
and Chief Financial Officer	2003	176,042	98,583	131,273	972,000(14)	1,400,000	4,964

(1) Mr. Karmazin became our chief executive officer in November 2004. Messrs. Greenstein and Meyer became executive officers in May 2004. Mr. Frear became an executive officer in June 2003.

(2) Bonuses for executive officers, with the exception of Mr. Karmazin, for the years ended December 31, 2005, 2004 and 2003 were paid 50% in cash and 50% in restricted stock units. Mr. Karmazin's bonus for the year ended December 31, 2005 was paid in cash. Such restricted stock units vest approximately one year from the date of issue. Bonus amounts for 2005, 2004 and 2003 represent the cash amount paid plus the value of the restricted stock units on the date of grant. Messrs. Greenstein and Meyer each received a cash bonus of $150,000 upon execution of their employment agreements in May 2004, and these amounts are included in this column.

(3) Represents amounts reimbursed to Mr. Meyer for temporary living expenses in accordance with his employment agreement and amounts reimbursed to Mr. Frear for temporary living and relocation expenses.

(4) Amounts in this column exclude the value of the restricted stock units awarded to our executive officers as part of their 2005, 2004 and 2003 annual bonuses. The value of these restricted stock units as of the date they were awarded are included under the "Bonus" column.

(5) We have not granted any stock appreciation rights.

(6) Represents matching and profit sharing contributions by us under our 401(k) savings plan. These amounts were paid in the form of shares of our common stock.

(footnotes continued on next page)

(footnotes continued from previous page)

(7) In November 2004, Mr. Karmazin was awarded 3,000,000 shares of restricted common stock. The amount represents the value of these restricted shares of common stock (calculated by multiplying the closing price of our common stock on November 18, 2004, $4.72 per share, by the number of restricted shares of common stock awarded) on November 18, 2004. On December 31, 2005, Mr. Karmazin held 2,400,000 shares of restricted common stock which had an aggregate value of $16,080,000 (calculated by multiplying the closing price of our common stock on December 30, 2005, $6.70 per share, by the number of restricted shares of common stock). These shares of restricted stock vest in equal installments on November 18th of each of the five years beginning November 18, 2005.

(8) In August 2005, Mr. Greenstein was awarded 462,222 restricted stock units. The amount represents the value of these restricted stock units (calculated by multiplying the closing price of our common stock on August 8, 2005, $6.60 per share, by the number of restricted stock units awarded) on August 8, 2005. On August 8, 2005, 100,000 of these restricted stock units vested, and Mr. Greenstein sold 49,830 shares of our common stock to pay federal and state taxes associated with the vesting of these restricted stock units. On December 31, 2005, Mr. Greenstein held 362,222 restricted stock units which had an aggregate value of $2,426,887 (calculated by multiplying the closing price of our common stock on December 30, 2005, $6.70 per share, by the number of restricted stock units). Of these restricted stock units, 62,222 vest on August 8, 2006 and 300,000 vest on August 8, 2007.

(9) In May 2004, Mr. Greenstein was awarded 1,575,000 restricted stock units. The amount represents the value of these restricted stock units (calculated by multiplying the closing price of our common stock on May 5, 2004, $3.42 per share, by the number of restricted stock units awarded) on May 5, 2004. On May 5, 2004, 258,000 of these restricted stock units vested, and Mr. Greenstein sold 130,373 shares of our common stock to pay federal and state taxes associated with the vesting of these restricted stock units. On April 15, 2005, 425,000 of these restricted stock units vested, and Mr. Greenstein sold 211,381 shares of our common stock to pay federal and state taxes associated with the vesting of these restricted stock units. On December 31, 2005, Mr. Greenstein held 892,000 restricted stock units which had an aggregate value of $5,976,400 (calculated by multiplying the closing price of our common stock on December 30, 2005, $6.70 per share, by the number of restricted stock units). Of these restricted stock units, 575,000 vested on April 15, 2006 and 317,000 vest on April 15, 2007.

(10) In March and August 2005, Mr. Meyer was awarded 100,000 and 48,067 restricted stock units, respectively. The amount represents the value of these restricted stock units (calculated by multiplying the closing price of our common stock on March 11, 2005, $5.36 per share, and August 9, 2005, $6.70 per share, respectively, by the number of restricted stock units awarded) on March 11, 2005 and August 9, 2005, respectively. On April 15, 2005, 100,000 of these restricted stock units vested, and Mr. Meyer sold 44,909 shares of our common stock to pay federal and state taxes associated with the vesting of these restricted stock units. On December 31, 2005, Mr. Meyer held 48,067 restricted stock units which had an aggregate value of $322,049 (calculated by multiplying the closing price of our common stock on December 30, 2005, $6.70 per share, by the number of restricted stock units). These restricted stock units vest on August 9, 2006.

