WACHOVIA

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WACHOVIA CAPITAL MARKETS, LLC

Equity Research

Sirius Satellite Radio Inc.

SIRI: Q1 Mixed

Market Perform / V

Sector: Satellite Radio, Market Weight
May 2, 2007

- **NET NEW SUBS HIGHER THAN FORECAST; HOWEVER THIS WAS ON LOWER QUALITY OEM "SUBSCRIBERS"; RETAIL MUCH WEAKER THAN EXPECTED**--Sirius reported better than expected net new subscriber (sub) additions (adds) of 556K, relative to our forecast of 510K and consensus of 506K driven by gross adds of 988K, materially higher than our estimate of 926K and the 909K consensus. However, the composition of the growth skewed toward lower quality OEM "subs" with retail net adds weak at 193K (a 64% y-o-y decline) well below our 285K (-47%) estimate. OEM net adds were 365K a 62% y-o-y increase vs. our 230K forecast. Recall that under SIRI accounting treatment an OEM "subscriber" starts when a radio is placed in the car at the factory. OEM accounted for nearly 70% of net additions in Q1 vs. 30% in year ago period. We believe the retail result is more indicative of overall demand for the SIRI product. Q1 monthly subscriber churn of 2.3% was slightly higher than our estimate and consensus of 2.2%.
- **FINANCIAL RESULTS GENERALLY BELOW EXPECTATION**--All-in subscriber monthly ARPU for Q1 was $10.10, lower than our $10.70 est. and consensus of $10.56 (mostly due to the family plan pricing, 16% of subscriber base). Overall revenue was $204M, below consensus of $218M and our estimate of $216M. Subscriber acquisition costs of $104 were higher than our and consensus forecasts of $96 and Q4's $103 result. Operating cash flow loss (excluding stock expenses) was ($83.9M) higher than our estimate for a ($63M) loss and consensus at ($66M) loss, driven by the higher SAC and larger gross add result. SIRI reiterated 2007 guidance.
- **MODIFYING ESTIMATES DROPPING HIGH END OF VALUATION RANGE**--We are reducing the high end of our valuation range driven mainly by a reduction in our long term retail net addition forecasts; the lower end remains unchanged. We raised our EPS forecast for the year from a $0.45 loss to $0.42 loss, mostly attributed by lower net interest expense.
- **BOTTOM LINE: SAT RADIO DEMAND CONTINUES TO BE WEAK, A PROBLEM THAT WILL NOT BE SOLVED THROUGH A SIRI/XMSR COMBINATION**--Another mixed quarter from Sirius, amidst continued weakening retail demand for sat radio, which we believe will inevitably effect the OEM appetite for the product.

Earnings Reported

	2006A	2007E		2008E	
EPS		**Curr.**	**Prior**	**Curr.**	**Prior**
Q1 (Mar.)	($0.33)	**($0.10)**	**A (0.10)**	NE	
Q2 (June)	(0.17)	(0.11)	NC	NE	
Q3 (Sep.)	(0.12)	(0.09)	NC	NE	
Q4 (Dec)	(0.17)	**(0.13)**	**(0.14)**	NE	
FY	($0.79)	**($0.42)**	**(0.45)**	**($0.32)**	**(0.34)**
CY	($0.79)	($0.42)		($0.32)	
FY P/E	NM	NM		NM	
Rev.(MM)	$637.2	$961.9		$1,230.4	

Source Company Data, Wachovia Capital Markets, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful

Ticker	SIRI
Price (05/01/2007)	$2.87
52-Week Range:	$2-6
Shares Outstanding: (MM)	1,460.0
Market Cap.: (MM)	$4,190.2
S&P 500:	1,486.30
Dividend/Yield:	$0.00/0.0%
LT Debt: (MM)	$1,097.0
LT Debt/Total Cap.:	23.0%
ROE:	NM
3-5 Yr. Est. Growth Rate:	NM
CY 2007 Est. P/E-to-Growth:	NM
Last Reporting Date:	05/01/2007 *Before Open*

Source Company Data, Wachovia Capital Markets, LLC estimates, and Reuters

Valuation Range: $2.5 to $3.5
Our range is based on a discounted cash flow. We use a discount rate of 12% and a terminal value of 57x 2010E free cash flow. Risks include slower subscriber growth, high content costs and the potential entrance of terrestrial wireless alternatives.

Investment Thesis:
We are cautious on the outlook for the satellite radio industry and Sirius. We remain concerned regarding continued weak demand for the satellite radio product.

Media/Cable/Satellite

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Company Description:
SIRIUS Satellite Radio provides listeners with more than 110 channels of commercial-free music, sports, information and entertainment, with digital quality sound coast-to-coast, broadcast daily from New York City, Los Angeles, Nashville, New Orleans, Houston and Daytona. SIRIUS offers more than 60 commercial-free, music channels along with more than 50 channels of sports, news, talk entertainment, traffic and weather.

