DIRECTV
Form 10-Q
August 05, 2011

Use these links to rapidly review the document
TABLE OF CONTENTS

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2011

OR

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

For the transition period from to
Commission file number 1-34554

DIRECTV

(Exact name of registrant as specified in its charter)

DELAWARE	**26-4772533**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2230 East Imperial Highway El Segundo, California	**90245**
(Address of principal executive offices)	(Zip Code)

(310) 964-5000
(Registrant's telephone number, including area code)

N/A
(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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

As of August 1, 2011, the registrant had outstanding 738,286,831 shares of Class A common stock.

Table of Contents

DIRECTV

TABLE OF CONTENTS

Table of Contents

DIRECTV

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(Dollars in Millions, Except Per Share Amounts)			
Revenues	$ 6,600	$ 5,848	$ 12,919	$ 11,456
Operating costs and expenses				
Costs of revenues, exclusive of depreciation and amortization expense				
Broadcast programming and other	2,693	2,366	5,286	4,680
Subscriber service expenses	466	407	915	802
Broadcast operations expenses	96	85	190	173
Selling, general and administrative expenses, exclusive of depreciation and amortization expense				
Subscriber acquisition costs	766	709	1,562	1,381
Upgrade and retention costs	327	272	608	532
General and administrative expenses	406	374	746	678
Depreciation and amortization expense	616	625	1,227	1,244
Total operating costs and expenses	5,370	4,838	10,534	9,490
Operating profit	1,230	1,010	2,385	1,966
Interest income	9	8	16	19
Interest expense	(203)	(134)	(375)	(249)
Liberty transaction and related gains				67
Other, net	70	13	112	19
Income before income taxes	1,106	897	2,138	1,822
Income tax expense	(397)	(343)	(746)	(693)
Net income	709	554	1,392	1,129
Less: Net income attributable to noncontrolling interest	(8)	(11)	(17)	(28)
Net income attributable to DIRECTV	$ 701	$ 543	$ 1,375	$ 1,101
Net income attributable to Class A common stockholders	$ 701	$ 372	$ 1,375	$ 917
Net income attributable to Class B common stockholders, including $160 million		171		184

exchange inducement value for the Malone Transaction (Note 8)				
Net income attributable to DIRECTV	$ 701	$ 543	$ 1,375	$ 1,101
Basic earnings attributable to Class A stockholders per common share	$ 0.92	$ 0.42	$ 1.77	$ 1.02
Diluted earnings attributable to Class A stockholders per common share	0.91	0.42	1.76	1.02
Basic and diluted earnings attributable to Class B stockholders per common share, including $160 million exchange inducement value for the Malone Transaction (Note 8)		7.84		8.44
Weighted average number of Class A common shares outstanding (in millions)				
Basic	763	883	778	896
Diluted	767	889	782	903
Weighted average number of Class B common shares outstanding, through June 16, 2010 (in millions)				
Basic		22		22
Diluted		22		22
Weighted average number of total common shares outstanding (in millions)				
Basic	763	901	778	916
Diluted	767	907	782	923

The accompanying notes are an integral part of these Consolidated Financial Statements.

Table of Contents

DIRECTV

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2011	December 31, 2010
	(Dollars in Millions, Except Share Data)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,528	$ 1,502
Accounts receivable, net of allowances of $98 and $76	2,003	2,001
Inventories	321	247
Deferred income taxes	61	53
Prepaid expenses and other	405	450
Total current assets	5,318	4,253
Satellites, net	2,173	2,235
Property and equipment, net	4,789	4,444
Goodwill	4,181	4,148
Intangible assets, net	1,014	1,074
Investments and other assets	1,702	1,755
Total assets	$ 19,177	$ 17,909
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued liabilities	$ 3,539	$ 3,926
Unearned subscriber revenues and deferred credits	509	486
Short-term borrowings		38
Total current liabilities	4,048	4,450
Long-term debt	13,462	10,472
Deferred income taxes	1,784	1,670
Other liabilities and deferred credits	1,282	1,287
Commitments and contingencies		
Redeemable noncontrolling interest	224	224
Stockholders' deficit		
Common stock and additional paid-in capital $0.01 par value, 3,947,000,000 and 3,500,000,000 shares authorized, 747,301,144 and 808,447,044 shares issued and outstanding of Class A common stock at June 30, 2011 and December 31, 2010, respectively	5,177	5,563
Accumulated deficit	(6,816)	(5,730)
Accumulated other comprehensive gain (loss)	16	(27)
Total stockholders' deficit	(1,623)	(194)

Total liabilities and stockholders' deficit	$	19,177	$	17,909

The accompanying notes are an integral part of these Consolidated Financial Statements.

Table of Contents

DIRECTV

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
	(Dollars in Millions)	
Cash Flows From Operating Activities		
Net income	$ 1,392	$ 1,129
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,227	1,244
Amortization of deferred revenues and deferred credits	(18)	(17)
Share-based compensation expense	53	38
Equity in earnings from unconsolidated affiliates	(55)	(38)
Net foreign currency transaction (gain) loss	(26)	11
Dividends received	77	47
Gain from sale of investments	(63)	(3)
Liberty transaction and related gains		(67)
Deferred income taxes	180	135
Other	26	30
Change in other operating assets and liabilities:		
Accounts receivable	17	(30)
Inventories	(74)	29
Prepaid expenses and other	9	61
Accounts payable and accrued liabilities	(259)	(15)
Unearned subscriber revenue and deferred credits	23	(8)
Other, net	(105)	(52)
Net cash provided by operating activities	2,404	2,494
Cash Flows From Investing Activities		
Cash paid for property and equipment	(1,296)	(1,011)
Cash paid for satellites	(48)	(69)
Investment in companies, net of cash acquired	(11)	(1)
Proceeds from sale of investments	116	5
Other, net	39	(41)
Net cash used in investing activities	(1,200)	(1,117)
Cash Flows From Financing Activities		
Cash proceeds from debt issuance	3,990	2,996
Debt issuance costs	(30)	(16)
Repayment of long-term debt	(1,000)	(1,103)
Repayment of short-term borrowings	(39)	
Repayment of collar loan and equity collars		(1,537)
Repayment of other long-term obligations	(156)	(62)
Common shares repurchased and retired	(2,913)	(2,189)

Stock options exercised				2
Taxes paid in lieu of shares issued for share-based compensation		(55)		(82)
Excess tax benefit from share-based compensation		25		9
Net cash used in financing activities		(178)		(1,982)
Net increase (decrease) in cash and cash equivalents		1,026		(605)
Cash and cash equivalents at beginning of the period		1,502		2,605
Cash and cash equivalents at end of the period	$	2,528	$	2,000
Supplemental Cash Flow Information				
Cash paid for interest	$	310	$	207
Cash paid for income taxes		543		382

The accompanying notes are an integral part of these Consolidated Financial Statements.

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1: Basis of Presentation

DIRECTV, which we also refer to as the company, we or us, is a leading provider of digital television entertainment in the United States and Latin America. We operate two direct-to-home, or DTH, operating segments: DIRECTV U.S. and DIRECTV Latin America, which acquire, promote, sell and/or distribute digital entertainment programming primarily via satellite to residential and commercial subscribers. In addition, since November 19, 2009, we own and operate three regional sports networks, or RSNs, and own a 60% interest in Game Show Network, LLC, or GSN, a basic television network dedicated to game-related programming and Internet interactive game playing. We account for our investment in GSN using the equity method of accounting.

DIRECTV U.S. DIRECTV Holdings LLC and its subsidiaries, which we refer to as DIRECTV U.S., is the largest provider of DTH digital television services and the second largest provider in the multi-channel video programming distribution, or MVPD, industry in the United States.

DIRECTV Latin America. DIRECTV Latin America Holdings, Inc. and its subsidiaries, or DIRECTV Latin America, is a leading provider of DTH digital television services throughout Latin America. DIRECTV Latin America is comprised of: PanAmericana, which provides services in Argentina, Chile, Colombia, Ecuador, Puerto Rico, Venezuela and certain other countries in the region; our 93% owned subsidiary Sky Brasil Servicos Ltda., which we refer to as Sky Brazil; and our 41% equity method investment in Innova, S. de R.L. de C.V., or Sky Mexico.

DIRECTV Sports Networks. DIRECTV Sports Networks LLC and its subsidiaries, or DSN, is comprised primarily of three regional sports television networks based in Seattle, Washington, Denver, Colorado and Pittsburgh, Pennsylvania, which are collectively known as ROOT Sports. The operating results of DSN are reported as part of the "Sports Networks, Eliminations and Other" operating segment.

We have prepared the accompanying unaudited consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, or GAAP, for interim financial reporting. In the opinion of management, all adjustments (consisting only of normal recurring items) that are necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. For further information, refer to the consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on February 28, 2011, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 filed with the SEC on May 6, 2011 and all of our other filings, including Current Reports on Form 8-K, filed with the SEC after such date and through the date of this report.