(11) In May 2004, Mr. Meyer was awarded 1,200,000 restricted stock units. The amount represents the value of these restricted stock units (calculated by multiplying the closing price of our common stock on May 5, 2004, $3.42 per share, by the number of restricted stock units awarded) on May 5, 2004. On May 5, 2004, 133,000 of these restricted stock units vested, and Mr. Meyer sold 65,575 shares of our common stock to pay federal and state taxes associated with the vesting of these restricted stock units. On April 15, 2005, 300,000 of these restricted stock units vested, and Mr. Meyer sold 134,726 shares of our common stock to pay federal and state taxes associated with the vesting of these restricted stock units. On December 31, 2005, Mr. Meyer held 767,000 restricted stock units which had an aggregate value of $5,138,900 (calculated by multiplying the closing price of our common stock on December 30, 2005, $6.70 per share, by the number of restricted stock units). These restricted stock units vested on April 15, 2006.

(12) In August 2003, Mr. Donnelly was awarded 1,200,000 restricted stock units. The amount represents the value of these restricted stock units (calculated by multiplying the closing price of our common stock on August 8, 2003, $1.62 per share, by the number of restricted stock units awarded) on August 11, 2003. On December 31, 2005, these restricted stock units had an aggregate value of $8,040,000 (calculated by multiplying the closing price of our common stock on December 30, 2005, $6.70 per share, by the number of restricted stock units awarded). These restricted stock units vested on March 15, 2006.

(13) In August 2005, Mr. Frear was awarded 300,000 restricted stock units. The amount represents the value of these restricted stock units (calculated by multiplying the closing price of our common stock on August 10, 2005, $6.61 per share, by the number of restricted stock units awarded) on August 10, 2005. On December 31, 2005, these restricted stock units had an aggregate value of $2,010,000 (calculated by multiplying the closing price of our common stock on December 30, 2005, $6.70 per share, by the number of restricted stock units). These restricted stock units vest on July 1, 2010; however, this vesting will accelerate if performance milestones established by our board of directors for the year ending December 31, 2007 are satisfied.

(14) In August 2003, Mr. Frear was awarded 600,000 restricted stock units. The amount represents the value of these restricted stock units (calculated by multiplying the closing price of our common stock on August 8, 2003, $1.62 per share, by the number of restricted stock units awarded) on August 11, 2003. On December 31, 2005, these restricted stock units had an aggregate value of $4,020,000 (calculated by multiplying the closing price of our common stock on December 30, 2005, $6.70 per share, by the number of restricted stock units awarded). These restricted stock units vested on March 15, 2006.

Option Grants during 2005

The following table sets forth certain information for the year ended December 31, 2005 with respect to options granted to individuals named in the Summary Compensation Table above.

OPTION GRANTS IN LAST FISCAL YEAR

Name	Number of Securities Underlying Options Granted (#)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price ($/Share)	Market Price on Date of Grant ($/Share)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation For Option Term	
						5% ($)	10% ($)
Mel Karmazin	—	—	—	—	—	—	—
Scott A. Greenstein	1,250,000	23.7	6.60	6.60	8/8/2015	5,188,381	13,148,375
James E. Meyer	—	—	—	—	—	—	—
Patrick L. Donnelly	—	—	—	—	—	—	—
David J. Frear	700,000	13.3	6.61	6.61	8/10/2015	2,909,895	7,374,246

We have not granted any stock appreciation rights.

Option Exercises and Values for 2005

The following table sets forth information with respect to the number of shares acquired upon exercise of stock options and the value realized upon exercise of such stock options by the individuals named in the Summary Compensation Table during 2005. The table also contains information regarding the number of shares covered by both exercisable and unexercisable stock options held by the individuals named in the Summary Compensation Table as of December 31, 2005. Also reported are the values for "in-the-money" stock options that represent the positive spread between the respective exercise prices of outstanding stock options and the fair market value of our common stock as of December 30, 2005 ($6.70 per share).

AGGREGATE OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at Fiscal Year End (#)		Value of Unexercised In-the-Money Options at Fiscal Year End ($)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Mel Karmazin	—	—	6,000,000	24,000,000	11,880,000	47,520,000
Scott A. Greenstein	—	—	1,600,000	2,450,000	5,696,000	4,394,500
James E. Meyer	—	—	783,332	1,266,668	2,890,659	4,649,341
Patrick L. Donnelly	—	—	1,983,332	266,668	8,395,659	1,509,341
David J. Frear	—	—	1,016,666	833,334	4,930,830	709,670

We have not granted any stock appreciation rights.

