2006 ANNUAL REPORT AND PROXY STATEMENT

TABLE OF CONTENTS

Annual Report

Letter to Stockholders

Management's Discussion and Analysis of Financial Condition and Results of Operations 1

Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities 22

Selected Financial Data 22

Management's Report on Internal Control over Financial Reporting 23

Quantitative and Qualitative Disclosure About Market Risks 23

Controls and Procedures 24

Comparison of Cumulative Total Returns 25

Reports of Independent Registered Public Accounting Firm F-1

Consolidated Financial Statements F-3

Notes to Consolidated Financial Statements F-8

Notice of Annual Meeting of Stockholders and Proxy Statement

Dear Stockholders,

SIRIUS produced record operational and financial results in 2006. "The Best Radio on Radio" clearly portrays our differentiated approach to the marketplace which is changing the way people listen to audio entertainment.

I am very proud of our 2006 operational results and our ability to effectively execute our business plan as we achieved the strongest results in the company's history. As a premier destination to discover and experience audio entertainment, SIRIUS has earned a solid place for our branded audio content. Whether you are in your car, home, office, boat, dorm room, on the Internet or in a WiFi enabled hotspot, SIRIUS' leadership as a provider of commercial-free music and diverse and compelling talk radio remains paramount to our success.

As CEO, and a large stockholder myself, I do not need to tell you that our stock performance has not matched our financial and operational success. I will remain steadfast in running this company to maximize our financial and market position, and will not waiver in the pursuit of value-enhancing strategies.

SIRIUS achieved exceptional subscriber growth.

In 2006, SIRIUS added 2.7 million new subscribers — an annual record for satellite radio — and increased our subscriber base by 82% to more than 6 million. Retail channel subscribers increased 64% to just over 4 million in 2006 and subscribers from our automakers more than doubled to almost 2 million during the year.

We ended 2006 with SIRIUS radios being factory installed in 132 vehicle lines and pre-installed by dealers in 149 total vehicle models. Our automobile partners include: Audi, Bentley, BMW, Chrysler, Dodge, Ford, Infiniti, Jaguar, Jeep®, Land Rover, Lexus, Lincoln, Mercury, Maybach, Mazda, Mercedes-Benz, MINI, Mitsubishi, Nissan, Rolls Royce, Scion, Toyota, Volkswagen and Volvo.

If you look back two years to the fourth quarter of 2004, SIRIUS' progress is even more apparent. SIRIUS added 481,000 subscribers in the fourth quarter of 2004 for a 40% share of the satellite radio segment subscriber growth. In the fourth quarter of 2006 SIRIUS added 905,000 new subscribers for a 67% share of satellite radio segment subscriber growth. This improved performance is a clear indication of the sustainable consumer preference for SIRIUS. Our performance is even more impressive given the revolution in audio entertainment that has occurred during the same period with new technologies coming to market and as consumers face more audio entertainment options than ever before.

SIRIUS posted strong revenue growth, significantly reduced subscriber acquisition costs per new subscriber addition and achieved our first quarter of positive free cash flow.

Revenue grew to $637 million in 2006, which was 163% higher than 2005. Subscriber acquisition costs (SAC) per gross subscriber addition decreased to $114 in 2006 from $139 in 2005. More importantly, SIRIUS achieved positive free cash flow for the fourth quarter 2006 — only four years after we added our first subscriber.

Looking to 2007, we remain confident in our ability to grow our subscriber base by approximately 2 million subscribers to end the year with more than 8 million total subscribers. We expect revenues to approach $1 billion in 2007 and SAC per gross subscriber addition to improve to approximately $95.

"The Best Radio on Radio"

SIRIUS offers 69 channels of 100% commercial-free music covering nearly every genre. In addition, SIRIUS offers a broad combination of news, sports and talk radio for all ages as well as diverse political and religious viewpoints. We also produce channels in multiple languages, including Spanish, Korean and French. We are constantly refreshing and updating our programming lineup; we are never finished.

Getting the programming "right" is a continuous goal and we constantly challenge everything to be the best that it can possibly be, within the financial goals that

we have established. In particular I am very excited about our first year broadcasting SIRIUS NASCAR Radio. We have added numerous other news, sports, talk and entertainment programs including the Catholic Channel, Metropolitan Opera Radio, new original exclusive NBA programming, and more.

SIRIUS is the leading provider of sports radio programming, broadcasting play-by-play action of more than 350 professional and college teams. SIRIUS features sports, news and talk and play-by-play action from the NFL, NASCAR, NBA, NHL, Barclays English Premier League soccer, UEFA Champions League, the Wimbledon Championships, NCAA® Division I Men's Basketball Championship and more than 150 colleges and universities. SIRIUS is the only radio outlet to provide listeners with live coverage of every NFL game, every NASCAR Nextel Cup Series, NASCAR Busch Series and NASCAR Craftsman Truck Series race.

SIRIUS has a bright future

SIRIUS has many exciting new growth initiatives for 2007 and beyond, that will enhance our business. We have the best programming, great automotive and distribution partners and exciting new products, such as real-time navigation, back-seat video and WiFi enabled portable radios. As we have indicated, SIRIUS expects to end this year with more than 8 million audio entertainment subscribers and we anticipate that we will approach $1 billion in total revenue for 2007.

I want to thank all of our stockholders, subscribers and employees for their patience and dedication as we look toward a very exciting future for SIRIUS.

MEL KARMAZIN
Chief Executive Officer

On February 19, 2007, we and XM Radio entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which we and XM Radio will combine or businesses through a merger of XM Radio and a newly formed, wholly owned subsidiary of us (the "Merger"). Our Board of Directors and the Board of Directors of XM Radio have approved the Merger and the Merger Agreement.

The completion of the Merger is subject to various closing conditions, including obtaining the approval of our stockholders and XM Radio's stockholders and receiving certain regulatory and antitrust approvals (including from the Federal Communications Commission and under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended). The information presented in this report does not give effect to the Merger.

Special Note Regarding Forward-Looking Statements

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, 2006 particularly the risk factors described therein.

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

- *our pending merger with XM Satellite Radio Holdings Inc. ("XM Radio"), including related uncertainties and risks and the impact on our business if the merger is not completed;*
- *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 other forms of audio and video entertainment including terrestrial radio, internet radio, cell phones, XM Radio and emerging next generation networks and technologies.*

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 over 130 channels of programming to listeners across the country. We offer 69 channels of 100% commercial-free music and 65 channels of sports, news, talk, entertainment, traffic and weather for a monthly subscription fee of $12.95.

We broadcast through our proprietary satellite radio system, which currently consists of three orbiting satellites, 127 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 available to DISH satellite television subscribers and certain of our music channels are offered to Sprint subscribers over multi-media handsets. We also offer traffic and weather data services for a separate fee. Subscribers to DISH satellite television, Sprint and our traffic and weather data services are not included in our subscriber count.

In 2005, SIRIUS Canada Inc., a Canadian corporation owned by us, Canadian Broadcasting Corporation and Standard Radio Inc., received a license from the Canadian Radio-television and Telecommunications Commission to offer a satellite radio service in Canada. SIRIUS Canada offers 110 channels of commercial-free music and news,

sports, talk and entertainment programming, including 11 channels of Canadian content. Subscribers to the SIRIUS Canada service are not included in our subscriber count.

SIRIUS radios are primarily distributed through retailers; automakers, or OEMs; and through our website. SIRIUS radios can be purchased at major retailers, including Best Buy; Circuit City; Crutchfield; Costco; Target; Wal-Mart; and on an exclusive basis through RadioShack. On December 31, 2006, SIRIUS radios were available at more than 25,000 retail locations. We have exclusive agreements with DaimlerChrysler, Ford, Kia, Mitsubishi, BMW, Rolls-Royce, Volkswagen and Bentley to offer SIRIUS radios as factory or dealer-installed equipment. We also have relationships with Nissan, Infiniti, Toyota, Lexus, Scion and Subaru to offer SIRIUS radios as factory or dealer-installed equipment. As of December 31, 2006, SIRIUS radios were available as a factory-installed option in 132 vehicle models and as a dealer-installed option in 17 vehicle models. SIRIUS radios are also offered to renters of Hertz vehicles at airport locations nationwide.

As of December 31, 2006, we had 6,024,555 subscribers compared with 3,316,560 subscribers as of December 31, 2005. Our subscriber totals include subscribers under our regular pricing plans; subscribers that have prepaid, including payments received from automakers for prepaid subscriptions included in the sale or lease price of a new vehicle; active SIRIUS radios under our agreement with Hertz; and subscribers to SIRIUS Internet Radio, our Internet service.

We believe our ability to attract and retain subscribers depends in large part on creating and sustaining distribution channels for SIRIUS radios, the strength of the SIRIUS brand, 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.

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 eight months of prepaid revenue per subscriber upon activation. We also derive revenue from activation fees, the sale of advertising on some of 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 vary, 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 disproportionate percentage of our annual gross subscriber additions are acquired in the fourth quarter in connection with holiday sales. As a result, our SAC, as adjusted, 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.

During 2006, we achieved significant financial and operational milestones, including:

- capturing 67% share of total satellite radio net additions in the fourth quarter and 62% for the year, and more than doubled our OEM subscribers;
- entered into new agreements with Volkswagen, Audi, Kia, Rolls-Royce and Bentley;
- introduced the Stiletto 100, the first portable satellite radio with WiFi capabilities;
- achieved positive free cash flow in the fourth quarter 2006 — four years after adding our first subscriber; and
- added new programming, including Howard Stern, Playboy Radio, Cosmo Radio, Blue Collar Radio, FOX News Channels, the Catholic Channel, Jerry Rice, Tony Stewart, Chelsea Football Club, Metropolitan Opera Radio and Jane Pratt.

In June 2006, we entered into an agreement with Space Systems/Loral to design and construct a new satellite that will be one of the most advanced and powerful communications satellites ever built. Construction of the satellite is expected to be completed in the fourth quarter of 2008. The satellite will be launched on a Proton rocket acquired by us under a previously announced launch contract. The aggregate cost of designing, building and launching the satellite and insuring its launch will be approximately $260,000.

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.

Revenue Recognition. Revenue from subscribers consists of subscription fees; 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 service period upon activation and sale to a customer. We also reimburse 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 revenue in the period the subscriber activates our service. For certain mail-in rebate promotions, a subscriber must remain active for a specified period of time to be considered eligible. In those instances, such estimate is recorded as a reduction to revenue over the required activation period. 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 some of 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.

We pay certain third parties 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.

EITF No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables," provides guidance on how and when to recognize revenues for arrangements that may involve the delivery or performance of multiple products, services and/or rights to use assets. Revenue arrangements with multiple deliverables are required to be divided into separate units of accounting if the deliverables in the arrangement meet certain criteria. Arrangement consideration must be allocated among the separate units of accounting based on their relative fair values.

We determined that the sale of our service through our direct to consumer channel with accompanying equipment constitutes a revenue arrangement with multiple deliverables. In these types of arrangements, amounts received for equipment are recognized as equipment revenue; amounts received for service are recognized as subscription revenue; and amounts received for the non-refundable, up-front activation fee that are not contingent on the delivery of the service are allocated to equipment revenue. Activation fees are recorded to equipment revenue only to the extent that the aggregate equipment and activation fee proceeds do not exceed the fair value of the equipment. Any activation fees not allocated to the equipment are deferred upon activation and recognized as subscriber revenue on a straight-line basis over the estimated term of a subscriber relationship.

Stock-Based Compensation. Effective January 1, 2006, we adopted the provisions of Statement of Financial Accounting Standard ("SFAS") No. 123 (revised 2004), "Share-Based Payment," using the modified prospective transition method. Prior periods are not restated under this transition method. The stock-based compensation cost recognized beginning January 1, 2006 includes compensation cost for all stock-based awards granted to employees and members of our board of directors (i) prior to, but not vested as of, January 1, 2006 based on the grant date fair value originally estimated in accordance with the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and (ii) subsequent to December 31, 2005 based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R. Compensation cost under SFAS No. 123R is recognized ratably using the straight-line attribution method over the expected vesting period. SFAS No. 123R requires forfeitures to be estimated on the grant date and revised in subsequent periods if actual forfeitures differ from those estimates.

Effective January 1, 2006, we account for such awards at fair value in accordance with SFAS No. 123R and SEC guidance contained in Staff Accounting Bulletin ("SAB") No. 107. 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 or there is a significant disincentive for non-performance.

Upon adoption of SFAS No. 123R, we continued to estimate the fair value of stock-based awards using 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. 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. For the years ended December 31, 2005 and 2004, we used historical volatility of our stock over a period equal to the expected life of stock-based awards to estimate fair value. We estimated the fair value of awards granted during the year ended December 31, 2006 using the implied volatility of actively traded options on our stock. We believe that implied volatility is more representative of future stock price trends than historical volatility. The expected life assumption represents the weighted-average period stock-based awards are expected to remain outstanding. These expected life assumptions are established through a review of historical exercise behavior of stock-based award grants with similar vesting periods. Where historical patterns do not exist, contractual terms are used. The risk-free interest rate represents the daily treasury yield curve rate at the reporting date based on the closing market bid yields on actively traded U.S. treasury securities in the over-the-counter market for the expected term. Our assumptions may change in future periods.

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 for chip sets and certain other components used in manufacturing radios; commissions paid to retailers and automakers as incentives to purchase, install and activate SIRIUS radios; product warranty obligations; and compensation costs associated with stock-based awards granted in connection with certain distribution agreements. 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.

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.

We record product warranty obligations in accordance with Financial Accounting Standards Board Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34." FIN No. 45 requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken by issuing the guarantee. We warrant that certain products sold through our retail and direct to consumer distribution channels will perform in all material respects in accordance with standard published specifications in effect at the time of the purchase of the products by the customer. We provide a 12-month warranty on our products from purchase date for repair or replacement of components and/or products that contain defects of material or workmanship. Customers may exchange products directly to the retailer within 30 days of purchase. We record a liability for an estimate of costs that we expect to incur under our warranty guarantee when the product is shipped from the manufacturer. Factors affecting our warranty liability include the number of units sold and historical and anticipated rates of claims and costs per claim. We periodically assess the adequacy of our warranty liability based on changes in these factors.

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 is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. To determine fair value, we employ an expected present value technique, which utilizes multiple cash flow scenarios that reflect the range of possible outcomes and an appropriate discount rate.

In connection with our new satellite agreement, in June 2006 we wrote-off $10,917 for the net book value of certain satellite long-lead time parts purchased in 1999 that we will no longer need.

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 three in-orbit satellites were originally 15 years from the date they were placed into orbit. In June 2006, we entered into an agreement with Space Systems/Loral to design and construct a new satellite. In connection with this agreement, we adjusted the useful lives of two of our in-orbit satellites to 13 years to reflect the way we intend to operate the constellation. We continue to expect our spare satellite 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 the operating condition 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 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 or more frequently if 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. 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 the direct method, if the fair value of our license is less than the aggregate carrying amount of the license, an impairment loss is 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

Our discussion of our results of operations, along with the selected financial information in the tables that follow, includes the following non-GAAP financial measures: average monthly churn; SAC, as adjusted, per gross subscriber addition; customer service and billing expenses, as adjusted, per average subscriber; average monthly revenue per subscriber, or ARPU; free cash flow; and adjusted loss from operations. We believe these non-GAAP financial measures provide meaningful supplemental information regarding our operating performance and are used for internal management purposes, when publicly providing the business outlook, and as a means to evaluate period-to-period comparisons. Refer to the footnotes following our discussion of results of operations for the definitions and usefulness of such non-GAAP financial measures.

Subscribers and Key Operating Metrics:

The following table contains a breakdown of our subscribers for the past three years:

	As of December 31,		
	2006	2005	2004
Beginning subscribers	3,316,560	1,143,258	261,061
Net additions	2,707,995	2,173,302	882,197
Ending subscribers	6,024,555	3,316,560	1,143,258
Retail	4,041,826	2,465,363	911,255
OEM	1,959,009	823,693	203,469
Hertz	23,720	27,504	28,534
Ending subscribers	6,024,555	3,316,560	1,143,258
Retail	1,576,463	1,554,108	696,028
OEM	1,135,316	620,224	181,646
Hertz	(3,784)	(1,030)	4,523
Net additions	2,707,995	2,173,302	882,197

Subscribers. We ended 2006 with 6,024,555 subscribers, an increase of 82% from the 3,316,560 subscribers as of December 31, 2005. Since December 31, 2005, we added 1,576,463 net subscribers from our retail channel and 1,135,316 net subscribers from our OEM channel, resulting in a 64% and 138% increase in our retail and OEM subscriber base, respectively. Strong contributions by DaimlerChrysler and Ford fueled this growth.

The following table presents our key operating metrics for the past three years:

	For the Years Ended December 31,		
	2006	2005	2004
Gross subscriber additions	3,758,163	2,519,301	986,556
Deactivated subscribers	1,050,168	345,999	104,359
Average monthly churn(1)(6)	1.9%	1.5%	1.6%
ARPU(2)(6)	$ 11.01	$ 10.34	$ 10.16
SAC, as adjusted, per gross subscriber addition(3)(6)	$ 114	$ 139	$ 177
Customer service and billing expenses, as adjusted, per average subscriber(4)(6)	$ 1.24	$ 2.10	$ 3.56
Total revenue	$ 637,235	$ 242,245	$ 66,854
Free cash flow(5)(6)	$ (500,715)	$ (333,922)	$(452,758)
Adjusted loss from operations(7)	$ (513,140)	$ (567,507)	$(456,209)
Net loss	$(1,104,867)	$ (862,997)	$(712,162)

ARPU. Total ARPU for the year ended December 31, 2006 was $11.01, up from $10.34 for the year ended December 31, 2005. This increase in ARPU was driven by higher net advertising revenue; the effects of mail-in rebates resulting from lower eligible activations and lower overall take rates; and the timing of the commencement of revenue recognition for prepaid subscriptions; offset by the impact of plan mix due in part to the increase in subscribers under multi-unit subscription plans. At December 31, 2006, approximately two-thirds of our subscribers were on a one-year or longer subscription plan, and approximately 16% were paying $6.99 per month under a multi-unit subscription plan.

We expect ARPU to fluctuate based on 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.

SAC, As Adjusted, Per Gross Subscriber Addition. SAC, as adjusted, per gross subscriber addition was $114 and $139 for the years ended December 31, 2006 and 2005, respectively. The decline was primarily attributable to

lower average commission rates and decreased aftermarket and OEM average subsidy rates as we continued to reduce manufacturing and chip set costs, offset by the per subscriber effect of costs related to FM transmitter compliance with FCC rules.

We expect SAC, as adjusted, per gross subscriber addition to decline as the costs of subsidized components of SIRIUS radios decrease in the future. If competitive forces and changes in retailer promotional strategies, including the elimination of mail-in rebates by certain consumer electronics retailers, require us to increase hardware subsidies or promotions, SAC, as adjusted, per gross subscriber addition may increase. Our SAC, as adjusted, per gross subscriber addition is generally higher in the first three quarters of our fiscal year and declines in the fourth quarter as we experience higher activation rates.