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, which requires us to make estimates and assumptions that affect amounts reported herein. We base our estimates and assumptions on historical experience and on various other factors that we believe to be reasonable under the circumstances. Due to the inherent uncertainty involved in making estimates, our actual results reported in future periods may be affected by changes in those estimates.

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Note 2: Divestitures

Equity Method Investments

In April 2011, we sold an equity method investment for $55 million in cash. As a result of this sale, we recognized a $37 million gain, or $23 million after tax, on the sale in "Other, net" in the Consolidated Statements of Operations, which represents the difference between the selling price and the carrying amount of the equity method investment sold.

Investment in GSN. We account for our investment in GSN using the equity method of accounting. In March 2011, we sold a 5% ownership interest in GSN for $60 million in cash, reducing our ownership interest to 60%. We recognized a $25 million gain, or $16 million after tax, on the sale in "Other, net" in the Consolidated Statements of Operations, which represents the difference between the selling price and the carrying amount of the portion of our equity method investment sold. Additionally, we entered into an agreement with our equity partner in GSN under which we have the right to require them to purchase an additional 18% interest in GSN through 2014 and in 2014, if we have not exercised that right, our equity partner in GSN has the right to require us to sell an additional 18% interest in GSN to them, in each case for an exercise price which exceeds our carrying value for that portion of the investment. Such exercise price is calculated using a formula based on an agreed upon multiple of the earnings of GSN with a minimum price of $234 million and a maximum price of $288 million. As of June 30, 2011, the book value of our 60% interest in GSN was $406 million.

Note 3: Accounting Change

Revenue Recognition

On January 1, 2011 we adopted the revisions issued by the Financial Accounting Standards Board to the standard for revenue arrangements with multiple deliverables. The revised standard allows entities to use the "best estimate of selling price" in addition to third-party evidence or actual selling prices for determining the fair value of a deliverable, and includes additional disclosure requirements. The adoption of this change did not have an effect on our consolidated results of operations and financial position.

We enter into multiple-deliverable revenue arrangements with our subscribers under which we provide DIRECTV receiving equipment and installation at the inception of the arrangement, and programming during their contract period, of up to two years. We allocate consideration to each deliverable in the arrangement based on its relative selling price. We determine the selling price of the DIRECTV receiving equipment using our best estimate. We determine the selling price for installation services based on prices charged by third parties. We determine the selling price of the programming using our standard programming rates. The DIRECTV receiving equipment, installation services and programming are each considered separate units of accounting.

We recognize subscription and pay-per-view revenues when programming is broadcast to subscribers. We recognize subscriber fees for multiple set-top receivers, warranty services and equipment rental as revenue, as earned. We recognize advertising revenues when the related services are performed. We defer programming payments received from subscribers in advance of the broadcast as "Unearned subscriber revenues and deferred credits" in the Consolidated Balance Sheets until earned. We recognize revenues to be received under contractual commitments on a straight line basis over the minimum contractual period. We report revenues net of customer credits and discounted promotions.

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Note 4: Goodwill and Intangible Assets

The changes in the carrying amounts of goodwill at each of our segments for the six months ended June 30, 2011 were as follows:

	DIRECTV U.S.	DIRECTV Latin America	Sports Networks, Eliminations and Other	Total
	(Dollars in Millions)			
Balance as of December 31, 2010	$ 3,176	$ 677	$ 295	$ 4,148
Sky Brazil foreign currency translation adjustment		32		32
Acquisition accounting adjustments	1			1
Balance as of June 30, 2011	$ 3,177	$ 709	$ 295	$ 4,181

Satellite Rights

Sky Brazil has entered into an agreement for the right to use a satellite should its existing leased satellite suffer a significant failure and replacement capacity is needed. During the first quarter of 2010 the satellite was launched and successfully placed into its assigned orbit, and we recorded the total payments for the right to use the satellite of $116 million in "Intangible Assets" in the Consolidated Balance Sheets. We made a $29 million payment during the first quarter of 2010 and we made the remaining $87 million payment during the first quarter of 2011. We are amortizing the intangible asset on a straight line basis over the 15 year term of the agreement.

Note 5: Debt

The following table sets forth our outstanding debt:

	June 30, 2011	December 31, 2010
	(Dollars in Millions)	
Long-term debt		
Senior notes	$ 13,462	$ 10,472
Short-term borrowings		38
Total debt	$ 13,462	$ 10,510

All of our senior notes were issued by DIRECTV U.S. and have been registered under the Securities Act of 1933, as amended. All of our senior notes are unsecured and have been fully and unconditionally guaranteed, jointly and severally, by substantially all of DIRECTV U.S.' domestic subsidiaries. Principal on the senior notes is payable upon maturity, while interest is payable semi-annually.

As of June 30, 2011, DIRECTV U.S. had the ability to borrow up to $2 billion under a revolving credit facility discussed below.

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

2011 Financing Transactions

On March 10, 2011, DIRECTV U.S. issued the following senior notes:

	Principal	Proceeds, net of discount
	(Dollars in Millions)	
3.500% senior notes due 2016	$ 1,500	$ 1,497
5.000% senior notes due 2021	1,500	1,493
6.375% senior notes due 2041	1,000	1,000
	$ 4,000	$ 3,990

We incurred $24 million of debt issuance costs in connection with this transaction.

On March 17, 2011, DIRECTV U.S. purchased, pursuant to a tender offer, $341 million of its then outstanding $1,002 million of 6.375% senior notes due in 2015, representing approximately 34% of the total outstanding principal of these notes, at a price of 103.313%, plus accrued and unpaid interest. On June 15, 2011, DIRECTV U.S. redeemed, pursuant to the terms of its indenture, the remaining $659 million of its outstanding 6.375% senior notes due 2015, at a price of 102.125%, plus accrued and unpaid interest. We recorded a pre-tax charge of $14 million, $9 million after tax, during the second quarter of 2011 and a pre-tax charge of $25 million, $16 million after tax, during the six months ended June 30, 2011, as a result of the redemptions, primarily for the premiums paid. The pre-tax charge was recorded in "Other, net" in our Consolidated Statements of Operations.

2010 Financing Transactions

On March 11, 2010, DIRECTV U.S. issued the following senior notes:

	Principal	Proceeds, net of discount
	(Dollars in Millions)	
3.550% senior notes due 2015	$ 1,200	$ 1,199
5.200% senior notes due 2020	1,300	1,298
6.350% senior notes due 2040	500	499
	$ 3,000	$ 2,996

We incurred $17 million of debt issuance costs in connection with this transaction.

On March 16, 2010, DIRECTV U.S. repaid the $985 million of remaining principal on Term Loan C of its senior secured credit facility. The repayment of Term Loan C resulted in a first quarter 2010 pre-tax charge of $9 million, $6 million after tax, of which $6 million resulted from the write-off of unamortized discount and $3 million resulted from the write-off of deferred debt issuance and other transaction costs. The charge was recorded in "Other, net" in our Consolidated Statements of Operations.

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Senior Notes

The following table sets forth our outstanding senior notes balance as of:

	Principal amount June 30, 2011	Carrying value, net of unamortized original issue discounts or including premium June 30, 2011	December 31, 2010
		(Dollars in Millions)	
4.750% senior notes due 2014	$1,000	$998	$998
3.550% senior notes due 2015	1,200	1,199	1,199
6.375% senior notes due 2015			1,002
3.125% senior notes due 2016	750	750	750
3.500% senior notes due 2016	1,500	1,497	
7.625% senior notes due 2016	1,500	1,500	1,500
5.875% senior notes due 2019	1,000	994	994
5.200% senior notes due 2020	1,300	1,298	1,298
4.600% senior notes due 2021	1,000	999	999
5.000% senior notes due 2021	1,500	1,494	
6.350% senior notes due 2040	500	499	499
6.000% senior notes due 2040	1,250	1,234	1,233
6.375% senior notes due 2041	1,000	1,000	
Total senior notes	$13,500	$13,462	$10,472

The fair value of our senior notes was approximately $14,188 million at June 30, 2011 and $10,881 million at December 31, 2010. We calculated the fair values based on quoted market prices of our senior notes, which is a Level 1 input under accounting guidance for fair value measurements of assets and liabilities.

Collar Loan

On November 19, 2009, The DIRECTV Group, Inc. and Liberty Media Corporation completed a series of transactions, which we refer to collectively as the Liberty Transaction. As part of the Liberty Transaction, we assumed a credit facility and related equity collars, which we refer to as the Collar Loan. During the first quarter of 2010, we paid $1,537 million to repay the remaining principal balance and accrued interest on the credit facility, and to settle the equity collars. As a result, we recorded a gain of $67 million in "Liberty transaction and related gains" in the Consolidated Statements of Operations in the first quarter of 2010 related to the Collar Loan.

Credit Facilities

At December 31, 2010, DIRECTV U.S.' senior secured credit facility consisted of a $500 million undrawn six-year revolving credit facility.

