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SIRIUS SATELLITE RADIO INC

Form 10-Q

August 12, 2003

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2003

Commission file number 0-24710

SIRIUS SATELLITE RADIO INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

52-1700207
(I.R.S. Employer
Identification No.)

1221 Avenue of the Americas, 36th Floor
New York, New York 10020
(Address of principal executive offices)
(Zip code)

212-584-5100
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last
report)

Indicate by check mark whether the registrant: (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as
defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of
common stock, as of the latest practicable date.

Common Stock, \$.001 par value

998,147,082 shares

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(Class)

(Outstanding as of August 8, 2003)

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SIRIUS SATELLITE RADIO INC. AND SUBSIDIARY CONSOLIDATED STATEMENTS OF OPERATIONS (in thousands, except per share amounts) (Unaudited)

	For the Three Months Ended June 30,		For the S Ended J
	2003	2002	2003
Revenue:			
Subscriber revenue, net of mail-in rebates	\$ 2,029	\$ 50	\$ 3,583
Advertising revenue, net of agency fees	27	20	44
Other revenue	17	--	37
Total revenue	2,073	70	3,664

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Operating expenses:

Cost of services (excludes depreciation expense shown separately below):

Satellite and transmission	7,688	8,450	15,555
Programming and content	7,639	4,125	14,213
Customer service and billing	16,320	1,882	18,522
Sales and marketing	39,516	30,901	84,856
General and administrative	12,464	8,588	21,558
Research and development	4,904	13,425	9,887
Depreciation expense	23,463	22,099	47,563
Non-cash stock compensation (benefit)/expense (1)	(123)	491	436
	-----	-----	-----
Total operating expenses	111,871	89,961	212,590
	-----	-----	-----
Loss from operations	(109,798)	(89,891)	(208,926)
Other income (expense):			
Debt restructuring	--	--	256,538
Interest and investment income	1,327	1,517	2,670
Interest expense, net of amounts capitalized	(3,365)	(24,893)	(22,030)
	-----	-----	-----
Total other income (expense)	(2,038)	(23,376)	237,178
	-----	-----	-----
Net income (loss)	(111,836)	(113,267)	28,252
Preferred stock dividends	--	(11,165)	(8,574)
Preferred stock deemed dividends	--	(171)	(79,634)
	-----	-----	-----
Net loss applicable to common stockholders	\$ (111,836)	\$ (124,603)	\$ (59,956)
	=====	=====	=====
Net loss per share applicable to common stockholders (basic and diluted)	\$ (0.12)	\$ (1.62)	\$ (0.09)
	=====	=====	=====
Weighted average common shares outstanding (basic and diluted)	931,720	76,715	631,421
	=====	=====	=====

(1) Allocation of non-cash stock compensation (benefit) /expense to other operating expenses:

Satellite and transmission	\$ 30	\$ 84	\$ 109
Programming and content	49	59	137
Customer service and billing	3	3	10
Sales and marketing	(277)	202	(69)
General and administrative	44	85	170
Research and development	28	58	79
	-----	-----	-----
Total non-cash stock compensation (benefit)/expense.....	\$ (123)	\$ 491	\$ 436
	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

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	June 30, 2003	December 31, 2002
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 554,535	\$ 18,375
Marketable securities	5,558	155,327
Prepaid expenses	16,672	24,562
Other current assets	3,032	1,345
	-----	-----
Total current assets	579,797	199,609
Property and equipment, net	981,025	1,032,874
FCC license	83,654	83,654
Restricted investments	7,200	7,200
Other long-term assets	9,154	17,603
	-----	-----
Total assets	\$1,660,830	\$1,340,940
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 49,812	\$ 43,336
Accrued interest	1,676	3,234
Deferred revenue	4,259	1,750
	-----	-----
Total current liabilities	55,747	48,320
Long-term debt	259,570	670,357
Accrued interest, net of current portion	--	46,914
Other long-term liabilities	9,538	7,350
	-----	-----
Total liabilities	324,855	772,941
	-----	-----
Commitments and contingencies:		
9.2% Series A Junior Cumulative Convertible Preferred Stock, \$.001 par value: 4,300,000 shares authorized, no shares and 1,902,823 shares issued and outstanding at June 30, 2003 and December 31, 2002, respectively (liquidation preference of \$0 and \$190,282), at net carrying value including accrued dividends.....	--	193,230
9.2% Series B Junior Cumulative Convertible Preferred Stock, \$.001 par value: 2,100,000 shares authorized, no shares and 853,450 shares issued and outstanding at June 30, 2003 and December 31, 2002, respectively (liquidation preference of \$0 and \$85,345), at net carrying value including accrued dividends.....	--	84,781
9.2% Series D Junior Cumulative Convertible Preferred Stock, \$.001 par value: 10,700,000 shares authorized, no shares and 2,558,655 shares issued and outstanding at June 30, 2003 and December 31, 2002, respectively (liquidation preference of \$0 and \$255,866), at net carrying value including accrued dividends.....	--	253,142
Stockholders' equity:		
Common stock, \$.001 par value: 2,500,000,000 shares authorized, 998,122,237 and 77,454,197 shares issued and outstanding at June 30, 2003 and December 31, 2002, respectively	998	77
Additional paid-in capital	2,234,245	963,335
Accumulated other comprehensive income (loss)	(41)	913

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Accumulated deficit	(899,227)	(927,479)
	-----	-----
Total stockholders' equity	1,335,975	36,846
	-----	-----
Total liabilities and stockholders' equity	\$1,660,830	\$1,340,940
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

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SIRIUS SATELLITE RADIO INC. AND SUBSIDIARY CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (in thousands, except share and per share amounts) (Unaudited)

	Common Stock		
	Shares	Amount	
	-----	-----	
Balances, December 31, 2002.....	77,454,197	\$ 77	\$
Net income.....	--	--	
Change in unrealized gain on available-for-sale securities.....	--	--	
Issuance of common stock to employees and employee benefit plans.....	682,634	1	
Compensation in connection with the issuance of stock options.....	--	--	
Warrant expense associated with sales and marketing agreement.....	--	--	
Sale of common stock, par value \$.001 per share, between \$0.92 and \$1.04 per share, net of expenses.....	211,730,379	212	
Exchange of Lehman term loans, including accrued interest.....	120,988,793	121	
Exchange of Loral term loans, including accrued interest.....	58,964,981	59	
Exchange of 15% Senior Secured Discount Notes due 2007, including accrued interest.....	204,319,915	204	
Exchange of 14 1/2% Senior Secured Notes due 2009, including accrued interest.....	148,301,817	148	
Exchange of 8 3/4% Convertible Subordinated Notes due 2009, including accrued interest.....	12,436,656	13	
Exchange of 9.2% Series A and B Junior Cumulative Convertible Preferred Stock, including accrued dividends.....	39,927,796	40	
Exchange of 9.2% Series D Junior Cumulative Convertible Preferred Stock, including accrued dividends.....	37,065,069	37	
Issuance of warrants in connection with the exchange of 9.2% Series A, B and D Junior Cumulative Convertible Preferred Stock, between \$0.92 and \$1.04 per share.....	--	--	
Sale of common stock, par value \$.001 per share, \$1.80 per share, net of expenses.....	86,250,000	86	
Preferred stock dividends.....	--	--	
Preferred stock deemed dividends.....	--	--	
	-----	-----	
Balances, June 30, 2003.....	998,122,237	\$998	\$
	=====	=====	

Accumulated

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	Other Comprehensive Income (Loss)	Accumula Defici
	-----	-----
Balances, December 31, 2002.....	\$ 913	\$ (927,4
Net income.....	--	28,2
Change in unrealized gain on available-for-sale securities.....	(954)	
Issuance of common stock to employees and employee benefit plans.....	--	
Compensation in connection with the issuance of stock options.....	--	
Warrant expense associated with sales and marketing agreement.....	--	
Sale of common stock, par value \$.001 per share, between \$0.92 and \$1.04 per share, net of expenses.....	--	
Exchange of Lehman term loans, including accrued interest.....	--	
Exchange of Loral term loans, including accrued interest.....	--	
Exchange of 15% Senior Secured Discount Notes due 2007, including accrued interest.....	--	
Exchange of 14 1/2% Senior Secured Notes due 2009, including accrued interest.....	--	
Exchange of 8 3/4% Convertible Subordinated Notes due 2009, including accrued interest.....	--	
Exchange of 9.2% Series A and B Junior Cumulative Convertible Preferred Stock, including accrued dividends.....	--	
Exchange of 9.2% Series D Junior Cumulative Convertible Preferred Stock, including accrued dividends.....	--	
Issuance of warrants in connection with the exchange of 9.2% Series A, B and D Junior Cumulative Convertible Preferred Stock, between \$0.92 and \$1.04 per share.....	--	
Sale of common stock, par value \$.001 per share, \$1.80 per share, net of expenses.....	--	
Preferred stock dividends.....	--	
Preferred stock deemed dividends.....	--	
	-----	-----
Balances, June 30, 2003.....	\$ (41)	\$ (899,2
	=====	=====

The accompanying notes are an integral part of this consolidated financial statement.