Customer Service and Billing Expenses, As Adjusted, Per Average Subscriber Per Month. Customer service and billing expenses, as adjusted, per average subscriber per month declined 41% to $1.24 for the year ended December 31, 2006 compared with $2.10 for the year ended December 31, 2005.

We expect our costs per subscriber to decrease on an annual basis as our subscriber base grows due to scale efficiencies in call center and other customer care and billing operations.

Adjusted Loss from Operations. For the year ended December 31, 2006 and 2005, adjusted loss from operations was $513,140 and $567,507, respectively, a decrease of $54,367. The decrease was primarily driven by an increase in total revenue of $394,990, which more than offset increases in operating expenses of $340,623.

Net Loss. For the years ended December 31, 2006 and 2005, net loss was $1,104,867 and $862,997, respectively, an increase of $241,870. The increase was driven by an increase in our operating expenses to support the growth of our business, offset by an increase in total revenue of $394,990.

Year Ended December 31, 2006 Compared with Year Ended December 31, 2005 and Year Ended December 31, 2005 Compared with Year Ended December 31, 2004

Revenue

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

- *2006 vs 2005:* For the years ended December 31, 2006 and 2005, subscriber revenue was $575,404 and $223,615, respectively, an increase of 157% or $351,789. The increase was attributable to the growth of subscribers to our service.
- *2005 vs 2004:* For the years ended December 31, 2005 and 2004, subscriber revenue was $223,615 and $62,881, respectively, an increase of 256% or $160,734. The increase was attributable to the growth of subscribers to our service.

The following table contains a breakdown of our subscriber revenue:

	For the Years Ended December 31,		
	2006	2005	2004
Subscription fees	$572,386	$233,635	$65,201
Activation fees	15,612	6,790	2,102
Effects of mail-in rebates	(12,594)	(16,810)	(4,422)
Total subscriber revenue	$575,404	$223,615	$62,881

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, churn, plan mix, subscription prices and the identification of additional revenue streams from subscribers.

Advertising Revenue. Advertising revenue includes the sale of advertising on some of 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.

- *2006 vs 2005:* For the years ended December 31, 2006 and 2005, net advertising revenue was $31,044 and $6,131, respectively, an increase of $24,913. More attractive programming and increased advertiser interest resulted in an increase in spots sold.
- *2005 vs 2004:* For the years ended December 31, 2005 and 2004, net advertising revenue was $6,131 and $906, respectively, an increase of $5,225. More attractive programming and increased advertiser interest resulted in an increase in spots sold.

We expect advertising revenue to grow as our subscribers increase, as we continue to improve brand awareness and content, and as we increase the size and effectiveness of our advertising sales force.

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

- *2006 vs 2005:* For the years ended December 31, 2006 and 2005, equipment revenue was $26,798 and $12,271, respectively, an increase of $14,527. The increase was the result of higher sales through our direct to consumer distribution channel, offset by the effects of promotional discounts.
- *2005 vs 2004:* For the years ended December 31, 2005 and 2004, equipment revenue was $12,271 and $2,898, respectively, an increase of $9,373. The increase was the result of higher sales through our direct to consumer distribution channel.

We expect equipment revenue to increase 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 consist of costs associated with the operation and maintenance of our satellites; satellite telemetry, tracking and control system; terrestrial repeater network; satellite uplink facility; and broadcast studios.

- *2006 vs 2005:* For the years ended December 31, 2006 and 2005, satellite and transmission expenses were $41,797 and $29,798, respectively, an increase of $11,999. Excluding stock-based compensation expense of $2,568 and $1,942 for the years ended December 31, 2006 and 2005, respectively, satellite and transmission expenses increased $11,373 from $27,856 to $39,229. This increase of $11,373 was primarily attributable to an impairment charge associated with certain satellite long-lead time parts we purchased in 1999 that we will no longer need as a result of our new satellite contract. As of December 31, 2006 and 2005, we had 127 and 140 terrestrial repeaters, respectively, in operation.
- *2005 vs 2004:* For the years ended December 31, 2005 and 2004, satellite and transmission expenses were $29,798 and $33,198, respectively, a decrease of $3,400. Excluding stock-based compensation expense of $1,942 and $2,041 for the years ended December 31, 2005 and 2004, respectively, satellite and transmission expenses decreased $3,301 from $31,157 to $27,856. This decrease of $3,301 was primarily attributable to a reduction in satellite insurance costs. Effective August 2004, we discontinued our in-orbit satellite insurance. Such decrease was offset by increased compensation related costs for additions to headcount. As of December 31, 2005 and 2004, we had 140 and 137 terrestrial repeaters, respectively, in operation.

Future increases in satellite and transmission expenses will primarily be attributable to the launch of new satellites, the addition of new terrestrial repeaters and maintenance costs of existing terrestrial repeaters. We expect to deploy additional terrestrial repeaters in 2007 and 2008. Such expenses may also increase in future periods if we decide to reinstate our 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 and webstreaming 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 other guaranteed amounts. Purchased advertising is recorded as a sales and marketing expense in the period the advertising is broadcast.

- *2006 vs 2005:* For the years ended December 31, 2006 and 2005, programming and content expenses were $551,989 and $118,076, respectively, an increase of $433,913. Excluding stock-based compensation expense of $321,774 and $19,469 for the years ended December 31, 2006 and 2005, respectively, programming and content expenses increased $131,608 from $98,607 to $230,215. This increase of $131,608 was primarily attributable to talent and license fees associated with new programming; broadcast and webstreaming royalties as a result of the increase in subscribers; and compensation related costs for additions to headcount. Stock-based compensation expense increased $302,305 primarily due to $224,813 associated with 34,375,000 shares of our common stock delivered to Howard Stern and his agent in January 2006. In addition, in 2006 we recorded expense associated with common stock earned upon the satisfaction of performance targets for which shares of our common stock were delivered in the first quarter of 2007.

- *2005 vs 2004:* For the years ended December 31, 2005 and 2004, programming and content expenses were $118,076 and $87,252, respectively, an increase of $30,824. Excluding stock-based compensation expense of $19,469 and $23,899 for the years ended December 31, 2005 and 2004, respectively, programming and content expenses increased $35,254 from $63,353 to $98,607. This increase of $35,254 was primarily attributable to license fees associated with new programming; 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. Stock-based compensation expense decreased $4,430 primarily due to the timing of third parties achieving milestones.

Our programming and content expenses, excluding stock-based compensation expense, will increase as we continue to develop and enhance our channels. Beginning in February 2007, our agreement with NASCAR will increase our programming and content expenses. We regularly evaluate programming opportunities and may choose to acquire and develop new content or renew current programming agreements in the future at substantial costs. In addition, we expect total broadcast and webstreaming royalties, which are typically variable in nature, to increase as our subscriber base grows. We are currently a party to a proceeding before the Copyright Royalty Board of the Library of Congress to establish the royalty rate and terms for the sound recordings we use on our satellite radio service for the period 2007 through 2012.

Future expense associated with stock-based compensation is contingent upon a variety of factors, including the number of stock-based awards granted, the price of our common stock, assumptions used in estimating the fair value of stock-based awards, estimates for forfeitures, vesting provisions and the timing as to when certain performance criteria are met, and could materially change.

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

- *2006 vs 2005:* For the years ended December 31, 2006 and 2005, customer service and billing expenses were $68,949 and $47,202, respectively, an increase of $21,747. Excluding stock-based compensation expense of $812 and $549 for the years ended December 31, 2006 and 2005, respectively, customer service and billing expenses increased $21,484 from $46,653 to $68,137. This increase of $21,484 was primarily due to call center operating costs necessary to accommodate our subscriber base and transaction fees due to the addition of new subscribers. Customer service and billing expenses, excluding stock-based compensation expense, increased 46% compared with an increase in our end of period subscribers of 82% year over year.

- *2005 vs 2004:* For the years ended December 31, 2005 and 2004, customer service and billing expenses were $47,202 and $22,780, respectively, an increase of $24,422. Excluding stock-based compensation expense of $549 and $439 for the years ended December 31, 2005 and 2004, respectively, customer service and billing expenses increased $24,312 from $22,341 to $46,653. This increase of $24,312 was primarily due to call center operating costs necessary to accommodate our subscriber base and transaction fees due to the addition of new subscribers. Customer service and billing expenses, excluding stock-based compensation expense, increased 109% compared with an increase in our end of period subscribers of 190% year over year.

We expect our customer care and billing expenses, excluding stock-based compensation expense, to increase as our subscriber base grows due to increased call center operating costs and transaction fees necessary to serve a larger subscriber base.

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

- *2006 vs 2005:* For the years ended December 31, 2006 and 2005, cost of equipment was $35,233 and $11,827, respectively, an increase of $23,406. The increase was primarily attributable to higher sales volume and per unit costs as we continued to introduce new products through our direct to consumer distribution channel.
- *2005 vs 2004:* For the years ended December 31, 2005 and 2004, cost of equipment was $11,827 and $3,467, respectively, an increase of $8,360. The increase was primarily attributable to higher sales volume 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 include costs for advertising, media and production, including promotional events and sponsorships; residuals; cooperative marketing; revenue share; customer retention and compensation. Residuals are monthly fees paid based upon the number of subscribers using a SIRIUS radio purchased from a retailer. Cooperative marketing costs include fixed and variable payments to reimburse retailers and automakers for the cost of advertising and other product awareness activities.

- *2006 vs 2005:* For the years ended December 31, 2006 and 2005, sales and marketing expenses were $242,035 and $212,741, respectively, an increase of $29,294. Excluding stock-based compensation expense of $19,543 and $42,149 for the years ended December 31, 2006 and 2005, respectively, sales and marketing expenses increased $51,900 from $170,592 to $222,492. This increase of $51,900 was primarily due to increased residuals; OEM revenue share as a result of a 138% increase in our OEM subscriber base; cooperative marketing and advertising costs; and compensation related costs. This 30% increase in sales and marketing expenses, excluding stock-based compensation expense, compared with a 163% increase in total revenue from $242,245 for the year ended December 31, 2005 to $637,235 for the year ended December 31, 2006. Stock-based compensation expense decreased $22,606 primarily due to the timing of third parties achieving milestones and changes in the fair market value of such awards.
- *2005 vs 2004:* For the years ended December 31, 2005 and 2004, sales and marketing expenses were $212,741 and $202,848, respectively, an increase of $9,893. Excluding stock-based compensation expense of $42,149 and $48,353 for the years ended December 31, 2005 and 2004, respectively, sales and marketing expenses increased $16,097 from $154,495 to $170,592. This increase of $16,097 was primarily due to increased residuals; OEM revenue share as a result of the increase in our subscriber base; cooperative marketing and advertising for both the holiday season and the rollout of new products in the retail distribution channel; and compensation related costs. These increases were offset in part by reductions in costs for the expiration of certain sponsorships in 2004 and certain retail costs associated with sales efforts for the RadioShack rollout in 2004. Stock-based compensation expense decreased $6,204 primarily due to the timing of third parties achieving milestones and changes in the fair market value of such awards.

We expect sales and marketing expenses, excluding stock-based compensation expense, to increase as we continue to build brand awareness through national advertising and promotional activities, expand OEM distribution of SIRIUS radios resulting in increased revenue share payments to automakers, and expand our subscriber retention efforts. Beginning in 2007, our agreement with NASCAR will increase sponsorship costs that are included in our sales and marketing expense.

Future expense associated with stock-based compensation is contingent upon a variety of factors, including the number of stock-based awards granted, the price of our common stock, assumptions used in estimating the fair value of stock-based awards, estimates for forfeitures, vesting provisions and the timing as to when certain performance criteria are met, and could materially change.

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 for chip sets and certain other components used in manufacturing radios; commissions paid to retailers and automakers as incentives to purchase, install and activate SIRIUS radios; product warranty obligations; and compensation costs associated with stock-based awards granted in connection with certain distribution agreements. 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.

- *2006 vs 2005:* For the years ended December 31, 2006 and 2005, subscriber acquisition costs were $451,614 and $399,350, respectively, an increase of 13% or $52,264. Excluding stock-based compensation expense of $31,898 and $49,709 for the years ended December 31, 2006 and 2005, respectively, subscriber acquisition costs increased 20%, or $70,075, from $349,641 to $419,716. This increase of $70,075 was primarily attributable to increased OEM hardware subsidies due to higher production volume and costs related to FM transmitter compliance with FCC rules, offset by decreased aftermarket hardware subsidies as we continued to reduce manufacturing and chip set costs. Stock-based compensation expense decreased $17,811 primarily due to the timing of third parties achieving milestones and changes in the fair market value of such awards.

- *2005 vs 2004:* For the years ended December 31, 2005 and 2004, subscriber acquisition costs were $399,350 and $206,851, respectively, an increase of 93% or $192,499. Excluding stock-based compensation expense of $49,709 and $33,149 for the years ended December 31, 2005 and 2004, respectively, subscriber acquisition costs increased 101%, or $175,939, from $173,702 to $349,641. This increase of $175,939 was attributable to higher shipments of SIRIUS radios and chip sets and increases in commissions to support a 155% increase in gross subscriber additions from 986,556 for the year ended December 31, 2004 to 2,519,301 for the year ended December 31, 2005, offset by reductions in average subsidy rates as we continued to reduce manufacturing and chip set costs. Stock-based compensation expense increased $16,560 primarily due to the timing of third parties achieving milestones and changes in the fair market value of such awards.

We expect total subscriber acquisition costs, excluding stock-based compensation expense, to decrease in 2007 as increases in our gross subscriber additions are offset by continuing declines in the costs of subsidized components of SIRIUS radios. We intend to continue to offer subsidies, commissions and other incentives to acquire subscribers.

Future expense associated with stock-based compensation is contingent upon a variety of factors, including the number of stock-based awards granted, the price of our common stock, assumptions used in estimating the fair value of stock-based awards, estimates for forfeitures, vesting provisions and the timing as to when certain performance criteria are met, and could materially change.

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.

- *2006 vs 2005:* For the years ended December 31, 2006 and 2005, general and administrative expenses were $137,466 and $87,555, respectively, an increase of $49,911. Excluding stock- based compensation expense of $49,928 and $27,724 for the years ended December 31, 2006 and 2005, respectively, general and administrative expenses increased $27,707 from $59,831 to $87,538. This increase of $27,707 was primarily a result of legal fees, employment-related costs and bad debt expense to support the growth of our business. Stock-based compensation expense increased $22,204 primarily as a result of the adoption of SFAS No. 123R, offset by a decrease in expense for restricted stock units that vested in the first quarter of 2006.

- *2005 vs 2004:* For the years ended December 31, 2005 and 2004, general and administrative expenses were $87,555 and $57,905, respectively, an increase of $29,650. Excluding stock-based compensation expense of

$27,724 and $13,877 for the years ended December 31, 2005 and 2004, respectively, general and administrative expenses increased $15,803 from $44,028 to $59,831. This increase of $15,803 was primarily a result of additional employment-related costs and rent and occupancy costs to support the growth of our business and bad debt expense. Stock-based compensation expense increased $13,847 primarily due to expense associated with grants of restricted stock and restricted stock units and modifications of existing stock-based awards.

We expect our general and administrative expenses, excluding stock-based compensation expense, to increase in future periods as a result of higher personnel, information technology, and facilities costs, as well as increased legal fees and bad debt expenses to support the growth of our business.

Future expense associated with stock-based compensation is contingent upon a variety of factors, including the number of stock-based awards granted, the price of our common stock, assumptions used in estimating the fair value of stock-based awards, estimates for forfeitures, vesting provisions and the timing as to when certain performance criteria are met, and could materially change.

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.

- *2006 vs 2005:* For the years ended December 31, 2006 and 2005, engineering, design and development expenses were $70,127 and $66,281, respectively, an increase of $3,846. Excluding stock-based compensation expense of $11,395 and $21,536 for the years ended December 31, 2006 and 2005, respectively, engineering, design and development expenses increased $13,987 from $44,745 to $58,732. This increase of $13,987 was primarily attributable to OEM tooling and manufacturing upgrades and receiver integration for factory installations of SIRIUS radios, development costs associated with the manufacturing of SIRIUS radios and additional personnel-related costs to support research and development efforts. Stock-based compensation expense decreased $10,141 primarily due to the timing of third parties achieving certain production milestones.

- *2005 vs 2004:* For the years ended December 31, 2005 and 2004, engineering, design and development expenses were $66,281 and $35,487, respectively, an increase of $30,794. Excluding stock-based compensation expense of $21,536 and $4,967 for the years ended December 31, 2005 and 2004, respectively, engineering, design and development expenses increased $14,225 from $30,520 to $44,745. This increase of $14,225 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. Stock-based compensation expense increased $16,569 primarily due to the timing of third parties achieving certain production milestones.

We expect engineering, design and development expenses, excluding stock-based compensation expense, to decrease in 2007, as we incorporated SIRIUS radios and accessories in a significant number of additional vehicle models in 2006 and incurred related non-recurring engineering expenses in that year.

We expect expense associated with stock-based compensation to decrease in 2007 as performance milestones pursuant to a certain third party agreement were achieved in 2006.

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.

- *2006 vs 2005:* For the years ended December 31, 2006 and 2005, interest and investment income was $33,320 and $26,878, respectively, an increase of $6,442. The increase was primarily attributable to a combination of higher overall interest rates and our decision to invest in financial instruments bearing higher interest rates.

- *2005 vs 2004:* For the years ended December 31, 2005 and 2004, interest and investment income was $26,878 and $9,713, respectively, an increase of $17,165. 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 includes interest on outstanding debt, offset by interest capitalized in connection with the construction of our new satellite and launch vehicle.

- *2006 vs 2005:* For the years ended December 31, 2006 and 2005, interest expense was $64,032 and $45,361, respectively, an increase of $18,671. The increase was primarily the result of a full year of interest expense for our 9⅝% Senior Notes due 2013 issued in August 2005, offset by a decrease in interest expense both as a result of the 2005 redemption of our 15% Senior Secured Discount Notes due 2007 and our 14% Senior Secured Notes due 2009 and $4,205 of interest capitalized for the construction and launch of our new satellite.

- *2005 vs 2004:* For the years ended December 31, 2005 and 2004, interest expense was $45,361 and $41,386, respectively, an increase of $3,975. 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 expense 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 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 14% 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.

Equity in Net Loss of Affiliate. Equity in net loss of affiliate includes our share of SIRIUS Canada's net loss. We recorded $4,445 and $6,938 for the years ended December 31, 2006 and 2005, respectively, for our share of SIRIUS Canada's net loss.

As of December 31, 2006, our investment in SIRIUS Canada is $0 as we have fully recognized our share of SIRIUS Canada's net loss to the extent we have funded it. We do not expect to recognize future net losses unless we commit to additional funding.

Income Taxes

Income Tax Expense. Income tax 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.

- *2006 vs 2005:* We recorded income tax expense of $2,065 and $2,311 for the years ended December 31, 2006 and 2005, respectively.

- *2005 vs 2004:* We recorded income tax expense of $2,311 and $4,201 for the years ended December 31, 2005 and 2004, respectively.