In February 2011, DIRECTV U.S.' senior secured credit facility was terminated and replaced by a five-year, $2.0 billion revolving credit facility. We pay a commitment fee of .30% per year for the unused commitment under the revolving credit facility, and borrowings will bear interest at an annual rate of (i) the London interbank offer rate (LIBOR) (or for Euro advances the EURIBOR rate) plus 1.50% or at our option (ii) the higher of the prime rate plus 0.50% or the Fed Funds Rate plus 1.00%.

Table of Contents

The commitment fee and the annual interest rate may be increased or decreased under certain conditions, which include changes in DIRECTV U.S.' long-term, unsecured debt ratings. The revolving credit facility has been fully and unconditionally guaranteed, jointly and severally, by substantially all of DIRECTV U.S.' domestic subsidiaries on a senior unsecured basis.

Covenants and Restrictions

The revolving credit facility requires DIRECTV U.S. to maintain at the end of each fiscal quarter a specified ratio of indebtedness to adjusted net income. The revolving credit facility also includes covenants that restrict DIRECTV U.S.' ability to, among other things, (i) incur additional subsidiary indebtedness, (ii) incur liens, (iii) enter into certain transactions with affiliates, (iv) merge or consolidate with another entity, (v) sell, assign, lease or otherwise dispose of all or substantially all of its assets, and (vi) change its lines of business. Additionally, the senior notes contain restrictive covenants that are similar. Should DIRECTV U.S. fail to comply with these covenants, all or a portion of its borrowings under the senior notes could become immediately payable and its revolving credit facility could be terminated. At June 30, 2011, DIRECTV U.S. was in compliance with all such covenants. The senior notes and revolving credit facility also provide that the borrowings may be required to be prepaid if certain change-in-control events occur.

Restricted Cash. Restricted cash of $31 million as of June 30, 2011 and $70 million as of December 31, 2010 was included as part of "Prepaid expenses and other" in our Consolidated Balance Sheets. These amounts secure our letter of credit obligations and as of December 31, 2010, collateralized an international loan. The restrictions on the cash will be removed as the letters of credit expire.

Note 6: Contingencies

Venezuela Devaluation and Exchange Controls. In January 2010, the Venezuelan government announced the creation of a dual exchange rate system, including an exchange rate of 4.3 bolivars fuerte per U.S. dollar for most of the activities of DIRECTV Latin America's Venezuelan operations compared to an exchange rate of 2.15 Venezuelan bolivars fuerte prior to the announcement. As a result of this devaluation, we recorded a $6 million charge to net income during the six months ended June 30, 2010 related to the adjustment of net bolivars fuerte denominated monetary assets to the new official exchange rate. We began reporting the operating results of our Venezuelan subsidiary in the first quarter of 2010 using the devalued rate of 4.3 bolivars fuerte per U.S. dollar. In December 2010, the Venezuelan government announced the elimination of the dual exchange rate system, eliminating the 2.6 bolivars fuerte per U.S. dollar preferential rate which was available for certain activities.

Companies operating in Venezuela are required to obtain Venezuelan government approval to exchange Venezuelan bolivars fuerte into U.S. dollars at the official rate. We have not been able to consistently exchange Venezuelan bolivars fuerte into U.S. dollars at the official rate and as a result, we have relied on a parallel exchange process to settle U.S. dollar obligations and to repatriate accumulated cash balances prior to its close. The rates implied by transactions in the parallel market, which was closed in May 2010, were significantly higher than the official rate (6 to 7 bolivars fuerte per U.S. dollar). As a result, we recorded a $9 million charge in the second quarter of 2010 and a $22 million charge for the six months ended June 30, 2010 in "General and administrative expenses" in the Consolidated Statements of Operations in connection with the exchange of accumulated Venezuelan cash balances to U.S. dollars using the parallel exchange process.

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

In June 2010, the Venezuelan government established the SITME, an alternative to the official process for exchanging foreign currency. Venezuelan entities can purchase U.S. dollar denominated securities through the SITME; however, trading volume is limited to $50,000 per day with a maximum equivalent of $350,000 in a calendar month, subject to certain limitations. The SITME has established a weighted average implicit exchange rate of approximately 5.3 bolivars fuerte per U.S. dollar.

As a result of these developments, our ability to pay U.S. dollar denominated obligations and repatriate cash generated in Venezuela in excess of local operating requirements is limited, resulting in an increase in the cash balance at our Venezuelan subsidiary. Due to these limitations, we have realized lower charges for the repatriation of cash in 2011 as compared to 2010 and our Venezuelan subsidiary had accumulated Venezuelan bolivars fuerte denominated cash of $264 million at June 30, 2011, as compared to $169 million at December 31, 2010.

We expect to continue our practice of repatriating cash generated in Venezuela in excess of local operating requirements. At such time that exchange controls are eased, accumulated cash balances may ultimately be repatriated at less than their currently reported value, as the official exchange rate has not changed despite continuing high inflation in Venezuela. These conditions are also expected to affect growth in our Venezuelan business which is dependent on our ability to purchase set-top boxes and other components using U.S. dollars.

Using the official 4.3 bolivars fuerte per U.S. dollar exchange rate as of June 30, 2011, our Venezuelan subsidiary had net Venezuelan bolivar fuerte denominated monetary assets of $192 million in excess of Venezuelan bolivar fuerte denominated monetary liabilities on that date.

Redeemable Noncontrolling Interest

In connection with our acquisition of Sky Brazil in 2006, DIRECTV Latin America's partner who holds the remaining 7% interest, Globo Comunicações e Participações S.A., or Globo, was granted the right, until January 2014, to require us to purchase all, but not less than all, of its shares in Sky Brazil. Upon exercising this right, the fair value of Sky Brazil shares will be determined by mutual agreement or by an outside valuation expert, and DIRECTV Latin America has the option to elect to pay for the Sky Brazil shares in cash, shares of our common stock or a combination of both. The carrying amount of the redeemable noncontrolling interest was $224 million as of June 30, 2011 and $224 million as of December 31, 2010, representing our best estimates of the fair value on those dates. Adjustments to the carrying amount of the redeemable noncontrolling interest are recorded to additional paid-in-capital. We determined the fair values using significant unobservable inputs, which are Level 3 inputs under accounting guidance for measuring fair value.

Litigation

Litigation is subject to uncertainties and the outcome of individual litigated matters is not predictable with assurance. Various legal actions, claims and proceedings are pending against us arising in the ordinary course of business. We have established loss provisions for matters in which losses are probable and can be reasonably estimated. Some of the matters may involve compensatory, punitive, or treble damage claims, or demands that, if granted, could require us to pay damages or make other expenditures in amounts that could not be estimated at June 30, 2011. After discussion with counsel representing us in those actions, it is the opinion of management that such litigation is not expected to have a material effect on our consolidated financial statements.

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Intellectual Property Litigation. We are a defendant in several unrelated lawsuits claiming infringement of various patents relating to various aspects of our businesses. In certain of these cases other industry participants are also defendants, and also in certain of these cases we expect that any potential liability would be the responsibility of our equipment vendors pursuant to applicable contractual indemnification provisions. To the extent that the allegations in these lawsuits can be analyzed by us at this stage of their proceedings, we believe the claims are without merit and intend to defend the actions vigorously. We have determined that the likelihood of a material liability in such matters is remote or have made appropriate accruals and the final disposition of these claims is not expected to have a material effect on our consolidated financial position. However, if an adverse ruling is made in a lawsuit involving key intellectual property, such ruling could result in a loss that would be material to our consolidated results of operations of any one period. No assurance can be given that any adverse outcome would not be material to our consolidated financial position.

Early Cancellation Fees. In 2008, a number of plaintiffs filed putative class action lawsuits in state and federal courts challenging the early cancellation fees we assess our customers when they do not fulfill their programming commitments. Several of these lawsuits are pending some in California state court purporting to represent statewide classes, and some in federal courts purporting to represent nationwide classes. The lawsuits seek both monetary and injunctive relief. While the theories of liability vary, the lawsuits generally challenge these fees under state consumer protection laws as both unfair and inadequately disclosed to customers. In light of the U.S. Supreme Court's recent decision in *AT&T Mobility LLC v. Concepcion*, we intend to move to compel these cases to arbitration in accordance with our Customer Agreement. We believe that our early cancellation fees are adequately disclosed, and represent reasonable estimates of the costs we incur when customers cancel service before fulfilling their programming commitments.

From time to time, we receive investigative inquiries or subpoenas from state and federal authorities with respect to alleged violations of state and federal statutes. These inquiries may lead to legal proceedings in some cases. DIRECTV U.S. has received a request for information from the Federal Trade Commission, or FTC, on issues similar to those recently resolved with a multistate group of state attorneys general. We are cooperating with the FTC by providing information about our sales and marketing practices and customer complaints.

Income Tax Matters

We have received tax assessments from certain foreign jurisdictions and have agreed to indemnify previously divested businesses for certain tax assessments relating to periods prior to their respective divestitures. These assessments are in various stages of the administrative process or litigation, and we believe we have adequately provided for any related liability.

While the outcome of these assessments and other tax issues cannot be predicted with certainty, we believe that the ultimate outcome will not have a material effect on our consolidated financial statements.