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SIRIUS SATELLITE RADIO INC. AND SUBSIDIARY CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands) (Unaudited)

	For the Six M June

	2003

Cash flows from operating activities:	
Net income (loss)	\$ 28,252
Adjustments to reconcile net income (loss) to net cash used in operating activities:	

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Depreciation expense	47,563
Non-cash interest expense	2,188
Non-cash stock compensation expense/(benefit)	436
Amortization of prepaid in-orbit satellite insurance	4,353
Loss on disposal of assets	14,465
Non-cash gain associated with debt restructuring	(261,275)
Costs associated with debt restructuring	4,737
Other	6
Increase (decrease) in cash and cash equivalents resulting from changes in assets and liabilities:	
Marketable securities	(1,185)
Prepaid expenses and other assets	1,863
Accrued interest	13,007
Deferred revenue	2,509
Accounts payable and accrued expenses	7,325
Net cash used in operating activities	(135,756)
Cash flows from investing activities:	
Additions to property and equipment	(10,179)
Maturities of restricted investments	--
Purchases of available-for-sale securities	--
Maturities of available-for-sale securities	150,000
Net cash provided by investing activities	139,821
Cash flows from financing activities:	
Proceeds from issuance of long-term debt, net	194,224
Proceeds from issuance of common stock, net	342,659
Costs associated with debt restructuring	(4,737)
Proceeds from exercise of stock options	--
Other	(51)
Net cash provided by financing activities	532,095
Net increase in cash and cash equivalents	536,160
Cash and cash equivalents at the beginning of period	18,375
Cash and cash equivalents at the end of period	\$ 554,535

The accompanying notes are an integral part of these consolidated financial statements.

SIRIUS SATELLITE RADIO INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollar amounts in thousands, unless otherwise stated) (Unaudited)

1. Business

Sirius Satellite Radio Inc. broadcasts digital-quality audio from three orbiting satellites throughout the continental United States for a monthly subscription fee of \$12.95. We deliver 60 streams of 100% commercial-free music in virtually every genre, and over 40 streams of news, sports, weather, talk, comedy, public radio and children's programming.

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Since inception, we have used substantial resources to develop our satellite radio system. Our satellite radio system consists of our FCC license, satellite system, national broadcast studio, terrestrial repeater network and satellite telemetry, tracking and control facilities.

As of June 30, 2003, we had 105,186 subscribers. We consider subscribers to be those who have agreed to pay for our service and have activated their SIRIUS radio, including those who are currently in promotional periods, and active SIRIUS radios under our agreement with Hertz Corporation. Our primary source of revenue is subscription and activation fees. In addition, we derive revenues from selling limited advertising on our non-music streams.

2. Recent Financings; Recapitalization

In June 2003, we sold 86,250,000 shares of our common stock in an underwritten public offering resulting in net proceeds of \$145,547.

In May 2003, we issued \$201,250 in aggregate principal amount of our 3 1/2% Convertible Notes due 2008 in an underwritten public offering resulting in net proceeds of \$194,224. Our 3 1/2% Convertible Notes due 2008 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.

On March 7, 2003, we completed a series of transactions to restructure our debt and equity capitalization. As part of these transactions:

- o we issued 545,012,162 shares of our common stock in exchange for approximately 91% of our then outstanding debt, including all of our Lehman term loans, all of our Loral term loans, \$251,230 in aggregate principal amount at maturity of our 15% Senior Secured Discount Notes due 2007, \$169,742 in aggregate principal amount of our 14 1/2% Senior Secured Notes due 2009, and \$14,717 in aggregate principal amount of our 8 3/4% Convertible Subordinated Notes due 2009;
- o we issued 39,927,796 shares of our common stock and warrants to purchase 45,416,690 shares of our common stock in exchange for all outstanding shares of our 9.2% Series A and B Junior Cumulative Convertible Preferred Stock held by affiliates of Apollo Management, L.P. ("Apollo");
- o we issued 37,065,069 shares of our common stock and warrants to purchase 42,160,424 shares of our common stock in exchange for all outstanding shares of our 9.2% Series D Junior Cumulative Convertible Preferred Stock held by affiliates of The Blackstone Group L.P. ("Blackstone");
- o we sold 24,060,271 shares of our common stock to Apollo for an aggregate of \$25,000;
- o we sold 24,060,271 shares of our common stock to Blackstone for an aggregate of \$25,000; and
- o we sold 163,609,837 shares of our common stock to affiliates of OppenheimerFunds, Inc. ("Oppenheimer") for an aggregate of \$150,000.

During the three months ended March 31, 2003, we recorded a gain of \$256,538 and a deemed dividend of \$79,510 as a result of the exchange transactions. In connection with the exchange offer relating to our debt, we

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also amended the indentures under which our 15% Senior Secured Discount Notes due 2007, 14 1/2% Senior Secured Notes due 2009 and 8 3/4% Convertible Subordinated Notes due 2009 were issued to eliminate substantially all of the restrictive covenants. Holders of our debt also waived any existing events of default or events of default caused by the restructuring.

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SIRIUS SATELLITE RADIO INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (Dollar amounts in thousands, unless otherwise stated) (Unaudited)

3. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements, including the accounts of Sirius Satellite Radio Inc. and our wholly owned subsidiary, have been prepared in accordance with accounting principles generally accepted in the United States and the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial reporting. In the opinion of management, all adjustments (consisting only of normal, recurring adjustments) considered necessary for a fair presentation have been included. All intercompany transactions have been eliminated in consolidation. Our consolidated financial statements should be read together with our consolidated financial statements and the notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2002.

Revenue Recognition

Revenue from subscribers consists of subscription fees, including revenue derived from our agreement with Hertz, and non-refundable activation fees. We recognize subscription fees as our service is provided. Activation fees are recognized ratably over the estimated term of a subscriber relationship, currently 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. We record an estimate of mail-in rebates that are paid by us directly to subscribers as a reduction to subscription revenue in the period the subscriber activates our service.

We recognize revenues from the sale of limited advertising on our non-music streams 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.

Stock Options

We have adopted the disclosure provisions of Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure--An Amendment of FASB Statement No. 123." In addition, we have elected to continue using the intrinsic value method to measure the compensation costs of stock-based awards granted to employees in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees"; as a result, we recognize compensation expense for employee stock options granted at a price less than the market value of our common stock on the date of grant.

The following table illustrates the effect on net loss applicable to

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common stockholders and net loss per share applicable to common stockholders had stock-based employee compensation been recorded based on the fair value method under SFAS No. 123, "Accounting for Stock-Based Compensation."

	For the Three Months Ended June 30,		For the Ended
	2003	2002	2003
Net loss applicable to common stockholders--as reported	\$ (111,836)	\$ (124,603)	\$ (59,956)
Non-cash stock compensation (benefit) expense--as reported ..	(123)	491	436
Stock-based compensation--pro forma	(5,601)	(7,995)	(13,319)
Net loss applicable to common stockholders--pro forma	\$ (117,560)	\$ (132,107)	\$ (72,839)
Net loss per share applicable to common stockholders: Basic and diluted--as reported	\$ (0.12)	\$ (1.62)	\$ (0.09)

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SIRIUS SATELLITE RADIO INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued) (Dollar amounts in thousands, unless otherwise stated) (Unaudited)

Basic and diluted--pro forma \$ (0.13) \$ (1.72) \$ (0.12)

Option valuation models require highly subjective assumptions, including the expected stock price volatility, which may be significantly different from those of traded options. Because changes in subjective assumptions can materially affect the fair value estimate, it is our opinion that the existing models do not necessarily provide a reliable single measure of the fair value of our stock-based awards. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. The pro forma stock-based employee compensation was estimated using the Black-Scholes option pricing model with the following assumptions for each period:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2003	2002	2003	2002
Risk-free interest rate	0.91%	2.48%	0.91-	1.87%
Expected life of options--years.....	4.89	4.75	4.89	4.75
Expected stock price volatility.....	115%	110%	115%	110%
Expected dividend yield	N/A	N/A	N/A	N/A

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In accordance with APB Opinion No. 25, we use the intrinsic value method to measure the compensation costs of stock-based awards granted to employees as the excess of the market value of our common stock on the date of grant over the exercise price. We record these compensation costs over the vesting period of the stock-based award.

We account for stock-based awards granted to non-employees at fair value in accordance with SFAS No. 123.

In accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation," we record compensation charges or benefits related to repriced stock options based on the market value of our common stock until the repriced stock options are exercised, forfeited or expire.

Debt Restructuring

We recorded a gain of \$256,538 in connection with the restructuring of our long-term debt in March 2003. This gain represents the difference between the carrying value of our 15% Senior Secured Discount Notes due 2007, 14 1/2% Senior Secured Notes due 2009, Lehman term loans and Loral term loans, including accrued interest, and the fair market value of the common stock issued, adjusted for unamortized debt issuance costs and direct costs associated with the restructuring. This gain is net of a loss on our 8 3/4% Convertible Subordinated Notes due 2009 exchanged in the restructuring. This loss represents the difference between the fair market value of the common stock issued in the exchange and the fair market value of the common stock which would have been issued under the original conversion ratio, including accrued interest, adjusted for unamortized debt issuance costs and direct costs associated with the restructuring.

Preferred Stock Deemed Dividend

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

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SIRIUS SATELLITE RADIO INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Dollar amounts in thousands, unless otherwise stated)
(Unaudited)

Net Loss Per Share

Basic net loss per share is based on the weighted average common shares outstanding during each reporting period. Diluted net loss per share adjusts the weighted average for the potential dilution that could occur if common stock equivalents (convertible preferred stock, convertible debt,

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warrants and stock options) were exercised or converted into common stock. Approximately 164,807,000 and 16,152,000 common stock equivalents were outstanding as of June 30, 2003 and 2002, respectively, and were excluded from the calculation of diluted net loss per share, as they were anti-dilutive.

Marketable Securities

Marketable securities consist of U.S. government notes and U.S. government agency obligations. Effective April 1, 2002, we began classifying marketable securities as available-for-sale securities rather than trading securities because we no longer intend to actively buy and sell marketable securities with the objective of generating trading profits. Available-for-sale securities are carried at fair market value and unrealized gains and losses are included as a component of stockholders' equity. Prior to April 1, 2002, marketable securities were classified as trading securities and unrealized holding gains and losses were recognized in earnings. Marketable securities held at June 30, 2003 and December 31, 2002 mature within one year from the date of purchase. We had an unrealized holding loss on marketable securities of \$41 as of June 30, 2003 and an unrealized holding gain of \$913 as of December 31, 2002.