Footnotes to Results of Operations

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(1) Average monthly churn represents 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. ARPU is calculated as follows:

	For the Years Ended December 31,		
	2006	2005	2004
Subscriber revenue	$ 575,404	$ 223,615	$ 62,881
Net advertising revenue	31,044	6,131	906
Total subscriber and net advertising revenue	$ 606,448	$ 229,746	$ 63,787
Daily weighted average number of subscribers	4,591,693	1,851,149	523,219
ARPU	$ 11.01	$ 10.34	$ 10.16

(3) SAC, as adjusted, per gross subscriber addition is derived from subscriber acquisition costs, excluding stock-based compensation, and margins from the direct sale of SIRIUS radios and accessories divided by the number of gross subscriber additions for the period. SAC, as adjusted, per gross subscriber addition is calculated as follows:

	For the Years Ended December 31,		
	2006	2005	2004
Subscriber acquisition costs	$ 451,614	$ 399,350	$206,851
Less: stock-based compensation	(31,898)	(49,709)	(33,149)
Add: margin from direct sale of SIRIUS radios and accessories	8,435	(444)	569
SAC, as adjusted	$ 428,151	$ 349,197	$174,271
Gross subscriber additions	3,758,163	2,519,301	986,556
SAC, as adjusted, per gross subscriber addition	$ 114	$ 139	$ 177

(4) Customer service and billing expenses, as adjusted, per average subscriber is derived from total customer service and billing expenses, excluding stock-based compensation, divided by the daily weighted average number of subscribers for the period. Customer service and billing expenses, as adjusted, per average subscriber is calculated as follows:

	For the Years Ended December 31,		
	2006	2005	2004
Customer service and billing expenses	$ 68,949	$ 47,202	$ 22,780
Less: stock-based compensation	(812)	(549)	(439)
Customer service and billing expenses, as adjusted	$ 68,137	$ 46,653	$ 22,341
Daily weighted average number of subscribers	4,591,693	1,851,149	523,219
Customer service and billing expenses, as adjusted, per average subscriber	$ 1.24	$ 2.10	$ 3.56

(5) Free cash flow is derived from cash flow used in operating activities, capital expenditures and restricted and other investment activity. Free cash flow is calculated as follows:

	For the Years Ended December 31,		
	2006	2005	2004
Net cash used in operating activities	$(414,549)	$(269,994)	$(334,463)
Additions to property and equipment	(99,827)	(49,888)	(28,589)
Restricted and other investment activity	13,661	(14,040)	(89,706)
Free cash flow	$(500,715)	$(333,922)	$(452,758)

(6) Average monthly churn; ARPU; SAC, as adjusted, per gross subscriber addition; customer service and billing expenses, as adjusted, per average subscriber; and free cash flow are not measures of financial performance under U.S. generally accepted accounting principles ("GAAP"). We believe these non-GAAP financial

measures provide meaningful supplemental information regarding our operating performance and are used by us for budgetary and planning purposes; when publicly providing our business outlook; as a means to evaluate period-to-period comparisons; and to compare our performance to that of our competitors. We also believe that investors also use our current and projected metrics to monitor the performance of our business and make investment decisions.

We believe the exclusion of stock-based compensation expense in our calculations of SAC, as adjusted, per gross subscriber addition and customer service and billing expenses, as adjusted, per average subscriber is useful given the significant variation in expense that can result from changes in the fair market value of our common stock, the effect of which is unrelated to the operational conditions that give rise to variations in the components of our subscriber acquisition costs and customer service and billing expenses. Specifically, the exclusion of stock-based compensation expense in our calculation of SAC, as adjusted, per gross subscriber addition is critical in being able to understand the economic impact of the direct costs incurred to acquire a subscriber and the effect over time as economies of scale are reached.

These non-GAAP financial measures are used in addition to and in conjunction with results presented in accordance with GAAP. These non-GAAP financial measures may be susceptible to varying calculations; may not be comparable to other similarly titled measures of other companies; and should not be considered in isolation, as a substitute for, or superior to measures of financial performance prepared in accordance with GAAP.

(7) We refer to net loss before taxes; other income (expense) — including interest and investment income, interest expense, loss from redemption of debt and equity in net loss of affiliate; depreciation; impairment charges; and stock-based compensation expense as adjusted loss from operations. Adjusted loss from operations is not a measure of financial performance under generally accepted accounting principles. We believe adjusted loss from operations is a useful measure of our operating performance. We use adjusted loss from operations for budgetary and planning purposes; to assess the relative profitability and on-going performance of our consolidated operations; to compare our performance from period to period; and to compare our performance to that of our competitors. We also believe adjusted loss from operations is useful to investors to compare our operating performance to the performance of other communications, entertainment and media companies. We believe that investors use current and projected adjusted loss from operations to estimate our current or prospective enterprise value and make investment decisions.

Because we fund and build-out our satellite radio system through the periodic raising and expenditure of large amounts of capital, our results of operations reflect significant charges for interest and depreciation expense. We believe adjusted loss from operations provides useful information about the operating performance of our business apart from the costs associated with our capital structure and physical plant. The exclusion of interest and depreciation expense is useful given fluctuations in interest rates and significant variation in depreciation expense that can result from the amount and timing of capital expenditures and potential variations in estimated useful lives, all of which can vary widely across different industries or among companies within the same industry. We believe the exclusion of taxes is appropriate for comparability purposes as the tax positions of companies can vary because of their differing abilities to take advantage of tax benefits and because of the tax policies of the various jurisdictions in which they operate. We also believe the exclusion of stock-based compensation expense is useful given the significant variation in expense that can result from changes in the fair market value of our common stock. Finally, we believe that the exclusion of our equity in net loss of affiliate (SIRIUS Canada Inc.) is useful to assess the performance of our core consolidated operations in the continental United States. To compensate for the exclusion of taxes, other income (expense), depreciation, impairment charges and stock-based compensation expense, we separately measure and budget for these items.

There are material limitations associated with the use of adjusted loss from operations in evaluating our company compared with net loss, which reflects overall financial performance, including the effects of taxes, other income (expense), depreciation, impairment charges and stock-based compensation expense. We use adjusted loss from operations to supplement GAAP results to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. Investors that wish to compare and evaluate our operating results after giving effect for these costs, should refer to net loss as disclosed in our consolidated statements of operations. Since adjusted loss from operations is a non-GAAP financial measure, our calculation

of adjusted loss from operations may be susceptible to varying calculations; may not be comparable to other similarly titled measures of other companies; and should not be considered in isolation, as a substitute for, or superior to measures of financial performance prepared in accordance with GAAP.

Adjusted loss from operations is calculated as follows:

	For the Years Ended December 31,		
	2006	2005	2004
Net loss	$(1,104,867)	$(862,997)	$(712,162)
Impairment loss	10,917	—	—
Depreciation	105,749	98,555	95,370
Stock-based compensation	437,918	163,078	126,725
Other income (expense)	35,078	31,546	29,657
Income tax expense	2,065	2,311	4,201
Adjusted loss from operations	$ (513,140)	$(567,507)	$(456,209)

Liquidity and Capital Resources

Cash Flows for the Year Ended December 31, 2006 Compared with Year Ended December 31, 2005 and for the Year Ended December 31, 2005 Compared with Year Ended December 31, 2004

As of December 31, 2006, 2005 and 2004, we had $393,421, $762,007 and $753,891, respectively, in cash and cash equivalents.

	For the Years Ended December 31,			Variances	
	2006	2005	2004	2006 vs 2005	2005 vs 2004
Net cash used in operating activities	$(414,549)	$(269,994)	$(334,463)	$(144,555)	$ 64,469
Net cash provided by (used in) investing activities	20,176	(175,821)	(92,852)	195,997	(82,969)
Net cash provided by financing activities	25,787	453,931	660,227	(428,144)	(206,296)
Net (decrease) increase in cash and cash equivalents	(368,586)	8,116	232,912	(376,702)	(224,796)
Cash and cash equivalents at beginning of period	762,007	753,891	520,979	8,116	232,912
Cash and cash equivalents at end of period	$ 393,421	$ 762,007	$ 753,891	$(368,586)	$ 8,116

Net Cash Used in Operating Activities.

- *2006 vs 2005:* Net cash used in operating activities increased $144,555 to $414,549 for the year ended December 31, 2006 from $269,994 for the year ended December 31, 2005. Such increase in the net outflows of cash was attributable to payments for increased operating expenses to support the growth of our subscriber base from 3,316,560 subscribers at December 31, 2005 to 6,024,555 subscribers at December 31, 2006; higher purchases of inventory to support production of SIRIUS radios and higher sales volumes through our direct to consumer distribution channel; and prepayments for new programming and distribution arrangements entered into in 2006; offset by cash collected for subscribers electing annual and other prepaid subscription programs compared with the prior year.

- *2005 vs 2004:* Net cash used in operating activities decreased $64,469 to $269,994 for the year ended December 31, 2005 from $334,463 for the year ended December 31, 2004. Such decrease in the net outflows of cash was attributable to cash received for subscribers electing annual and other prepaid subscription programs and the effects of payments made in 2004 for future services pursuant to certain programming

agreements. These positive impacts to cash flow were offset by payments for increased operating expenses to support the growth of our subscriber base.

Net Cash Used in Investing Activities.

- *2006 vs 2005:* Net cash provided by investing activities was $20,176 for the year ended December 31, 2006 compared with net cash used in investing activities of $175,821 for the year ended December 31, 2005. The $195,997 increase was primarily a result of sales of auction rate securities in 2006, offset by an increase in capital expenditures from $49,888 for the year ended December 31, 2005 to $99,827 for the year ended December 31, 2006 primarily as a result of costs associated with our satellite construction and launch vehicle.

- *2005 vs 2004:* Net cash used in investing activities increased $82,969 to $175,821 for the year ended December 31, 2005 from $92,852 for the year ended December 31, 2004. The increase was primarily a result of purchasing $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, for the year ended December 31, 2005, offset by payments deposited in escrow pursuant to certain agreements.

We will incur significant capital expenditures to construct and launch our new satellite and to improve our terrestrial repeater network and broadcast and administrative infrastructure. These capital expenditures will support our growth and the resiliency of our operations, and will also support the delivery of future new revenue streams.

Net Cash Provided by Financing Activities

- *2006 vs 2005:* Net cash provided by financing activities decreased $428,144 to $25,787 for the year ended December 31, 2006 from $453,931 for the year ended December 31, 2005. The decrease was primarily a result of the offering of $500,000 in aggregate principal amount of our 9⅝% Senior Notes due 2013 in August 2005 resulting in net proceeds to us of $493,005.

- *2005 vs 2004:* 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. In 2005, we raised net proceeds of $493,005 through the offering of $500,000 in aggregate principal amount of our 9⅝% Senior Notes due 2013. In 2004, we raised net proceeds of $614,438 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.

Financings and Capital Requirements

We have financed our operations through the sale of debt and equity securities. In 2006, we did not enter into any new debt or equity financing transactions. However, in 2005 and 2004 we had the following transactions:

- 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; and

- 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. In light of our pending merger with XM Radio, and the uncertainty surrounding the timing and financial impact, we are no longer currently providing cash flow guidance. Our first quarter of positive free cash flow was reached in 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.

In June 2006, we entered into a Credit Agreement with Space Systems/Loral. Under the Credit Agreement, Space Systems/Loral has agreed to make loans to us in an aggregate principal amount of up to $100,000 to finance the purchase of our new satellite. Loans made under the Credit Agreement will be secured by our rights under the Satellite Purchase Agreement with Space Systems/Loral, including our rights to the new satellite. The loans are also entitled to the benefits of a subsidiary guarantee from Satellite CD Radio, Inc., our subsidiary that holds our FCC license, and any future material subsidiary that may be formed by us. The maturity date of the loans is the earliest to occur of (i) April 6, 2009, (ii) 90 days after the new satellite becomes available for shipment and (iii) 30 days prior to the scheduled launch of the new satellite. Any loans made under the Credit Agreement generally will bear interest at a variable rate equal to three-month LIBOR plus 4.75%. The Credit Agreement permits us to prepay all or a portion of the loans outstanding without penalty. We have no current plans to draw under this Credit Agreement.

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 ten years from date of grant. Each restricted stock unit entitles the holder to receive one share of our common stock upon vesting.

As of December 31, 2006, approximately 75,879,000 stock options, shares of restricted stock and restricted stock units were outstanding. As of December 31, 2006, approximately 86,524,000 shares of our common stock were available for grant under the 2003 Plan. During the year ended December 31, 2006, employees exercised 19,284,495 stock options at exercise prices ranging from $0.47 to $3.93 per share, resulting in proceeds to us of $26,679. 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 contain significant cash obligations. 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 contractual cash commitments as of December 31, 2006:

	2007	2008	2009	2010	2011	Thereafter	Total
Long-term debt obligations	$ —	$ 36,505	$301,744	$ —	$230,000	$500,000	$1,068,249
Cash interest payments	64,755	64,391	59,856	55,600	55,559	97,320	397,481
Lease obligations	9,079	9,391	9,345	9,161	8,424	26,502	71,902
Satellite and transmission	27,765	79,165	39,869	2,010	1,720	6,617	157,146
Programming and content	122,365	123,549	146,211	147,647	38,660	27,667	606,099
Customer service and billing	3,492	45	—	—	—	—	3,537
Marketing and distribution	80,289	31,534	22,743	26,153	18,173	5,500	184,392
Chip set development and production	7,022	—	—	—	—	—	7,022
Other	7,098	11,575	9	—	—	—	18,682
Total contractual cash commitments	$321,865	$356,155	$579,777	$240,571	$352,536	$663,606	$2,514,510

Long-Term Debt Obligations. Long-term debt obligations include principal payments on our outstanding debt. The amounts presented assume that the debt will not be converted to common stock since conversion is outside of our control.

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 studios, 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 Space Systems/Loral to design and construct a new satellite. Construction of this satellite is expected to be completed in the fourth quarter of 2008. We plan to launch this satellite on a Proton rocket under our contract with International Launch Services.

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 pay royalties for public performances of music to various rights organizations.

Customer Service and Billing. We have entered into agreements with third parties to provide 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; to develop products; and in certain instances to license intellectual property related to chip sets.

Other. We have entered into various agreements with third parties for general operating and strategic purposes. Amounts associated with these 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, per-show and other variable cost 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, 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 unaudited consolidated statements of operations. We are currently unable to determine the expenditures necessary to complete this process, but we do not expect that these expenditures will be material.

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, 2006 and 2005, $77,850 and $107,615, 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, 2006, we have not entered into any off-balance sheet arrangements or transactions.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. We are currently evaluating the impact of the adoption, if any, that SFAS No. 157 will have on our consolidated results of operations and financial position.

In September 2006, the FASB issued EITF No. 06-1, "Accounting for Consideration Given by a Service Provider to Manufacturers or Resellers of Equipment Necessary for an End-Customer to Receive Service from the Service Provider." The EITF concluded that if consideration given by a service provider to a third-party manufacturer or a reseller that is not the service provider's customer can be linked contractually to the benefit received by the service provider's customer, a service provider should account for the consideration in accordance with EITF No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer." EITF No. 06-1 is effective for annual reporting periods beginning after June 15, 2007. We are currently evaluating the effects that EITF No. 06-1 will have on our consolidated results of operations and financial position.

In June 2006, the FASB issued EITF No. 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)," to clarify diversity in practice on the presentation of different types of taxes in the financial statements. The EITF concluded that for taxes within the scope of the issue, a company may include charges to customers for taxes within revenues and the charge for the taxes from the taxing authority within cost of sales, or, alternatively, it may net the charge to the customer and the charge from the taxing authority. If taxes subject to EITF No. 06-3 are significant, a company is required to disclose its accounting policy for presenting taxes and the amounts of such taxes that are recognized on a gross basis. EITF No. 06-3 is effective for the first interim reporting period beginning after December 15, 2006. We will adopt EITF No. 06-3 effective January 1, 2007. The adoption of EITF No. 06-3 will not have a material impact on our consolidated results of operations or financial position.

In June 2006, the FASB issued FIN No. 48, "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109," which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, as well as

criteria on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. We will adopt FIN No. 48 effective January 1, 2007. The adoption of FIN No. 48 will not have a material impact on our consolidated results of operations or financial position.

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

Our common stock is traded on the Nasdaq Global Select 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, 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
Year ended December 31, 2006		
First Quarter	$6.57	$4.45
Second Quarter	5.41	3.68
Third Quarter	4.61	3.65
Fourth Quarter	4.29	3.54

On February 26, 2007, the closing bid price of our common stock on the Nasdaq Global Select Market was $3.74 per share. On February 26, 2007, there were approximately 950,000 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.

Selected Financial Data

Our selected financial data set forth below with respect to the consolidated statements of operations for the years ended December 31, 2006, 2005 and 2004, and with respect to the consolidated balance sheets at December 31, 2006 and 2005, are derived from our consolidated financial statements audited by Ernst & Young LLP, independent registered public accounting firm, included in this report. Our selected financial data set forth below with respect to the consolidated statements of operations for the years ended December 31, 2003 and 2002, and with respect to the consolidated balance sheets at December 31, 2004, 2003 and 2002 are derived from our consolidated financial statements audited by Ernst & Young LLP, which are not included in this report. This selected financial data should be read in conjunction with the Consolidated Financial Statements and related notes thereto included in this report and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	For the Years Ended December 31,				
	2006	2005	2004	2003	2002
	(In thousands, except per share amounts)				
Statements of Operations Data:					
Total revenue	$ 637,235	$ 242,245	$ 66,854	$ 12,872	$ 805
Loss from operations	(1,067,724)	(829,140)	(678,304)	(437,530)	(313,127)
Net loss(1)	(1,104,867)	(862,997)	(712,162)	(226,215)	(422,481)
Net loss applicable to common stockholders(1)	(1,104,867)	(862,997)	(712,162)	(314,423)	(468,466)
Net loss per share applicable to common stockholders (basic and diluted)	$ (0.79)	$ (0.65)	$ (0.57)	$ (0.38)	$ (6.13)

	For the Years Ended December 31,				
	2006	2005	2004	2003	2002
	(In thousands, except per share amounts)				
Weighted average common shares outstanding (basic and diluted)	1,402,619	1,325,739	1,238,585	827,186	76,394
Balance Sheet Data:					
Cash and cash equivalents	$ 393,421	$ 762,007	$ 753,891	$ 520,979	$ 18,375
Marketable securities	15,500	117,250	5,277	28,904	155,327
Restricted investments	77,850	107,615	97,321	8,747	7,200
Total assets	1,658,528	2,085,362	1,957,613	1,617,317	1,340,940
Long-term debt, net of current portion	1,068,249	1,084,437	656,274	194,803	670,357
Accrued interest, net of current portion	—	—	—	—	46,914
Preferred stock	—	—	—	—	531,153
Accumulated deficit	(3,833,720)	(2,728,853)	(1,865,856)	(1,153,694)	(927,479)
Stockholders' (deficit) equity(2)	(389,071)	324,968	1,000,633	1,325,194	36,846

(1) Net loss and net loss applicable to common stockholders for the year ended December 31, 2003 included other income of $256,538 related to our debt restructuring.

(2) No cash dividends were declared or paid in any of the periods presented.

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, 2006.