Satellites

We may purchase in-orbit and launch insurance to mitigate the potential financial impact of satellite launch and in-orbit failures if the premium costs are considered economic relative to the risk of satellite failure. The insurance generally covers the unamortized book value of covered satellites. We do not insure against lost revenues in the event of a total or partial loss of the capacity of a satellite.

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

We generally rely on in-orbit spare satellites and excess transponder capacity at key orbital slots to mitigate the impact a satellite failure could have on our ability to provide service. At June 30, 2011, the net book value of in-orbit satellites was $2,062 million, all of which was uninsured.

Note 7: Related Party Transactions

In the ordinary course of our operations, we enter into transactions with related parties as discussed below.

Related parties include Globo, which provides programming and advertising to Sky Brazil, and companies in which we hold equity method investments, including Sky Mexico and GSN.

The majority of payments under contractual arrangements with related parties are pursuant to multi-year programming contracts. Payments under these contracts are typically subject to annual rate increases and are based on the number of subscribers receiving the related programming.

Liberty Media, Liberty Global and Discovery Communications

Prior to the completion of the Malone Transaction, as discussed in Note 8 of the Notes to the Consolidated Financial Statements, on June 16, 2010 and Dr. Malone's concurrent resignation from our Board of Directors, transactions with Liberty Media, Discovery Communications, Inc. and Liberty Global, Inc. and their subsidiaries or equity method investees were treated as related party transactions as a result of Dr. Malone's ownership interest and management roles for these entities. Such transactions consisted primarily of purchases of programming created, owned or distributed by these entities.

The following table summarizes sales to, and purchases from, related parties:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(Dollars in Millions)			
Sales:				
Liberty Media and affiliates	$	$ 12	$	$ 26
Discovery Communications, Liberty Global and affiliates		2		5
Globo and other	2	3	4	5
Total	$ 2	$ 17	$ 4	$ 36
Purchases:				
Liberty Media and affiliates	$	$ 65	$	$ 143
Discovery Communications, Liberty Global and affiliates		59		128
Globo and other	211	145	398	287

Total	$ 211	$ 269	$ 398	$ 558

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

The following table sets forth the amount of accounts receivable from and accounts payable to related parties as of:

	June 30, 2011	December 31, 2010
	(Dollars in Millions)	
Accounts receivable	$ 1	$ 2
Accounts payable	95	80

The accounts receivable and accounts payable balances as of June 30, 2011 and December 31, 2010 are primarily related to Globo and companies in which we hold equity method investments.

Note 8: Stockholders' Deficit

Capital Stock and Additional Paid-In Capital

Our certificate of incorporation, as amended in April 2011, provides for the following capital stock: Class A common stock, par value $0.01 per share, 3,947,000,000 shares authorized; Class B common stock, par value $0.01 per share, 3,000,000 shares authorized; and preferred stock, par value $0.01 per share, 50,000,000 shares authorized. As of June 30, 2011, there were no shares outstanding of the Class B common stock or preferred stock.

Malone Transaction

Following completion of the Liberty Transaction in November 2009, DIRECTV had two classes of common stock outstanding: Class A common stock and Class B common stock. In April 2010, we entered into an agreement with Dr. John Malone and his family, or the Malones, under which they exchanged 21.8 million shares of high-vote Class B common stock, which was all of the outstanding Class B shares, for 26.5 million shares of Class A common stock, resulting in the reduction of the Malones' voting interest in DIRECTV from approximately 24% to approximately 3%. The number of Class A shares issued was determined as follows: one share of Class A common stock for each share of Class B common stock held, plus an additional number of Class A shares with a fair value of $160 million based on the then current market price of the Class A common stock. We accounted for the common stock exchange pursuant to accounting standards for induced conversions, as described in Note 9 of the Notes to the Consolidated Financial Statements. There have been no Class B shares outstanding since the completion of the Malone Transaction on June 16, 2010.

Share Repurchase Program

Since 2006 our Board of Directors has approved multiple authorizations for the repurchase of our common stock, the most recent of which was announced in the first quarter of 2011, authorizing share repurchases of $6 billion. As of June 30, 2011, we had approximately $3,420 million remaining under this authorization. The authorization allows us to repurchase our common stock from time to time through open market purchases and negotiated transactions, or otherwise. The timing, nature and amount of such transactions will depend on a variety of factors, including market conditions, and the program may be suspended, discontinued or accelerated at any time. The sources of funds for the purchases under the remaining authorization are our existing cash on hand and cash from operations. Purchases are made in the open market, through block trades and other negotiated transactions. Repurchased shares are retired but remain authorized for registration and issuance in the future.

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

The following table sets forth information regarding shares repurchased and retired during the periods presented:

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
	(Amounts in Millions, Except Per Share Amounts)	
Total cost of repurchased shares	$ 2,901	$ 2,285
Average price per share	45.94	36.22
Number of shares repurchased and retired	63	63

Of the $2,901 million in repurchases during the six months ended June 30, 2011, $56 million was paid for in July 2011. Of the $2,285 million in repurchases during the six months ended June 30, 2010, $96 million was paid in July 2010. Amounts repurchased but settled subsequent to the end of such periods are considered non-cash financing activities and excluded from the Consolidated Statements of Cash Flows.

The following tables set forth a reconciliation of stockholders' deficit and redeemable noncontrolling interest for each of the periods presented:

	Stockholders' Deficit: DIRECTV Class A Common Shares	Common Stock and Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss, net of taxes	Total Stockholders' Deficit	Redeemable Noncontrolling Interest	Net Income
		(Dollars in Millions)					
Balance at January 1, 2011	808,447,044	$ 5,563	$ (5,730)	$ (27)	$ (194)	$ 224	
Net income			1,375		1,375	17	$ 1,392
Stock repurchased and retired	(63,131,934)	(440)	(2,461)		(2,901)		
Stock options exercised and restricted stock units vested and distributed	1,986,034	(50)			(50)		
Share-based compensation expense		53			53		
Tax benefit from share-based compensation		29			29		
Adjustment to the fair value of redeemable noncontrolling interest		22			22	(22)	
Foreign currency translation adjustment				48	48	5	
Unrealized loss on securities, net of taxes				(5)	(5)		
Balance at June 30, 2011	747,301,144	$ 5,177	$ (6,816)	$ 16	$ (1,623)	$ 224	

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

	DIRECTV Class A Common Shares	DIRECTV Class B Common Shares	Stockholders' Equity: Common Stock and Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss, net of taxes	Total Stockholders' Equity	Redeemable Noncontrolling Interest	Net Income
			(Dollars in Millions)					
Balance at January 1, 2010	911,377,919	21,809,863	$ 6,689	$ (3,722)	$ (56)	$ 2,911	$ 400	
Net income				1,101		1,101	28	$ 1,129
Stock repurchased and retired	(63,047,789)		(454)	(1,831)		(2,285)		
Stock options exercised and restricted stock units vested and distributed	3,941,069		(49)			(49)		
Malone Transaction	26,547,624	(21,809,863)						
Share-based compensation expense			38			38		
Tax benefit from share-based compensation			33			33		
Adjustment to the fair value of redeemable noncontrolling interest			(229)			(229)	229	
Foreign currency translation adjustment					(33)	(33)	(7)	
Unrealized losses on securities, net of taxes:								
Unrealized losses on securities					(1)	(1)		
Less: reclassification adjustment for net gains recognized during the period					(3)	(3)		
Balance at June 30, 2010	878,818,823		$ 6,028	$ (4,452)	$ (93)	$ 1,483	$ 650	

Accumulated Other Comprehensive Gain (Loss)

The following table sets forth the components of "Accumulated other comprehensive gain (loss)" in our Consolidated Balance Sheets as of:

	As of June 30, 2011	As of December 31, 2010
	(Dollars in Millions)	
Unamortized net amount resulting from changes in defined benefit plan experience and actuarial assumptions, net of taxes	$ (119)	$ (119)
Unamortized amount resulting from changes in defined benefit plan provisions, net of taxes	(3)	(3)
Accumulated unrealized gains on securities, net of taxes	4	9
Accumulated foreign currency translation adjustments	134	86
Total accumulated other comprehensive gain (loss)	$ 16	$ (27)

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Comprehensive Income

Total comprehensive income was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(Dollars in Millions)			
Net income	$ 709	$ 554	$ 1,392	$ 1,129
Other comprehensive income (loss):				
Foreign currency translation activity during the period	32	(10)	48	(33)
Unrealized losses on securities, net of taxes:				
Unrealized holding losses on securities	(2)	(3)	(5)	(1)
Less: reclassification adjustment for net gains recognized during the period				(3)
Comprehensive income	739	541	1,435	1,092
Comprehensive income attributable to redeemable noncontrolling interest	(12)	(7)	(22)	(21)
Comprehensive income attributable to DIRECTV.	$ 727	$ 534	$ 1,413	$ 1,071

Note 9: Earnings Per Common Share

Earnings per share has been computed using the number of outstanding shares of Class A common stock and Class B common stock from January 1, 2010 through June 16, 2010.