Classification of Long-Term Debt and Accrued Interest

In accordance with SFAS No. 6, "Classification of Short-Term Obligations Expected to be Refinanced," the current portion of long-term debt and accrued interest that were exchanged for shares of our common stock in March 2003 were classified as long-term liabilities as of December 31, 2002.

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 equipment. These costs include an amount which 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 and are included in long-term liabilities. The following table reconciles the beginning and ending aggregate carrying amount of this asset retirement obligation.

	Asset Retirement Obligation -----
Balance, December 31, 2002	\$ --
Present value of asset retirement obligation upon adoption of SFAS No. 143	153
Accretion expense	58

Balance, June 30, 2003	\$211
	====

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reported period. Estimates involve

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judgments with respect to, among other things, various future factors which are difficult to predict and are beyond our control. Actual amounts could differ from these estimates.

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SIRIUS SATELLITE RADIO INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued) (Dollar amounts in thousands, unless otherwise stated) (Unaudited)

Reclassifications

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

Recent Accounting Pronouncements

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," which is effective for all financial instruments created or modified after May 31, 2003 and otherwise effective at the beginning of the first interim period beginning after June 15, 2003. SFAS No. 150 establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. We do not believe that our adoption of SFAS No. 150 will have a material impact on our financial position or results of operations.

4. Subscriber Revenue

Subscriber revenue, which consists of subscription and non-refundable activation fees, was partially offset by the cost of mail-in rebate programs. An estimate of mail-in rebates that are paid by us directly to subscribers are recorded as a reduction to subscriber revenue in the period the subscriber activates our service. Subscriber revenue consists of the following:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2003	2002	2003	2002
Subscription revenue	\$2,719	\$48	\$4,242	\$52
Activation revenue	63	2	106	2
Mail-in rebates	(753)	--	(765)	--
	-----	---	-----	---
Total subscriber revenue	\$2,029	\$50	\$3,583	\$54
	=====	===	=====	===

5. Non-cash Stock Compensation

We record non-cash stock compensation benefits or expenses in connection with the grant of certain stock options, the issuance of common stock to employees and the issuance of common stock to our employee benefit plans. We recognized a non-cash stock compensation benefit of \$123 and non-cash stock compensation expense of \$436 for the three and six months ended June 30, 2003,

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respectively. We recognized non-cash stock compensation expense of \$491 and a non-cash stock compensation benefit of \$8,533 for the three and six months ended June 30, 2002, respectively.

The non-cash stock compensation expense and benefit for the three and six months ended June 30, 2003 includes a \$314 benefit related to certain performance conditions of restricted stock issued to an employee that we anticipate will not be satisfied. The non-cash stock compensation benefit for the six months ended June 30, 2002 includes a non-cash stock compensation benefit of \$9,717 related to options that were repriced in April 2001.

6. Supplemental Cash Flow Information

We paid \$6,854 and \$21,310 for interest during the six months ended June 30, 2003 and 2002, respectively. We have incurred the following non-cash operating, investing and financing activities:

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SIRIUS SATELLITE RADIO INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued) (Dollar amounts in thousands, unless otherwise stated) (Unaudited)

	For the Six Months Ended June 30,	
	2003	2002
Supplemental non-cash operating activities:		
Common stock issued in satisfaction of accrued compensation.....	\$ --	\$ 1,720
Supplemental non-cash investing and financing activities:		
Capitalized interest	--	5,426
Common stock issued in exchange of 8 3/4% Convertible Subordinated Notes due 2009, including accrued interest	24,355	39,300
Common stock issued in exchange of 15% Senior Secured Discount Notes due 2007, including accrued interest	145,067	--
Common stock issued in exchange of 14 1/2% Senior Secured Notes due 2009, including accrued interest	105,294	--
Common stock issued in exchange of Lehman term loans, including accrued interest	85,902	--
Common stock issued in exchange of Loral term loans, including accrued interest	41,865	--
Common stock issued in exchange of 9.2% Series A and B Junior Cumulative Convertible Preferred Stock, including accrued dividends	304,847	--
Common stock issued in exchange of 9.2% Series D Junior Cumulative Convertible Preferred Stock, including accrued dividends	283,785	--
Warrants issued in exchange of 9.2% Series A, B and D Junior Cumulative Convertible Preferred Stock, including accrued dividends	30,731	--

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7. Property and Equipment

Subscriber Management System

On April 17, 2003, we terminated our agreement with Sentraliant, the company that developed and operated our previous subscriber management system. Pursuant to that agreement, we paid Sentraliant \$5,000 to terminate our agreement, of which approximately \$1,000 related to operation fees. As a result of this termination, we recorded a non-cash charge of \$14,465 related to the net book value of our subscriber management system. These costs are included in customer service and billing in the accompanying consolidated statements of operations for the three and six months ended June 30, 2003.

8. Long-term Debt

Our long-term debt consists of the following:

	As of June 30, 2003	As of December 31, 2002
	-----	-----
15% Senior Secured Discount Notes due 2007	\$ 29,200	\$280,430
14 1/2% Senior Secured Notes due 2009	27,376	179,382
3 1/2% Convertible Notes due 2008	201,250	--
8 3/4% Convertible Subordinated Notes due 2009 ..	1,744	16,461
Lehman term loans	--	144,084
Loral term loans	--	50,000
	-----	-----
Total long-term debt	\$259,570	\$670,357
	=====	=====

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SIRIUS SATELLITE RADIO INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued) (Dollar amounts in thousands, unless otherwise stated) (Unaudited)

Debt Restructuring

On March 7, 2003, we issued 545,012,162 shares of our common stock in exchange for approximately 91% of our then outstanding debt, including all of our Lehman term loans, all of our Loral term loans and \$435,689 in aggregate principal amount at maturity of our 15% Senior Secured Discount Notes due 2007, 14 1/2% Senior Secured Notes due 2009 and 8 3/4% Convertible Subordinated Notes due 2009. In connection with the exchange offer relating to our debt, we also amended the indentures under which our 15% Senior Secured Discount Notes due 2007, 14 1/2% Senior Secured Notes due 2009 and 8 3/4% Convertible Subordinated Notes due 2009 were issued to eliminate substantially all of the restrictive covenants. Holders of our debt also waived any existing events of default or events of default caused by the restructuring. Refer to Note 2 for further information regarding our recapitalization.

3 1/2% Convertible Notes due 2008

In May 2003, we issued \$201,250 in aggregate principal amount of our 3

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1/2% Convertible Notes due 2008 in an underwritten public offering resulting in net proceeds of \$194,224. Our 3 1/2% Convertible Notes due 2008 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 3 1/2% Convertible Notes due 2008 mature on June 1, 2008 and interest is payable semi-annually on June 1 and December 1 of each year, commencing on December 1, 2003. The obligations under our 3 1/2% Convertible Subordinated Notes due 2008 are not secured by any of our assets.

8 3/4% Convertible Subordinated Notes due 2009

Our 8 3/4% Convertible Subordinated Notes mature on September 29, 2009. Cash interest is payable semi-annually on each March 29 and September 29, through September 29, 2009. Our 8 3/4% Convertible Notes due 2009 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, or \$28.4625 per share of common stock, subject to certain adjustments. The obligations under our 8 3/4% Convertible Subordinated Notes due 2009 are not secured by any of our assets.

We recorded non-cash charges of \$336 and \$9,650, related to the issuance of 97,000 and 2,913,483 shares of our common stock in exchange for \$1,000 and \$29,475 in aggregate principal amount of our 8 3/4% Convertible Subordinated Notes due 2009, including accrued interest, during the three and six months ended June 30, 2002, respectively. This non-cash charge of \$336 and \$9,650 is included in interest expense for the three and six months ended June 30, 2002, respectively.

14 1/2% Senior Secured Notes due 2009

Our 14 1/2% Senior Secured Notes mature on May 15, 2009. Cash interest is payable semi-annually on each May 15 and November 15, through May 15, 2009. As of June 30, 2003, \$30,258 in aggregate principal amount of our 14 1/2% Senior Secured Notes due 2009 were outstanding. In determining the book value of our 14 1/2% Senior Secured Notes due 2009, we reduce the aggregate principal amount by \$2,882, the unamortized portion of the fair market value of warrants issued in connection with these notes. The obligations under our 14 1/2% Senior Secured Notes due 2009 are secured by a lien on the stock of our subsidiary that holds our FCC license and a lien on our spare satellite.

15% Senior Secured Discount Notes due 2007

Our 15% Senior Secured Discount Notes mature on December 1, 2007. Cash interest is payable semi-annually on each June 1 and December 1, through December 1, 2007. The obligations under our 15% Senior Secured Discount Notes due 2007 are secured by a lien on the stock of our subsidiary that holds our FCC license and a lien on our spare satellite.

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SIRIUS SATELLITE RADIO INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Dollar amounts in thousands, unless otherwise stated)
(Unaudited)

9. Capital Stock

Common stock, par value \$.001 per share

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On June 10, 2003, we sold 86,250,000 shares of our common stock in an underwritten public offering resulting in net proceeds of \$145,547.

On March 7, 2003, we sold 24,060,271 shares of our common stock to Apollo for an aggregate of \$25,000; 24,060,271 shares of our common stock to Blackstone for an aggregate of \$25,000; and 163,609,837 shares of our common stock to Oppenheimer for an aggregate of \$150,000. We received net proceeds of \$197,112 in connection with these sales.