Ernst & Young LLP, our independent registered public accounting firm, who audited the consolidated financial statements included in our Annual Report on Form 10-K, has issued an attestation report on our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006, a copy of which is included in our Annual Report on Form 10-K.

Quantitative and Qualitative Disclosure About Market Risks

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

As of December 31, 2006, 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, 2006, we held approximately $10,850 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.

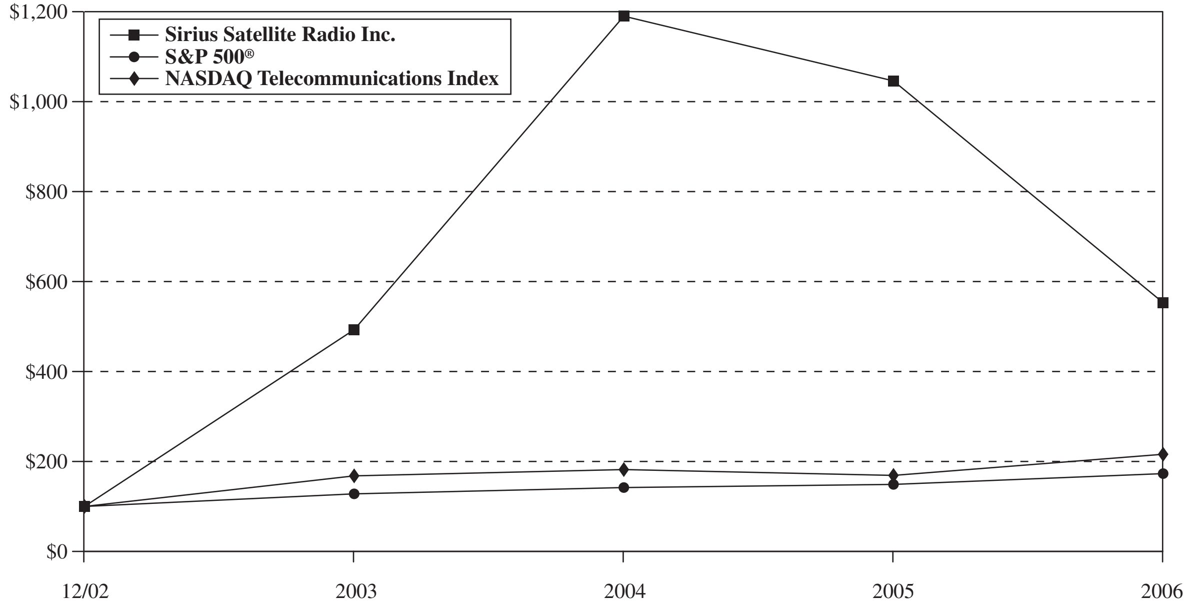
Controls and Procedures

We have performed an evaluation under the supervision and with the participation of our management, including Mel Karmazin, our Chief Executive Officer, and David Frear, our Executive Vice President and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of December 31, 2006 to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. As a result of this evaluation, there were no significant changes in our disclosure controls and procedures during the three months ended December 31, 2006 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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, 2002 to December 31, 2006. The graph assumes that $100 was invested on December 31, 2002 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, 2002
with dividends reinvested



Date	SIRIUS	S&P500	NASDAQ Telecommunications Index(1)
December 31, 2002	$ 100	$100	$100
December 31, 2003	$ 493	$128	$168
December 31, 2004	$1,190	$142	$182
December 31, 2005	$1,046	$149	$169
December 31, 2006	$ 553	$172	$216

(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.

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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. (the "Company") as of December 31, 2006 and 2005, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2006. Our audits also included the financial statement schedule listed on page F-34. 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, 2006 and 2005, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2006 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, 2006, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2007 expressed an unqualified opinion thereon.

As discussed in Notes 2 and 11 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standard No. 123 (revised 2004), "Share-Based Payment", effective January 1, 2006.

Ernst & Young LLP

New York, NY
February 23, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited management's assessment, included on page 23 that Sirius Satellite Radio Inc. (the "Company") maintained effective internal control over financial reporting as of December 31, 2006, 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, 2006, 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, 2006, 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, 2006 and 2005, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2006, and our report dated February 23, 2007 expressed an unqualified opinion thereon.

Ernst & Young LLP

New York, NY
February 23, 2007

SIRIUS SATELLITE RADIO INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,		
	2006	2005	2004
	(In thousands, except per share amounts)		
Revenue:			
Subscriber revenue, including effects of mail-in rebates	$ 575,404	$ 223,615	$ 62,881
Advertising revenue, net of agency fees	31,044	6,131	906
Equipment revenue	26,798	12,271	2,898
Other revenue	3,989	228	169
Total revenue	637,235	242,245	66,854
Operating expenses (excludes depreciation shown separately below)(1):			
Cost of services:			
Satellite and transmission	41,797	29,798	33,198
Programming and content	551,989	118,076	87,252
Customer service and billing	68,949	47,202	22,780
Cost of equipment	35,233	11,827	3,467
Sales and marketing	242,035	212,741	202,848
Subscriber acquisition costs	451,614	399,350	206,851
General and administrative	137,466	87,555	57,905
Engineering, design and development	70,127	66,281	35,487
Depreciation	105,749	98,555	95,370
Total operating expenses	1,704,959	1,071,385	745,158
Loss from operations	(1,067,724)	(829,140)	(678,304)
Other income (expense):			
Interest and investment income	33,320	26,878	9,713
Interest expense, net of amounts capitalized	(64,032)	(45,361)	(41,386)
Loss from redemption of debt	—	(6,214)	—
Equity in net loss of affiliate	(4,445)	(6,938)	—
Other income	79	89	2,016
Total other income (expense)	(35,078)	(31,546)	(29,657)
Loss before income taxes	(1,102,802)	(860,686)	(707,961)
Income tax expense	(2,065)	(2,311)	(4,201)
Net loss	$(1,104,867)	$ (862,997)	$ (712,162)
Net loss per share (basic and diluted)	$ (0.79)	$ (0.65)	$ (0.57)
Weighted average common shares outstanding (basic and diluted)	1,402,619	1,325,739	1,238,585

(1) Amounts related to stock-based compensation included in other operating expenses were as follows:

	2006	2005	2004
Satellite and transmission	$ 2,568	$ 1,942	$ 2,041
Programming and content	321,774	19,469	23,899
Customer service and billing	812	549	439
Sales and marketing	19,543	42,149	48,353
Subscriber acquisition costs	31,898	49,709	33,149
General and administrative	49,928	27,724	13,877
Engineering, design and development	11,395	21,536	4,967
Total stock-based compensation	$ 437,918	$ 163,078	$ 126,725

See Notes to Consolidated Financial Statements.

SIRIUS SATELLITE RADIO INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	As of December 31,	
	2006	2005
	(In thousands, except share and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 393,421	$ 762,007
Marketable securities	15,500	117,250
Accounts receivable, net of allowance for doubtful accounts of $3,183 and $1,550 at December 31, 2006 and 2005, respectively	24,189	31,688
Receivables from distribution partners	46,825	26,513
Inventory	34,502	14,256
Prepaid expenses	52,588	18,248
Restricted investments	25,000	25,165
Other current assets	25,241	16,321
Total current assets	617,266	1,011,448
Property and equipment, net	810,389	828,357
FCC license	83,654	83,654
Restricted investments, net of current portion	52,850	82,450
Deferred financing fees	13,166	16,303
Other long-term assets	81,203	63,150
Total assets	$ 1,658,528	$ 2,085,362
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 437,913	$ 331,953
Accrued interest	24,782	23,546
Deferred revenue	412,370	251,468
Total current liabilities	875,065	606,967
Long-term debt	1,068,249	1,084,437
Deferred revenue, net of current portion	76,580	56,479
Other long-term liabilities	27,705	12,511
Total liabilities	2,047,599	1,760,394
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Common stock, $0.001 par value: 2,500,000,000 shares authorized, 1,434,635,501 and 1,346,226,851 shares issued and outstanding at December 31, 2006 and 2005, respectively	1,435	1,346
Additional paid-in capital	3,443,214	3,079,169
Deferred compensation	—	(26,694)
Accumulated deficit	(3,833,720)	(2,728,853)
Total stockholders' (deficit) equity	(389,071)	324,968
Total liabilities and stockholders' equity	$ 1,658,528	$ 2,085,362

See Notes to Consolidated Financial Statements.

SIRIUS SATELLITE RADIO INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-In Capital	Deferred Compensation	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount					
	(In thousands, except share and per share amounts)						
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)
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

SIRIUS SATELLITE RADIO INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY — (Continued)

	Common Stock		Additional Paid-In Capital	Deferred Compensation	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount					
	(In thousands, except share and per share amounts)						
Net loss	—	—	—	—	—	(1,104,867)	(1,104,867)
Issuance of common stock to employees and employee benefit plans	20,063,322	20	22,253	—	—	—	22,273
Issuance of common stock to third parties	34,467,869	35	224,917	—	—	—	224,952
Compensation in connection with the issuance of stock-based awards	—	—	100,923	—	—	—	100,923
Reversal of deferred compensation related to the adoption of Statement of Financial Accounting Standards ("SFAS") No. 123R	—	—	(26,694)	26,694	—	—	—
Exercise of options, $0.47 to $3.93 per share	19,284,495	19	26,660	—	—	—	26,679
Exercise of warrants, $2.392 per share	2,862,533	3	(3)	—	—	—	—
Exchange of 3½% Convertible Notes due 2008, including accrued interest	11,730,431	12	15,989	—	—	—	16,001
Balances, December 31, 2006	1,434,635,501	$1,435	$3,443,214	$ —	$ —	$(3,833,720)	$ (389,071)

See Notes to Consolidated Financial Statements.

SIRIUS SATELLITE RADIO INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2006	2005	2004
		(In thousands)	
Cash flows from operating activities:			
Net loss	$(1,104,867)	$(862,997)	$(712,162)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	105,749	98,555	95,370
Non-cash interest expense	3,107	3,169	21,912
Provision for doubtful accounts	7,513	4,311	1,648
Non-cash equity in net loss of affiliate	4,445	6,938	—
Non-cash loss from redemption of debt	—	712	—
Loss on disposal of assets	1,661	1,028	70
Impairment loss	10,917	—	—
Stock-based compensation	437,918	163,078	126,725
Deferred income taxes	2,065	2,311	4,201
Changes in operating assets and liabilities:			
Marketable securities	—	16	(292)
Accounts receivable	(14)	(28,440)	(7,684)
Receivables from distribution partners	(20,312)	(17,265)	(8,031)
Inventory	(20,246)	(6,329)	(1,850)
Prepaid expenses and other current assets	(42,367)	(11,864)	2,395
Other long-term assets	(19,331)	6,476	(44,563)
Accounts payable and accrued expenses	33,519	145,052	108,511
Accrued interest	1,239	17,813	4,689
Deferred revenue	181,003	210,947	78,541
Other long-term liabilities	3,452	(3,505)	(3,943)
Net cash used in operating activities	(414,549)	(269,994)	(334,463)
Cash flows from investing activities:			
Additions to property and equipment	(99,827)	(49,888)	(28,589)
Sales of property and equipment	127	72	443
Purchases of restricted and other investments	(12,339)	(25,037)	(89,706)
Release of restricted investments	26,000	10,997	—
Purchases of available-for-sale securities	(123,500)	(148,900)	—
Sales of available-for-sale securities	229,715	36,935	25,000
Net cash provided by (used in) investing activities	20,176	(175,821)	(92,852)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt, net	—	493,005	518,413
Proceeds from issuance of common stock, net	—	—	96,025
Redemption of debt	—	(57,609)	—
Proceeds from exercise of stock options	25,787	18,543	26,051
Proceeds from exercise of warrants	—	—	19,850
Other	—	(8)	(112)
Net cash provided by financing activities	25,787	453,931	660,227
Net (decrease) increase in cash and cash equivalents	(368,586)	8,116	232,912
Cash and cash equivalents at the beginning of period	762,007	753,891	520,979
Cash and cash equivalents at the end of period	$ 393,421	$ 762,007	$ 753,891
Supplemental Disclosure of Cash and Non-Cash Flow Information			
Cash paid during the period for:			
Interest, net of amounts capitalized	$ 59,929	$ 24,387	$ 14,920
Income taxes	583	158	—
Non-cash operating activities:			
Common stock issued in satisfaction of accrued compensation	7,243	4,824	913
Non-cash investing and financing activities:			
Release of restriction on marketable securities	4,750	—	—
Common stock issued in exchange of 3½% Convertible Notes due 2008, including accrued interest	16,001	14,294	86,568
Common stock issued to third parties	224,952	—	40,967

See Notes to Consolidated Financial Statements.

SIRIUS SATELLITE RADIO INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, unless otherwise stated)

1. Business

We are a satellite radio provider in the United States. We currently broadcast over 130 channels of programming to listeners across the country. We offer 69 channels of 100% commercial-free music and feature 65 channels of sports, news, talk, entertainment, traffic and weather for a monthly subscription fee of $12.95.

We broadcast through our proprietary satellite radio system, which currently consists of three orbiting satellites, 127 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. As of December 31, 2006, we had 6,024,555 subscribers.

Our music channels are available to DISH satellite television subscribers and certain of our music channels are offered to Sprint subscribers over multi-media handsets. We also offer traffic and weather data services for a separate fee. Subscribers to DISH satellite television, Sprint and our traffic and weather data services are not included in our subscriber count.

In 2005, SIRIUS Canada Inc., a Canadian corporation owned by us, Canadian Broadcasting Corporation and Standard Radio Inc., 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 110 channels of commercial-free music and news, sports, talk and entertainment programming, including 11 channels of Canadian content. Subscribers to the SIRIUS Canada service are not included in our subscriber count.

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; depreciable lives of our assets; stock-based compensation; mail-in rebates; certain subscriber acquisition costs, including product warranty obligations; asset retirement obligations; and impairments.

Revenue Recognition

Revenue from subscribers consists of subscription fees; 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 service period upon activation and sale to a customer. We also reimburse 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 revenue in the period the subscriber activates our service. For certain mail-in rebate promotions, a subscriber must remain active for a specified period of time to be considered eligible. In those instances, such estimate is recorded as a reduction to revenue over the required activation period. 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 some of 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 third parties 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.

EITF No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables," provides guidance on how and when to recognize revenues for arrangements that may involve the delivery or performance of multiple products, services and/or rights to use assets. Revenue arrangements with multiple deliverables are required to be divided into separate units of accounting if the deliverables in the arrangement meet certain criteria. Arrangement consideration must be allocated among the separate units of accounting based on their relative fair values.

We determined that the sale of our service through our direct to consumer channel with accompanying equipment constitutes a revenue arrangement with multiple deliverables. In these types of arrangements, amounts received for equipment are recognized as equipment revenue; amounts received for service are recognized as subscription revenue; and amounts received for the non-refundable, up-front activation fee that are not contingent on the delivery of the service are allocated to equipment revenue. Activation fees are recorded to equipment revenue only to the extent that the aggregate equipment and activation fee proceeds do not exceed the fair value of the equipment. Any activation fees not allocated to the equipment are deferred upon activation and recognized as subscriber revenue on a straight-line basis over the estimated term of a subscriber relationship.

Stock-Based Compensation

Effective January 1, 2006, we adopted the provisions of SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"), using the modified prospective transition method. Prior periods are not restated under this transition method. The stock-based compensation cost recognized beginning January 1, 2006 includes compensation cost for all stock-based awards granted to employees and members of our board of directors (i) prior to, but not vested as of, January 1, 2006 based on the grant date fair value originally estimated in accordance with the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and (ii) subsequent to December 31, 2005 based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R.

Compensation cost under SFAS No. 123R is recognized ratably using the straight-line attribution method over the expected vesting period.

SFAS No. 123R requires forfeitures to be estimated on the grant date and revised in subsequent periods if actual forfeitures differ from those estimates. Prior to the adoption of SFAS No. 123R we accounted for forfeitures as they occurred. For pro forma disclosure purposes in accordance with SFAS No. 123, we estimated forfeitures. As of January 1, 2006, the cumulative effect of adopting the estimated forfeiture method was not significant.

Prior to January 1, 2006, we used the intrinsic value method to measure the compensation cost of stock-based awards granted to employees and members of our board of directors in accordance with Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees." Accordingly, we recorded 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 was amortized to expense over the vesting period. We accounted 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 provided that when the modification of a stock-based award occured, a new measurement date resulted because the modification allowed an employee to vest in an award that would have otherwise been forfeited pursuant to the original terms. In accordance with FIN No. 44, we also recorded compensation charges or benefits related to repriced stock options based on the market value of our common stock until the repriced stock options were exercised, forfeited or expired.

The following table reflects net loss and net loss per share had stock-based compensation to employees and members of our board of directors been recorded based on the fair value method under SFAS No. 123 for the periods set forth below:

	For the Years Ended December 31,	
	2005	2004
Net loss — as reported	$(862,997)	$(712,162)
Stock-based compensation to employees and members of our board of directors	47,915	35,434
Stock-based compensation to employees and members of our board of directors — pro forma	(94,677)	(62,491)
Net loss — pro forma	$(909,759)	$(739,219)
Net loss per share:		
Basic and diluted — as reported	$ (0.65)	$ (0.57)
Basic and diluted — pro forma	$ (0.69)	$ (0.60)

Pursuant to SFAS 123R, we recognized $70,392 of compensation cost for stock-based awards granted to employees and members of our board of directors for the year ended December 31, 2006. This compared to $47,915 and $35,434 of compensation cost for stock-based awards granted to employees and members of our board of

directors recognized pursuant to APB No. 25 for the years ended December 31, 2005 and 2004, respectively. Total unrecognized compensation related to unvested stock-based awards granted to employees and members of our board of directors at December 31, 2006, net of estimated forfeitures, is $105,146 and is expected to be recognized over a weighted-average period of three years.

Prior to January 1, 2006, we accounted 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. Effective January 1, 2006, we account for such awards at fair value in accordance with SFAS No. 123R and SEC guidance contained in Staff Accounting Bulletin ("SAB") No. 107. 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 or there is a significant disincentive for non-performance.

Stock-based awards granted to employees, non-employees and members of our board of directors generally include warrants, stock options, restricted stock and restricted stock units. Charges associated with such stock-based awards are referred to by us as stock-based compensation.

Upon adoption of SFAS No. 123R, we continued to estimate the fair value of stock-based awards using 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. 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. For the years ended December 31, 2005 and 2004, we used historical volatility of our stock over a period equal to the expected life of stock-based awards to estimate fair value. We estimated the fair value of awards granted during the year ended December 31, 2006 using the implied volatility of actively traded options on our stock. We believe that implied volatility is more representative of future stock price trends than historical volatility. The expected life assumption represents the weighted-average period stock-based awards are expected to remain outstanding. These expected life assumptions are established through a review of historical exercise behavior of stock-based award grants with similar vesting periods. Where historical patterns do not exist contractual terms are used. The risk-free interest rate represents the daily treasury yield curve rate at the reporting date based on the closing market bid yields on actively traded U.S. treasury securities in the over-the-counter market for the expected term. Our assumptions may change in future periods.