SIRI: Q1 Mixed

NET NEW SUBS HIGHER THAN FORECAST; HOWEVER THIS WAS ON LOWER QUALITY OEM "SUBSCRIBERS"; RETAIL MUCH WEAKER THAN EXPECTED--Sirius reported better than expected net new subscriber (sub) additions (adds) of 556K, relative to our forecast of 510K and Street expectations of 506K driven by gross adds of 988K, materially higher than our estimate of 926K and the 909K consensus. However, the composition of the growth skewed toward lower quality OEM "subscribers" with retail net additions weak at 193K (a 64% y-o-y decline) well below our 285K (-47%) estimate. OEM net additions were 365K a 62% y-o-y increase vs. our 230K forecast. Recall that under SIRI accounting treatment an OEM "subscriber" starts when a radio is placed in the car at the factory (and as long as a car sits on a dealer lot through the built in subscription period), which reduces the quality of an OEM "subscriber" materially (we assume 50% of OEM customers will take the service after the trial period). OEM accounted for nearly 70% of net additions in Q1 vs. 30% in year ago period. We believe the retail result is more indicative of overall demand for the SIRI product. Q1 subscriber churn of 2.3% was slightly higher than our estimate and consensus of 2.2%.

FINANCIAL RESULTS GENERALLY BELOW EXPECTATION--All-in subscriber monthly ARPU for Q1 was $10.10, lower than our $10.70 expectation and consensus of $10.56 (mostly due to the family plan pricing, 16% of subscriber base). Overall revenue was $204M, below consensus of $218M and our estimate of $216M. Subscriber acquisition costs of $104 were higher than our and consensus forecasts of $96 and Q4's $103 result. Operating cash flow loss (excluding stock expenses) was ($83.9M), higher than our estimate of a ($63M) loss and consensus of a ($66M) loss, driven by the higher SAC and larger gross add result. SIRI reiterated 2007 guidance of total revenue "approaching $1B" (vs. our estimate of $962M), "more than 8M subscribers" at year end (vs. our estimate of 7.9M subs), average monthly subscriber churn of 2.2 to 2.4% (vs. our estimate of 2.32%) and SAC of approximately $95 (vs. our estimate of $101).

MODIFYING ESTIMATES DROPPING HIGH END OF VALUATION RANGE--We are reducing the high end of our valuation range from $4.00 to $3.50 driven by a reduction in our long term retail net addition forecasts; the lower end remains unchanged at $2.50. We are raising our EPS forecast for the year from a $0.45 loss to $0.42 loss, mostly attributed by lower net interest expense.

BOTTOM LINE: SAT RADIO DEMAND CONTINUES TO BE WEAK, A PROBLEM THAT WILL NOT BE SOLVED THROUGH A SIRI/XMSR COMBINATION--Another mixed quarter from Sirius, as retail demand for sat radio continues to weaken materially, which we believe will inevitably effect the OEM appetite for the product, exacerbated by a significant increase in subscriber churn related to their ramp in OEM last year. Despite considerable share price underperformance, we continue to be cautious on the sat radio industry based on: 1) retail demand continues to be weak, a trend that appears to be spreading into the all important OEM channel (highlighted be still weak XM OEM promotional conversion rates, 2) significant merger approval overhang, 3) we believe synergies (while still material) are likely to be lower (we estimate $250M vs. $500M consensus) and take far longer to realize than the market anticipates, and 4) most importantly, the current valuation is still arguably rich (assuming a merger is not approved, we estimate the current $5B EV implies SIRI will reach the roughly ~20M sub level vs. 6.5M (which includes a material number of promotional subscribers) at YE'06; with merger approval we assume the valuation implies roughly ~12M.

Sirius Satellite Radio

Quarterly Subscriber Model (Figures in thousands)