On March 4, 2003, our stockholders approved an amendment and restatement of our certificate of incorporation to increase our authorized shares of common stock from 500,000,000 to 2,500,000,000. We filed this amended and restated certificate of incorporation with the Secretary of State of the State of Delaware on March 4, 2003.

Preferred Stock

On March 7, 2003, we issued 39,927,796 shares of our common stock to Apollo in exchange for all of our outstanding 9.2% Series A Junior Cumulative Convertible Preferred Stock and 9.2% Series B Junior Cumulative Convertible Preferred Stock, and 37,065,069 shares of our common stock to Blackstone in exchange for all of our outstanding 9.2% Series D Junior Cumulative Convertible Preferred Stock, including, in each case, accrued dividends. Refer to Note 2 for further discussion regarding our recapitalization.

Warrants

We issued warrants to purchase 45,416,690 shares of our common stock in exchange for all our outstanding 9.2% Series A Junior Cumulative Convertible Preferred and 9.2% Series B Junior Cumulative Convertible Preferred Stock held by Apollo. These warrants were immediately exercisable and expire on March 7, 2005.

We issued warrants to purchase 42,160,424 shares of our common stock in exchange for all our outstanding 9.2% Series D Junior Cumulative Convertible Preferred Stock held by Blackstone. These warrants were immediately exercisable and expire on September 7, 2004.

The exercise price of warrants to purchase 52,546,268 shares of our common stock have an exercise price of \$1.04 per share and warrants to purchase 35,030,846 shares of our common stock have an exercise price of \$0.92 per share.

10. Commitments and Contingencies

The following table summarizes our contractual commitments as of June 30, 2003:

	2003	2004	2005	2006	2007	Thereafter
	-----	-----	-----	-----	-----	-----
Satellite and transmission	\$ 1,145	\$ 2,291	\$ 2,291	\$ 2,291	\$2,291	\$1,145
Programming and content	5,143	25,563	33,724	21,282	1,025	---
Customer service and billing	2,190	1,440	1,440	360	---	---
Sales and marketing	34,946	19,318	10,629	6,000	4,500	---
Chip set development and production	13,056	14,400	---	---	---	---
	-----	-----	-----	-----	-----	-----
Contractual commitments	\$56,480	\$63,012	\$48,084	\$29,933	\$7,816	\$1,145
	=====	=====	=====	=====	=====	=====

SIRIUS SATELLITE RADIO INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Dollar amounts in thousands, unless otherwise stated)
(Unaudited)

Satellite and Transmission

We have entered into an agreement with a provider of satellite services to operate our off-site satellite telemetry, tracking and control facilities.

Programming and Content

We have entered into agreements with licensors of music and non-music programming and, in certain instances, are obligated to pay license fees, guarantee minimum advertising revenue share or purchase advertising on properties owned or controlled by these licensors. In addition, we have agreements with various rights organizations pursuant to which we pay royalties for public performances of music.

Customer Service and Billing

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

Sales and Marketing

We have entered into various marketing and sponsorship agreements to promote our brand and are obligated to make payments to sponsors, retailers, automakers and radio manufacturers.

Chip Set Development and Production

We have entered into an agreement with Agere Systems, Inc. ("Agere") to develop and produce chip sets for use in SIRIUS radios. This agreement requires Agere to produce a minimum quantity of chip sets during each year of the agreement.

Other Commitments

We have agreed to use reasonable efforts to assist certain manufacturers of SIRIUS radios and components for those radios in the event that production of such radios and components are greater than sales. In certain circumstances, these reasonable efforts may include the purchase of unsold SIRIUS radios or components by us. In addition, we have also entered into agreements with automakers, radio manufacturers and others that include per-radio and per-subscriber required payments and revenue sharing arrangements. These future costs are dependent upon many factors and are difficult to anticipate; however, these costs may be substantial. We may enter into additional programming, marketing and other agreements that contain provisions similar to our current agreements.

11. Subsequent Events

Our board of directors recently approved and issued stock options and restricted stock which represent the right to acquire up to 64.9 million shares

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of our common stock under the Sirius Satellite Radio 2003 Long-Term Stock Incentive Plan. Based on the market value of our common stock of \$1.62, the closing bid price of our common stock on August 8, 2003, these awards would result in an aggregate non-cash stock compensation charge of approximately \$61.0 million over the period commencing on the date of grant and ending in July 2008. The exact amount and timing of this charge is contingent upon a number of factors, including the price of our common stock and the vesting date of these stock options and restricted stock, and could materially change.

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

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

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 Quarterly Report on Form 10-Q 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," "intends," "plans," "projection" and "outlook." Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout our Annual Report on Form 10-K for the year ended December 31, 2002 (the "Form 10-K") and in other reports and documents published by us from time to time, particularly the risk factors described under "Business -- Risk Factors" in Part I of the Form 10-K. Among the significant factors that could cause our actual results to differ materially from those expressed in the forward-looking statements are:

- o our competitive position; XM Satellite Radio, the other satellite radio service provider in the United States, began offering its service before us, has substantially more subscribers than us and may have certain competitive advantages;
- o our dependence upon third parties to manufacture, distribute, market and sell SIRIUS radios and components for those radios;
- o the unproven market for our service; and
- o the useful life of our satellites, which have experienced circuit failures on their solar arrays and may not be covered by insurance.

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

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extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Overview

We broadcast digital-quality audio from three orbiting satellites throughout the continental United States for a monthly subscription fee of \$12.95. We deliver 60 streams of 100% commercial-free music in virtually every genre, and over 40 streams of news, sports, weather, talk, comedy, public radio and children's programming. We hold one of only two licenses issued by the FCC to operate a national satellite radio system.

As of June 30, 2003, we had 105,186 subscribers. We consider subscribers to be those who have agreed to pay for our service and have activated their SIRIUS radio, including those who are currently in promotional periods, and active SIRIUS radios under our agreement with Hertz. We derive revenue from:

- o subscription fees, including revenue derived from our agreement with Hertz,
- o activation fees collected from our subscribers, and
- o selling limited advertising on our non-music streams.

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Results of Operations

Three Months Ended June 30, 2003 Compared with Three Months Ended June 30, 2002

Total Revenue. Total revenue increased to \$2,073 from \$70 for the three months ended June 30, 2003 and 2002, respectively. Total revenue for the three months ended June 30, 2003 included subscriber revenue of \$2,029, consisting of subscription and non-refundable activations fees, net advertising revenue of \$27 and revenue from other sources of \$17. Total revenue for the three months ended June 30, 2002 included subscription revenue of \$50 and advertising revenue of \$20.

Subscriber Revenue. The increase in subscriber revenue of \$1,979 was attributable to the growth of subscribers to our service. We added 37,127 net new subscribers during the three months ended June 30, 2003. Subscriber revenue for the three months ended June 30, 2003 included subscription revenue of \$2,719 and activation revenue of \$63, which was partially offset by \$753 of costs associated with mail-in rebate programs. Subscriber revenue for the three months ended June 30, 2002 included subscription revenue of \$48 and activation revenue of \$2. Activation fees are recognized ratably over the term of the subscriber relationship, currently estimated to be 3.5 years. An estimate of mail-in rebates that are paid by us directly to subscribers are recorded as a reduction to subscription revenue in the period the subscriber activated our service. Future subscription revenue will be dependent upon, among other things, growth of our subscriber base, discounts and mail-in rebates offered to subscribers and the identification of additional revenue streams from subscribers.

Average monthly revenue per subscriber ("ARPU"). ARPU for the three months ended June 30, 2003 was \$7.91. Excluding the cost of mail-in rebate programs, ARPU for the three months ended June 30, 2003

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was \$10.84. ARPU, which is not a measure of financial performance under accounting principles generally accepted in the United States, is derived from total subscriber revenue over the daily weighted average number of subscribers for the period. Future ARPU will be dependent upon the amount and timing of subscriber discounts, mail-in rebate programs, and the identification of additional revenue streams from subscribers.

Advertising Revenue. Advertising revenue, net of agency fees of \$5, was \$27 for the three months ended June 30, 2003. Advertising revenue, net of agency fees of \$3, was \$20 for the three months ended June 30, 2002. We recognize advertising revenue from the sale of limited advertising on our non-music streams as it is broadcast.

Satellite and Transmission. Satellite and transmission expenses decreased to \$7,688 for the three months ended June 30, 2003 from \$8,450 for the three months ended June 30, 2002. Satellite and transmission expenses consist primarily of personnel costs, in-orbit satellite insurance expense and costs associated with the operation and maintenance of our satellite tracking, telemetry and control system, terrestrial repeater network and national broadcast studio. The decrease in satellite and transmission expense was primarily attributable to decreased in-orbit satellite insurance expense as a result of reduced in-orbit satellite insurance coverage. Our current policies cover each of our three satellites up to \$110,000 in the event of a total or constructive total loss. We expect that a significant portion of our satellite and transmission costs will remain relatively constant, and that increases or decreases in satellite and transmission costs will be due to costs of insuring our in-orbit satellites and modest additions to our terrestrial repeater network.

Programming and Content. Programming and content expenses increased to \$7,639 for the three months ended June 30, 2003 from \$4,125 for the three months ended June 30, 2002. Programming and content expenses include costs to acquire programming from third parties, on-air talent costs, broadcast royalties and programming personnel costs. The increase in costs was primarily attributable to broadcast royalties and on-air talent.

Acquired programming. We have entered into various agreements with third parties for music and non-music programming. These agreements require us to share advertising revenue, pay license fees and purchase advertising on media properties owned or controlled by the licensor. In addition, certain agreements include guaranteed obligations which we recognize on a straight-line basis over the term of the applicable agreement. Advertising revenue share is expensed as the associated revenue is recognized; license fees are expensed as the programming is aired and purchased advertising is recorded as a sales and marketing expense when the advertising is aired.