The following table summarizes the weighted-average assumptions used to compute reported and pro forma stock-based compensation to employees and members of our board of directors for the periods set forth below:

	For the Years Ended December 31,		
	2006	2005 (Pro forma)	2004 (Pro forma)
Risk-free interest rate	4.20%	4.18%	3.85%
Expected life of options — years	4.45	5.07	6.23
Expected stock price volatility	60%	89%	110%
Expected dividend yield	N/A	N/A	N/A

The following table summarizes the range of assumptions used to compute reported stock-based compensation to third parties, other than non-employee members of our board of directors, for the periods set forth below:

	For the Years Ended December 31,		
	2006	2005	2004
Risk-free interest rate	4.29-5.23%	2.83-4.58%	1.99-4.69%
Expected life of options — years	1.67-10.00	1.00-9.93	1.00-10.00
Expected stock price volatility	60%	56-116%	56-116%
Expected dividend yield	N/A	N/A	N/A

SFAS No. 123R changes the presentation of realized excess tax benefits associated with the exercise of stock options in the statements of cash flows. Excess tax benefits are realized tax benefits from tax deductions for the exercise of stock options in excess of the deferred tax asset attributable to stock compensation expense for such options. Prior to the adoption of SFAS No. 123R such realized tax benefits were required to be presented as operating cash flows. SFAS No. 123R requires such realized tax benefits to be presented as part of cash flows from financing activities. No income tax benefits have been realized from stock option exercises during the years ended December 31, 2006, 2005 and 2004 because a valuation allowance was recorded for all net deferred tax assets.

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 for chip sets and certain other components used in manufacturing radios; commissions paid to retailers and automakers as incentives to purchase, install and activate SIRIUS radios; product warranty obligations; and compensation costs associated with stock-based awards granted in connection with certain distribution agreements. 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.

We record product warranty obligations in accordance with FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34." FIN No. 45 requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken by issuing the guarantee. We warrant that certain products sold through our retail and direct to consumer distribution channels will perform in all material respects in accordance with standard published specifications in effect at the time of the purchase of the products by the customer. We provide a 12-month warranty on our products from purchase date for repair or replacement of components and/or products that contain defects of material or workmanship. Customers may exchange products directly to the retailer within 30 days of purchase. We record a liability for an estimate of costs that we expect to incur under our warranty guarantee when the product is shipped from the manufacturer. Factors affecting our warranty liability include the number of units sold and historical and anticipated rates of claims and costs per claim. We periodically assess the adequacy of our warranty liability based on changes in these factors.

The following table reconciles the beginning and ending aggregate product warranty liability:

	Product Warranty Liability
Balance, December 31, 2005	$ 1,434
Accrual for warranties issued during the period	7,127
Settlements during the period	(3,520)
Balance, December 31, 2006	$ 5,041

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.

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.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs for the years ended December 31, 2006, 2005 and 2004 were $46,460, $53,401 and $26,121, respectively, and are included in engineering, design and development expenses.

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.

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 194,000,000, 235,000,000 and 190,000,000 were not considered in the calculation of diluted net loss per share for the years ended December 31, 2006, 2005 and 2004, 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 were the only component of our other comprehensive loss for the years ended December 31, 2005 and 2004. There were no unrealized gains and losses on available-for-sale securities for the year ended December 31, 2006. Comprehensive loss for the years ended December 31, 2006, 2005 and 2004 was $1,104,867, $862,973 and $712,212, respectively.

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.

Investments

Our investments consist of the following:

	As of December 31,	
	2006	2005
Marketable securities	$15,500	$117,250
Restricted investments	77,850	107,615
Investment, stated at cost	5,000	—
Total investments	$98,350	$224,865

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 certificates of deposit and auction rate securities. For the years ended December 31, 2006 and 2005, certificates of deposit were $4,650 and $200, respectively, and auction rate securities were $10,850 and $117,050, respectively. 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 (loss) income as a separate component of stockholders' equity. 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. The specific-identification method is used to determine the cost of all securities and the basis by which amounts are reclassified from accumulated comprehensive (loss) income 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. Auction rate securities are priced and subsequently trade as short-term investments because of such interest rate reset feature.

We received proceeds from the sale or maturity of marketable securities of $229,715, $36,935 and $25,000 for the years ended December 31, 2006, 2005 and 2004, respectively. There were no unrealized holding gains or losses on marketable securities as of December 31, 2006 and 2005.

Restricted Investments

As of December 31, 2006 and 2005, short-term restricted investments of $25,000 and $25,165, respectively, included certificates of deposit placed in escrow primarily for the benefit of a third party pursuant to a programming agreement.

As of December 31, 2006 and 2005, long-term restricted investments of $52,850 and $82,450, respectively, included certificates of deposit and money market funds deposited in escrow for the benefit of third parties pursuant to programming agreements and certificates of deposit placed in escrow to secure our reimbursement obligations under letters of credit issued for the benefit of lessors of office space.

Cost Method Investment

In September 2006, we invested in a third party for strategic purposes. We account for this investment under the cost method. The carrying value of our investment was $5,000 at December 31, 2006 and is included in other long-term assets in our accompanying consolidated balance sheet.

Equity Method Investment

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. 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 to equity in net loss of affiliate in our accompanying consolidated statements of operations. We recorded $4,445 and $6,938 for the years ended December 31, 2006 and 2005, respectively, for our share of SIRIUS Canada's net loss.

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 consists of finished goods, chip sets and other raw material components used in manufacturing radios. Inventory is stated at the lower of cost, determined on a first-in, first-out basis, or market. We record an estimated allowance for inventory that is considered slow moving and obsolete or whose carrying value is in excess of net realizable value.

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. We capitalize a portion of the interest on funds borrowed to finance the construction and launch of our satellites. Capitalized interest is recorded as part of the asset's cost and depreciated over the satellite's useful life. Capitalized interest costs for the year ended December 31, 2006 was $4,205. We had no capitalized interest for the year ended December 31, 2005.

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. The total net book value of capitalized software costs was $17,349 and $14,943 for the years ended December 31, 2006 and 2005, respectively. Costs charged to expense for the amortization of capitalized software costs were $4,971, $3,451 and $2,387 for the years ended December 31, 2006, 2005 and 2004, respectively, and are included in depreciation in our accompanying consolidated statements of operations.

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	3-15 years
Satellite telemetry, tracking and control facilities	3, 4 or 15 years
Terrestrial repeater network	5 or 15 years
Leasehold improvements	2-15 years
Satellite system	13 or 15 years
Building	30 years

The expected useful lives of our three in-orbit satellites were originally 15 years from the date they were placed into orbit. In June 2006, we entered into an agreement with Space Systems/Loral to design and construct a new satellite. In connection with this agreement, we adjusted the useful lives of two of our in-orbit satellites to 13 years to reflect the way we intend to operate the constellation. We continue to expect our spare satellite 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 the operating condition of our satellites. If events or circumstances indicate that the useful lives of our satellites have changed we will modify the depreciable life accordingly.

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, except for our FCC license discussed below, the impairment is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. To determine fair value, we employ an expected present value technique, which utilizes multiple cash flow scenarios that reflect the range of possible outcomes and an appropriate discount rate.

In connection with our new satellite agreement, in June 2006 we wrote-off $10,917 for the net book value of certain satellite long-lead time parts purchased in 1999 that we will no longer need. Such amount is included in satellite and transmission expenses in our accompanying consolidated statement of operations.

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 or more frequently if 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, 2006 and 2005. The following table summarizes the book and fair values of our debt:

	As of December 31,			
	2006		2005	
	Book Value	Fair Value	Book Value	Fair Value
9⅝% Senior Notes due 2013	$500,000	$496,250	$500,000	$492,500
3¼% Convertible Notes due 2011	230,000	226,838	230,000	338,443
2½% Convertible Notes due 2009	300,000	310,125	300,000	484,875
3½% Convertible Notes due 2008	36,505	100,024	52,693	255,693
8¾% Convertible Subordinated Notes due 2009	1,744	N/A	1,744	907

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, 2005	$455
Liabilities settled	(16)
Accretion expense	114
Balance, December 31, 2006	$553

Reclassifications

Certain amounts in the prior period consolidated financial statements have been reclassified to conform to the current period presentation, including the reclassification of stock-based compensation from a separate line item disclosure to being included in other operating expense line items in order to comply with the requirements of SFAS No. 123R.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. We are currently evaluating the impact of the adoption, if any, that SFAS No. 157 will have on our consolidated results of operations and financial position.

In September 2006, the FASB issued EITF No. 06-1, "Accounting for Consideration Given by a Service Provider to Manufacturers or Resellers of Equipment Necessary for an End-Customer to Receive Service from the Service Provider." The EITF concluded that if consideration given by a service provider to a third-party manufacturer or a reseller that is not the service provider's customer can be linked contractually to the benefit received by the service provider's customer, a service provider should account for the consideration in accordance with EITF No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer." EITF No. 06-1 is effective for annual reporting periods beginning after June 15, 2007. We are currently evaluating the effects that EITF No. 06-1 will have on our consolidated results of operations and financial position.

In June 2006, the FASB issued EITF No. 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)," to clarify diversity in practice on the presentation of different types of taxes in the financial statements. The EITF concluded that for taxes within the scope of the issue, a company may include charges to customers for taxes within revenues and the charge for the taxes from the taxing authority within cost of sales, or, alternatively, it may net the charge to the customer and the charge from the taxing authority. If taxes subject to EITF No. 06-3 are significant, a company is required to disclose its accounting policy for presenting taxes and the amounts of such taxes that are recognized on a gross basis. EITF No. 06-3 is effective for the first interim reporting period beginning after December 15, 2006. We will adopt EITF No. 06-3 effective January 1, 2007. The adoption of EITF No. 06-3 will not have a material impact on our consolidated results of operations or financial position.

In June 2006, the FASB issued FIN No. 48, "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109," which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, as well as criteria on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. We will

adopt FIN No. 48 effective January 1, 2007. The adoption of FIN No. 48 will not have a material impact on our consolidated results of operations or financial position.

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,		
	2006	2005	2004
Subscription fees	$572,386	$233,635	$65,201
Activation fees	15,612	6,790	2,102
Effects of mail-in rebates	(12,594)	(16,810)	(4,422)
Total subscriber revenue	$575,404	$223,615	$62,881

4. Interest Costs

During the year ended December 31, 2006, we capitalized a portion of the interest on funds borrowed to finance the construction and launch of our new satellite. The following is a summary of our interest cost:

	For the Years Ended December 31,		
	2006	2005	2004
Interest costs charged to expense	$64,032	$45,361	$21,794
Debt conversion costs charged to expense	—	—	19,592
Total interest expense	64,032	45,361	41,386
Interest costs capitalized	4,205	—	—
Total interest costs incurred	$68,237	$45,361	$41,386

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.

5. Inventory

Inventory consists of the following:

	As of December 31,	
	2006	2005
Raw materials	$16,459	$13,459
Finished goods	18,043	797
Total inventory	$34,502	$14,256

6. Property and Equipment

Property and equipment consists of the following:

	As of December 31,	
	2006	2005
Satellite system	$ 933,141	$ 948,573
Terrestrial repeater network	63,753	73,076
Leasehold improvements	33,334	28,476
Broadcast studio equipment	37,350	32,437
Customer care, billing and conditional access	35,796	29,534
Satellite telemetry, tracking and control facilities	17,611	17,416
Furniture, fixtures, equipment and other	54,027	46,336
Land	311	311
Building	2,343	1,936
Construction in progress	101,848	27,907
Total property and equipment	1,279,514	1,206,002
Accumulated depreciation	(469,125)	(377,645)
Property and equipment, net	$ 810,389	$ 828,357

Construction in progress consists of the following:

	As of December 31,	
	2006	2005
Satellite system	$ 78,491	$21,000
Terrestrial repeater network	10,973	2,619
Leasehold improvements	100	1,472
Other	12,284	2,816
Construction in progress	$101,848	$27,907

Satellites

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

In 2006, we entered into an agreement with Space Systems/Loral for the design and construction of a new satellite. Construction of this satellite is expected to be completed in the fourth quarter of 2008. We plan to launch this satellite on a Proton rocket under our contract with International Launch Services, which we entered into in 2005. As of December 31, 2006 and 2005, we recorded $78,491 and $21,000, respectively, to property and equipment in our accompanying consolidated balance sheets in connection with these agreements.

7. Related Party Transactions

In 2005, we entered into a license and services agreement with SIRIUS Canada Inc. Pursuant to such agreement, we are reimbursed for certain costs incurred by us to provide SIRIUS Canada Inc. service, including certain costs we incur for the production and distribution of radios used by its subscribers as well as information technology support costs. In consideration for the rights granted pursuant to the license and services agreement, SIRIUS Canada Inc. pays us a royalty based on a percentage of its annual gross revenues. Additionally, the initial

financing we provided to SIRIUS Canada is by way of subscription to non-voting shares which carries an 8% cumulative dividend.

Total costs reimbursed by SIRIUS Canada Inc. for the years ended December 31, 2006 and 2005 were $9,227 and $6,025, respectively. We recorded $945 and $10 in royalty income for the years ended December 31, 2006 and 2005, respectively. Such royalty income was recorded to other revenue in our accompanying consolidated statements of operations. We also recorded dividend income of $700 for the year ended December 31, 2006, which was included in interest and investment income in our accompanying consolidated statements of operations.

Amounts due from SIRIUS Canada Inc. at December 31, 2006 were $4,157, of which $2,502 and $1,655 are included in other current assets and other long-term assets, respectively, on our accompanying consolidated balance sheets. Amounts due from SIRIUS Canada Inc. at December 31, 2005 were $2,277, of which $2,267 and $10 are included in other current assets and other long-term assets, respectively, on our accompanying consolidated balance sheets. Amounts payable to SIRIUS Canada Inc. at December 31, 2006 and 2005 to fund its remaining capital requirements were $1,148 and $3,059, respectively, and are included in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

8. Accounts Payable and Accrued Expenses

Our accounts payable and accrued expenses consist of the following:

	As of December 31,	
	2006	2005
Accounts payable	$ 26,048	$ 6,829
Accrued programming	116,370	41,436
Accrued compensation and other payroll related costs	28,376	26,370
Accrued subsidies and distribution	185,188	151,311
Accrued web streaming and broadcast royalties	13,629	19,190
Other accrued expenses	68,302	86,817
Total accounts payable and accrued expenses	$437,913	$331,953

9. Long-Term Debt and Accrued Interest

Our long-term debt consists of the following:

	Conversion Price (Per share)	As of December 31,	
		2006	2005
9⅝% Senior Notes due 2013	N/A	$ 500,000	$ 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	36,505	52,693
8¾% Convertible Subordinated Notes due 2009	28.4625	1,744	1,744
Total long-term debt		$1,068,249	$1,084,437

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

	As of December 31,	
	2006	2005
9⅝% Senior Notes due 2013	$20,053	$18,888
3¼% Convertible Notes due 2011	1,557	1,557
2½% Convertible Notes due 2009	2,902	2,902
3½% Convertible Notes due 2008	107	161
8¾% Convertible Subordinated Notes due 2009	38	38
Space Systems/Loral Credit Agreement	125	—
Total accrued interest	$24,782	$23,546

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

	As of December 31, 2006
2007	$ —
2008	36,505
2009	301,744
2010	—
2011	230,000
Thereafter	500,000
Total debt	$1,068,249

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, 2006, holders of $16,188 in aggregate principal amount of our 3½% Convertible Notes due 2008 presented such notes for conversion in accordance with the terms of the indenture. We issued 11,730,431 shares of our common stock upon conversion of these notes. 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. We incurred debt conversion costs of $19,592 for the year ended December 31, 2004. There were no debt conversion costs recorded for the years ended December 31, 2006 and 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.

Space Systems/Loral Credit Agreement

In June 2006, we entered into a Credit Agreement with Space Systems/Loral. Under the Credit Agreement, Space Systems/Loral has agreed to make loans to us in an aggregate principal amount of up to $100,000 to finance the purchase of our new satellite. Loans made under the Credit Agreement will be secured by our rights under the Satellite Purchase Agreement with Space Systems/Loral, including our rights to the new satellite. The loans are also entitled to the benefits of a subsidiary guarantee from Satellite CD Radio, Inc., our subsidiary that holds our FCC license, and any future material subsidiary that may be formed by us. The maturity date of the loans is the earliest to occur of (i) April 6, 2009, (ii) 90 days after the new satellite becomes available for shipment and (iii) 30 days prior to the scheduled launch of the new satellite. Any loans made under the Credit Agreement generally will bear interest at a variable rate equal to three-month LIBOR plus 4.75%. The daily unused balance bears interest at a rate per annum equal to 0.50%, payable quarterly on the last day of each March, June, September and December, commencing

June 30, 2006. The Credit Agreement permits us to prepay all or a portion of the loans outstanding without penalty. We have not borrowed under this Credit Agreement as of December 31, 2006.

Covenants and Restrictions

Our 9⅝% Senior Notes due 2013 and the Credit Agreement require us to comply with certain covenants that restrict our ability to, among other things, (i) incur additional indebtedness, (ii) incur liens, (iii) pay dividends or make certain other restricted payments, investments or acquisitions, (iv) enter into certain transactions with affiliates, (v) merge or consolidate with another person, (vi) sell, assign, lease or otherwise dispose of all or substantially all of our assets, and (vii) make voluntary prepayments of certain debt, in each case subject to exceptions as provided in the 9⅝% Senior Notes due 2013 indenture and the Credit Agreement. If we fail to comply with these covenants, our 9⅝% Senior Notes due 2013 and any loans outstanding under the Credit Agreement could become immediately payable and the Credit Agreement could be terminated. At December 31, 2006, we were in compliance with all such covenants.

10. 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, 2006, approximately 424,385,000 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, 2006, employees exercised 19,284,495 stock options at exercise prices ranging from $0.47 to $3.93 per share, resulting in proceeds to us of $26,679. Of this amount, $25,504 was collected as of December 31, 2006. We also collected $283 in 2006 related to stock option exercises that occurred in 2005. 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.

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. We recognized expense associated with these shares of $224,813 during the year ended December 31, 2006.

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, $5,852 and $4,285 of expense associated with these shares during the years ended December 31, 2006, 2005 and 2004, respectively. Of the remaining $24,978 in common stock value, $5,852 and $19,126 are included in other current assets and other long-term assets, respectively, on our accompanying consolidated balance sheet as of December 31, 2006.

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 have vested and are exercisable. 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. The warrants vest over time and upon achievement of certain milestones by the Penske companies. During the years ended December 31, 2006 and 2005, Penske exercised 5,292,500 and 2,838,700, respectively, vested warrants in a series of cashless exercises. In connection with these transactions, we issued 2,862,533 and 1,944,073 shares of our common stock for the years ended December 31, 2006 and 2005, respectively.

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, 2006, 2005 and 2004, 30,000, 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.

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, 2006	2005
NFL	$ 2.50	March 2008 — March 2010	50,000	50,000
Penske companies	2.392	July 2009	29,869	35,161
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	3.11	January 2008 — June 2014	4,053	9,133
Other	20.33	June 2005 — April 2011	4,533	4,533
Total	$ 3.11		123,955	134,327

We recognized expense of $50,297, $100,349 and $74,700 in connection with warrants for the years ended December 31, 2006, 2005 and 2004, respectively.