Equity Compensation Plans

The following table sets forth information as of December 31, 2005 regarding the number of shares of our common stock to be issued under outstanding options, warrants or rights, the weighted average exercise price of such outstanding options, warrants or rights, and the securities remaining available for issuance under our equity compensation plans that have been approved and not approved by our security holders.

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants or rights	Weighted average exercise price of outstanding options, warrants or rights	Number of securities remaining available for future issuance under equity compensation plans(1)
Equity compensation plans approved by security holders[(2)]	109,000,950	$3.68	91,979,780
Equity compensation plans not approved by security holders	—	—	—
Total	109,000,950	$3.68	91,979,780

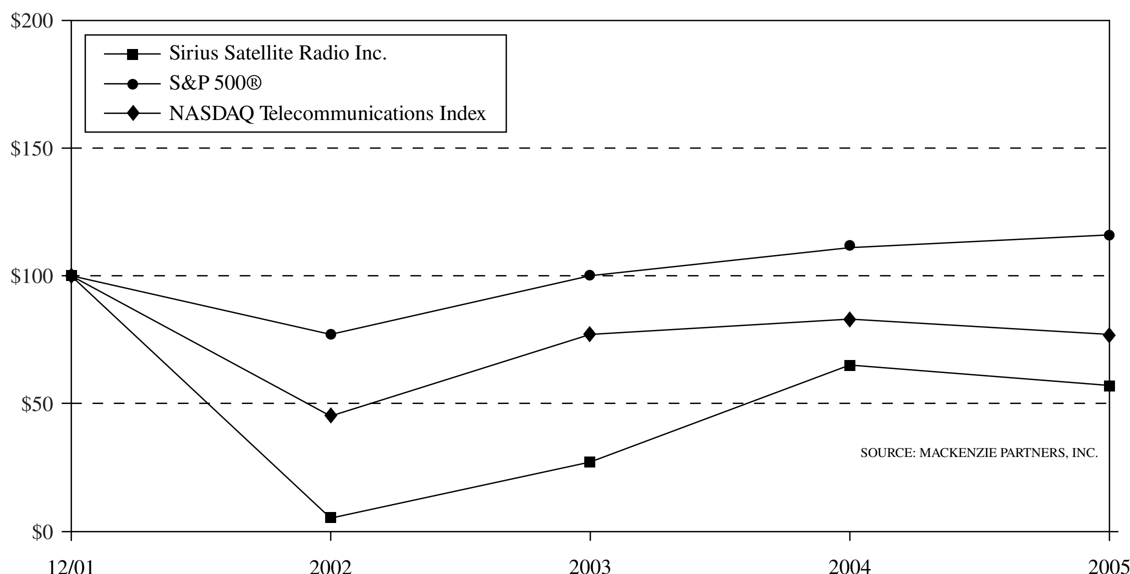
(1) Under the Amended and Restated Sirius Satellite Radio 2003 Long-Term Stock Incentive Plan an aggregate of 240,000,000 shares of our common stock are available for grants.

(2) Our stockholders have approved the Amended and Restated Sirius Satellite Radio 2003 Long-Term Stock Incentive Plan, the Sirius Satellite Radio 1999 Long-Term Stock Incentive Plan, our Amended and Restated 1994 Stock Option Plan and our Amended and Restated 1994 Directors' Nonqualified Stock Option Plan. The number of securities to be issued upon exercise includes restricted stock units which have a weighted average exercise price of $0.

COMPARISON OF CUMULATIVE TOTAL RETURNS

Set forth below is a graph comparing the cumulative performance of our common stock with the Standard & Poor's Composite-500 Stock Index, or the S&P 500, and the NASDAQ Telecommunications Index from December 31, 2001 to December 31, 2005. The graph assumes that $100 was invested on December 31, 2001 in each of our common stock, the S&P 500 and the NASDAQ Telecommunications Index and that all dividends were reinvested.

CUMULATIVE TOTAL RETURN
Based upon an initial investment of $100 on December 31, 2001
with dividends reinvested



Date	SIRIUS	S&P 500	NASDAQ Telecommunications Index(1)
December 31, 2001	$100	$100	$100
December 31, 2002	$ 5	$ 77	$ 45
December 31, 2003	$ 27	$100	$ 77
December 31, 2004	$ 65	$111	$ 83
December 31, 2005	$ 57	$116	$ 77

(1) The NASDAQ Telecommunications Index is a capitalization weighted index designed to measure the performance of all NASDAQ-traded stocks in the telecommunications sector, including satellite technology.