Broadcast royalties. We have entered into agreements with various rights organizations pursuant to which we pay royalties for public performances of music. These agreements include fixed and variable

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payment obligations. We record variable broadcast royalties as they are incurred and fixed obligations on a straight-line basis over the term of the applicable agreement.

We anticipate that our programming costs will increase over time as we

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continue to develop our streams and share advertising revenue from the sale of advertising on our non-music streams.

Customer Service and Billing. Customer service and billing costs increased to \$16,320 for the three months ended June 30, 2003 from \$1,882 for the three months ended June 30, 2002. Customer service and billing costs include costs associated with the operation of our customer service center and subscriber management system. The increase in costs during the 2003 quarter was due to a \$14,465 loss on the disposal of our prior subscriber management system as a result of the termination of our agreement with Sentraliant, the company that developed and operated that system.

Sales and Marketing. Sales and marketing expenses increased to \$39,516 for the three months ended June 30, 2003 from \$30,901 for the three months ended June 30, 2002. Sales and marketing expenses include costs related to sales and marketing personnel, advertising media and production activities, sponsorships, costs to acquire subscribers and payments to reimburse retailers, distributors and automakers for marketing and promotional activities. Sales and marketing expenses increased as a result of our national advertising campaign, increased marketing activities by automakers and increased sponsorship activities.

Advertising Media and Production. These costs include promotional events, media, advertising production and market research. Media is expensed when it is aired and advertising production costs are expensed as incurred.

Retail and Distribution. These costs include advertising, residuals and market development funds. Advertising is expensed as incurred. Residuals are monthly fees paid based upon the number of subscribers using a SIRIUS radio purchased from a retailer and 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.

Automakers. We have entered into agreements with DaimlerChrysler, Ford, BMW and other automakers which anticipate that such automakers will manufacture, market and sell vehicles which are equipped with SIRIUS radios ("Enabled Vehicles"). Under many of these agreements, we share a portion of the revenue we derive from subscribers using Enabled Vehicles. This revenue share is expensed as the corresponding subscription revenue is earned. We also reimburse automakers for certain advertising, promotional, hardware and engineering costs. We record expenses associated with these reimbursements as incurred or on a straight-line basis over the contract period for guaranteed obligations.

We have issued a warrant to purchase 4,000,000 shares of our common stock to each of DaimlerChrysler and Ford. These warrants become exercisable based on, among other conditions, the number of Enabled Vehicles the automakers manufacture. We record warrant expense for interim reporting periods based upon the performance of the automakers in manufacturing Enabled Vehicles and the fair value of the warrants at each reporting date. The final measurement date of these warrants will be the date that each performance commitment for such warrants is satisfied.

Subscriber Acquisition Costs. Subscriber acquisition costs increased to \$9,275 for the three months ended June 30, 2003 from \$8,626 for the three months ended June 30, 2002. Subscriber acquisition costs per gross activation decreased to \$229 for the three

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months ended June 30, 2003, as compared to \$299 for the three months ended March 31, 2003. Subscriber acquisition costs include incentives for the purchase, installation and activation of SIRIUS radios, as well as subsidies paid to radio manufacturers, automakers, retailers and payments to Agere. Certain subscriber acquisition costs are recorded in advance of acquiring a subscriber. Subscriber acquisition costs do not include advertising and promotional activities, loyalty payments to distributors and dealers of SIRIUS radios, revenue sharing payments to manufacturers of SIRIUS radios and guaranteed payments to automakers. We retain ownership of the SIRIUS radios used in our agreement with Hertz; as a result, amounts capitalized in connection with this program are not included in our subscriber acquisition costs.

We expect sales and marketing expenses to increase in the future as we continue to build brand awareness through national advertising and continue to offer subsidies, commissions and other incentives to acquire

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subscribers. In addition, we expect to incur significant costs related to our agreements with automakers as they increase production of Enabled Vehicles. We anticipate that the costs of certain subsidized components of SIRIUS radios will decrease as manufacturers experience economies of scale in production and we secure additional manufacturers of these components.

General and Administrative. General and administrative expenses increased to \$12,464 for the three months ended June 30, 2003 from \$8,588 for the three months ended June 30, 2002. General and administrative expenses include rent and occupancy, accounting, legal and public relations costs and costs of general and administrative personnel. The increase was a result of approximately \$4,000 of costs to terminate our agreement with Sentraliant, the company that developed and operated our prior subscriber management system.

Research and Development. Research and development costs decreased to \$4,904 for the three months ended June 30, 2003 from \$13,425 for the three months ended June 30, 2002. Research and development costs include costs to develop our next generation chip sets, new product designs and personnel costs. The decrease related to a payment of \$8,134 to Panasonic during the second quarter of 2002, which released us from a purchase commitment and reduced the factory price of SIRIUS radios.

Chip Set Development. We have an agreement with Agere to develop and produce chip sets for use in SIRIUS radios. This agreement requires Agere to manufacture a minimum quantity of chip sets during each year of the agreement. The agreement requires us to pay Agere fixed monthly payments. These costs are allocated between research and development and sales and marketing for development work and chip set production, respectively.

The amount of our future research and development costs is dependent upon modifications to our existing technology and enhancements to SIRIUS radios.

Depreciation Expense. Depreciation expense increased to \$23,463 for the three months ended June 30, 2003 from \$22,099 for the three months ended June 30, 2002. We expect depreciation expense to remain relatively constant as our satellite radio system is complete.

Non-cash Stock Compensation. We recognized a non-cash stock

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compensation benefit of \$123 and non-cash stock compensation expense of \$491 for the three months ended June 30, 2003 and 2002, respectively. Non-cash stock compensation includes charges and benefits associated with the grant of certain stock options and the issuance of our common stock to employees and an employee benefit plan. The non-cash stock compensation benefit for the three months ended June 30, 2003 was principally a result a \$314 benefit related to certain performance conditions of restricted stock that we anticipate will not be satisfied.

Interest and Investment Income. Interest and investment income decreased to \$1,327 for the three months ended June 30, 2003 from 1,517 for the three months ended June 30, 2002. This decrease was attributable to lower returns on our investments in U.S. government securities during the 2003 period.

Interest Expense. Interest expense decreased to \$3,365 for the three months ended June 30, 2003 from \$24,893 for the three months ended June 30, 2002, net of amounts capitalized of \$0 and \$1,025, respectively. The decrease in interest expense was a result of the exchange of approximately \$636,000 in aggregate principal amount at maturity of our outstanding long-term debt for common stock in March 2003.

Six Months Ended June 30, 2003 Compared with Six Months Ended June 30, 2002

Total Revenue. Total revenue increased to \$3,664 from \$103 for the six months ended June 30, 2003 and 2002, respectively. Total revenue for the six months ended June 30, 2003 included subscriber revenue of \$3,583, consisting of subscription and non-refundable activations fees, net advertising revenue of \$44 and revenue from other sources of \$37. Total revenue for the six months ended June 30, 2002 included subscription revenue of \$54 and advertising revenue of \$49.

Subscriber Revenue. The increase in subscriber revenue of \$3,529 was attributable to the growth of subscribers to our service. We added 75,239 net new subscribers during the six months ended June 30, 2003. Subscriber revenue for the six months ended June 30, 2003 included subscription revenue of \$4,242 and activation revenue of \$106, which was partially offset by \$765 of costs associated with mail-in rebate programs. Subscriber revenue, for the six months ended June 30, 2002, included subscription revenue of \$52 and activation revenue of \$2.

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Average monthly revenue per subscriber. ARPU for the six months ended June 30, 2003 was \$8.94. Excluding the cost of mail-in rebate programs, ARPU for the six months ended June 30, 2003 was \$10.85.

Advertising Revenue. Advertising revenue, net of agency fees of \$8, was \$44 for the six months ended June 30, 2003. Advertising revenue, net of agency fees of \$9, was \$49 for the six months ended June 30, 2002.

Satellite and Transmission. Satellite and transmission expenses decreased to \$15,555 for the six months ended June 30, 2003 from \$17,207 for the six months ended June 30, 2002. The decrease in satellite and transmission expense was primarily attributable to decreased in-orbit satellite insurance expense as a result of reduced in-orbit satellite insurance coverage.

Programming and Content. Programming and content expenses increased to \$14,213 for the six months ended June 30, 2003 from \$7,908 for the six months ended June 30, 2002. The increase in costs was primarily attributable to

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broadcast royalties and on-air talent.

Customer Service and Billing. Customer service and billing costs increased to \$18,522 for the six months ended June 30, 2003 from \$3,724 for the six months ended June 30, 2002. The increase in costs during the quarter was due to a \$14,465 loss on the disposal of our prior subscriber management system as a result of the termination of our agreement with Sentraliant.

Sales and Marketing. Sales and marketing expenses increased to \$84,856 for the six months ended June 30, 2003 from \$46,560 for the six months ended June 30, 2002. Sales and marketing expenses increased due to the launch of our national advertising campaign, certain marketing activities by retailers, automakers and radio manufacturers, sponsorship activities and the costs associated with subsidies paid to radio and chip set manufacturers.

Subscriber Acquisition Costs. Subscriber acquisition costs increased to \$21,138 for the six months ended June 30, 2003 from \$10,291 for the six months ended June 30, 2002. Subscriber acquisition costs per gross activation was \$263 for the six months ended June 30, 2003.

General and Administrative. General and administrative expenses increased to \$21,558 for the six months ended June 30, 2003 from \$16,128 for the six months ended June 30, 2002. The increase was primarily a result of approximately \$4,000 of costs to terminate our agreement with Sentraliant.