	Q1 2006A	Q2 2006A	Q3 2006A	Q4 2006A	2006A	Q1 2007A	Q2 2007E	Q3 2007E	Q4 2007E	2007E
Sirius Satellite Radio Subscribers										
Retail	2,465 363	3,000 321	3,276 615	3,482 514	2,465 363	4,041.826	4,234.804	4,392 554	4,518.554	4,041.826
OEM and Special Markets	823.693	1,049 036	1,373 610	1,610 074	823.693	1,959 009	2,323.683	2,616 183	2,913 683	1,959.009
Hertz	27.504	28.390	27 982	26 720	27 504	23 720	22.558	22 308	23.808	23.720
Addition -test	3,316 560	4,077 747	4,678 207	5,119.308	3,316 560	6,024.555	6,581 045	7,031.045	7,456.045	6,024.555
Beginning of Period	**3,316.560**	**4,077.747**	**4,678.207**	**5,119.308**	**3,316.560**	**6,024.555**	**6,581.045**	**7,031.045**	**7,456.045**	**6,024.555**
Retail	3,000 321	3,276 615	3,482.514	4,041 826	4,041.826	4,234 804	4,392.554	4,518.554	4,778.054	4,778.054
OEM	1,049 036	1,373 610	1,610.074	1,959 009	1,959.009	2,323.683	2,616 183	2,913.683	3,176 183	3,176 183
Hertz	28 390	27 982	26 720	23 720	23 720	22 558	22.308	23 808	26 808	26.808
Addition -test	4,077 747	4,678 207	5,119.308	6,024 555	6,024.555	6,581 045	7,031.045	7,456.045	7,981.045	7,981.045
End of Period	**4,077.747**	**4,678.207**	**5,119 308**	**6,024.555**	**6,024.555**	**6,581.045**	**7,031.045**	**7,456.045**	**7,981.045**	**7,981.045**
% Annual Change	181 5%	157 8%	135 5%	81 7%	81 7%	61.4%	50 3%	45.6%	32 5%	32.5%
Retail	2,732 842	3,138 468	3,379 565	3,762 170	3,253 261	4,138 315	4,313 679	4,455.554	4,648.304	4,388 963
OEM	936 365	1,211 323	1,491 842	1,784 542	1,358 018	2,141 346	2,469.933	2,764.933	3,044 933	2,605 286
Hertz	27 947	28 186	27 351	25 220	27 176	23 139	22 433	23.058	25 308	23.485
Addition -test	3,697 154	4,377 977	4,898 758	5,571.932	4,636.455	6,302.800	6,806 045	7,243.545	7,718.545	7,017.734
Average SIRI Subscribers	**3,697 154**	**4,377.977**	**4,898.758**	**5,571 932**	**4,636.455**	**6,302.800**	**6,806.045**	**7,243.545**	**7,718.545**	**7,017.734**
Net additions by channel										
Retail	534.958	276 294	205 899	559 312	1,576 463	192.978	157.750	126 000	259.500	736.228
% Annual Change	169%	13%	-2%	-38%	1 4%	-64%	-43%	-39%	-54%	-53 3%
% Sequential Change	-41%	-48%	-25%	172%		-65%	-18%	-20%	106%	
% of Total Net Additions	70%	46%	47%	62%	58 2%	34 7%	35 1%	29 6%	49 4%	37 6%
OEM	225 343	324 574	236 464	348 935	1,135 316	364 674	292 500	297 500	262.500	1,217.174
% Annual Change	109%	167%	59%	44%	83 0%	62%	-10%	26%	-25%	7.2%
% Sequential Change	-7%	44%	-27%	48%		5%	-20%	2%	-12%	
% of Total Net Additions	30%	54%	54%	39%	41 9%	66%	65%	70%	50%	45 0%
Hertz	0.886	(0 408)	(1 262)	(3 000)	(3 784)	(1 162)	(0 250)	1 500	3 000	3 088
Net additions	**761.187**	**600.460**	**441.101**	**905.247**	2,707 995	**556.490**	**450 000**	**425.000**	**525.000**	1,956 490
% Annual Change	149 2%	64 1%	22 8%	-20 8%	24 6%	-26 9%	-25 1%	-3 7%	-42 0%	-27 8%
% Sequential Change	-33 4%	-21 1%	-26 5%	105 2%		-38 5%	-19 1%	-5 6%	23 5%	
Absolute Churn	199 646	229 844	291 295	328.329	1,049	431 968	449 199	510.670	562 682	1,955
% Annual Change	295 0%	240 3%	175 1%	165 8%		116 4%	95 4%	75 3%	71 4%	86 3%
% Sequential Change	61 6%	15 1%	26 7%	12 7%		31 6%	4 0%	13 7%	10 2%	
Gross Additions	961	830	732	1,234	3,757	988 458	899 199	935 670	1,087 682	3,911
% Annual Change	169 9%	91 5%	57 4%	-2 6%	49 0%	2 9%	8 3%	27 8%	-11 8%	4 1%
% Sequential Change	-24 1%	-13.6%	-11 8%	68 4%		-19 9%	-9 0%	4 1%	16.2%	
Monthly % Churn Rate	1 80%	1 75%	1.98%	1 96%	1.89%	2 28%	2.20%	2.35%	2 43%	2.32%

Source Company data and Wachovia Capital Markets, LLC estimates

Sirius Satellite Radio

Quarterly Income Statement (Dollars in millions, except for per subscriber and per share amounts)