We compute basic earnings per common share, or EPS, by dividing net income attributable to DIRECTV by the weighted average number of common shares outstanding for the period.

Diluted EPS considers the effect of common equivalent shares, which consist primarily of common stock options and restricted stock units issued to employees. In the computation of diluted EPS under the treasury stock method, the amount of assumed proceeds from nonvested stock awards and unexercised stock options includes the amount of compensation cost attributable to future services not yet recognized, proceeds from the exercise of the options, and the incremental income tax benefit or liability as if the awards were distributed during the period. We exclude common equivalent shares from the computation in loss periods, as their effect would be antidilutive and we exclude common stock options from the computation of diluted EPS when their exercise price is greater than the average market price of our common stock.

For the three and six months ended June 30, 2011 and 2010 we excluded no Class A common stock options from the computation of diluted EPS, because all options' exercise prices were less than the average market price of our common stock during the periods presented. We did not issue any Class B common stock options or other types of common equivalent shares.

For the three and six month periods ended June 30, 2010, we allocated "Net income attributable to DIRECTV" in the Consolidated Statements of Operations to the Class A and Class B common stockholders based on the weighted average shares outstanding for each class through the close of the Malone Transaction on June 16, 2010. In connection with the Malone Transaction, as discussed in Note 8 of the Notes to the Consolidated Financial Statements, we were required to account for the

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

exchange of 21.8 million shares of Class B common stock into 26.5 million shares of Class A common stock pursuant to accounting standards for induced conversions. Pursuant to these standards, the $160 million in incremental Class A common stock issued to the former Class B stockholders has been deducted from earnings attributable to Class A stockholders for purposes of calculating earnings per share in the Consolidated Statements of Operations. The $160 million has been included in the income attributable to Class B common stockholders. After the close of the Malone Transaction on June 16, 2010, we allocate all net income attributable to DIRECTV to the Class A stockholders. This adjustment had the effect of reducing diluted earnings per Class A common share by $0.18 for the three months and $0.17 for the six months ended June 30, 2010.

The reconciliation of the amounts used in the basic and diluted EPS computation is as follows:

	Income	Shares	Per Share Amounts
	(Dollars and Shares in Millions, Except Per Share Amounts)		
Three Months Ended:			
June 30, 2011:			
Class A Common Stock			
Basic EPS			
Net income attributable to DIRECTV	$ 701	763	$ 0.92
Effect of dilutive securities			
Dilutive effect of stock options and restricted stock units		4	(0.01)
Diluted EPS			
Adjusted net income attributable to DIRECTV	$ 701	767	$ 0.91
June 30, 2010:			
Class A Common Stock			
Basic EPS			
Net income attributable to Class A common stockholders	$ 372	883	$ 0.42
Effect of dilutive securities			
Dilutive effect of stock options and restricted stock units		6	
Diluted EPS			
Adjusted net income attributable to Class A common stockholders	$ 372	889	$ 0.42
Class B Common Stock			
Basic and diluted EPS			
Net income attributable to Class B common stockholders, including $160 million exchange inducement value for the Malone Transaction	$ 171	22	$ 7.84

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

	Income	Shares	Per Share Amounts
	(Dollars and Shares in Millions, Except Per Share Amounts)		
Six Months Ended:			
June 30, 2011:			
Class A Common Stock			
Basic EPS			
Net income attributable to DIRECTV	$ 1,375	778	$ 1.77
Effect of dilutive securities			
Dilutive effect of stock options and restricted stock units		4	(0.01)
Diluted EPS			
Adjusted net income attributable to DIRECTV	$ 1,375	782	$ 1.76
June 30, 2010:			
Class A Common Stock			
Basic EPS			
Net income attributable to Class A common stockholders	$ 917	896	$ 1.02
Effect of dilutive securities			
Dilutive effect of stock options and restricted stock units		7	
Diluted EPS			
Adjusted net income attributable to Class A common stockholders	$ 917	903	$ 1.02
Class B Common Stock			
Basic and diluted EPS			
Net income attributable to Class B common stockholders, including $160 million exchange inducement value for the Malone Transaction	$ 184	22	$ 8.44

Note 10: Segment Reporting

Our three reporting segments, which are differentiated by their products and services as well as geographic location, are DIRECTV U.S. and DIRECTV Latin America, which acquire, promote, sell and/or distribute digital entertainment programming primarily via satellite to residential and commercial subscribers, and the Sports Networks, Eliminations and Other segment which includes our three regional sports networks that provide programming devoted to local professional sports teams and college sporting events and locally produces their own programming. Sports Networks, Eliminations and Other also includes the corporate office, eliminations and other entities.

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Selected information for our operating segments is reported as follows:

	DIRECTV U.S.	DIRECTV Latin America	Sports Networks, Eliminations and Other	Total
	(Dollars in Millions)			
Three Months Ended:				
June 30, 2011				
External revenues	$ 5,275	$ 1,254	$ 71	$ 6,600
Intersegment revenues	2		(2)	
Revenues	$ 5,277	$ 1,254	$ 69	$ 6,600
Operating profit (loss)	$ 1,016	$ 241	$ (27)	$ 1,230
Add: Depreciation and amortization expense	430	182	4	616
Operating profit (loss) before depreciation and amortization(1)	$ 1,446	$ 423	$ (23)	$ 1,846
June 30, 2010				
External revenues	$ 4,932	$ 857	$ 59	$ 5,848
Intersegment revenues	2		(2)	
Revenues	$ 4,934	$ 857	$ 57	$ 5,848
Operating profit (loss)	$ 899	$ 140	$ (29)	$ 1,010
Add: Depreciation and amortization expense	495	125	5	625
Operating profit (loss) before depreciation and amortization(1)	$ 1,394	$ 265	$ (24)	$ 1,635

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

	DIRECTV U.S.	DIRECTV Latin America	Sports Networks, Eliminations and Other	Total
	(Dollars in Millions)			
Six Months Ended:				
June 30, 2011				
External revenues	$ 10,418	$ 2,368	$ 133	$ 12,919
Intersegment revenues	4		(4)	
Revenues	$ 10,422	$ 2,368	$ 129	$ 12,919
Operating profit (loss)	$ 1,937	$ 460	$ (12)	$ 2,385
Add: Depreciation and amortization expense	872	347	8	1,227
Operating profit (loss) before depreciation and amortization(1)	$ 2,809	$ 807	$ (4)	$ 3,612
June 30, 2010				
External revenues	$ 9,702	$ 1,636	$ 118	$ 11,456
Intersegment revenues	4		(4)	
Revenues	$ 9,706	$ 1,636	$ 114	$ 11,456
Operating profit (loss)	$ 1,707	$ 266	$ (7)	$ 1,966
Add: Depreciation and amortization expense	993	243	8	1,244
Operating profit before depreciation and amortization(1)	$ 2,700	$ 509	$ 1	$ 3,210

(1) Operating profit (loss) before depreciation and amortization, which is a financial measure that is not determined in accordance with GAAP can be calculated by adding amounts under the caption "Depreciation and amortization expense" to "Operating profit (loss)." This measure should be used in conjunction with GAAP financial measures and is not presented as an alternative measure of operating results, as determined in accordance with GAAP. Our management and Board of Directors use operating profit before depreciation and amortization to evaluate the operating performance of our company and our business segments and to allocate resources and capital to business segments. This metric is also used as a measure of performance for incentive compensation purposes and to measure income generated from operations that could be used to fund capital expenditures, service debt or pay taxes. Depreciation and amortization expense primarily represents an allocation to current expense of the cost of historical capital expenditures and for intangible assets resulting from prior business acquisitions. To compensate for the exclusion of depreciation and amortization expense from operating profit, our management and Board of Directors separately measure and budget for capital expenditures and business acquisitions.

We believe this measure is useful to investors, along with GAAP measures (such as revenues, operating profit and net income), to compare our operating performance to other communications, entertainment and media service providers. We believe that investors use current and projected operating profit (loss) before depreciation and amortization and similar measures to estimate our current or prospective enterprise value and make investment decisions. This metric provides investors with a means to compare operating results exclusive of depreciation and amortization. Our management believes this is useful given the significant variation in depreciation and amortization expense that can result from the timing of capital expenditures, the capitalization of intangible assets, potential variations in expected useful lives when compared to other companies and periodic changes to estimated useful lives.

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (concluded)

(Unaudited)

The following represents a reconciliation of operating profit before depreciation and amortization to reported net income on the Consolidated Statements of Operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(Dollars in Millions)			
Operating profit before depreciation and amortization	$ 1,846	$ 1,635	$ 3,612	$ 3,210
Depreciation and amortization	(616)	(625)	(1,227)	(1,244)
Operating profit	1,230	1,010	2,385	1,966
Interest income	9	8	16	19
Interest expense	(203)	(134)	(375)	(249)
Liberty transaction and related gains				67
Other, net	70	13	112	19
Income before income taxes	1,106	897	2,138	1,822
Income tax expense	(397)	(343)	(746)	(693)
Net income	$ 709	554	$ 1,392	1,129
Less: Net income attributable to noncontrolling interest	(8)	(11)	(17)	(28)
Net income attributable to DIRECTV	$ 701	$ 543	$ 1,375	$ 1,101

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Table of Contents

DIRECTV

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis should be read in conjunction with our management's discussion and analysis of financial condition and results of operations included in our Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on February 28, 2011, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 filed with the SEC on May 6, 2011and all of our other filings, including Current Reports on Form 8-K, filed with the SEC after such date and through the date of this report.