Research and Development. Research and development costs decreased to \$9,887 for the six months ended June 30, 2003 from \$21,138 for the six months ended June 30, 2002. The decrease related to a payment of \$8,134 to Panasonic in the second quarter of 2002, which released us from a purchase commitment and reduced the factory price of SIRIUS radios.

Depreciation Expense. Depreciation expense increased to \$47,563 for the six months ended June 30, 2003 from \$36,580 for the six months ended June 30, 2002. The increase was due to a full period of depreciation of our satellite radio system, which began in February 2002.

Non-cash Stock Compensation. We recognized non-cash stock compensation expense of \$436 and a non-cash stock compensation benefit of \$8,533 for the six months ended June 30, 2003 and 2002, respectively. The non-cash stock compensation expense of \$436 for the six months ended June 30, 2003 includes a \$314 benefit related to certain performance conditions of restricted stock that we anticipate will not be satisfied. The non-cash stock compensation benefit for the six months ended June 30, 2002 was principally a result of a \$9,717 benefit related to the repricing of certain employee stock options in April 2001.

Debt Restructuring. We recorded a gain of \$256,538 in connection with the restructuring of our long-term debt. This gain represents the difference between the carrying value of our 15% Senior Secured Discount Notes due 2007, 14 1/2% Senior Secured Notes due 2009, Lehman term loans and Loral term loans, including accrued interest, and the fair market value of the common stock issued, adjusted for unamortized debt issuance costs and direct costs associated with the restructuring. This gain is net of a loss on our 8 3/4% Convertible Subordinated Notes due 2009 exchanged in the restructuring. This loss represents the difference between the fair market value of the common stock issued in the exchange and the fair market value of the common stock which would have been issued under the original conversion ratio, including accrued interest, adjusted for unamortized debt issuance costs and direct costs associated with the restructuring.

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Interest and Investment Income. Interest and investment income decreased to \$2,670 for the six months ended June 30, 2003 from \$3,517 for the six months ended June 30, 2002. This decrease was attributable to lower returns on our investments in U.S. government securities during the 2003 period.

Interest Expense. Interest expense decreased to \$22,030 for the six months ended June 30, 2003 from \$55,086 for the six months ended June 30, 2002, net of amounts capitalized of \$0 and \$5,426, respectively. Interest expense for the six months ended June 30, 2002 included non-cash costs of \$9,650 associated with the induced conversion of \$29,475 in aggregate principal amount of our 8 3/4% Convertible Subordinated Notes due 2009. The decrease in interest expense is a result of the exchange of approximately \$636,000 in aggregate principal amount at maturity of our outstanding long-term debt for common stock in March 2003.

Cash Flows

Six Months Ended June 30, 2003 Compared With Six Months Ended June 30, 2002

Net cash used in operating activities decreased to \$135,756 from \$194,244 for the six months ended June 30, 2003 and 2002, respectively. The decrease in cash used in operations was primarily attributable to the change in the classification of our marketable securities in the second quarter of 2002 to available-for-sale securities from trading securities. Transactions relating to trading securities are considered operating activities; transactions relating to available-for-sale securities are considered investing activities. Excluding our transactions in marketable securities, cash used in operating activities increased to \$134,571 for the six months ended June 30, 2003 from \$118,754 for the six months ended June 30, 2002. This increase was primarily due to the cost of our national advertising campaign, the costs of acquiring subscribers and the cost of producing our music and non-music streams.

Net cash provided by investing activities for the six months ended June 30, 2003 increased to \$139,821 from \$66,975 for the six months ended June 30, 2002. The change from the prior period was principally due to a change in the classification of our marketable securities from trading securities to available-for-sale securities during the second quarter of 2002. Excluding our transactions in marketable securities, cash used in investing activities decreased to \$10,179 from \$33,150 for the six months ended June 30, 2003 and 2002, respectively. This decrease was a result of a reduction in capital expenditures as we completed the construction of our satellite radio system during 2002.

Net cash provided by financing activities was \$532,095 and \$147,508 for the six months ended June 30, 2003 and 2002, respectively. During 2003, we sold 211,730,379 and 86,250,000 shares of common stock resulting in net proceeds of \$197,112 and \$145,547, respectively. In addition, we issued \$201,250 in principal amount of our 3 1/2% Convertible Notes due 2008 resulting in net proceeds of \$194,224, and incurred costs associated with our debt restructuring of \$4,737. During the six months ended June 30, 2002, we sold 16,000,000 shares of common stock resulting in net proceeds of \$147,500.

Liquidity and Capital Resources

At June 30, 2003, we had cash, cash equivalents and marketable securities totaling \$560,093 and working capital of \$524,050, compared with cash, cash equivalents and marketable securities totaling \$173,702 and working capital of \$151,289 at December 31, 2002.

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We estimate that our cash, cash equivalents and marketable securities are 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. Our actual funding requirements could vary materially from our current estimates. We may have to raise more funds to remain in business and continue to develop and market our satellite radio service.

Our financial projections are based on assumptions which we believe are reasonable but contain significant uncertainties, including, most importantly, the length of time and level of costs necessary to obtain the number of subscribers required to sustain our operations. At June 30, 2003, we had 105,186 subscribers. We estimate that we will need approximately two million subscribers before we achieve cash flow breakeven which we estimate to be in the second quarter of 2005.

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Recent Financings; Recapitalization

In June 2003, we sold 86,250,000 shares of our common stock in an underwritten public offering resulting in net proceeds of \$145,547.

In May 2003, we issued \$201,250 in aggregate principal amount of our 3 1/2% Convertible Notes due 2008 in an underwritten public offering resulting in net proceeds of \$194,224. Our 3 1/2% Convertible Notes due 2008 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.

On March 7, 2003, we completed a series of transactions to restructure our debt and equity capitalization. As part of these transactions:

- o we issued 545,012,162 shares of our common stock in exchange for approximately 91% of our then outstanding debt, including all of our Lehman term loans, all of our Loral term loans, \$251,230 in aggregate principal amount at maturity of our 15% Senior Secured Discount Notes due 2007, \$169,742 in aggregate principal amount of our 14 1/2% Senior Secured Notes due 2009, and \$14,717 in aggregate principal amount of our 8 3/4% Convertible Subordinated Notes due 2009;
- o we issued 39,927,796 shares of our common stock and warrants to purchase 45,416,690 shares of our common stock in exchange for all outstanding shares of our 9.2% Series A and B Junior Cumulative Convertible Preferred Stock held by Apollo;
- o we issued 37,065,069 shares of our common stock and warrants to purchase 42,160,424 shares of our common stock in exchange for all outstanding shares of our 9.2% Series D Junior Cumulative Convertible Preferred Stock held by Blackstone;
- o we sold 24,060,271 shares of our common stock to Apollo for an aggregate of \$25,000;
- o we sold 24,060,271 shares of our common stock to Blackstone for an aggregate of \$25,000; and

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- o we sold 163,609,837 shares of our common stock to Oppenheimer for an aggregate of \$150,000.

During the three months ended March 31, 2003, we recorded a gain of \$256,538 and a deemed dividend of \$79,510 as a result of the exchange transactions. In connection with the exchange offer relating to our debt, we also amended the indentures under which our 15% Senior Secured Discount Notes due 2007, 14 1/2% Senior Secured Notes due 2009 and 8 3/4% Convertible Subordinated Notes due 2009 were issued to eliminate substantially all of the restrictive covenants. Holders of our debt also waived any existing events of default or events of default caused by the restructuring.

Contractual Commitments

The following table summarizes our expected contractual commitments as of June 30, 2003:

	2003	2004	2005	2006	2007	Thereafter
	-----	-----	-----	-----	-----	-----
Long-term debt obligations	\$ 8,101	\$15,964	\$15,964	\$15,964	\$45,164	\$249,376
Operating leases	7,670	7,873	7,105	6,192	6,032	35,903
Satellite and transmission	1,145	2,291	2,291	2,291	2,291	18,328
Programming and content	5,143	25,563	33,724	21,282	1,025	1,000
Customer service and billing	2,190	1,440	1,440	360	--	--
Sales and marketing	34,946	19,318	10,629	6,000	4,500	--
Chip set development and production	13,056	14,400	--	--	--	--
	-----	-----	-----	-----	-----	-----
Contractual commitments	\$72,251	\$86,849	\$71,153	\$52,089	\$59,012	\$304,607
	=====	=====	=====	=====	=====	=====

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Long-Term Debt Obligations

Long-term debt obligations include principal and interest payments. As of June 30, 2003, we had \$262,452 in aggregate principal amount of outstanding debt, consisting of \$29,200 in aggregate principal amount at maturity of our 15% Senior Secured Discount Notes due 2007, \$30,258 in aggregate principal amount of our 14 1/2% Senior Secured Notes due 2009, \$201,250 in aggregate principal amount of our 3 1/2% Convertible Notes due 2008 and \$1,744 in aggregate principal amount of our 8 3/4% Convertible Subordinated Notes due 2009.

Operating Leases

We have entered into operating leases related to our national broadcast studio, office space, terrestrial repeater sites and equipment.

Satellite and Transmission

We have entered into an agreement with a provider of satellite services to operate our off-site satellite telemetry, tracking and control facilities.

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Programming and Content

We have entered into agreements with licensors of music and non-music programming and, in certain instances, are obligated to pay license fees, guarantee minimum advertising revenue share or to purchase advertising on properties owned or controlled by these licensors. In addition, we have agreements with various rights organizations pursuant to which we pay royalties for public performances of music.

Customer Service and Billing

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

Sales and Marketing

We have entered into various marketing and sponsorship agreements to promote our brand and are obligated to make payments to sponsors, retailers, automakers and radio manufacturers.