11. Benefit Plans

Stock-Based Awards

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, 2006, approximately 75,879,000 stock options, shares of restricted stock and restricted stock units were outstanding. As of December 31, 2006, approximately 86,524,000 shares of our common stock were available for grant under the 2003 Plan.

The following table summarizes the stock option activity under our stock incentive plans for the year ended December 31, 2006 (shares in thousands):

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Intrinsic Value
Outstanding at beginning of period	87,024	$4.61		
Granted	5,254	5.69		
Exercised	(19,284)	1.38		
Cancelled or expired	(1,201)	4.58		
Outstanding at end of period	71,793	5.56	6.83	$23,411
Exercisable at end of period	42,449	6.00	6.09	21,527

The weighted average grant date fair value of options granted during the years ended December 31, 2006, 2005 and 2004 was $3.11, $6.17 and $4.12, respectively. The total intrinsic value of stock options exercised during the years ended December 31, 2006, 2005 and 2004 was $51,847, $76,758 and $76,071, respectively.

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 and members of our board of directors. Such deferred compensation was reversed to additional paid-in capital in connection with the adoption of SFAS No. 123R. 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 $49,083, $13,814 and $27,957 for the years ended December 31, 2006, 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.

The following table summarizes the non-vested restricted stock unit activity under our stock incentive plans for the year ended December 31, 2006 (shares in thousands):

	Shares	Weighted Average Grant Date Fair Value
Outstanding at beginning of period	21,977	$2.36
Granted	1,503	5.57
Vested	(19,294)	2.11
Cancelled or expired	(100)	7.04
Outstanding at end of period	4,086	4.64

The weighted average grant date fair value of restricted stock units granted during the years ended December 31, 2005 and 2004 were $6.11 and $3.14, respectively. The total intrinsic value of restricted stock units that vested during the year ended December 31, 2006, 2005 and 2004 was $97,846, $11,625 and $1,378, respectively.

In November 2004, we granted 3,000,000 shares of restricted common stock. Such shares were issued and outstanding as of December 31, 2006. The restrictions applicable to these shares lapse in equal installments on November 18 of each of the five years beginning on November 18, 2005.

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 was reversed to additional paid-in capital in connection with the adoption of SFAS No. 123R. We recognized stock compensation expense associated with restricted stock units and shares of restricted stock of $16,127, $34,398 and $13,896 for the years ended December 31, 2006, 2005 and 2004, respectively.

For the year ended December 31, 2006, we also recognized stock compensation expense of $86,249 for restricted stock units expected to be granted for services performed in 2006 or upon the satisfaction of 2006 performance targets. For the year ended December 31, 2005, we also recognized stock compensation expense of $3,361 for restricted stock units 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 $1,246, $926 and $718 for the years ended December 31, 2006, 2005 and 2004, 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 $4,251, $4,378 and $2,518 for the years ended December 31, 2006, 2005 and 2004, respectively.

12. Income Taxes

Our income tax expense consisted of the following:

	For the Years Ended December 31,		
	2006	2005	2004
Current taxes:			
Federal	$ —	$ —	$ —
State	—	—	—
Total current taxes	$ —	$ —	$ —
Deferred taxes:			
Federal	$2,169	$1,952	$3,662
State	(104)	359	539
Total deferred taxes	$2,065	$2,311	$4,201
Total income tax expense	$2,065	$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,		
	2006	2005	2004
Federal tax benefit, at statutory rate	$(385,981)	$(301,240)	$(247,786)
State income tax benefit, net of federal benefit	(52,650)	(55,414)	(36,459)
Change in state tax rates	45,916	(23,650)	—
Change in taxes resulting from permanent differences, net	(37,633)	(24,163)	(15,627)
Other	(974)	—	(2,237)
Change in valuation allowance	433,387	406,778	306,310
Income tax expense	$ 2,065	$ 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, 2006	As of December 31, 2005
Deferred tax assets:		
Net operating loss carryforwards	$ 1,182,299	$ 794,793
Stock-based awards	139,048	90,987
Start-up costs capitalized for tax purposes	1,904	25,635
Capitalized interest expense	43,572	53,976
Deferred revenue	12,358	—
Other	64,910	51,860
Total deferred tax asset	1,444,091	1,017,251
Deferred tax liabilities:		
Depreciation of property and equipment	(216,896)	(223,237)
Amortization of FCC license	(10,814)	(8,955)
Total deferred tax liability	(227,710)	(232,192)
Net deferred tax assets before valuation allowance	1,216,381	785,059
Valuation allowance	(1,227,195)	(793,808)
Net deferred tax liability	$ (10,814)	$ (8,749)

The net deferred tax liability of $10,814 and $8,749 at December 31, 2006 and 2005, 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, 2006 and 2005 were $4,787 and $64,551, respectively. These capitalized costs are being amortized over 60 months.

At December 31, 2006, we had net operating loss (“NOL”) carryforwards of approximately $2,973,000 for federal and state income tax purposes available to offset future taxable income. These NOL carryforwards expire on various dates beginning in 2023. We have had several ownership changes under Section 382 of the Internal Revenue Code, which limit our ability to utilize tax deductions. Due to an ownership change on March 4, 2003, we determined that $353,569 of gross deferred tax assets with respect to pre-March 5, 2003 tax loss carryovers will not be available. This amount was written off against the valuation allowance in 2003. 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.

13. 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, 2006, 2005 and 2004 was $15,984, $14,958 and $13,567, respectively.

Future minimum lease payments under non-cancelable leases as of December 31, 2006 were as follows:

	Operating
2007	$ 9,079
2008	9,391
2009	9,345
2010	9,161
2011	8,424
Thereafter	26,502
Total minimum lease payments	$71,902

14. Commitments and Contingencies

Contractual Cash Commitments

The following table summarizes our expected contractual cash commitments (other than long-term debt obligations, cash interest payments and lease obligations) as of December 31, 2006:

	2007	2008	2009	2010	2011	Thereafter	Total
Satellite and transmission	$ 27,765	$ 79,165	$ 39,869	$ 2,010	$ 1,720	$ 6,617	$157,146
Programming and content	122,365	123,549	146,211	147,647	38,660	27,667	606,099
Customer service and billing	3,492	45	—	—	—	—	3,537
Marketing and distribution	80,289	31,534	22,743	26,153	18,173	5,500	184,392
Chip set development and production	7,022	—	—	—	—	—	7,022
Other	7,098	11,575	9	—	—	—	18,682
Total contractual cash commitments	$248,031	$245,868	$208,832	$175,810	$58,553	$39,784	$976,878

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 Space Systems/Loral to design and construct a new satellite. Construction of this satellite is expected to be completed in the fourth quarter of 2008. We plan to launch this satellite on a Proton rocket under our contract with International Launch Services.

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 pay royalties for public performances of music to various rights organizations.

Customer Service and Billing. We have entered into agreements with third parties to provide 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; to develop products; and in certain instances to license intellectual property related to chip sets.

Other. We have entered into various agreements with third parties for general operating and strategic purposes. Amounts associated with these 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, per-show and other variable cost 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, 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 we do not expect that these expenditures will be material.

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, 2006 and 2005, $77,850 and $107,615, 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, 2006, we have not entered into any off-balance sheet arrangements or transactions.

Legal Proceedings

FCC Matters. In April 2006, we learned that two manufacturers of SIRIUS radios and XM Radio had received inquiries from the Federal Communications Commission as to whether the FM transmitters in their products complied with the FCC's emissions and frequency rules. We promptly began an internal review of the compliance of the FM transmitters in a number of our radios. In June 2006, we learned that a third manufacturer of SIRIUS radios had received an inquiry from the Federal Communications Commission as to whether the FM transmitters in its products complied with the FCC's emissions and frequency rules. In June 2006, we received a letter from the FCC making similar inquiries. In July 2006, we responded to the letter from the FCC in respect of the preliminary results of our review. In August 2006, we received a follow-up letter of inquiry from the FCC and responded to the FCC's further inquiry. We continue to cooperate with the FCC's inquiry.

During our internal review, we determined that certain of our radios with FM transmitters were not compliant with FCC rules. We have taken a series of actions to correct the problem.

In connection with our internal review, we discovered that certain SIRIUS personnel requested manufacturers to produce SIRIUS radios that were not consistent with the FCC's rules. As a result of this review, we are taking significant steps to ensure that this situation does not happen again, including the adoption of a comprehensive compliance plan, approved by our board of directors, to ensure that in the future our products comply with all applicable FCC rules.

The FCC is continuing its review of our products. The FCC's laboratory has tested a number of our products and found them to be compliant with the FCC's rules. We believe our radios that are currently in production comply with applicable FCC's rules. No health or safety issues are involved with these SIRIUS radios and radios which are factory-installed in new vehicles are not affected. We do not expect the resolution of these issues to have an adverse impact on our previous guidance.

In October 2006, we ceased operating 11 of our terrestrial repeaters which we discovered had been operating at variance to the specifications and applied to the FCC for new authority to resume operating these repeaters.

Copyright Royalty Board Proceeding. We are a party to a proceeding before the Copyright Royalty Board of the Library of Congress to establish the royalty rate and terms for the sound recordings we use on our satellite radio service for the period for 2007 through 2012. In October 2006, we and XM filed our direct case in this proceeding with the Copyright Royalty Board and proposed a royalty rate for our satellite radio subscription revenue.

The Copyright Royalty Board must set a rate that is calculated to achieve four statutory objectives:

- to maximize the availability of creative works to the public;
- to afford the copyright owner a fair return for his creative work and the copyright user a fair income under existing economic conditions;
- to reflect the relative roles of the copyright owner and the copyright user in the product made available to the public with respect to relative creative contribution, technological contribution, capital investment, cost, risk and contribution to the opening of new markets for creative expression and media for their communication; and
- to minimize any disruptive impact on the structure of the industries involved and on generally prevailing industry practices.

We believe that the fee we proposed achieves these objectives and is consistent in principle with the fee established under the same standard for digital cable audio.

SoundExchange, the organization that collects and distributes royalties from various digital music services on behalf of artists and music labels, simultaneously submitted its direct case in this proceeding and proposed a substantially higher royalty rate than we proposed. This submission of direct cases is the beginning of a twelve to eighteen month process which, absent an agreement among the parties, will result in a determination by the Copyright Royalty Board of an applicable royalty rate.

U.S. Electronics Arbitration. U.S. Electronics Inc., a licensed manufacturer and distributor of SIRIUS radios, has commenced an arbitration proceeding against us. U.S. Electronics alleges that we breached our contract, failed to pay monies owed under the contract, interfered with U.S. Electronics' relationships with retailers and manufacturers, and withheld information relating to the FCC's inquiring into SIRIUS radios that include FM modulators. U.S. Electronics is seeking $48,000 in damages. We believe that approximately $41,000 of these damages are barred by the limitation of liability provisions contained in the contract between us and U.S. Electronics. We are vigorously defending this action.

15. 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
2006:				
Total revenue	$ 126,664	$ 150,078	$ 167,113	$ 193,380
Cost of services(1)	(333,997)	(112,561)	(108,223)	(143,187)
Loss from operations	(446,169)	(230,472)	(154,154)	(236,929)
Net loss	(458,544)	(237,828)	(162,898)	(245,597)
Net loss per share (basic and diluted)(2)	$ (0.33)	$ (0.17)	$ (0.12)	$ (0.17)
2005:				
Total revenue	$ 43,216	$ 52,194	$ 66,831	$ 80,004
Cost of services(1)	(47,145)	(37,732)	(47,101)	(74,925)
Loss from operations	(190,259)	(174,582)	(166,919)	(297,380)
Net loss	(193,612)	(177,546)	(180,450)	(311,389)
Net loss per share (basic and diluted)(2)	$ (0.15)	$ (0.13)	$ (0.14)	$ (0.23)

(1) Quarterly cost of services previously reported for the quarters ended 2005 reflect the reclassification of certain costs from cost of services to sales and marketing expenses and from stock-based compensation to cost of services.

(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.

16. Subsequent Events

In January 2007, Howard Stern and his agent were granted an aggregate of approximately 22,058,000 shares of our common stock as a result of certain performance targets that were satisfied on December 31, 2006. The value of these shares recorded to stock-based compensation expense during 2006 was $82,941.

We and XM Radio announced on February 19, 2007 a definitive agreement, under which we will be combined in a tax-free, all-stock merger of equals. Under the terms of the agreement, XM Radio shareholders will receive 4.6 shares of our common stock for each share of XM Radio they own. XM Radio and our shareholders will each own approximately 50% of the combined company. The transaction is subject to approval by XM Radio and our shareholders, the satisfaction of customary closing conditions and regulatory review and approvals, including antitrust agencies and the FCC. We and XM Radio expect the transaction to be completed by the end of 2007.

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, 2004				
Allowance for Doubtful Accounts	$ 380	$ 1,648	$(1,496)	$ 532
Deferred Tax Assets — Valuation Allowance	80,720	306,310	—	387,030
For the year ended December 31, 2005				
Allowance for Doubtful Accounts	$ 532	$ 4,311	$(3,293)	$ 1,550
Deferred Tax Assets — Valuation Allowance	387,030	406,778	—	793,808
For the year ended December 31, 2006				
Allowance for Doubtful Accounts	$ 1,550	$ 7,542	$(5,909)	$ 3,183
Deferred Tax Assets — Valuation Allowance	793,808	433,387	—	1,227,195

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON THURSDAY, MAY 24, 2007

To our Stockholders:

You are cordially invited to attend our Annual Meeting of Stockholders, which will be held on Thursday, May 24, 2007, 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. Ratify the appointment of Ernst & Young LLP as our independent registered public accountants for 2007.
3. Transact any other business that may properly come before the meeting and any adjournments thereof.

Only stockholders of record at the close of business on April 5, 2007 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 23, 2007

TABLE OF CONTENTS

	Page
About the Meeting	1
What is the purpose of the annual meeting?	1
Who is entitled to vote?	1
What are the voting rights of the holders of SIRIUS common stock?	1
Who can attend the annual meeting?	1
What constitutes a quorum?	1
How do I vote?	2
Can I vote by telephone or electronically?	2
How can I access the proxy materials and annual report on the Internet?	2
What is householding?	2
Can I change my vote?	3
What vote is required to approve each item?	3
Who will count the votes?	3
What is a proxy?	3
Who am I designating as my proxy?	3
How will my proxy vote my shares?	3
What happens if a nominee for director is unable to serve as a director?	4
Who is soliciting my proxy, and who will pay the costs of the solicitation?	4
When, and how, do I submit a proposal for next year's annual meeting of stockholders?	4
Stock Ownership	4
Who are the principal owners of SIRIUS' common stock?	4
How much stock do the directors and executive officers of SIRIUS own?	5
Section 16(a) Beneficial Ownership Reporting Compliance	5
Governance of the Company	5
What are the responsibilities of the board of directors?	5
What are the current committees of the board of directors and who are the members of these committees?	6
How often are directors elected to the board?	6
How are nominees for the board of directors selected?	6
Who is the board's chairman?	7
How does the board determine which directors are considered independent?	7
What are our policies and procedures for related party transactions?	8
Who is the Audit Committee's financial expert?	8
How often did the board meet during 2006?	9
How are directors compensated?	9
Does the chairman of the board of directors receive more compensation than other directors?	9
How can stockholders communicate with the board of directors?	9
Does SIRIUS have corporate governance guidelines and a code of ethics?	10
Report of the Audit Committee	10
Principal Accountant Fees and Services	11
Pre-Approval Policy for Services of Independent Auditor	12
Executive Compensation	12
Compensation Discussion and Analysis	12
Compensation Committee Report	18
Summary Compensation Table	19
Grants of Plan-Based Awards for 2006	20
Outstanding Equity Awards at Fiscal Year End 2006	21
Option Exercises and Stock Vested for 2006	22
Potential Payments Upon Termination or Change-in-Control	22
Director Compensation Table for 2006	25
Equity Compensation Plans	26
Item 1 — Election of Directors	26
Nominees for the Board of Directors	26
Item 2 — Ratification of Independent Registered Public Accountants	28
Other Matters	28

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 Thursday, May 24, 2007, 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 and the accompanying proxy card is being mailed to stockholders on or about April 23, 2007.

A copy of our Annual Report on Form 10-K for the year ended December 31, 2006 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) and be asked to ratify the appointment of Ernst & Young LLP as our independent registered public accountants for 2007. In addition, management will report on its 2006 performance and respond to questions from stockholders.

Who is entitled to vote?

Only stockholders of record at the close of business on April 5, 2007, 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 common stock outstanding on the record date will constitute a quorum, permitting the meeting to conduct its business. As of the record date, 1,461,121,652 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.proxypush.com/siri* by following the instructions included with your proxy card.
- *By Telephone:* Stockholders may vote by telephone (1-866-785-4033) 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 Wednesday, May 23, 2007.

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 (1-866-785-4033), or electronically through the Internet at *www.proxypush.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.proxypush.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. You may enroll in the electronic proxy delivery service at any time in the future by going directly to *http://enroll.icsdelivery.com/siri* and following the enrollment instructions. 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.

What is householding?

As permitted by the Securities Exchange Act of 1934, as amended, only one copy of this proxy statement and our annual report is being delivered to stockholders residing at the same address, unless the stockholders have notified us of their desire to receive multiple copies of our proxy statement. This is known as householding.

We will promptly deliver, upon oral or written request, a separate copy of this proxy statement to any stockholder residing at an address to which only one copy was mailed. Requests for additional copies for this year or future years should be directed to: Sirius Satellite Radio Inc., Attention: Corporate Secretary, 1221 Avenue of the Americas, 36th Floor, New York, New York 10020.

Stockholders of record residing at the same address and currently receiving multiple copies of this proxy statement may contact our Corporate Secretary to request that only a single copy of our proxy statement be mailed in the future.

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 submitting a later dated vote by telephone or the internet; 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 approve each item?

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. An affirmative vote of a majority of all the votes cast is needed to ratify the appointment of Ernst & Young LLP as our independent registered public accountants.

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. However, you may appoint a person (who need not be a stockholder) other than Patrick L. Donnelly and Ruth A. Ziegler to represent you at the meeting by completing another proper proxy.

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 24, 2007 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 March 9, 2008 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 March 9, 2008. 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 principal owners of SIRIUS' common stock?

The following table sets forth information regarding beneficial ownership of our common stock as of February 28, 2007 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, 2007	
	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	6.6%

(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, our Chief Financial Officer and the three other most highly compensated executive officers as of February 28, 2007. The table also shows common stock beneficially owned by all of our directors and executive officers as a group as of February 28, 2007.