ITEM 1—ELECTION OF DIRECTORS

Our board of directors currently has eight members, all of whom are standing for re-election at this year's annual meeting. Directors serve until the next annual meeting of stockholders or until the director is succeeded by another director who has been duly elected and qualified. Each of the nominated directors has agreed to serve if elected. However, if for some reason any of the nominees is unable to accept nomination or election, it is intended that shares represented by proxies will be voted for such substitute nominee as designated by our board of directors. Biographical information for each of the nominees is presented below.

Nominees for the Board of Directors

Leon D. Black, age 54, has been a director since June 2001. Mr. Black is one of the founding principals of Apollo Advisors, L.P., which manages investment capital on behalf of institutions. He is also the founder of Apollo Real Estate Advisors, L.P. From 1977 to 1990, Mr. Black worked at Drexel Burnham Lambert Incorporated, where he served as Managing Director, head of the Mergers & Acquisitions Group and co-head of the Corporate Department. Mr. Black is a director of United Rentals, Inc. Mr. Black is a trustee of The Museum of Modern Art, Mt. Sinai Hospital, The Metropolitan Museum of Art, Lincoln Center for The Performing Arts, Prep for Prep, The Asia Society and Dartmouth College.

Joseph P. Clayton, age 56, has served as chairman of our board of directors since November 2004 and as a director since November 2001. He served as our Chief Executive Officer from November 2001 through November 2004. Mr. Clayton served as President of Global Crossing North America, a global internet and long distance services provider, from September 1999 until November 2001. Mr. Clayton also served as a member of the board of directors of Global Crossing Ltd. from September 1999 until May 2002. On January 28, 2002, Global Crossing Ltd. and certain of its affiliates filed petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. From August 1997 to September 1999, Mr. Clayton was President and Chief Executive Officer of Frontier Corporation, a Rochester, New York-based national provider of local telephone, long distance, data, conferencing and wireless communications services, which was acquired by Global Crossing in September 1999. Prior to joining Frontier, Mr. Clayton was Executive Vice President, Marketing and Sales—Americas and Asia, of Thomson S.A., a leading consumer electronics company. Mr. Clayton is a member of the board of directors of Transcend Services Inc., a trustee of Bellarmine University and The Rochester Institute of Technology and a member of the advisory board of Indiana University School of Business.

Lawrence F. Gilberti, age 55, has been a director since September 1993. Since June 2000, Mr. Gilberti has been a partner in the law firm of Reed Smith LLP; from May 1998 through May 2000, he was of counsel to that firm. From August 1994 to May 1998, Mr. Gilberti was a partner in the law firm of Fischbein Badillo Wagner & Harding.

James P. Holden, age 54, has been a director since August 2001. From October 1999 until November 2000, Mr. Holden was the President and Chief Executive Officer of DaimlerChrysler Corporation, a subsidiary of DaimlerChrysler AG, one of the world's largest automakers. Prior to being appointed President in 1999, Mr. Holden held numerous senior positions within Chrysler Corporation during his 19-year career at the company. Mr. Holden is a director of Speedway MotorSports, Inc.

Mel Karmazin, age 62, has served as our Chief Executive Officer and a member of our board of directors since November 2004. Prior to joining us, Mr. Karmazin was President and Chief Operating Officer and a member of the board of directors of Viacom Inc. from May 2000 until June 2004. Prior to joining Viacom, Mr. Karmazin was President and Chief Executive Officer of CBS Corporation from January 1999 and a director of CBS Corporation from 1997 until its merger with Viacom in May 2000. He was President and Chief Operating Officer of CBS Corporation from April 1998 through December 1998. Mr. Karmazin joined CBS Corporation in December 1996 as Chairman and Chief Executive Officer of CBS Radio and served as Chairman and Chief Executive Officer of the CBS Station Group (Radio and Television) from May 1997 to

April 1998. Prior to joining CBS Corporation, Mr. Karmazin served as President and Chief Executive Officer of Infinity Broadcasting Corporation from 1981 until its acquisition by CBS Corporation in December 1996. Mr. Karmazin served as Chairman, President and Chief Executive Officer of Infinity from December 1998 until the merger of Infinity Broadcasting Corporation with Viacom in February 2001.