	Q1 2006A	Q2 2006A	Q3 2006A	Q4 2006A	2006A	Q1 2007A	Q2 2007E	Q3 2007E	Q4 2007E	2007E
Revenue:										
Total Subscriber Revenue	$115.181	$137.636	$155.337	$167.210	$575.364	$190.796	$219.495	$235.777	$243.134	$889.203
Annual growth	174 9%	177 4%	141 7%	146 6%	157 3%	65 6%	59.5%	51.8%	45 4%	54 5%
Average Monthly Revenue Per Subscriber -calculated	$10 38	$10 48	$10 57	$10.00	$10.34	$10 09	$10.75	$10 85	$10.50	$10.56
Advertising revenue	7 338	8.125	7.130	8.451	31.044	6 721	10.005	11.083	12.041	39.849
Average Monthly Revenue Per Subscriber	$0 66	$0 62	$0 49	$0.51	$0 56	$0 36	$0 49	$0.51	$0.52	$0 47
Equipment Revenue	3.692	3.096	3 579	16.431	26.798	4 671	4.496	4.678	9.789	23.634
Revenue per gross addition	$3 84	$3 73	$4 89	$13 32	$7 13	$4.73	$5 00	$5.00	$9.00	$6 04
Other Revenue	0.453	1.221	1 067	1.288	4.029	1.849	2.450	2.173	2.779	9.251
Average Monthly Revenue Per Subscriber	$0.04	$0 09	$0 07	$0 08	$0 07	$0.10	$0 12	$0.10	$0 12	$0.11
Total Revenue	126.664	150.078	167.113	193.380	637.235	204 037	236.446	253.711	267.743	961.937
% Annual Change	193 1%	187 5%	150 1%	141 7%	163 1%	61 1%	57 5%	51.8%	38 5%	51.0%
Total Average Monthly Revenue Per Subscriber -calculated	$11 42	$11.43	$11.37	$11.57	$11 45	$10 79	$11.58	$11 68	$11.56	$11 42
Operating Expenses:										
Cost Of Revenue										
Satellite and Transmission	(7.301)	(17.686)	(7.090)	(7.152)	(39.229)	(7.330)	(7.959)	(7.374)	(7.438)	(30.100)
% annual growth	7%	165%	-2%	0%	41%	0%	-55%	4%	4%	-23%
Programming and content	(56 444)	(53.011)	(55.917)	(64.843)	(230.215)	(57 063)	(56.775)	(60.390)	(70.679)	(244.907)
% annual growth	130%	236%	138%	85%	133%	1%	7%	8%	9%	6%
% of subscriber revenue	49%	39%	36%	39%	40%	30%	26%	26%	29%	28%
Revenue share and royalties	(13.527)	Previously disclosed not as a separate item but as part of Programming & Content and Sales & Marketing				(27 134)	(28.534)	(30.651)	(31.607)	(117.927)
% annual growth	NM					101%	NM	NM	NM	NM
% of subscriber revenue	12%					14%	13%	13%	13%	-13%
Customer service and billing	(15 841)	(13.659)	(14.718)	(23.919)	(68.137)	(21.654)	(19.123)	(20 605)	(31.095)	(92.477)
% annual growth	67%	77%	56%	20%	46%	37%	40%	40%	30%	36%
% of subscriber revenue	14%	10%	9%	14%	12%	11%	9%	9%	13%	10%
% sequential growth	-21%	-14%	8%	63%		-9%	-12%	8%	51%	
Average monthly cost per sub	$1 43	$1 04	$1 00	$1 43		$1 15	$0 94	$0.95	$1 34	
Cost of equipment	(3 465)	(3.467)	(6 196)	(22.105)	(35.233)	(9 292)	(5.036)	(7 018)	(12.236)	(33.581)
% of equipment sales	94%	112%	173%	135%	131%	199%	112%	150%	125%	142%
Total Cost Of Revenue	(83 051)	(87 823)	(83 921)	(118.019)	(372 814)	(122 473)	(117.426)	(126 038)	(153.056)	(518 992)
Sales and marketing	(39 296)	(56.609)	(41 474)	(85.113)	(222.492)	(32.518)	(49.250)	(31.935)	(83.836)	(197.539)
% of subscriber revenue	34%	41%	27%	51%	39%	17%	22%	14%	34%	22%
% annual growth	7%	65%	9%	35%	29%	-17%	-13%	-23%	-2%	-11%
% sequential growth	-37 7%	44 1%	-26 7%	105 2%		-61.8%	51.5%	-35.2%	162.5%	
Subscriber acquisition costs	(109.144)	(108.663)	(80 863)	(121.046)	(419.716)	(98.237)	(98.912)	(93.567)	(92.453)	(383.169)
% annual growth	59%	58%	18%	-17%	19%	-10%	-9%	16%	-24%	-9%
General and administrative	(19.144)	(21 653)	(23.517)	(23.224)	(87.538)	(23 403)	(26.417)	(28.691)	(27 869)	(106.379)
% annual growth	29%	53%	68%	37%	46%	22%	22%	22%	20%	22%
% sequential growth	13%	13%	9%	-1%		1%	13%	9%	-3%	
Research and development	(12.679)	(12.775)	(20.491)	(12.787)	(58.732)	(11.405)	(13.031)	(14.344)	(14.066)	(52.845)
% annual growth	29%	8%	109%	11%	37%	-10%	2%	-30%	10%	-10%
SAC - as calculated	($113)	($131)	($114)	($103)	($114)	($104)	($111)	($103)	($87)	($101)
CPGA -Wachovia estimate	($154)	($199)	($171)	($172)	($173)	($137)	($165)	($137)	($164)	($151)
% Sequential Change										
Operating Cash Flow	(136.650)	(137.445)	(83.153)	(166.809)	(524.057)	(83.999)	(68.589)	(40.863)	(103.536)	(296.987)
Depreciation expense	(24 933)	(25.738)	(27 583)	(27 495)	(105 749)	(26 786)	(27 500)	(28.000)	(28.045)	(110.331)
Equity Granted to 3rd Parties and Employees	(284 586)	(67 289)	(43 418)	(42 625)	(437 918)	(24.260)	(45 000)	(45.000)	(45 000)	(159.260)
Total operating expenses	(572 833)	(380 550)	(321.267)	(430 309)	(1,704.959)	(339 082)	(377.535)	(367 574)	(444.324)	(1,528 515)
Operating Loss	(446.169)	(230.472)	(154.154)	(236.929)	(1,067.724)	(135.045)	(141.089)	(113.863)	(176.581)	(566.578)
Margin on Total Revenue	-352 2%	-153 6%	-92 2%	-122 5%	-167 6%	-66 2%	-59 7%	-44.9%	-66 0%	-58.9%
% Annual change	132 6%	32 0%	-7 6%	-20 3%	28.5%	-69 7%	-38 8%	-26 1%	-25 5%	-46 9%