Chip Set Development and Production

We have entered into an agreement with Agere to develop and produce chip sets for use in SIRIUS radios. This agreement requires Agere to manufacture a minimum quantity of chip sets during each year of the agreement.

Other Commitments

We have agreed to use reasonable efforts to assist certain manufacturers of SIRIUS radios and components for those radios in the event that production of such radios and components are greater than sales. In certain circumstances, these reasonable efforts may include the purchase of unsold SIRIUS radios or components by us. In addition to the contractual commitments described above, we have also entered into agreements with automakers, radio manufacturers and others that include per-radio and per-subscriber required payments and revenue sharing arrangements. These future costs are dependent upon many factors and are difficult to anticipate; however, these costs may be substantial. We may enter into additional programming, marketing and other agreements that contain provisions similar to our current agreements.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, 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. A summary of our significant accounting policies is contained in Note 3 to the consolidated financial statements contained in this report. We have identified the following policies, which were

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discussed with the Audit Committee of our board of directors, as critical to our business and understanding our results of operations.

Subscription Revenue Recognition

Revenue from subscribers consists of subscription fees, including

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revenue derived from our agreement with Hertz, and non-refundable activation fees. We recognize subscription fees as our service is provided. Activation fees are recognized ratably over the term of the 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 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 are recorded as a reduction to subscription revenue in the period the subscriber activates our service.

Subscriber Acquisition Costs

Subscriber acquisition costs include incentives for the purchase, installation and activation of SIRIUS radios, as well as subsidies paid to radio manufacturers, retailers and Agere. Certain subscriber acquisition costs are recorded in advance of acquiring a subscriber. Subscriber acquisition costs do not include advertising and promotional activities, loyalty payments to distributors and dealers of SIRIUS radios, revenue sharing payments to manufacturers of SIRIUS radios and guaranteed payments to automakers. We retain ownership of the SIRIUS radios used in our agreement with Hertz; as a result, amounts capitalized in connection with this program are not included in our subscriber acquisition costs.

Marketable Securities

Marketable securities consist of U.S. government agency obligations. Effective April 1, 2002, marketable securities were classified as available-for-sale securities because management no longer intends to buy and sell marketable securities with the objective of generating profits. Available-for-sale securities are carried at fair market value and unrealized gains and losses are included as a component of stockholders' equity. In prior periods, marketable securities were classified as trading securities and unrealized holding gains and losses were recognized in earnings.

Long-Lived Assets

We carry our long-lived assets at cost less accumulated depreciation. 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 such time as an impairment in value of a long-lived asset is identified, the impairment will be measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. To determine fair value we would employ an expected present value technique, which utilizes multiple cash flow scenarios that reflect the range of possible outcomes and an appropriate discount rate.

Useful Life of Satellite System

Our satellite system includes the cost of satellite construction, launch vehicles, launch insurance, capitalized interest, our spare satellite and our terrestrial repeater network. We monitor our satellites for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset is not recoverable. The expected useful lives of our in-orbit satellites are fifteen years from the date they were placed into orbit. We are depreciating our three in-orbit satellites over their respective remaining useful lives

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beginning February 14, 2002 or, in the case of our spare satellite, from the date it was delivered to ground storage on April 19, 2002. If placed into orbit, our spare satellite is expected to operate effectively for fifteen years.

FCC License

We carry our FCC license at cost. Our FCC license has an indefinite life and will be evaluated for impairment on an annual basis. We completed an impairment analysis of our FCC license on November 1,

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2002, and determined that there was no impairment. We use projections regarding estimated future cash flows and other factors in assessing the fair value of our FCC license. If these estimates or projections change in the future, we may be required to record an impairment charge related to our FCC license.

Accrued Expenses

Payments owed to our manufacturing and distribution partners and other service providers are expensed during the month in which the applicable service is performed. The amount of these expenses are dependent upon information provided by our internal systems and processes and partner systems and processes. Due to length of time necessary to receive accurate information from these partners, estimates of amounts due are necessary in order to record monthly expenses. In subsequent months expenses are reconciled, and adjusted where necessary. Since launching commercial operations, we continue to refine the estimation process based on an increased understanding of the time requirements, and close working relationships with our partners.

Recent Accounting Pronouncements

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," which is effective for all financial instruments created or modified after May 31, 2003 and otherwise effective at the beginning of the first interim period beginning after June 15, 2003. SFAS No. 150 establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. We do not believe that our adoption of SFAS No. 150 will have a material impact on our financial position or results of operations.

Controls and Procedures

As of June 30, 2003, an evaluation was performed under the supervision and with the participation of our management, including Joseph P. Clayton, our President and Chief Executive Officer, and David J. Frear, our Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure and control procedures. Based on that evaluation, our management, including our chief executive officer and our chief financial officer, concluded that our disclosure controls and procedures were effective as of June 30, 2003. There have been no significant changes in our internal controls or in other factors that could significantly affect these internal controls subsequent to June 30, 2003.

Part II

Other Information

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

See Exhibit Index attached hereto.

(b) Reports on Form 8-K.

On May 1, 2003, we filed a Current Report on Form 8-K to report that our board of directors had extended the expiration date of the rights issued under the Rights Agreement between The Bank of New York and ourselves from May 1, 2003 to August 1, 2003.

On May 14, 2003, we filed a Current Report on Form 8-K to report our financial results for the quarter ended March 31, 2003.

On May 21, 2003, we filed a Current Report on Form 8-K that included a Form T-1 of The Bank of New York, the trustee in respect of our 3 1/2% Convertible Notes due 2008 issued under our senior indenture dated as of May 23, 2003.

On May 23, 2003, we filed a Current Report on Form 8-K that included the Terms Agreement between Morgan Stanley & Co. Incorporated, UBS Warburg LLC and ourselves, the Indenture, dated as of May 23, 2003, between ourselves and The Bank of New York, as trustee, and the Supplemental Indenture, dated as of May 23, 2003, between ourselves and The Bank of New York, as trustee, relating to our issuance of \$201,250,000 in aggregate principal amount of 3 1/2% Convertible Notes due 2008.

On June 16, 2003, we filed a Current Report on Form 8-K that included the Terms Agreement between Morgan Stanley & Co. Incorporated, UBS Warburg LLC and ourselves, relating our sale of 86,250,000 shares of our common stock in a public offering. We also included as exhibit to such Current Report on Form 8-K a copy of the Registration Rights Agreement, dated as of June 13, 2003, among Blackstone CCC Capital Partners L.P., Blackstone CCC Offshore Capital Partners L.P. and Blackstone Family Investment Partnership III L.P. As part of such Current Report on Form 8-K, we also reported that on June 13, 2003, Mr. Peter G. Peterson, the Chairman of The Blackstone Group L.P., resigned as a member of our board of directors.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SIRIUS SATELLITE RADIO INC.

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By: /s/ DAVID J. FREAR

David J. Frear
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

August 12, 2003

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CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Joseph P. Clayton, the Chief Executive Officer of Sirius Satellite Radio Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sirius Satellite Radio Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as June 30, 2003 (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the

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registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

- 6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

By: /S/ JOSEPH P. CLAYTON

Joseph P. Clayton
President and Chief Executive Officer
(Principal Executive Officer)

August 12, 2003

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CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, David J. Frear, the Executive Vice President and Chief Financial Officer of Sirius Satellite Radio Inc., certify that:

- 1. I have reviewed this quarterly report on Form 10-Q of Sirius Satellite Radio Inc.;
- 2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
- 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us

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- by others within those entities, particularly during the period in which this quarterly report is being prepared;
- b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of June 30, 2003 (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

By: /S/ DAVID J. FREAR

David J. Frear
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

August 12, 2003

Exhibit Index

Exhibit

Description

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- 3.1 Amended and Restated Certificate of Incorporation dated March 4, 2003 (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002).
- 3.2 Amended and Restated By-Laws (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001).
- 3.3 Form of Certificate of Designations of Series B Preferred Stock (incorporated by reference to Exhibit A to Exhibit 1 to the Company's Registration Statement on Form 8-A filed on October 30, 1997 (the "Form 8-A")).
- 4.1 Form of certificate for shares of Common Stock (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-1 (File No. 33-74782) (the "S-1 Registration Statement")).
- 4.2.1 Rights Agreement, dated as of October 22, 1997 (the "Rights Agreement"), between the Company and Continental Stock Transfer & Trust Company, as rights agent (incorporated by reference to Exhibit 1 to the Form 8-A).
- 4.2.2 Form of Right Certificate (incorporated by reference to Exhibit B to Exhibit 1 to the Form 8-A).
- 4.2.3 Amendment to the Rights Agreement dated as of October 13, 1998 (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K dated October 13, 1998).
- 4.2.4 Amendment to the Rights Agreement dated as of November 13, 1998 (incorporated by reference to Exhibit 99.7 to the Company's Current Report on Form 8-K dated November 17, 1998).
- 4.2.5 Amended and Restated Amendment to the Rights Agreement dated as of December 22, 1998 (incorporated by reference to Exhibit 6 to Amendment No. 1 to the Form 8-A filed on January 6, 1999).
- 4.2.6 Amendment to the Rights Agreement dated as of June 11, 1999 (incorporated by reference to Exhibit 4.1.8 to the Company's Registration Statement on Form S-4 (File No. 333-82303) (the "1999 Units Registration Statement")).
- 4.2.7 Amendment to the Rights Agreement dated as of September 29, 1999 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on October 13, 1999).
- 4.2.8 Amendment to the Rights Agreement dated as of December 23, 1999 (incorporated by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K filed on

Exhibit	Description
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December 29, 1999).

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- 4.2.9 Amendment to the Rights Agreement dated as of January 28, 2000
(incorporated by reference to Exhibit 4.6.9 to the Company's Annual
Report on Form 10-K for the year ended December 31, 1999 (the "1999
Form 10-K")).