Warren N. Lieberfarb, age 62, has been a director since September 2003. Mr. Lieberfarb is the Chairman and Chief Executive Officer of Warren N. Lieberfarb & Associates LLC, a media, entertainment and technology consulting firm. From 1984 until December 2002, Mr. Lieberfarb was President of Warner Home Video, a subsidiary of Warner Bros. Entertainment and a global leader in the creation, distribution, and marketing of theatrical motion pictures and television programming on video/DVD. Mr. Lieberfarb currently serves on the Board of Directors and Board of Trustees of the American Film Institute and chairs its Entrepreneurial Committee. He also serves on the Board of Directors of The Platform, a technology provider enabling online video distribution services. He is currently on the University of Pennsylvania Library Board of Overseers, the Undergraduate Executive Committee of The Wharton School, and previously was a member of the University's Board of Trustees from 2001 to 2005. Mr. Lieberfarb is also a member of the Academy of Motion Pictures Arts and Sciences.

Michael J. McGuiness, age 42, has been a director since June 2003. Since 1998, Mr. McGuiness has been a portfolio manager for W.R. Huff Asset Management Co., L.L.C. and its affiliates. Between 1994 and 1998, Mr. McGuiness held senior analyst positions at Huff covering companies operating in the Media, Broadcasting and Cable sectors. He is a Chartered Financial Analyst.

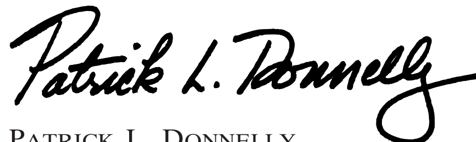
James F. Mooney, age 51, has been a director since July 2003. Since December 2004, Mr. Mooney has been chairman of the board of directors of RCN Corporation, a provider of bundled telephone, cable and high speed internet services. Since March 2003, Mr. Mooney has also been chairman of the board of directors of NTL Incorporated, a cable television company with operations in the United Kingdom and Ireland. From April 2001 to September 2002, Mr. Mooney was the Executive Vice President and Chief Operating Officer of Nextel Communications Inc., a provider of wireless communications services. From January 2000 to January 2001, Mr. Mooney was the Chief Executive Officer and Chief Operating Officer of Tradeout Inc., an asset management firm owned jointly by General Electric Capital, Ebay Inc. and Benchmark Capital. From March 1999 to January 2000, Mr. Mooney was the Chief Financial Officer/Chief Operating Officer at Baan Company, a business management software provider. From 1980 until 1999, Mr. Mooney held a number of positions with IBM Corporation, including Chief Financial Officer of the Americas.

The board of directors unanimously recommends a vote "FOR" each of the nominees.

OTHER MATTERS

Our board of directors does not intend to present, or have any reason to believe others will present, any items of business other than the election of directors. If other matters are properly brought before the annual meeting, the persons named in the accompanying proxy will vote the shares represented by it in accordance with the recommendation of our board of directors.

By Order of the Board of Directors,



PATRICK L. DONNELLY
Executive Vice President,
General Counsel and Secretary

New York, New York
April 21, 2006

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APPENDIX A

SIRIUS SATELLITE RADIO INC.
CHARTER OF THE NOMINATING
AND CORPORATE GOVERNANCE COMMITTEE
OF THE BOARD OF DIRECTORS

I. Purpose

The Nominating and Corporate Governance Committee (the "Committee") shall provide assistance to the Board of Directors in fulfilling its responsibility to the stockholders, potential stock holders and investment community by:

- Identifying individuals qualified to become directors and selecting, or recommending that the Board of Directors select, the candidates for all directorships to be filled by the Board of Directors or by the stockholders;
- Developing and recommending to the Board of Directors a set of corporate governance principles for the corporation; and
- Otherwise taking a leadership role in shaping the corporate governance of the corporation.

II. Structure and Operations

Composition and Qualifications

The Committee shall be comprised of three or more members of the Board of Directors, each of whom is determined by the Board of Directors to be "independent" in accordance with the rules of the Nasdaq National Market.

Appointment and Removal

The members of the Committee shall be appointed by the Board of Directors and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority vote of the Board of Directors.

Chairman

Unless a Chairman is elected by the full Board of Directors, the members of the Committee shall designate a Chairman by majority vote of the full Committee membership. The Chairman will chair all regular sessions of the Committee and set the agendas for Committee meetings.

III. Meetings

The Committee shall meet at least two times annually, or more frequently as circumstances dictate. The Chairman of the Board of Directors or any member of the Committee may call meetings of the Committee. All meetings of the Committee may be held telephonically.