This Quarterly Report on Form 10-Q may contain certain statements that we believe are, or may be considered to be, "forward-looking statements" within the meaning of various provisions of the Securities Act of 1933 and of the Securities Exchange Act of 1934. These forward-looking statements generally can be identified by the use of statements that include phrases such as we "believe", "expect", "anticipate", "intend", "plan", "foresee", "project" or other similar references to future periods. Examples of forward-looking statements include, but are not limited to, statements we make regarding our outlook for 2010 financial results, liquidity and capital resources.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you therefore against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements include economic, business, competitive, national or global political, market and regulatory conditions and the following, each of which is described in more detail in our Annual Report on Form 10-K for the year ended December 31, 2010 or in Part II, Item 1A of this Quarterly Report on Form 10-Q:

- Levels of competition are increasing.
- We depend on others to produce programming and programming costs are increasing.
- Increased subscriber churn or subscriber upgrade and retention costs could materially adversely affect our financial performance.
- Our subscriber acquisition costs could materially increase.
- DIRECTV Latin America is subject to various additional risks associated with doing business internationally, which include political and economic instability and foreign currency exchange rate volatility.
- Our ability to keep pace with technological developments is uncertain.
- Our business relies on intellectual property, some of which is owned by third parties, and we may inadvertently infringe patents and proprietary rights of others.
- Construction or launch delays on satellites could materially adversely affect our revenues and earnings.

Our satellites are subject to significant launch and operational risks.

The loss of a satellite, none of which is currently insured, could materially adversely affect our earnings.

Table of Contents

DIRECTV

- Satellite programming signals have been stolen and may be stolen in the future, which could result in lost revenues and would cause us to incur incremental operating costs that do not result in subscriber acquisition.
- The ability to maintain FCC licenses and other regulatory approvals is critical to our business.
- We may have a significant indemnity obligation to Liberty Media, which is not limited in amount or subject to any cap, if parts of the Liberty Transaction or Liberty's 2008 Transaction with News Corporation are treated as a taxable transaction.
- We face risks arising from the outcome of various legal proceedings.
- We face risks related to our reliance on network information systems and other technology.
- Those and the other factors that are described in more detail in our Annual Report on Form 10-K for the year ended December 31, 2010.

Any forward looking statement made by us in the Quarterly Report on Form 10-Q speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may occur and it is not possible for us to predict them all. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future development or otherwise, except as required by law.

CONTENTS

The following is a discussion of our results of operations and financial condition. This discussion should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this Quarterly Report. Information in this section is organized as follows:

Contingencies

Certain Relationships and Related Party Transactions

Critical Accounting Estimates

Accounting Changes

Key Terminology

Table of Contents

DIRECTV

SUMMARY DATA

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
	(Dollars in Millions, Except Per Share Amounts)			
Consolidated Statements of Operations Data:				
Revenues	$ 6,600	$ 5,848	$ 12,919	$ 11,456
Total operating costs and expenses	5,370	4,838	10,534	9,490
Operating profit	1,230	1,010	2,385	1,966
Interest income	9	8	16	19
Interest expense	(203)	(134)	(375)	(249)
Liberty transaction and related gains				67
Other, net	70	13	112	19
Income before income taxes	1,106	897	2,138	1,822
Income tax expense	(397)	(343)	(746)	(693)
Net income	709	554	1,392	1,129
Less: Net income attributable to noncontrolling interest	(8)	(11)	(17)	(28)
Net income attributable to DIRECTV.	$ 701	$ 543	$ 1,375	$ 1,101
Net income attributable to DIRECTV Class A common stockholders	$ 701	$ 372	$ 1,375	$ 917
Net income attributable to DIRECTV Class B common stockholders, including $160 million exchange inducement value for the Malone		171		184

Transaction				
Net income attributable to DIRECTV	$ 701	$ 543	$ 1,375	$ 1,101
Basic earnings attributable to Class A stockholders per common share	$ 0.92	$ 0.42	$ 1.77	$ 1.02
Diluted earnings attributable to Class A stockholders per common share	0.91	0.42	1.76	1.02
Basic and diluted earnings attributable to Class B stockholders per common share, including $160 million exchange inducement value for the Malone Transaction		7.84		8.44
Weighted average number of Class A common shares outstanding (in millions)				
Basic	763	883	778	896
Diluted	767	889	782	903
Weighted average number of Class B common shares outstanding, through June 16, 2010 (in millions)				
Basic		22		22
Diluted		22		22
Weighted average number of total common shares outstanding (in millions)				
Basic	763	901	778	916
Diluted	767	907	782	923

25

Table of Contents

DIRECTV

SUMMARY DATA (continued)

(Unaudited)

	June 30, 2011	December 31, 2010
	(Dollars in Millions)	
Consolidated Balance Sheet Data:		
Cash and cash equivalents	$ 2,528	$ 1,502
Total current assets	5,318	4,253
Total assets	19,177	17,909
Total current liabilities	4,048	4,450
Long-term debt	13,462	10,472
Redeemable noncontrolling interest	224	224
Total stockholders' deficit	(1,623)	(194)

Reference should be made to the Notes to the Consolidated Financial Statements.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(Dollars in Millions, Except Per Share Amounts)			
Other Data:				
Operating profit before depreciation and amortization(1)				
Operating profit	$ 1,230	$ 1,010	$ 2,385	$ 1,966
Add: Depreciation and amortization expense	616	625	1,227	1,244
Operating profit before depreciation and amortization(1)	$ 1,846	$ 1,635	$ 3,612	$ 3,210
Operating profit before depreciation and amortization margin(1)	28.0%	28.0%	28.0%	28.0%
Cash flow information				
Net cash provided by operating activities	$ 1,095	$ 990	$ 2,404	$ 2,494
Net cash used in investing activities	(656)	(621)	(1,200)	(1,117)
Net cash used in financing activities	(2,206)	(1,857)	(178)	(1,982)
Free cash flow(2)				
Net cash provided by operating activities	$ 1,095	$ 990	$ 2,404	$ 2,494
Less: Cash paid for property and equipment	(683)	(546)	(1,296)	(1,011)
Less: Cash paid for satellites	(17)	(61)	(48)	(69)
Free cash flow(2)	$ 395	$ 383	$ 1,060	$ 1,414

(1) Operating profit before depreciation and amortization, which is a financial measure that is not determined in accordance with GAAP can be calculated by adding amounts under the caption "Depreciation and amortization expense" to "Operating profit." This measure should be used in conjunction with GAAP financial measures and is not presented as an alternative measure of operating results, as determined in accordance with GAAP. Our management and our Board of Directors use operating profit before depreciation and amortization to evaluate the operating performance of our company and our business segments and to allocate resources and capital to business segments. This metric is also used as a measure of performance for incentive compensation purposes and to measure income

generated from operations that could be used to

DIRECTV

SUMMARY DATA (continued)

(Unaudited)

fund capital expenditures, service debt or pay taxes. Depreciation and amortization expense primarily represents an allocation to current expense of the cost of historical capital expenditures and for acquired intangible assets resulting from prior business acquisitions. To compensate for the exclusion of depreciation and amortization expense from operating profit, our management and Board of Directors separately measure and budget for capital expenditures and business acquisitions.

We believe this measure is useful to investors, along with GAAP measures (such as revenues, operating profit and net income), to compare our operating performance to other communications, entertainment and media service providers. We believe that investors use current and projected operating profit before depreciation and amortization and similar measures to estimate our current or prospective enterprise value and make investment decisions. This metric provides investors with a means to compare operating results exclusive of depreciation and amortization expense. Our management believes this is useful given the significant variation in depreciation and amortization expense that can result from the timing of capital expenditures, the capitalization of intangible assets, potential variations in expected useful lives when compared to other companies and periodic changes to estimated useful lives. Operating profit before depreciation and amortization margin is calculated by dividing operating profit before depreciation and amortization by revenues.

(2)

Free cash flow, which is a financial measure that is not determined in accordance with GAAP, can be calculated by deducting amounts under the captions "Cash paid for property and equipment" and "Cash paid for satellites" from "Net cash provided by operating activities" from the Consolidated Statements of Cash Flows. This financial measure should be used in conjunction with other GAAP financial measures and is not presented as an alternative measure of cash flows from operating activities, as determined in accordance with GAAP. Our management and our Board of Directors use free cash flow to evaluate the cash generated by our current subscriber base, net of capital expenditures, for the purpose of allocating resources to activities such as adding new subscribers, retaining and upgrading existing subscribers, for additional capital expenditures, for share repurchase programs and other capital investments or transactions and as a measure of performance for incentive compensation purposes. We believe this measure is useful to investors, along with other GAAP measures (such as cash flows from operating and investing activities), to compare our operating performance to other communications, entertainment and media companies. We believe that investors also use current and projected free cash flow to determine the ability of revenues from our current and projected subscriber base to fund required and discretionary spending and to help determine our financial value.