Name of Beneficial Owner	Number of Shares Beneficially Owned[1]	Percent of Class	Shares Acquirable within 60 days
Leon D. Black[2]	71,793	*	—
Joseph P. Clayton[3]	8,800,785	*	—
Lawrence F. Gilberti	201,078	*	—
James P. Holden	205,040	*	—
Warren N. Lieberfarb	109,765	*	—
Michael J. McGuiness	103,140	*	—
James F. Mooney[4]	125,538	*	—
Mel Karmazin	18,515,371	1.3%	—
Scott A. Greenstein	3,547,420	*	450,000
James E. Meyer	2,350,768	*	—
Patrick L. Donnelly	2,003,015	*	—
David J. Frear[5]	1,916,060	*	—
All Executive Officers and Directors as a Group (12 persons)[6]	37,949,773	2.6%	450,000

* 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, 2007: Mr. Karmazin — 15,371 shares; Mr. Greenstein — 7,795 shares; Mr. Meyer — 6,894 shares; Mr. Donnelly — 5,038 shares; and Mr. Frear — 11,638 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. The number of shares shown in the table includes shares that Mr. Black owns directly. Mr. Black disclaims beneficial ownership of shares owned by Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P.

(3) Includes 10,000 shares held by a partnership.

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

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

(6) Does not include 20,576,999 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 and persons who own more than 10% of our common stock 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 all Section 16(a) forms required to be filed during 2006 were filed on a timely basis and in compliance with the requirements of Section 16(a).

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.

A copy of the charters for the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee are available on our website at *www.sirius.com.*

The following table shows the current members and chairman of each committee, the number of committee meetings held during 2006 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: 3 Members: Leon D. Black Lawrence F. Gilberti* Warren N. Lieberfarb	• Reviews our executive compensation policies and strategies • Oversees and evaluates our overall compensation structure and programs
Nominating and Corporate Governance Number of Meetings: 4 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.

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 2006, 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.

In its assessment of each potential candidate, including those recommended by stockholders, the Nominating and Corporate Governance Committee will 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 our business and related industries, independence of thought and an ability to work collegially. The Nominating and Corporate Committee also may consider the extent to which the candidate would fill a present need on the board of directors.. After conducting an initial evaluation of a candidate, the Nominating and Corporate Governance Committee will interview that candidate if it believes the candidate might be suitable to be a director and may also ask the candidate to meet with other directors and management. If the Nominating and Corporate Governance Committee believes a candidate would be a valuable addition to the board of directors, it will recommend to the full board that candidate's election.

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 Global Select Market. A copy of the *Guidelines* is available on our website at *www.sirius.com.*

Pursuant to the *Guidelines*, the board undertook its annual review of director independence in April 2007. As part of this review, we reviewed written questionnaires submitted by each director. 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 our *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 our Chief Executive Officer.

The board has also determined that all of the members of the Audit Committee are financially literate and meet the independence requirements mandated by the applicable NASDAQ listing standards, Section 10A(m)(3) of the Securities and Exchange Act of 1934 and our *Guidelines.* The board of directors has determined that all of the members of the Compensation Committee meet the independence requirements mandated by the applicable NASDAQ listing standards, the rules of the SEC and the Internal Revenue Service applicable to serving on the Compensation Committee and our *Guidelines.* The board of directors has determined that all of the members of the Nominating and Corporate Governance Committee meet the independence requirements mandated by the NASDAQ listing standards applicable to serving on the Nominating and Corporate Governance Committee and our *Guidelines.*

What are our policies and procedures for related party transactions?

We have adopted a written policy and written procedures for the review, approval and monitoring of transactions involving the Company and "related persons." For the purposes of the policy, "related persons" include executive officers, directors and director nominees or their immediate family members, or stockholders owning five percent or greater of our outstanding common stock.

Our related person transaction policy requires:

- that any transaction in which a related person has a material direct or indirect interest and which exceeds $120,000, such transaction referred to as a "related person" transaction, and any material amendment or modification to a related person transaction, be reviewed and approved or ratified by a committee of the board of directors composed solely of independent directors who are disinterested or by the disinterested members of the board of directors; and

- that any employment relationship or transaction involving an executive officer and any related compensation must be approved by the Compensation Committee of the board of directors or recommended by the Compensation Committee to the board of directors for its approval.

In connection with the review and approval or ratification of a related person transaction, management must:

- disclose to the committee or disinterested directors, as applicable, the material terms of the related person transaction, including the approximate dollar value of the amount involved in the transaction, and all the material facts as to the related person's direct or indirect interest in, or relationship to, the related person transaction;

- advise the committee or disinterested directors, as applicable, as to whether the related person transaction complies with the terms of our agreements governing our material outstanding indebtedness that limit or restrict our ability to enter into a related person transaction;

- advise the committee or disinterested directors, as applicable, as to whether the related person transaction will be required to be disclosed in our SEC filings. To the extent required to be disclosed, management must ensure that the related person transaction is disclosed in accordance with SEC rules; and

- advise the committee or disinterested directors, as applicable, as to whether the related person transaction constitutes a "personal loan" for purposes of Section 402 of the Sarbanes-Oxley Act of 2002.

In addition, the related person transaction policy provides that the Compensation Committee, in connection with any approval or ratification of a related person transaction involving a non-employee director or director nominee, should consider whether such transaction would compromise the director or director nominee's status as an "independent," "outside," or "non-employee" director, as applicable, under the rules and regulations of the SEC, NASDAQ and Internal Revenue Code.

During 2006, we did not enter into any transactions with related persons that were subject to our related person transaction policy.

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 2006?

During 2006, there were six meetings of our board of directors. Each director attended more than 75% 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, Holden and Karmazin attended and participated in our 2006 annual meeting of stockholders.

How are the directors compensated?

Directors who are also our employees do not receive any compensation for their services as directors. Currently, each member of our board of directors who is not employed by us receives an annual retainer of $80,000 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.

Any director who fails to attend at least 75% of the meetings of the board of directors in any given year, forfeits 25% of his or her compensation that is payable in cash. During 2006, all of our directors attended over 75% 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. For more information on the compensation of our directors, see "Executive Compensation — Director Compensation Table for 2006."

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. Mr. Clayton remained an employee through June 30, 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. We provide Mr. Clayton medical, dental, vision, and life insurance. In 2006, Mr. Clayton did not receive any compensation for serving on 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.*

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 our affairs. 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* is available on our website at *www.sirius.com.*

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

Our *Code of Ethics* is available on our website at *www.sirius.com* 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 Global Select 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.* 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 2006. 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. 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, 2006.

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, 2006 and 2005:

	For the Years Ended December 31,	
	2006	**2005**
Audit fees[1]	$937,000	$1,037,900
Audit-related fees[2]	30,000	35,000
Tax fees	—	—
All other fees	—	—
	$967,000	$1,072,900

(1) Audit fees billed by Ernst & Young LLP in 2006 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; and the provision of consents. Audit fees billed by Ernst & Young LLP in 2005 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; attest services; the provision of comfort letters; and the provision of consents.

(2) Audit-related fees billed by Ernst & Young LLP in 2006 and 2005 related to audits of employee benefit plans.

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.

All of the services covered under the captions "Audit Fees" and "Audit-Related Fees" were pre-approved by the Audit Committee.

The Audit Committee has appointed Ernst & Young LLP to audit our 2007 consolidated financial statements. Representatives of the firm will be available at the annual meeting to make a statement, if they choose, and to answer questions you may have.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Roles and Responsibilities

The primary purpose of the Compensation Committee, composed solely of independent directors, is to review our executive compensation policies and strategies and to oversee and evaluate our overall compensation structure and programs. The Compensation Committee's responsibilities include:

- evaluating and approving goals and objectives relevant to the compensation of our Chief Executive Officer and other executive officers, and evaluating the performance of our executives against those goals and objectives;
- determining and approving the compensation for our Chief Executive Officer;
- evaluating and approving compensation of other executive officers;
- evaluating and approving all grants of equity-based compensation to executive officers;

- recommending to the board of directors the compensation policy for outside directors; and
- reviewing performance-based and equity-based incentive plans for our Chief Executive Officer and other executive officers and reviewing other benefit programs presented to the Compensation Committee by our Chief Executive Officer.

The role of our management is to provide reviews and recommendations for the Compensation Committee's consideration and to administer our executive compensation programs and policies including:

- providing an ongoing review of the effectiveness of the compensation programs, including competitiveness;
- recommending changes, if necessary, to ensure achievement of program objectives; and
- recommending pay levels, payout and/or awards for executive officers, other than our Chief Executive Officer.

The Compensation Committee did not consult with an executive compensation expert during 2006 for executive compensation, and the Compensation Committee does not tie compensation decisions to any particular range or level of total compensation paid to executives at other companies. The Compensation Committee uses compensation consultants from time to time to assist in the development and evaluation of compensation policies and the Compensation Committee's determinations of compensation awards. In 2006, a compensation consultant was used to asses and evaluate the compensation of our independent directors. The role of any compensation consultant is to provide independent, third-party advice and expertise in executive compensation issues as needed.

Overall Program Objectives

We strive to attract, motivate and retain high-quality executives by providing total compensation that is performance-based and competitive with the various markets and industries in which we compete for talent. We provide incentives to advance the interests of stockholders and deliver levels of compensation that are commensurate with performance. Overall, we design our executive compensation program to:

- support our corporate strategy and business plan by clearly communicating goals and objectives to executives and by rewarding achievement;
- retain and recruit executive talent; and
- create a strong performance alignment with stockholders.

We seek to achieve these objectives through three key compensation elements:

- a base salary;
- a performance-based annual bonus (that constitutes short-term incentives), which may be paid in cash, restricted stock units, shares of stock or a combination of these; and
- periodic grants of long-term, equity-based compensation (that constitutes longer-term incentives), such as stock options and/or restricted stock units, which may be subject to time based and/or performance-based vesting requirements.

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 of stock options and restricted stock units. Stock options and/or restricted stock units relate a significant portion of each executive's long-term remuneration directly to the stock price appreciation realized by our stockholders.

Our executives participant in our 401(k) Savings Plan. We do not sponsor or maintain a retirement plan or deferred compensation plan for any of our employees.

In early 2006, the Compensation Committee approved an annual bonus program that was intended to achieve two principle objectives:

- to continue to link compensation with performance, as measured at the company and individual levels; and
- to improve our ability to reward and differentiate based on individual performance.

Compensation Considerations

In making compensation decisions with respect to each element of compensation, the Compensation Committee considers the competitive market for executives and compensation levels provided by comparable companies. The Compensation Committee from time to time reviews the compensation practices at companies with which it competes for talent, including businesses engaged in activities similar to ours, such as, entertainment companies or film, radio, television, or cable music companies, as well consumer electronics companies and publicly held businesses with a scope and complexity similar to ours. The businesses chosen for comparison may differ from one executive to the next depending on the scope and nature of the business for which the particular executive is responsible.

The Compensation Committee does not attempt to set each compensation element for each executive within a particular range related to levels provided by industry peers. Instead, the Compensation Committee uses market comparison as one factor in making compensation decisions. Other factors considered when making individual executive compensation decisions include individual contribution and performance, reporting structure, internal pay relationship, complexity and importance of roles and responsibilities, leadership and growth potential.

Executive Compensation Practices

Our practices with respect to each of the key compensation elements identified above, as well as other elements of compensation, are described below, followed by a discussion of the specific factors considered in determining key elements of the 2006 compensation for the named executive officers.

Base Salary

Purpose. The objective of base salary is to reflect job responsibilities, value to the Company and individual performance with respect to market competitiveness.

Considerations. In 2006, base salaries for the five executive officers named in the Summary Compensation Table were determined by employment agreements with those officers. These base salaries and the amount of any increase over these salaries were determined by the Compensation Committee based on a variety of factors, including:

- the nature and responsibility of the position and, to the extent available, salary norms for persons in comparable positions at comparable companies;
- the expertise of the individual executive;
- the executives' salary history;
- the competitiveness of the market for the executives' services; and
- the recommendations of our Chief Executive Officer (except in the case of his own compensation).

Salaries are generally reviewed annually. In setting base salaries, the Compensation Committee considers the importance of linking a high proportion of the named executive officers' compensation to performance in the form of the annual bonus, which is tied to both Company performance measures and individual performance, as well as long term stock-based compensation, which is tied to our stock price performance. The amounts set forth in the employment agreements constitute the minimum salaries.

Year 2006 Decisions. In 2006 all of the named executive officers were employed pursuant to agreements described under "Potential Payments upon Termination or Change-in-Control — Employment Agreements"

below. The base salaries of Messrs. Karmazin, Greenstein and Frear were not changed in 2006. Effective February 1, 2006, Mr. Meyer's base salary was increased to $800,000 and Mr. Donnelly's base salary was increased to $400,000. These increases were based on the factors described above.

Annual Bonus for Named Executive Officers

Purpose. Our compensation program provides for an annual bonus determined based upon performance. The objective of this program is to incentivize individuals to achieve specific goals that are intended to correlate closely with growth of stockholder value and to compensate individuals upon the achievement of such goals.

Considerations. The annual bonus process for named executive officers typically involves three basic steps.

- Early in each year the Compensation Committee, working with senior management, sets performance goals for the year. Performance against these goals determines overall bonus funding for the Company and our executive officers. The goals established for 2006 are discussed below under "— Year 2006 Decisions."
- After the end of the year, the Compensation Committee, measures our actual performance, based upon objective data, against the performance goals established at the onset of the year, as well as any relevant individual accomplishments to determine the appropriate funding relative to the target bonus. In determining the extent to which the pre-set performance goals are met for a given period, the Compensation Committee exercises its judgment whether to reflect or exclude the impact of changes in accounting principles and extraordinary, unusual or infrequently occurring events reported in our public filings and changes approved from time to time by the board of directors outside of the original plan for the year.
- Thereafter, the Compensation Committee determines an aggregate bonus pool based upon our performance. For named executive officers (other than himself), our Chief Executive Officer recommends individual bonus amounts taking into account overall approved bonus funding and the contributions of each individual during the year. These amounts are reviewed and discussed with the Compensation Committee by our Chief Executive Officer. For the Chief Executive Officer, the Compensation Committee reviews the performance of the year and determines an appropriate bonus amount.

Under the bonus plan, the Compensation Committee has discretion as to whether annual bonuses for our named executive officers will be paid in cash, restricted stock units or a combination thereof. In general, our current practice is to pay bonuses 50% in cash and 50% in restricted stock units. Any restricted stock units that are awarded are granted under a long term incentive plan approved by our stockholders. The Compensation Committee also retains discretion, in appropriate circumstances, to grant a higher bonus, lower bonus or no bonus at all.

Year 2006 Decisions. At the beginning of 2006, the Compensation Committee established performance goals for 2006 bonuses based on: (1) end of period subscribers, and (2) cash flow from operations with capital expenditures. For 2006, the Compensation Committee gave equal weight to each of these measures.

In setting these measures and determining the extent to which they were satisfied, the Compensation Committee excluded the impact of items (such as long term capital expenditures not anticipated in the original plan and subsequently approved by the board of directors) that it believed were not driven by the current performance of executives or that, in the Compensation Committee's judgment, otherwise had a distorting positive or negative impact relative to the performance of executives and the established performance goals.

After the end of the year, the Compensation Committee determined that the weighted performance for these metrics exceeded the goals set at the beginning of the year.

In approving the individual awards for Messrs. Karmazin, Greenstein, Meyer, Donnelly and Frear, the Compensation Committee also took into account the following 2006 accomplishments:

- we added 2,707,995 subscribers during 2006 (our highest increase in subscriber numbers to date);
- our revenue increased by 162%;
- we did not have to undertake any equity financings in 2006;
- we achieved positive free cash flow in the fourth quarter of 2006 for the first time in our history;
- we more than doubled the number of original equipment manufacturers' subscribers during 2006; and
- we entered into a variety of new and compelling programming arrangements during 2006.

As a result of these determinations, the Compensation Committee approved the bonus amounts set forth in the Summary Compensation Table.

Long-term Incentive Compensation

Purpose. Our long-term incentive program provides a periodic award (typically annual) that is performance based. The objective of the program is to align compensation for named executive officers over a multi-year period directly with the interests of our stockholders by motivating and rewarding actions that create or increase long-term stockholder value. The level of long-term incentive compensation is determined based on an evaluation of competitive factors in conjunction with total compensation provided to named executive officers and the goals of the compensation program described above.

Mix of Restricted Stock Units and Stock Options. Our long-term incentive compensation generally takes the form of stock options and restricted stock units. The two forms of awards reward stockholder value creation in different ways. Stock options (which have exercise prices equal to the market price at the date of grant) reward named executive officers only if the stock price increases. Restricted stock units are affected by all stock price changes, so the value to named executive officers is affected by both increases and decreases in stock price.

In the case of normal annual grants, 100% of the total value of a long-term compensation award typically takes the form of stock options. In the case of new hire grants or contract renewals, some portion of the total value may also be in the form of restricted stock units.

Stock Options. Our long-term incentive program calls for stock options to be granted with exercise prices of not less than fair market value of our stock on the date of grant and to vest proportionally over four years, if the employee is still employed by us, with rare exceptions made by the Compensation Committee. We define fair market value as the stock price on the close of business on the day of grant for existing employees and close of business the day before hire for new hires. The Compensation Committee does not expect to grant stock options with exercise prices below the market price of our common stock on the date of grant. New option grants to named executive officers normally have a term of ten years.

Vesting of Restricted Stock Units. Restricted stock units granted as long-term incentive compensation to named executive officers generally either (1) vest proportionately on each anniversary of the grant for the first four or five years if the employee is still employed by us, or (2) vest on the fifth anniversary if the employee is still employed by us, with accelerated vesting proportionately over the first four years based on achievement of specific performance criteria. These performance-based requirements and vesting schedules do not relate to restricted stock units granted in lieu of cash under our annual bonus program because these bonus awards are already granted based on performance under the annual bonus program. Restricted stock units granted under the annual bonus program vest approximately one year after the grant date.

Stock Ownership and Holding Policy. We do not require specific ownership or holding requirements for named executive officers.

Year 2006 Decisions. In 2006, the long-term compensation awarded by the Compensation Committee to named executive officers under the programs described above is identified in the Grants of Plan-Based Awards Table for 2006.

Periodic Review. The Compensation Committee intends to review both the annual bonus program and long-term incentive program annually to ensure that their key elements continue to meet the objectives described above. In determining the annual grants of restricted stock units and options, the Compensation Committee considered any contractual requirements, market data on total compensation packages and, except in the case of the Chief Executive Officer, the recommendations of the Chief Executive Officer.

Perquisites and Other Benefits

With limited exceptions, the Compensation Committee supports providing perquisites and other benefits to named executive officers that are substantially the same as those offered to our other full time employees.

Total Compensation

In making decisions with respect to any element of a named executive officer's compensation, the Compensation Committee considers the total compensation that may be awarded to the officer, including salary, annual bonus, long-term incentives, and perquisites and other benefits. In addition, the Compensation Committee considers the other benefits to which the officer is entitled by the employment agreement, including compensation payable upon termination of employment under a variety of circumstances. In 2006, the Compensation Committee reviewed tally sheets showing the total compensation potentially payable to, and the benefits accruing to, each named executive officer. The Compensation Committee's goal is to award compensation that is reasonable when all elements of potential compensation are considered.

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 "Potential Payments Upon Termination and Change-in-Control — 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 specifically 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 earlier 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 the Company's 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 2007, the Compensation Committee awarded an annual bonus to Mr. Karmazin of $3,000,000 in recognition of his performance and our corporate performance relative to pre-set 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 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 Report

The following Report of the Compensation Committee of our board of directors does 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 by reference therein.