- 4.2.10 Amendment to the Rights Agreement dated as of August 7, 2000
(incorporated by reference to Exhibit 4.6.10 to the Company's
Quarterly Report on Form 10-Q for the quarter ended September 30,
2000).

- 4.2.11 Amendment to the Rights Agreement dated as of January 8, 2002
(incorporated by reference to Exhibit 4.6.11 to the Company's Annual
Report on Form 10-K for the year ended December 31, 2001 (the "2001
Form 10-K")).

- 4.2.12 Amendment to the Rights Agreement dated as of October 22, 2002
(incorporated by reference to Exhibit 99.1 to the Company's Current
Report on Form 8-K filed on October 24, 2002).

- 4.2.13 Amendment to the Rights Agreement dated as of March 6, 2003
(incorporated by reference to Exhibit 4.2.13 to the Company's Annual
Report on Form 10-K for the year ended December 31, 2002).

- 4.2.14 Amendment to the Rights Agreement dated as of March 31, 2003
(incorporated by reference to Exhibit 99.1 to the Company's Current
Report on Form 8-K dated March 31, 2003).

- 4.2.15 Amendment to the Rights Agreement dated as of July 30, 2003
(incorporated by reference to Exhibit 99.1 to the Company's Current
Report on Form 8-K dated July 30, 2003).

- 4.3 Indenture, dated as of November 26, 1997, between the Company and IBJ
Schroder Bank & Trust Company, as trustee, relating to the Company's
15% Senior Secured Discount Notes due 2007 (incorporated by reference
to Exhibit 4.1 to the Company's Registration Statement on Form S-3
(File No. 333-34769) (the "1997 Units Registration Statement")).

- 4.4 Supplemental Indenture, dated as of March 7, 2003, between the
Company and The Bank of New York (as successor to IBJ Schroder Bank &
Trust Company), as trustee, relating to the Company's 15% Senior
Secured Discount Notes due 2007 (incorporated by reference to Exhibit
4.4 to the Company's Annual Report on Form 10-K for the year ended
December 31, 2002).

- 4.5 Form of 15% Senior Secured Discount Note due 2007 (incorporated by
reference to Exhibit 4.2 to the 1997 Units Registration Statement).

Exhibit -----	Description -----
4.6	Warrant Agreement, dated as of November 26, 1997, between the Company and IBJ Schroder Bank & Trust Company, as warrant agent (incorporated by reference to Exhibit 4.3 to the 1997 Units Registration Statement).

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- 4.7 Form of Warrant (incorporated by reference to Exhibit 4.4 to the 1997 Units Registration Statement).

- 4.8 Form of Common Stock Purchase Warrant granted by the Company to Everest Capital Master Fund, L.P. and to The Ravich Revocable Trust of 1989 (incorporated by reference to Exhibit 4.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).

- 4.9 Indenture, dated as of May 15, 1999, between the Company and United States Trust Company of New York, as trustee, relating to the Company's 14 1/2% Senior Secured Notes due 2009 (incorporated by reference to Exhibit 4.4.2 to the 1999 Units Registration Statement).

- 4.10 Supplemental Indenture, dated as of March 7, 2003, between the Company and The Bank of New York (as successor to United States Trust Company of New York), as trustee, relating to the Company's 14 1/2% Senior Secured Notes due 2009 (incorporated by reference to Exhibit 4.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002).

- 4.11 Form of 14 1/2% Senior Secured Note due 2009 (incorporated by reference to Exhibit 4.4.3 to the 1999 Units Registration Statement).

- 4.12 Warrant Agreement, dated as of May 15, 1999, between the Company and United States Trust Company of New York, as warrant agent (incorporated by reference to Exhibit 4.4.4 to the 1999 Units Registration Statement).

- 4.13 Common Stock Purchase Warrant granted by the Company to Ford Motor Company, dated October 7, 2002 (incorporated by reference to Exhibit 4.16 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002).

- 4.14 Indenture, dated as of September 29, 1999, between the Company and United States Trust Company of Texas, N.A., as trustee, relating to the Company's 8 3/4% Convertible Subordinated Notes due 2009 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on October 13, 1999).

- 4.15 First Supplemental Indenture, dated as of September 29, 1999, between the Company and United States Trust Company of Texas, N.A., as trustee, relating to the Company's 8 3/4% Convertible Subordinated Notes due 2009 (incorporated by reference to Exhibit 4.01 to the Company's Current Report on Form 8-K filed on October 1, 1999).

- 4.16 Second Supplemental Indenture, dated as of March 4, 2003, among the Company, The Bank of New York (as successor to United States Trust Company of Texas, N.A.), as resigning trustee, and HSBC Bank USA, as successor trustee, relating to the Company's 8 3/4% Convertible Subordinated Notes due 2009 (incorporated by reference to Exhibit 4.16 to the Company's Annual Report on Form 10-K for the year ended

Exhibit

Description

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December 31, 2002).

- 4.17 Third Supplemental Indenture, dated as of March 7, 2003, between the Company and HSBC Bank USA, as trustee, relating to the Company's 8 3/4% Convertible Subordinated Notes due 2009 (incorporated by reference to Exhibit 4.17 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002).
- 4.18 Form of 8 3/4% Convertible Subordinated Note due 2009 (incorporated by reference to Article VII of Exhibit 4.01 to the Company's Current Report on Form 8-K filed on October 1, 1999).
- 4.19 Common Stock Purchase Warrant granted by the Company to DaimlerChrysler Corporation dated October 25, 2002 (incorporated by reference to Exhibit 4.20 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002).
- 4.20 Form of Series A Common Stock Purchase Warrant dated March 7, 2003 (incorporated by reference to Exhibit 4.20 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002).
- 4.21 Form of Series B Common Stock Purchase Warrant dated March 7, 2003 (incorporated by reference to Exhibit 4.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002).
- 4.22 Amended and Restated Warrant Agreement, dated as of December 27, 2000, between the Company and United States Trust Company of New York, as warrant agent and escrow agent (incorporated by reference to Exhibit 4.27 to the Company's Registration Statement on Form S-3 (File No. 333-65602)).
- 4.23 Second Amended and Restated Pledge Agreement, dated as of March 7, 2001, among the Company, as pledgor, The Bank of New York, as trustee and collateral agent, United States Trust Company of New York, as trustee, and Lehman Commercial Paper Inc., as administrative agent (incorporated by reference to Exhibit 4.25 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001).
- 4.24 Collateral Agreement, dated as of March 7, 2001, between the Company, as borrower, and The Bank of New York, as collateral agent (incorporated by reference to Exhibit 4.26 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001).
- 4.25 Amended and Restated Intercreditor Agreement, dated as of March 7, 2001, by and between The Bank of New York, as trustee and collateral agent, United States Trust Company of New York, as trustee, and Lehman Commercial Paper Inc., as administrative agent (incorporated by reference to Exhibit 4.27 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001).
- 10.1.1 Lease Agreement, dated as of March 31, 1998, between Rock-McGraw, Inc. and the Company (incorporated by reference to Exhibit 10.1.2 to the Company's Quarterly

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Exhibit -----	Description -----
	Report on Form 10-Q for the quarter ended June 30, 1998).
10.1.2	Supplemental Indenture, dated as of March 22, 2000, between Rock-McGraw, Inc. and the Company (incorporated by reference to Exhibit 10.1.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000).
10.1.3	Supplemental Indenture, dated as of November 30, 2001, between Rock-McGraw, Inc. and the Company (incorporated by reference to Exhibit 10.1.3 to the 2001 Form 10-K).
*10.2	Employment Agreement, dated as of February 28, 2003, between the Company and Patrick L. Donnelly (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003).
*10.3	Employment Agreement, dated as of August 29, 2001, between the Company and Michael S. Ledford (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001).
*10.4	Employment Agreement, dated as of November 26, 2002, between the Company and Joseph P. Clayton (incorporated by reference to Exhibit 10.6 to the 2001 Form 10-K).
*10.5	Employment Agreement, dated as of January 7, 2002, between the Company and Guy D. Johnson (incorporated by reference to Exhibit 10.7 to the 2001 Form 10-K).
*10.6	Employment Agreement, dated as of May 3, 2002, between the Company and Mary Patricia Ryan (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002).
*10.7	Employment Agreement, dated as of June 3, 2003, between the Company and David J. Frear (filed herewith).
*10.8	Agreement, dated as of October 16, 2001, between the Company and David Margolese (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001).
*10.9	1994 Stock Option Plan (incorporated by reference to Exhibit 10.21 to the S-1 Registration Statement).
*10.10	Amended and Restated 1994 Directors' Nonqualified Stock Option Plan (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995).
*10.11	CD Radio Inc. 401(k) Savings Plan (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 (File No. 333-65473)).
*10.12	Sirius Satellite Radio 2003 Long-Term Stock Incentive Plan (incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002).
10.13	Form of Option Agreement, dated as of December 29, 1997, between the Company and

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Exhibit -----	Description -----
	each Optionee (incorporated by reference to Exhibit 10.16.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998).
'D'10.14	Joint Development Agreement, dated as of February 16, 2000, between the Company and XM Satellite Radio Inc. (incorporated by reference to Exhibit 10.28 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000).
99.1	Certificate of Joseph P. Clayton, President and Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
99.2	Certificate of David J. Frear, Executive Vice President and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

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- * This document has been identified as a management contract or compensatory plan or arrangement.
- 'D' Portions of these exhibits have been omitted pursuant to Applications for Confidential treatment filed by the Company with the Securities and Exchange Commission.

STATEMENT OF DIFFERENCES

The dagger symbol shall be expressed as..... 'D'