Table of Contents

DIRECTV

SUMMARY DATA (continued)

(Unaudited)

Selected Segment Data

	DIRECTV U.S.	DIRECTV Latin America	Sports Networks, Eliminations and Other	Total
	(Dollars in Millions)			
Three Months Ended:				
June 30, 2011				
Revenues	$ 5,277	$ 1,254	$ 69	$ 6,600
% of total revenue	80.0%	19.0%	1.0%	100.0%
Operating profit (loss)	$ 1,016	$ 241	$ (27)	$ 1,230
Add: Depreciation and amortization expense	430	182	4	616
Operating profit (loss) before depreciation and amortization	$ 1,446	$ 423	$ (23)	$ 1,846
Operating profit before depreciation and amortization margin	27.4%	33.7%	N/A	28.0%
Capital expenditures	$ 386	$ 311	$ 3	$ 700
June 30, 2010				
Revenues	$ 4,934	$ 857	$ 57	$ 5,848
% of total revenue	84.4%	14.7%	0.9%	100.0%
Operating profit (loss)	$ 899	$ 140	$ (29)	$ 1,010
Add: Depreciation and amortization expense	495	125	5	625
Operating profit (loss) before depreciation and amortization	$ 1,394	$ 265	$ (24)	$ 1,635
Operating profit before depreciation and amortization margin	28.3%	30.9%	N/A	28.0%
Capital expenditures	$ 376	$ 231	$	$ 607

Table of Contents

DIRECTV

SUMMARY DATA (concluded)

(Unaudited)

	DIRECTV U.S.	DIRECTV Latin America	Sports Networks, Eliminations and Other	Total
		(Dollars in Millions)		
Six Months Ended:				
June 30, 2011				
Revenues	$ 10,422	$ 2,368	$ 129	$ 12,919
% of total revenue	80.7%	18.3%	1.0%	100.0%
Operating profit (loss)	$ 1,937	$ 460	$ (12)	$ 2,385
Add: Depreciation and amortization expense	872	347	8	1,227
Operating profit (loss) before depreciation and amortization	$ 2,809	$ 807	$ (4)	$ 3,612
Operating profit before depreciation and amortization margin	27.0%	34.1%	N/A	28.0%
Capital expenditures	$ 762	$ 577	$ 5	$ 1,344
June 30, 2010				
Revenues	$ 9,706	$ 1,636	$ 114	$ 11,456
% of total revenue	84.7%	14.3%	1.0%	100.0%
Operating profit (loss)	$ 1,707	$ 266	$ (7)	$ 1,966
Add: Depreciation and amortization expense	993	243	8	1,244
Operating profit before depreciation and amortization	$ 2,700	$ 509	$ 1	$ 3,210
Operating profit before depreciation and amortization margin	27.8%	31.1%	0.9%	28.0%
Capital expenditures	$ 689	$ 390	$ 1	$ 1,080

Table of Contents

DIRECTV

BUSINESS OVERVIEW

DIRECTV, which we also refer to as the company, we or us, is a leading provider of digital television entertainment in the United States and Latin America. We have two direct-to-home, or DTH, operating segments: DIRECTV U.S. and DIRECTV Latin America, which acquire, promote, sell and/or distribute digital entertainment programming primarily via satellite to residential and commercial subscribers. In addition, since November 19, 2009, we own and operate three regional sports networks, or RSNs, and own a 60% interest in Game Show Network, LLC, or GSN, a basic television network dedicated to game-related programming and Internet interactive game playing. We account for our investment in GSN using the equity method of accounting.

DIRECTV U.S. DIRECTV Holdings LLC and its subsidiaries, which we refer to as DIRECTV U.S., is the largest provider of DTH digital television services and the second largest provider in the multi-channel video programming distribution, or MVPD, industry in the United States. As of June 30, 2011, DIRECTV U.S. had over 19.4 million subscribers.

DIRECTV Latin America. DIRECTV Latin America Holdings, Inc. and its subsidiaries, or DIRECTV Latin America, is a leading provider of DTH digital television services throughout Latin America. DIRECTV Latin America is comprised of: PanAmericana, which provides services in Argentina, Chile, Colombia, Puerto Rico, Venezuela and certain other countries in the region; our 93% owned subsidiary, Sky Brasil Servicos Ltda., which we refer to as Sky Brazil; and our 41% equity method investment in Innova, S. de R.L. de C.V., or Sky Mexico. As of June 30, 2011, PanAmericana had approximately 3.6 million subscribers, Sky Brazil had approximately 3.1 million subscribers and Sky Mexico had approximately 3.6 million subscribers.

DIRECTV Sports Networks. DIRECTV Sports Networks LLC and its subsidiaries, or DSN, is comprised primarily of three regional sports television networks based in Seattle, Washington, Denver, Colorado and Pittsburgh, Pennsylvania, which are collectively known as ROOT Sports. The operating results of DSN are reported as part of the "Sports Networks, Eliminations and Other" operating segment.

SIGNIFICANT TRANSACTIONS

Divestitures

In April 2011, we sold an equity method investment for $55 million in cash. We recognized a $37 million gain ($23 million after tax) on the sale in "Other, net" in the Consolidated Statements of Operations.

In March 2011, we sold a portion of our investment in GSN for $60 million in cash, reducing our ownership interest from 65% to 60%. We recognized a $25 million pre-tax gain on the sale ($16 million after tax) in "Other, net" in the Consolidated Statements of Operations. For additional information regarding the GSN sale, refer to Note 2 of the Notes to the Consolidated Financial Statements.

Financing Transactions

2011 Financing Transactions

In March 2011, DIRECTV U.S. issued $4.0 billion of senior notes resulting in $3,990 million of proceeds, net of discount.

In March 2011, DIRECTV U.S. purchased, pursuant to a tender offer, $341 million of its then outstanding $1,002 million of 6.375% senior notes due in 2015, representing approximately 34% of the total outstanding principal of these notes, at a price of 103.313%, plus accrued and unpaid interest. On

Table of Contents

DIRECTV

June 15, 2011, DIRECTV U.S. redeemed, pursuant to the terms of its indenture, the remaining $659 million of its outstanding 6.375% senior notes due 2015, at a price of 102.125%, plus accrued and unpaid interest. We recorded a pre-tax charge of $14 million, $9 million after tax, during the second quarter of 2011 and a pre-tax charge of $25 million, $16 million after tax, during the six months ended June 30, 2011, as a result of the redemptions, primarily for the premiums paid. The pre-tax charge was recorded in "Other, net" in our Consolidated Statements of Operations.

2010 Financing Transactions

In March 2010, DIRECTV U.S. issued $3.0 billion of senior notes resulting in net proceeds of $2,996 million and repaid the $985 million of remaining principal on Term Loan C of its senior secured credit facility. The repayment of Term Loan C resulted in a first quarter of 2010 pre-tax charge of $9 million, $6 million after tax, resulting from the write-off of the unamortized discount, deferred debt issuance and other transaction costs. The charges were recorded in "Other, net" in our Consolidated Statements of Operations.

Collar Loan Repayment

On November 19, 2009, The DIRECTV Group, Inc., or DIRECTV Group, and Liberty Media Corporation, which we refer to as Liberty or Liberty Media, obtained shareholder approval of and closed a series of related transactions which we refer to collectively as the Liberty Transaction. As a result of the Liberty Transaction, DIRECTV acquired approximately $2.1 billion of indebtedness and a related series of equity collars. During the first quarter of 2010 we recorded $67 million in "Liberty transaction and related gains" in the Consolidated Statements of Operations totaled, related to net gains recorded for the final settlement of the equity collars.

Venezuela Exchange Controls

In January 2010, the Venezuelan government announced the creation of a dual exchange rate system, including an exchange rate of 4.3 bolivars fuerte per U.S. dollar for most of the activities of DIRECTV Latin America's Venezuelan operations compared to an exchange rate of 2.15 Venezuelan bolivars fuerte prior to the announcement. As a result of this devaluation, we recorded a $6 million charge to net income during the six months ended June 30, 2010 related to the adjustment of net bolivars fuerte denominated monetary assets to the new official exchange rate. We began reporting the operating results of our Venezuelan subsidiary in the first quarter of 2010 using the devalued rate of 4.3 bolivars fuerte per U.S. dollar. In December 2010, the Venezuelan government announced the elimination of the dual exchange rate system, eliminating the 2.6 bolivars fuerte per U.S. dollar preferential rate which was available for certain activities.