Source Company data and Wachovia Capital Markets, LLC estimates

Sirius Satellite Radio

Quarterly Income Statement (continued) (Dollars in millions, except for per subscriber and per share amounts)

	Q1 2006A	Q2 2006A	Q3 2006A	Q4 2006A	2006A	Q1 2007A	Q2 2007E	Q3 2007E	Q4 2007E	2007E
Operating Losses	(446.169)	(230.472)	(154.154)	(236.929)	(1,067.724)	(135.045)	(141.089)	(113.863)	(176.581)	(566.578)
Other Income (Expense) :										
Debt Restructuring					-					-
Interest Income	9 937	8 873	7 750	6 760	33.320	6 042	6 500	6 500	6.500	25 542
Interest Expense	(17 124)	(15 660)	(15 921)	(15.327)	(64 032)	(15 192)	(18 750)	(18.750)	(18 750)	(71 442)
Other	(4.435)	0.009	0 005	0.055	(4 366)	0.005	-	-	-	0.005
Net Income (Loss) before Income taxes	(457 791)	(237 250)	(162 320)	(245 441)	(1,102 802)	(144 190)	(153.339)	(126 113)	(188 831)	(612 473)
Income tax expense	(0 753)	(0.578)	(0 578)	(0 156)	(2 065)	(0.555)	(0 607)	(0.607)	-	(1.769)
Net Income (Loss) attributable to common shareholders	(457 791)	(237 828)	(162 898)	(245 597)	(1.104.867)	(144 745)	(153.946)	(126.720)	(188.831)	(614 242)
Average Diluted Common Shares Outstanding	1,387	1,404	1,405	1,414	1,403	1,457	1,462	1,463	1,468	1,463
Average Basic Common Shares Outstanding	1,387	1,404	1,405	1,414	1,403	1,457	1,462	1,463	1,468	1,463
Earnings Per Share- Diluted	($0.33)	($0.17)	($0.12)	($0.17)	($0.79)	($0.10)	($0.11)	($0.09)	($0.13)	($0.42)
Earnings Per Share - Basic	($0 33)	($0 17)	($0 12)	($0.17)	($0.79)	($0 10)	($0.11)	($0.09)	($0.13)	($0.42)

Source Company data and Wachovia Capital Markets, LLC estimates

Sirius Satellite Radio

Annual Subscriber Model (Figures in thousands) — **For Fiscal Years Ended December 31**

	2002A	2003A	2004A	2005A	2006A	2007E	2008E	2009E	2010E
Sirius Satellite Radio Subscribers									
Beginning of Period		29 947	261 061	1 143 258	3 316 560	6,024 555	7,981 045	9,451 489	10,438 928
End of Period	29 947	261 061	1 143 258	3 316 560	6,024 555	7,981 045	9,451 489	10,438 928	11,111 419
% Annual Change		772%	338%	190%	82%	32%	18 4%	10 4%	6.4%
Average SIRI Subscribers		117 090	549 113	1 916 788	4,636 455	7,017 734	8 716 267	9,945 209	10,775 173
Net additions	29.947	231.114	882 197	2,173.302	2,707 995	1,956.490	1,470.444	987.438	672.492
% Annual Change		671 7%	281 7%	146 4%	24 6%	-27 8%	-24 8%	-32 8%	-31 9%
			1,868.896	2,703.518	1,695.581	1,435.176	1,392 152	1,012.795	817.845
				18 0%	34 7%	45 2%			
Gross Additions	29 947	255 437	986 296	2 520 828	3,757 109	3,911 009	4,033 027	4,090 343	4,228 299
% Annual Change		753 0%	286 1%	155 6%	49 0%	4 1%	3 1%	1 4%	3 4%
Monthly % Churn Rate		1 7%	1 6%	1 5%	1 9%	2 3%	2 45%	2 60%	2.75%

Source Company data and Wachovia Capital Markets LLC estimates

Sirius Satellite Radio

Annual Income Statement (Dollars in millions, except for per subscriber and per share amounts) — For Fiscal Years Ended December 31