All non-management directors that are not members of the Committee may attend meetings of the Committee but may not vote. Additionally, the Committee may invite to its meetings any director, members of management of the corporation and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons (other than Committee members) it deems appropriate in order to carry out its responsibilities.

IV. Responsibilities and Duties

The following functions shall be the common recurring activities of the Committee in carrying out its responsibilities outlined in Section I of this Charter. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and

procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board of Directors from time to time related to the purposes of the Committee outlined in Section I of this Charter.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate and shall have the sole authority to retain and terminate outside counsel or other experts for this purpose, including the authority to approve the fees payable to such counsel or experts and any other terms of retention. The Committee also shall have sole authority to retain and to terminate any search firm to be used to assist it in identifying candidates to serve as directors of the corporation, including sole authority to approve the fees payable to such search firm and any other terms of retention.

Board Selection, Composition and Evaluation

1. Establish criteria for the selection of new directors to serve on the Board of Directors.
2. Identify and interview individuals believed to be qualified as candidates to serve on the Board of Directors and select, or recommend that the Board of Directors select, the candidates for all directorships to be filled by the Board of Directors or by the stockholders at an annual or special meeting. In identifying candidates for membership on the Board of Directors, the Committee shall take into account all factors it considers appropriate, which may include (a) ensuring that the Board of Directors, as a whole, is diverse and consists of individuals with various and relevant career experience, relevant technical skills, industry knowledge and experience, financial expertise (including expertise that could qualify a director as a "financial expert," as that term is defined by the rules of the SEC), local or community ties and (b) minimum individual qualifications, including strength of character, mature judgment, familiarity with the company's business and industry, independence of thought and an ability to work collegially. The Committee also may consider the extent to which the candidate would fill a present need on the Board of Directors.
3. Review and make recommendations to the full Board of Directors, or determine, whether members of the Board of Directors should stand for re-election.
4. Consider matters relating to the retirement of members of the Board of Directors.
5. Evaluate candidates for nomination to the Board of Directors, including those recommended by stockholders. In that connection, the Committee shall adopt procedures for the submission of recommendations by stockholders as it deems appropriate.
6. Conduct all necessary and appropriate inquiries into the backgrounds and qualifications of possible candidates.
7. Consider questions of independence and possible conflicts of interest of members of the Board of Directors and executive officers, and whether a candidate has special interests or a specific agenda that would impair his or her ability to effectively represent the interests of all stockholders.
8. Review and make recommendations, as the Committee deems appropriate, regarding the composition and size of the Board of Directors in order to ensure the Board of Directors has the requisite expertise and its membership consists of persons with sufficiently diverse and independent backgrounds.
9. Oversee evaluation of the Board of Directors.

Committee Selection and Composition

1. Recommend members of the Board of Directors to serve on the committees of the Board of Directors, giving consideration to the criteria for service on each committee as set forth in the charter for such committee, as well as to any other factors the Committee deems relevant, and where appropriate, make recommendations regarding the removal of any member of any committee.
2. Recommend members of the Board of Directors to serve as the Chair of the committees of the Board of Directors.

3. Establish, monitor and recommend the purpose, structure and operations of the various committees of the Board of Directors, the qualifications and criteria for membership on each committee of the Board of Directors and, as circumstances dictate, make any recommendations regarding periodic rotation of directors among the committees and impose any term limitations of service on any committee of the Board of Directors.
4. Periodically review the charter and composition of each committee of the Board of Directors and make recommendations to the Board of Directors for the creation of additional committees or the elimination of committees of the Board of Directors.

Corporate Governance

1. Review the adequacy of the certificate of incorporation and by-laws of the corporation and recommend to the Board of Directors, as conditions dictate, that it propose amendments to the certificate of incorporation and by-laws for consideration by the stockholders.
2. Develop and recommend to the Board of Directors a set of corporate governance principles and keep abreast of developments with regard to corporate governance to enable the Committee to make recommendations to the Board of Directors in light of such developments as may be appropriate.
3. Review policies relating to meetings of the Board of Directors, including meeting schedules and locations, meeting agendas and procedures for delivery of materials in advance of meetings.

Continuity/Succession Planning Process

1. Oversee and approve the management continuity planning process. Review and evaluate the succession plans relating to the CEO and other executive officer positions and make recommendations to the Board of Directors with respect to the selection of individuals to occupy these positions.