We have reviewed and discussed the Compensation Discussion and Analysis with management. Based on our review and discussion with management, we recommended that the board of directors include the Compensation Discussion and Analysis in this proxy statement and incorporate it by reference in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

LEON D. BLACK
LAWRENCE F. GILBERTI, *CHAIRMAN*
WARREN N. LIEBERFARB

Summary Compensation Table

The following table provides information concerning total compensation earned or paid to our Chief Executive Officer, our Chief Financial Officer and our three other most highly compensated executive officers who served in such capacities as of December 31, 2006 for services rendered to us during the past fiscal year. These five officers are referred to as the named executive officers in this proxy statement.

Name and Principal Position	Year	Salary ($)	Bonus[1] ($)	Stock Awards[2] ($)	Option Awards[2] ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation[3] ($)	Total ($)
Mel Karmazin Chief Executive Officer	2006	1,250,000	3,000,000	2,832,000	24,118,312	—	—	16,937	31,217,249
Scott A. Greenstein President, Entertainment and Sports	2006	700,000	400,000	2,817,260	3,153,839	—	—	17,145	7,088,244
James E. Meyer President, Sales and Operations	2006	778,396	462,500	2,918,503	1,349,806	—	—	118,396	5,627,601
Patrick L. Donnelly Executive Vice President, General Counsel and Secretary	2006	397,464	225,000	434,196	305,105	—	—	19,162	1,380,927
David J. Frear Executive Vice President and Chief Financial Officer	2006	450,000	262,500	341,244	1,394,133	—	—	16,185	2,464,062

(1) Bonuses for Messrs. Greenstein, Meyer, Donnelly and Frear were paid 50% cash and 50% restricted stock units. The amount shown in the "Bonus" column reflects the portion of the bonus for 2006 paid in cash. The portion of the bonus paid in restricted stock units is reflected in the table "Grants of Plan-Based Awards for 2006" in the year granted, which will be the year following that for which the bonus was earned.

(2) Amounts represent expense recognized for financial statement reporting purposes for the fiscal year ended December 31, 2006 in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"), disregarding estimates of forfeitures related to service-based vesting conditions. Please refer to Note 2 of the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2006 regarding assumptions underlying valuation of equity awards. These dollar amounts include amounts from awards granted in and prior to 2006.

(3) Represents matching and profit sharing contributions by us under our 401(k) savings plan. The profit sharing contribution was $12,562 for each executive and was paid in the form of shares of our common stock. All other compensation for Mr. Meyer also includes amounts reimbursed for temporary living and travel expenses including: $54,000 for rent, $12,102 for travel, $2,928 for utilities, and $32,206 for reimbursement of taxes associated with these expenditures, in accordance with his employment agreement. Travel related expenses include airfare, taxi/car services, and other incidental travel related costs which are reimbursed based on receipts provided to the Company.

Grants of Plan-Based Awards for 2006

The following table provides information with respect to equity grants made during fiscal year 2006 to the named executive officers.

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units(1) (#)	All Other Option Awards: Number of Securities Underlying Options (#)(2)	Exercise or Base Price of Option Awards ($/Sh)(3)	Grant Date Fair Value of Stock and Option Awards ($)(4)
Mel Karmazin	—	—	—	—	—
Scott A. Greenstein	2/1/2006	61,296	—	—	350,000
James E. Meyer	2/1/2006	70,053	—	—	400,003
	2/2/2006	—	1,350,000	5.54	3,927,838
	4/16/2006	300,000	—	—	1,596,000
Patrick L. Donnelly	2/1/2006	35,026	—	—	199,998
	2/1/2006	—	120,000	5.71	353,630
David J. Frear	2/1/2006	39,405	—	—	225,003

(1) The stock awards granted on February 1, 2006 represent that portion of the 2005 bonus which was paid 50% in restricted stock units. These restricted stock units vested on February 15, 2007. The stock awards granted to Mr. Meyer on April 16, 2006 vested on April 16, 2007.

(2) Option awards granted to Messrs. Meyer and Donnelly vest proportionally over four years and have a term of 10 years.

(3) The exercise price of each option is equal to the fair market value, or closing price, of our common stock on the date of grant.

(4) The aggregate grant date fair value of restricted stock unit and stock option awards were computed in accordance with SFAS No. 123R. The assumptions used in the valuation are discussed in Note 2 to our audited consolidated financial statements for the year ended December 31, 2006.

Outstanding Equity Awards at Fiscal Year-End 2006

The following table provides information with respect to the status of all unexercised options and outstanding restricted stock and restricted stock units awarded to each of the named executive officers at December 31, 2006. The grants listed in the Grants of Plan-Based Awards for 2006 table also appear in this table.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(6)	Market Value of Shares or Units of Stock That Have not Vested ($)(7)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Mel Karmazin[(1)]	12,000,000	18,000,000	—	4.72	11/17/2014	1,800,000	6,372,000	—	—
Scott A. Greenstein[(2)]	—	450,000	—	3.14	12/31/2007	317,000	1,122,180	—	—
	1,000,000	—	—	3.14	5/5/2014	300,000	1,062,000	—	—
	416,666	833,334	—	6.60	8/8/2015	61,296	216,988	—	—
James E. Meyer[(3)]	33,334	—	—	1.04	12/31/2007	300,000	1,062,000	—	—
	66,666			1.04	8/11/2013	70,053	247,988	—	—
	600,000	—	—	3.14	12/31/2007	—	—	—	—
	—	1,350,000	—	5.54	2/2/2016	—	—	—	—
	50,000	—	—	6.75	12/14/2011	—	—	—	—
Patrick L. Donnelly[(4)]	16,666	—	—	1.04	8/11/2013	35,026	123,992	—	—
	—	120,000	—	5.71	2/1/2016	—	—	—	—
	400,000	—	—	7.50	5/1/2011	—	—	—	—
	100,000	—	—	7.61	5/1/2011	—	—	—	—
David J. Frear[(5)]	1,150,000	—	—	1.85	8/11/2013	300,000	1,062,000	—	—
	233,333	466,667	—	6.61	8/10/2015	39,405	139,494	—	—

(1) Outstanding equity awards for Mr. Karmazin vest proportionally over five years from the date of grant on November 18, 2004.

(2) Outstanding equity awards for Mr. Greenstein vest as follows: unexercisable options granted at an exercise price of $3.14 vested on March 15, 2007 as a result of the satisfaction of performance targets for the year ended December 31, 2006; exercisable options granted at an exercise price of $3.14 vested immediately on the date of grant on May 5, 2004; options granted at an exercise price of $6.60 vest proportionally over three years from the date of grant on August 8, 2005; 317,000 restricted stock units vested on April 15, 2007; 300,000 restricted stock units vest on August 8, 2007; and 61,296 restricted stock units vested on February 15, 2007.

(3) Outstanding equity awards for Mr. Meyer vest as follows: options granted at an exercise price of $1.04 vested proportionally over three years on July 1, 2004, July 1, 2005 and July 1, 2006; options granted at an exercise price of $3.14 vested either on March 15, 2006 or April 16, 2006 as a result of the satisfaction of performance targets for the year ended December 31, 2005; options granted at an exercise price of $5.54 vest proportionally over four years from the date of grant on February 2, 2006; options granted at an exercise price of $6.75 vested 50% on the date of grant on December 14, 2001 and 25% per year thereafter; 300,000 restricted stock units vested on April 16, 2007; and 70,053 restricted stock units vested on February 15, 2007.

(4) Outstanding equity awards for Mr. Donnelly vest as follows: options granted at an exercise price of $1.04 vested proportionally over three years on July 1, 2004, July 1, 2005 and July 1, 2006; options granted at an exercise price of $5.71 vest proportionally over four years from the date of grant on February 1, 2006; options granted at an exercise price of $7.50 vested 41.25% on the date of grant on May 1, 2001, 19.75% on October 15, 2001, 19.5% on April 15, 2002 and 19.5% on October 15, 2002; options granted at an exercise price of $7.61 vested immediately on the date of grant on May 1, 2001; and 35,026 restricted stock units vested on February 15, 2007.

(5) Outstanding equity awards for Mr. Frear vest as follows: options granted at an exercise price of $1.85 vested either proportionally over three years on July 1, 2004, July 1, 2005, and July 1, 2006, on March 15, 2004 as a result of the satisfaction of performance targets for the year ended December 31, 2003, or on March 15, 2005 as a result of the satisfaction of performance targets for the year ended December 31, 2004; options granted at an exercise price of $6.61 vest proportionally over three years from the date of grant on August 10, 2005; 300,000 restricted stock units vest on March 15, 2008 if certain performance criteria established for the fiscal year ending December 31, 2007 are met; and 39,405 restricted stock units vested on February 15, 2007.

(6) Vesting and payment of all restricted stock units reflected above will be accelerated upon the death of the executive officer or upon a triggering event following a change in control, as defined under the Company's stock incentive plans, or upon the occurrence of an event that triggers immediate vesting of the outstanding awards under the executive's employment agreement.

(7) Amount is based on the closing price of our common stock of $3.54 on December 29, 2006.

Option Exercises and Stock Vested for 2006

The following table provides information with respect to option exercises and restricted stock and restricted stock units that vested during 2006.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise[1] (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting[2] (#)	Value Realized on Vesting ($)
Mel Karmazin	—	—	600,000	2,430,000
Scott A. Greenstein	1,350,000	1,430,730	670,667	3,470,649
James E. Meyer	1,300,000	1,587,740	848,512	4,441,042
Patrick L. Donnelly	1,733,334	5,476,989	1,226,914	5,480,851
David J. Frear	—	—	624,905	2,800,184

(1) These options would have expired on December 31, 2006.

(2) Includes the portion of the 2004 bonus that was granted as restricted stock units to all named executive officers, except Mr. Karmazin. Such restricted stock units were granted on March 7, 2005 and vested on February 28, 2006.

Potential Payments Upon Termination or Change-in-Control

Employment Agreements

We have entered into an employment agreement with each of our executive officers, which contain provisions regarding payments upon a termination of change of control.

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 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 be deemed to be an "excess parachute payment" under Section 280G of the Internal Revenue Code such that he would be subject to an excise tax, 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.

Mr. Greenstein has agreed to serve as our President, Entertainment and Sports, through July 2009. For the fiscal year ending December 31, 2006, Mr. Greenstein's salary was $700,000. As of February 1, 2007, we pay Mr. Greenstein an annual salary of $800,000.

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 July 2009 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 July 2009. 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, dental, and life insurance benefits for eighteen months following his termination. Medical, dental, and life insurance benefits will continue through July 2009 if the time period at termination is longer than eighteen months.

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, dental, 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 be deemed to be an "excess parachute payment" under Section 280G of the Internal Revenue Code such that he would be subject to an excise tax, 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.

Mr. Meyer has agreed to serve as our President, Sales and Operations, until April 16, 2007. For the fiscal year ending December 31, 2006, Mr. Meyer's salary was $800,000. As of February 1, 2007, we pay Mr. Meyer an annual salary of $900,000. We are in discussions with Mr. Meyer regarding a new employment agreement.

Pursuant to Mr. Meyer's previous employment agreement, in the event Mr. Meyer's employment was terminated without cause or he terminated his employment for good reason, we were obligated to continue his medical and dental insurance benefits for eighteen months following his termination.

Pursuant to Mr. Meyer's previous employment agreement, if, following the occurrence of a change in control, Mr. Meyer was terminated without cause or he terminated his employment for good reason, we were 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 were also obligated to continue Mr. Meyer's medical, dental, 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 made, or benefit we provided, to Mr. Meyer would be deemed to be an "excess parachute payment" under Section 280G of the United States Internal Revenue Code such that he would be subject to an excise tax, we had 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.

Patrick L. Donnelly.

Mr. Donnelly has agreed to serve as our Executive Vice President, General Counsel and Secretary, through April 2007. For the fiscal year ending December 31, 2006, Mr. Donnelly's salary was $400,000. As of February 1, 2007, we pay Mr. Donnelly an annual base salary of $450,000. We are in discussions with Mr. Donnelly regarding a new employment agreement.

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 and life insurance benefits for one year.

In the event that any payment we make, or benefit we provide, to Mr. Donnelly would be deemed to be an “excess parachute payment” under Section 280G of the Internal Revenue Code such that he would be subject to an excise tax, 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.

Mr. Frear has agreed to serve as our Executive Vice President and Chief Financial Officer through July 2008. For the fiscal year ending December 31, 2006, Mr. Frear’s salary was $450,000. As of February 1, 2007, we pay Mr. Frear an annual salary of $525,000.

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 and to continue his medical and life insurance benefits for one year.

In the event that any payment we make, or benefit we provide, to Mr. Frear would be deemed to be an “excess parachute payment” under Section 280G of the Internal Revenue Code such that he would be subject to an excise tax, 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.

Potential Payments

If a triggering event and/or termination of employment had occurred as of December 31, 2006, we estimate that the value of the benefits under the employment agreements would have been as follows:

Name	Conditions for payouts	Lump Sum Severance Payment ($)	Accelerated Equity Vesting[1] ($)	Continuation of Insurance Benefits[2] ($)	Tax Gross-Up ($)	Total ($)
Mel Karmazin	Upon death, disability or change in control.	—	6,372,000	—	—	6,372,000
	Termination without cause or for good reason.	4,810,274	6,372,000	—	—	11,182,274
Scott A. Greenstein	Termination without cause or for good reason.	3,066,575	—	43,503	—	3,110,078
	If following the occurrence of a change in control, termination without cause or for good reason.	1,614,032	2,581,168	52,144	—	4,247,344
James E. Meyer	Termination without cause or for good reason.	—	—	18,752	—	18,752
	If following the occurrence of a change in control, termination without cause or for good reason.	1,844,608	1,309,988	52,144	—	3,206,740
Patrick L. Donnelly	Termination without cause or for good reason.	800,000	—	12,731	—	812,731
	If following the occurrence of a change in control, termination without cause or for good reason.	800,000	123,992	12,731	—	936,723
David J. Frear	Termination without cause or for good reason.	900,000	—	12,731	—	912,731
	If following the occurrence of a change in control, termination without cause or for good reason.	900,000	1,201,494	12,731	—	2,114,225

(1) Assumes that unvested equity would vest upon a change in control as stated in the Company's stock incentive plans. Amounts were calculated based on the closing price of our common stock on December 29, 2006 of $3.54.

(2) Assumes that benefits would be continued under COBRA for up to 18 months at current rates; thereafter assumes rate of two times current employer costs.

Director Compensation Table for 2006

The following table provides compensation information for the year ended December 31, 2006 for each of our non-employee directors.

Name	Fee Earned or Paid in Cash ($)	Stock Awards[1][2] ($)	Option Awards[1][3] ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value of Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation[4] ($)	Total ($)
Joseph P. Clayton	—	1,133,666	2,258,962	—	—	11,936	3,404,564
Leon D. Black	24,000	27,200	34,997	—	—	—	86,197
Lawrence F. Gilberti	44,000	27,200	34,997	—	—	—	106,197
James P. Holden	44,000	27,200	34,997	—	—	—	106,197
Warren N. Lieberfarb	24,000	27,200	34,997	—	—	—	86,197
Michael J. McGuiness	24,000	27,200	34,997	—	—	—	86,197
James F. Mooney	44,000	27,200	34,997	—	—	—	106,197

(1) Amounts represent expense recognized for financial statement reporting purposes for the fiscal year ended December 31, 2006 in accordance with SFAS No. 123R, disregarding estimates of forfeitures related to service-based vesting conditions. Please refer to Note 2 of the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2006 regarding assumptions underlying valuation of equity awards. These dollar amounts include amounts from awards granted in and prior to 2006.

(2) Messrs. Black, Gilberti, Holden, Lieberfarb, McGuiness and Mooney were each awarded 11,159 restricted stock units in 2006 with a grant date fair value of $43,520. At December 31, 2006, the aggregate number of restricted stock units outstanding for each director is as follows: Mr. Clayton 250,000; Mr. Black 47,425; Mr. Gilberti 140,672; Mr. Holden 140,672; Mr. Lieberfarb 85,397; Mr. McGuiness 78,772; and Mr. Mooney 92,070.

(3) Messrs. Black, Gilberti, Holden, Lieberfarb, McGuiness and Mooney were each awarded 11,326 options at an exercise price of $3.90 in 2006 with a grant date fair value of $23,432. At December 31, 2006, the aggregate number of option awards outstanding for each director is as follows: Mr. Clayton 5,000,000; Mr. Black 53,451; Mr. Gilberti 83,451; Mr. Holden 93,451; Mr. Lieberfarb 53,451; Mr. McGuiness 53,451; and Mr. Mooney 53,451.

(4) Represents payment of Mr. Clayton's medical and dental benefits.

Directors who are employees of the Company do not receive compensation for their services as directors.

Equity Compensation Plans

The following table sets forth information as of December 31, 2006 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]	75,879,109	5.26	86,524,458
Equity compensation plans not approved by security holders	—	—	—
Total	75,879,109	5.26	86,524,458

(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.

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 55, 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 57, 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. 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 a member of the advisory board of Indiana University School of Business.

Lawrence F. Gilberti, age 56, 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 55, 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. Since March 2007, Mr. Holden has been the Non-Executive Chairman of Meridian Automotive, a privately held auto supply company. Mr. Holden is a director of Speedway MotorSports, Inc.

Mel Karmazin, age 63, 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 63, 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 and investment 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 and is Vice Chairman of MOD Systems, a retail systems provider enabling in-store digital signage, sampling and fulfillment of music and video content. 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 43, has been a director since June 2003. Mr. McGuiness is currently a private investor. From 1994 through January 2007, Mr. McGuiness was a principal and portfolio manager at W.R. Huff Asset Management Co., L.L.C. In 2005, Mr. McGuiness was instrumental in the initiation of the Huff leveraged products business and subsequently assumed the additional role of co-head of the Huff Structured Product Group. During his tenure at Huff, Mr. McGuiness also held senior analyst positions covering media, broadcasting and cable companies. Mr. McGuiness has previously served as a director of Telewest plc and Chairman of the Adelphia Communications Official Committee of Unsecured Creditors. Mr. McGuiness is a Chartered Financial Analyst.

James F. Mooney, age 52, 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. Mr. Mooney is also chairman of the board of directors of Virgin Media Inc. 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.

ITEM 2 — RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The board of directors has selected Ernst & Young LLP as our independent registered public accountants for 2007. As such, Ernst & Young LLP will audit and report on our financial statements for the fiscal year ending December 31, 2007.

Representatives of Ernst & Young LLP are expected to be present at the annual meeting. They will have an opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The board of directors unanimously recommends a vote "FOR" the ratification of Ernst & Young LLP as our independent registered public accountants for 2007.

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 and ratification of our independent registered public accountants. 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 23, 2007

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
Warren N. Lieberfarb &
Associates, LLC

Michael J. McGuiness
Private Investor
Director

James F. Mooney
Director
Chairman
Virgin Media Inc. 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 Thursday, May 24, 2007, 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 Global Select Market under the symbol "SIRI".

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