	2002A	2003A	2004A	2005A	2006A	2007E	2008E	2009E	2010E
Revenue.									
Total Subscriber Revenue	$0 623	$12.615	$62.881	$223.615	$575.364	$889.203	$1,126.509	$1,311 046	$1,448.867
Annual growth		1925%	398%	256%	157%	55%	27%	16%	11%
Average Monthly Revenue Per Subscriber -calculated (quarterly average)		$8 98	$9 54	$9 72	$10 34	$10 56	$10 77	$10 99	$11 21
% Annual Change			6 3%	1 9%	6 4%	2 1%	2 0%	2 0%	2 0%
Advertising revenue	0 146	0 116	0 906	6 131	31 044	39 849	67 987	89 507	109 907
Average Monthly Revenue Per Subscriber		$0 08	$0 14	$0 27	$0 56	$0 47	$0 65	$0 75	$0 85
% of total revenue		1%	1%	3%	5%	4%	6%	6%	7%
Equipment Revenue	-	0 061	2 898	12 271	26 798	23 634	20 165	16 361	12 685
Revenue per gross addition			$2 94	$4 87	$7 13	$6 04	$5 00	$4 00	$3 00
Other Revenue	0 036	0 080	0 169	0 228	4 029	9 251	15 689	23 869	32.326
Average Monthly Revenue Per Subscriber	$0 00	$0 06	$0 03	$0 01	$0 07	$0 11	$0 15	$0 20	$0 25
Total Revenue	0 805	12 872	66 854	242 245	637 235	961 937	1,230 350	1,440 783	1,603 784
% Annual Change		1499%	419%	262%	163%	51%	28%	17%	11%
Total average monthly ARPU -calculated		$9 16	$10.15	$10.53	$11 45	$11.42	$11.76	$12.07	$12.40
Operating Expenses.									
Cost Of Revenue									
Satellite and Transmission	(39 308)	(32 604)	(31 157)	(27 856)	(39 229)	(30 100)	(31 304)	(32 557)	(33 859)
% annual growth		-17%	-4%	-11%	41%	-23%	4%	4%	4%
Programming and content	(22 728)	(30 214)	(63 949)	(98 817)	(230 215)	(244 907)	(298 787)	(352 568)	(391 351)
% annual growth		33%	112%	55%	133%	6%	22%	18%	11%
% of subscriber revenue		240%	102%	44%	40%	28%	27%	27%	27%
Revenue share and royalties						(117 927)	(138 210)	(159 495)	(179 431)
% annual growth						NM	17%	15%	13%
% of subscriber revenue						13%	12%	12%	12%
Customer service and billing	(7 862)	(23 657)	(22 341)	(46 653)	(68 137)	(92 477)	(116 101)	(127 696)	(135 767)
% annual growth	1262%	201%	-6%	109%	46%	36%	26%	10%	6%
Monthly billing costs		$16 84	$3 39	$2 03	$1 22	$1 10	$1 11	$1 07	$1 05
% of subscriber revenue	1262%	184%	33%	19%	11%	10%	9%	9%	8%
Cost of equipment	-	(0 115)	(3 467)	(11 827)	(35 233)	(33 581)	(22 182)	(16 361)	(12 685)
% of equipment sales		189%	120%	96%	131%	142%	110%	100%	100%
Total Cost Of Revenue	(69 898)	(86 590)	(120 914)	(185 153)	(372 814)	(518 992)	(606 584)	(688 677)	(753 093)
Sales and marketing	(87 347)	(122 327)	(153 899)	(172 202)	(222 492)	(197 539)	(231 121)	(268 100)	(308 315)
% annual growth		40%	26%	12%	29%	-11%	17%	16%	15%
% of revenue	10851%	950%	230%	71%	35%	21%	19%	19%	19%
Subscriber acquisition costs	(21 038)	(74 860)	(173 702)	(351 241)	(419 716)	(383 169)	(338 774)	(298 595)	(266 383)
% annual growth	0%	256%	132%	102%	19%	-9%	-12%	-12%	-11%
General and administrative	(30 682)	(36 211)	(44 028)	(59 831)	(67 538)	(106 379)	(125 527)	(143 101)	(161 704)
% annual growth		18%	22%	36%	46%	22%	18%	14%	13%
% of revenue	3811%	281%	66%	25%	14%	11%	10%	10%	10%
Research and development	(30 087)	(24 534)	(30 520)	(42 925)	(58 732)	(52 845)	(57 072)	(62 209)	(66 564)
% annual growth		-18%	24%	41%	37%	-10%	8%	9%	7%
SAC		($293)	($177)	($139)	($114)	($101)	($85)	($73)	($63)
CPGA -Wachovia estimate		($772)	($333)	($207)	($173)	($151)	($142)	($139)	($136)
Operating Cash Flow	(238.247)	(331.650)	(456.209)	(569.107)	(524.057)	(296.987)	(128 729)	(19.900)	47.725
% Operating Margin							-10%	-1%	3%
Depreciation expense	(82 747)	(95 353)	(95 370)	(98 555)	(105 749)	(110 331)	(112 538)	(114 788)	(117 084)
Equity Granted to 3rd Parties and Employees	7 867	(12 072)	(126 725)	(163 078)	(437 918)	(159 260)	(167 223)	(175 584)	(184 363)
Total operating expenses	(313 932)	(451 947)	(745 158)	(1,072 985)	(1,704 959)	(1 528 515)	(1,638 839)	(1 751 055)	(1,857 506)
Operating (Loss) / Profit	($313.127)	($439.075)	($678.304)	($830 740)	($1,067.724)	($566.578)	($408.489)	($310.272)	($253.722)
Margin on Total Revenue			-1015%	-3433%	-168%	-59%	-33%	-22%	-16%
% Change	NM	NM	NM	NM	86%	-47%	-28%	-24%	-18%