Reports

1. Report regularly to the Board of Directors (i) following meetings of the Committee, (ii) with respect to such other matters as are relevant to the Committee's discharge of its responsibilities and (iii) with respect to such recommendations as the Committee may deem appropriate. The report to the Board of Directors may take the form of an oral report by the Chairman or any other member of the Committee designated by the Committee to make such report.
2. Maintain minutes or other records of meetings and activities of the Committee.

V. Annual Performance Evaluation

The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members, including by reviewing the compliance of the Committee with this Charter. In addition, the Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board of Directors any improvements to this Charter that the Committee considers necessary or valuable. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.

APPENDIX B

CORPORATE GOVERNANCE GUIDELINES

Composition of the Board of Directors

It is the policy of the Board of Directors that the Board at all times reflect the following characteristics.

Each Director shall at all times represent the interests of the stockholders of the Company.

Each Director shall at all times exhibit high standards of integrity, commitment and independence of thought and judgment.

Each Director shall dedicate sufficient time, energy and attention to ensure the diligent performance of his or her duties, including by attending stockholder meetings and meetings of the Board and Committees of which he or she is a member, and by reviewing in advance all meeting materials.

The Board shall meet the standards of independence from the Company and its management set forth under "Director Independence" below.

The Board shall encompass a range of talent, skill and expertise sufficient to provide sound and prudent guidance with respect to all of the Company's operations and interests.

Functions of the Board of Directors

The responsibility of the Board of Directors is to supervise and direct the management of the Company in the interest and for the benefit of the Company's stockholders. To that end, the Board of Directors shall, acting directly or through Committees, have the following duties:

(1) overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;

(2) reviewing and, where appropriate, approving the Company's major financial objectives, plans and actions;

(3) reviewing and, where appropriate, approving major changes in, and determinations of other major issues respecting, the appropriate auditing and accounting principles and practices to be used in the preparation of the Company's financial statements;

(4) assessing major risk factors relating to the Company and its performance, and reviewing measures to address and mitigate such risks;

(5) regularly evaluating the performance and approving the compensation of the Chief Executive Officer and, with the advice of the Chief Executive Officer, regularly evaluating the performance of the Company's executive officers; and

(6) planning for succession with respect to the position of Chief Executive Officer and monitoring management's succession planning for other key executives.

The Board of Directors has delegated to the Chief Executive Officer, working with the other executive officers of the Company, the authority and responsibility for managing the business of the Company in accordance with any specific plans, instructions or directions of the Board.

The Chief Executive Officer shall seek the advice and, in appropriate situations, the approval of the Board with respect to extraordinary actions to be undertaken by the Company, including those that would make a significant change in the financial structure or control of the Company, the acquisition or disposition of any significant business or the entry of the Company into a major new line of business.

Director Independence

It is the policy of the Board of Directors that a substantial majority of Directors be independent of the Company and of the Company's management. For a Director to be deemed "independent," the Board shall affirmatively determine that the Director has no material relationship with the Company or its affiliates or

any member of the senior management of the Company or his or her affiliates. In making this determination, the Board shall apply the following standards:

- A Director who is, or has been within the last three years, an employee of the Company, or whose immediate family member is, or has been within the last three years an executive officer, of the Company may not be deemed independent. Employment as an interim Chairman or Chief Executive Officer will not disqualify a Director from being considered independent following that employment.
- A Director who has received, or who has an immediate family member who has received, during any twelve-month period within the last three years, more than $25,000 in direct compensation from the Company, other than director and committee fees or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), may not be deemed independent. Compensation received by a Director for former service as an interim Chairman or Chief Executive Officer and compensation received by an immediate family member for service as a non-executive employee of the Company will not be considered in determining independence under this test.
- (A) A Director who is, or whose immediate family member is, a current partner of a firm that is the Company's external auditor; (B) a Director who is a current employee of such a firm; (C) a Director who has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (D) a Director who was, or whose immediate family member was, within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company's audit within that time may not be deemed independent.
- A Director who is, or whose immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the time serves or served on that company's compensation committee may not be deemed independent.
- A Director who is a current employee or general partner, or whose immediate family member is a current executive officer or general partner, of an entity that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1 million or 2% of such other entity's consolidated gross revenues, may not be deemed independent.
- Further to the provision above that applies to goods and services generally, a Director who is, or whose immediate family member is, an executive officer, general partner or significant equity holder (i.e., in excess of 10%) of an entity that is a paid provider of professional services to the Company, any of its affiliates, any executive officer or any affiliate of an executive officer, and which received payments with respect to such services in an amount which, in the preceding twelve months, exceeds $60,000 (but does not exceed the greater of $1 million or 2% of such other entity's consolidated gross revenues) may not be deemed independent.
- A Director who is, or whose immediate family member is, affiliated with or employed by a tax-exempt entity that received significant contributions (i.e., more than 2% of the annual contributions received by the entity or more than $200,000 in a single fiscal year, whichever amount is lower) from the Company, any of its affiliates, any executive officer or any affiliate of an executive officer within the preceding twelve-month period may not be deemed independent, unless the contribution was approved in advance by the Board of Directors.

For purposes of these Guidelines, the terms:

- "affiliate" means any consolidated subsidiary of the Company and any other company or entity that controls, is controlled by or is under common control with the Company, as evidenced by the power to elect a majority of the board of directors or comparable governing body of such entity;
- "executive officer" means an "officer" within the meaning of Rule 16a-1(f) under the Securities Exchange Act of 1934; and
- "immediate family" means spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law and anyone (other than employees) sharing a person's

home, but excluding any person who is no longer an immediate family member as a result of legal separation or divorce, or death or incapacitation.

The Board shall undertake an annual review of the independence of all non-employee Directors. In advance of the meeting at which this review occurs, each non-employee Director shall be asked to provide the Board with full information regarding the Director's business and other relationships with the Company and its affiliates and with senior management and their affiliates to enable the Board to evaluate the Director's independence.

Directors have an affirmative obligation to inform the Board of any material changes in their circumstances or relationships that may impact their designation by the Board as "independent." This obligation includes all business relationships between, on the one hand Directors or members of their immediate family, and, on the other hand, the Company and its affiliates or members of senior management and their affiliates, whether or not such business relationships are subject to the approval requirement set forth in the following provision.

Business Relationships with Directors

For the purpose of minimizing the risk of actual or perceived conflicts of interest (but without affecting any determination of Director independence pursuant to the preceding provisions), any monetary arrangement between a Director (including any member of a Director's immediate family) and the Company or any of its affiliates or members of senior management or their affiliates for goods or services shall be subject to approval by the Board of Directors as a whole. Such approval shall not be required where:

(a) the Director's sole interest in the arrangement is by virtue of his or her status as a director, executive officer and/or holder of a less than 10% equity interest (other than a general partnership interest) in an entity with which the Company or any of its affiliates has concluded such an arrangement; and

(b) the arrangement involves payments to or from the entity that constitute less than 2% of the entity's annual gross revenues; and

(c) the Director is not personally involved in (i) the negotiation and execution of the arrangement, (ii) performance of the services or provision of the goods or (iii) the monetary arrangement.

Corporate Information

Management

Mel Karmazin
Chief Executive Officer

Scott A. Greenstein
President, Entertainment and Sports

James E. Meyer
President, Sales and Operations

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

David J. Frear
Executive Vice President
and Chief Financial Officer

Board of Directors

Joseph P. Clayton
Chairman of the Board
Sirius Satellite Radio Inc.

Leon D. Black
Director
Founding Partner
Apollo Management, L.P.

Lawrence F. Gilberti
Director
Partner
Reed Smith LLP

James P. Holden
Director
President and CEO (Retired)
DaimlerChrysler Corporation

Mel Karmazin
Director
Chief Executive Officer
Sirius Satellite Radio Inc.

Warren N. Lieberfarb
Director
Chairman and Chief Executive Officer
Warren N. Lieberfarb & Associates LLC

Michael J. McGuiness
Director
Portfolio Manager
W.R. Huff Asset Management Co., L.L.C.

James F. Mooney
Director
Chairman
NTL Incorporated and RCN Corporation

Executive Offices

Sirius Satellite Radio Inc.
1221 Avenue of the Americas
36th Floor
New York, New York 10020
212.584.5100
www.sirius.com

Stockholder Information

Annual Stockholders Meeting

The annual meeting of Sirius stockholders is scheduled for 9:00 a.m., New York City time, on Tuesday, May 23, 2006, in The Auditorium at The Equitable Center, 787 Seventh Avenue, New York, New York 10019.

Transfer Agent and Registrar

The transfer agent and registrar for the Company's common stock is:

The Bank of New York
Shareholder Relations Department
P.O. Box 11258
Church Street Station
New York, New York 10286
1-800-524-4458
Shareowners@bankofny.com

Send Certificates For Transfer and Address Changes To:
Receive and Deliver Department
P.O. Box 11002
Church Street Station
New York, New York 10286
www.stockbny.com

Independent Registered Public Accounting Firm

Ernst & Young LLP
5 Times Square
New York, New York 10036

Sirius common stock is listed on The NASDAQ National Market under the symbol "SIRI".

SIRIUS