Source Company data and Wachovia Capital Markets LLC estimates

Sirius Satellite Radio

Annual Income Statement (continued) (Dollars in millions, except for per subscriber and per share amounts) — For Fiscal Years Ended December 31

	2002A	2003A	2004A	2005A	2006A	2007E	2008E	2009E	2010E
Operating Losses	($313 127)	($439.075)	($678 304)	($830.740)	($1,067.724)	($566 578)	($408.489)	($310.272)	($253.722)
Other Income (Expense) .									
Debt Restructuring	(8 448)	256 538	-	-	-	-			
Interest Income	5 257	5 287	9 713	26 878	33 320	25 542	10 000	10 000	10 000
Interest Expense	(106 163)	(50 510)	(41 386)	(51 575)	(64 032)	(71 442)	(83 530)	(82 893)	(84 473)
Other	-	-	2 016	(6 849)	(4 366)	0 005			
Net Income (Loss) before income taxes	(422 481)	(227 760)	(707 961)	(862 286)	(1 102 802)	(612 473)	(482 019)	(383 165)	(328 195)
Income tax expense	-	-	(4 201)	(2 311)	(2 065)	(1 769)	(1 857)	(1 950)	(2 048)
Net Income (Loss)	(422 481)	(227 760)	(712 162)	(864 597)	(1,104 867)	(614 242)	(483 877)	(385 115)	(330 242)
Preferred Stock Dividends	(45 300)	(8 574)	-	-	-	-	-	-	-
Preferred Stock Deemed Dividends	(0 685)	(79 634)	-	-	-	-	-	-	-
Net Income (Loss) to common shareholders	(468 466)	(315 968)	(712 162)	(864 597)	(1,104 867)	(614 242)	(483 877)	(385 115)	(330 242)
Average Diluted Common Shares Outstanding	76	827	1 239	1 326	1,403	1 463	1,513	1,563	1,613
Average Basic Common Shares Outstanding	76	827	1 239	1 326	1 403	1,463	1 513	1 563	1,613
Earnings Per Share- Diluted	($6 13)	($0 38)	($0 57)	($0 65)	($0 79)	($0 42)	($0 32)	($0 25)	($0 20)
Earnings Per Share - Basic	($6 13)	($0 38)	($0 57)	($0 65)	($0 79)	($0 42)	($0 32)	($0 25)	($0 20)

Source Company data and Wachovia Capital Markets LLC estimates

Sirius Satellite Radio

Free Cash Flow Analysis (Dollars in millions, except for per share and per subscriber amounts) — For Fiscal Years Ended December 31

	2002A	2003A	2004A	2005A	2006A	2007E	2008E	2009E	2010E
Sources and Uses									
Operating Cash Flow	(238 247)	(331 850)	(456 209)	(569 107)	(524 057)	(296 987)	(128 729)	(19 900)	47 725
Net Cash Interest Expense	(47 206)	(27 802)	(19 474)	(42 496)	(61 186)	(45 146)	(73 530)	(72 893)	(74 473)
Change in Working Capital	(49 373)	52 629	129 421	320 404	114 749	86 359	200 000	150 000	150 000
Other	14 015	22 336	11 799	15 859	49 306	0 875	(1 857)	(1 950)	(2,048)
Cash flow from operations	(320 811)	(284 487)	(334 463)	(275 340)	(421 188)	(254 899)	(4 116)	55 257	121 205
PPE	(41 165)	(20 118)	(28 589)	(49 888)	(99 827)	(54 958)	(235 000)	(45 000)	(40 000)
NFL payments			(85 000)	-	-	(22 810)	(30 000)	(30 000)	
Other investing activities	-	-	0 443	0 072	(5)	0			
Capex and investing activities	(41 165)	(20 118)	(113 146)	(49 816)	(104 704)	(77 672)	(265 000)	(75 000)	(40 000)
Free Cash Flow before non-cash interest	(361 976)	(304 605)	(447 609)	(325 156)	(525 892)	(332 571)	(269 116)	(19 743)	81 205
Non-cash interest	(58 957)	(22 708)	(21 912)	(2 865)	(2 846)	(0 754)	0 000	0 000	0 000
Free Cash Flow	(420.933)	(327 313)	(469.521)	(328 021)	(528 738)	(333.325)	(269.116)	(19.743)	81.205
Net cash/ (debt)		355	(309)	(205)	(558)	(880)	(1,036)	(1,056)	(975)

Source Company data and Wachovia Capital Markets LLC estimates

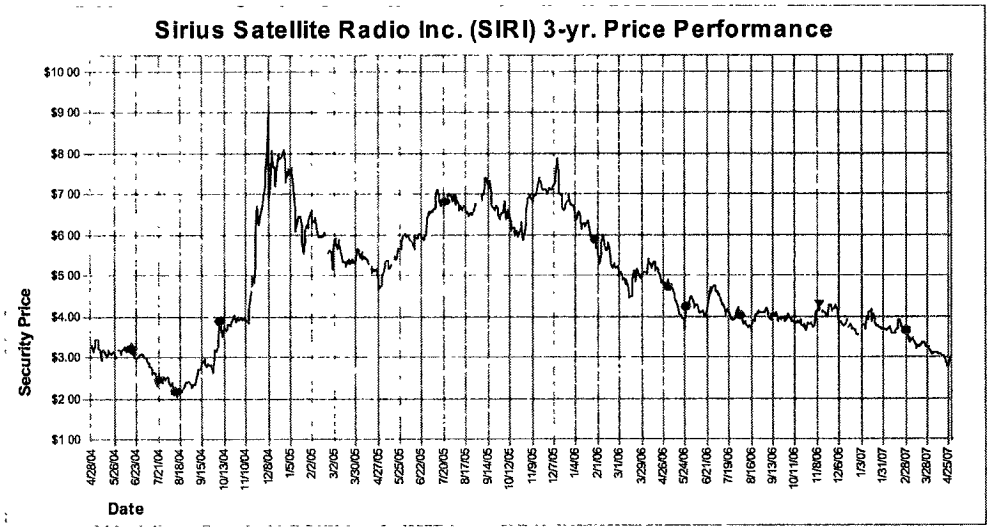
Sirius Satellite Radio

Discounted Cash Flow Valuation (Dollars in millions, except for per share and per subscriber amounts) — **For Fiscal Years Ended December 31**

	2002A	2003A	2004A	2005A	2006A	2007E	2008E	2009E	2010E
Free cash flow	(421)	(327)	(470)	(328)	(529)	(333)	(269)	(20)	81
Interest expense	47	28	19	42	61	45	74	73	74
Unlevered Free Cash Flow	(374)	(300)	(450)	(286)	(468)	(288)	(196)	53	156
YE 2006 PV of FCF discounted at	12%					(257)	(156)	38	99
YE 2007 PV of FCF discounted at	12%						(175)	42	111
Terminal Value @ __x free cash flow	57X								6,890
Terminal Value @ __x operating cash flow	140X								
Sum of Free Cash Flow at PV						(21)			
Add Terminal Value (__% discount rate)						4,762	Implied terminal subscriber value		$601
Total Value						4,741			
Less Estimated Year End Debt						(1,181)			
Plus Estimated Year End Cash & Securities						301			
Plus Estimated Convertible Debt Elimination						567			
Estimated option and warrant proceeds						440			
Net Asset Value						$4,867			
Shares Outstanding (millions)									
Common Shares Outstanding						1,414			
Convertible Debt						138			
Warrants						109			
Options						52			
Restricted Stock						4			
Diluted Shares outstanding						1,717			
						$2.83			
Valuation range						$3.50			
						$2.50			

Source Company data and Wachovia Capital Markets LLC estimates

Required Disclosures



	Date	Close Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High
	6/16/2004	Wlodarczak			
◆	6/16/2004	3.23	3	2.00	3.00
●	7/22/2004	2 46	3	1.75	2.75
●	8/12/2004	2.16	3	1 00	2.00
●	10/7/2004	3.87	3	2.50	3.00
●	11/19/2004	4 72	2	4.50	5.50
●	7/22/2005	6.83	2	4.00	6.00
●	9/1/2005	6.88	1	7.00	9.00
●	1/30/2006	5.86	1	6.00	8.00
●	5/3/2006	4 72	1	5 00	7.00
●	5/25/2006	4 22	1	4.00	6.00
●	8/2/2006	4.02	1	4.00	5.50
▼●	11/9/2006	4 29	2	4.00	4.50
●	2/28/2007	3.65	2	2.50	4.00

Source Wachovia Capital Markets, LLC estimates and Reuters data

Symbol Key

▼	Rating Downgrade	◆	Initiation, Resumption, Drop or Suspend
	Rating Upgrade	■	Analyst Change
●	Valuation Range Change		Split Adjustment

Rating Code Key

1	Outperform	SR	Suspended
2	Market Perform	NR	Not Rated
3	Underperform	NE	No Estimate

Additional Information Available Upon Request

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2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

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Risks include slower subscriber growth, high content costs and the potential entrance of terrestrial wireless alternatives.

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2 = **Market Perform:** The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

3 = **Underperform:** The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

SECTOR RATING

O = **Overweight:** Industry expected to outperform the relevant broad market benchmark over the next 12 months.

M = **Market Weight:** Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

U = **Underweight:** Industry expected to underperform the relevant broad market benchmark over the next 12 months.

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V = A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: May 2, 2007

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