Companies operating in Venezuela are required to obtain Venezuelan government approval to exchange Venezuelan bolivars fuerte into U.S. dollars at the official rate. The official approval process has been delayed in recent periods and as a result, our Venezuelan subsidiary has relied on a parallel exchange process to settle U.S. dollar obligations and to repatriate accumulated cash balances. In May 2010, the Venezuelan government enacted regulations that suspended the parallel exchange process. Rates implied by transactions in the parallel market were significantly higher than the official rate (6 to 7 bolivars fuerte per U.S. dollar). As a result of utilizing the parallel market, we recorded a $9 million charge in the second quarter of 2010 and a $22 million charge for the six months ended June 30, 2010 in "General and administrative expenses" in the Consolidated Statements of Operations in connection with the exchange of accumulated Venezuelan cash balances to U.S. dollars.

Table of Contents

DIRECTV

As a result of the closing of the parallel exchange process in May 2010, we have been unable to repatriate excess cash balances and as a result, we have realized lower charges for the repatriation of cash in the second quarter of 2011 as compared to the second quarter of 2010.

See "Liquidity and Capital Resources" below for additional information.

EXECUTIVE OUTLOOK

DIRECTV U.S. We previously reported in our Annual Report on Form 10-K for the year ended December 31, 2010 that we expect that the anticipated growth in revenues in 2011 will be partially offset by higher programming costs, including the costs associated with our contract with the NFL, resulting in operating profit before depreciation and amortization growth in the low to mid single digit percentage range. Consistent with this, we currently anticipate lower operating profit before depreciation and amortization margins in the second half of the year as compared to the first half of the year, primarily due to higher programming costs.

DIRECTV Latin America. In our Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, we reported that we expected revenue and operating profit before depreciation and amortization growth of about 30% in 2011, excluding the effects of any repatriation costs in Venezuela. We also reported that we expected total net subscriber additions to be in the 1.250 million to 1.500 million range for 2011. As a result of the subscriber growth we are experiencing and our continued management of churn, we expect that we will exceed these estimates. These changes in outlook are subject to unforeseen changes in the general macroeconomic environment in Latin America and assume there will not be material changes in foreign exchange rates, particularly in Brazil.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2011 Compared to Three Months Ended June 30, 2010

Consolidated Results of Operations

We discuss changes for each of our segments in more detail below.

Revenues. The following table presents our revenues by segment:

Revenues By Segment:	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Change $	Change %
	(Dollars in Millions)			
DIRECTV U.S.	$ 5,277	$ 4,934	$ 343	7.0%
DIRECTV Latin America	1,254	857	397	46.3%
Sports Networks, Eliminations and Other	69	57	12	21.1%
Total revenues	$ 6,600	$ 5,848	$ 752	12.9%

The increase in our total revenues was primarily due to growth in subscribers and average monthly revenue per subscriber, or ARPU, at DIRECTV U.S. and DIRECTV Latin America.

Table of Contents

DIRECTV

Operating profit before depreciation and amortization. The following table presents our operating profit (loss) before depreciation and amortization by segment:

Operating profit (loss) before depreciation and amortization:	Three Months Ended June 30, 2011	2010	Change $	%
	(Dollars in Millions)			
DIRECTV U.S.	$ 1,446	$ 1,394	$ 52	3.7%
DIRECTV Latin America	423	265	158	59.6%
Sports Networks, Eliminations and Other	(23)	(24)	1	(4.2)%
Total operating profit before depreciation and amortization	$ 1,846	$ 1,635	$ 211	12.9%

The increase in total operating profit before depreciation and amortization was primarily due to higher gross profit from the increase in revenues, partially offset by higher subscriber acquisition and upgrade and retention costs at DIRECTV U.S. and DIRECTV Latin America.

Operating profit. The following table presents our operating profit (loss) by segment:

Operating profit (loss):	Three Months Ended June 30, 2011	2010	Change $	%
	(Dollars in Millions)			
DIRECTV U.S.	$ 1,016	$ 899	$ 117	13.0%
DIRECTV Latin America	241	140	101	72.1%
Sports Networks, Eliminations and Other	(27)	(29)	2	(6.9)%
Total operating profit	$ 1,230	$ 1,010	$ 220	21.8%

The increase in our operating profit was primarily due to the changes in operating profit before depreciation and amortization discussed above and lower depreciation and amortization expense at DIRECTV U.S. due to the end of the amortization of a subscriber related intangible asset and declining subscriber equipment capitalization, partially offset by increased depreciation at DIRECTV Latin America due to increased subscriber equipment capitalization.

Interest income. Interest income increased to $9 million in the second quarter of 2011 from $8 million in the second quarter of 2010.

Interest expense. The increase in interest expense to $203 million in the second quarter of 2011 from $134 million in the second quarter of 2010 was due to an increase in the average debt balance, partially offset by a decrease in weighted average interest rates.

Table of Contents

DIRECTV

Other, net. The significant components of "Other, net" were as follows:

Other, net:	Three Months Ended June 30, 2011	2010	Change $
	(Dollars in Millions)		
Equity in earnings of unconsolidated subsidiaries.	$ 30	$ 17	$ 13
Gain on sale of investments	37		37
Fair-value loss on non-employee stock options	(2)		(2)
Loss on early extinguishment of debt	(14)		(14)
Net foreign currency transaction (loss) gain	18	(3)	21
Other	1	(1)	2
Total	$ 70	$ 13	$ 57

Income Tax Expense. We recognized income tax expense of $397 million for the second quarter of 2011 compared to income tax expense of $343 million for the second quarter of 2010. The effective tax rate for the second quarter of 2011 was 35.9% compared to 38.2% for the second quarter of 2010. The lower effective tax rate in 2011 was primarily attributable to a benefit recorded for previously unrecognized foreign tax credits.

Earnings Per Share. Class A common stock earnings per share and weighted average shares outstanding were as follows for the three months ended June 30, 2011:

	2011	2010
	(Shares in Millions)	
Basic earnings attributable to DIRECTV Class A common stockholders per common share	$ 0.92	$ 0.42
Diluted earnings attributable to DIRECTV Class A common stockholders per common share	0.91	0.42
Weighted average number of Class A common shares outstanding		
Basic	763	883
Diluted	767	889

The increases in basic and diluted earnings per share for Class A common stock were due to higher net income attributable to DIRECTV, the $0.18 reduction to basic and diluted earnings per Class A common share resulting from the Malone Transaction in 2010 and a reduction in weighted average shares outstanding resulting from our share repurchase program.

Table of Contents

DIRECTV

DIRECTV U.S. Segment

The following table provides operating results and a summary of key subscriber data for the DIRECTV U.S. segment:

	Three Months Ended and As of June 30,		Change	
	2011	2010	$	%
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	$ 5,277	$ 4,934	$ 343	7.0%
Operating costs and expenses				
Costs of revenues, exclusive of depreciation and amortization expense				
Broadcast programming and other	2,207	2,019	188	9.3%
Subscriber service expenses	355	325	30	9.2%
Broadcast operations expenses	75	66	9	13.6%
Selling, general and administrative expenses, exclusive of depreciation and amortization expense				
Subscriber acquisition costs	626	610	16	2.6%
Upgrade and retention costs	298	259	39	15.1%
General and administrative expenses	270	261	9	3.4%
Depreciation and amortization expense	430	495	(65)	(13.1)%
Total operating costs and expenses	4,261	4,035	226	5.6%
Operating profit	$ 1,016	$ 899	$ 117	13.0%
Other Data:				
Operating profit before depreciation and amortization	$ 1,446	$ 1,394	$ 52	3.7%
Total number of subscribers (000's)	19,433	18,760	673	3.6%
ARPU	$ 90.58	$ 87.90	$ 2.68	3.0%
Average monthly subscriber churn %	1.59%	1.51%		5.3%
Gross subscriber additions (000's)	954	946	8	0.8%
Subscriber disconnections (000's)	928	846	82	9.7%
Net subscriber additions (000's)	26	100	(74)	(74.0)%
Average subscriber acquisition costs per subscriber (SAC)	$ 813	$ 783	$ 30	3.8%

Subscribers. In the second quarter of 2011, net subscriber additions decreased as higher gross additions were more than offset by higher churn resulting from a more competitive environment and ongoing economic weakness.

Revenues. DIRECTV U.S.' revenues increased as a result of the larger subscriber base and higher ARPU. The increase in ARPU resulted primarily from price increases on programming packages and lease fees, as well as higher advanced service fees, partially offset by higher promotional offers to new and existing subscribers.

Operating profit before depreciation and amortization. The improvement of operating profit before depreciation and amortization was primarily due to the increased gross profit generated from the higher revenues, partially offset by higher upgrade and retention costs resulting from a higher volume of advanced equipment upgrades.

Table of Contents

DIRECTV

Broadcast programming and other costs increased due to annual program supplier rate increases and the larger number of subscribers. Subscriber service expenses increased in the second quarter of 2011 compared to the second quarter of 2010 primarily due to service quality improvement initiatives and the higher number of subscribers.

Subscriber acquisition costs and subscriber acquisition costs per subscriber, or SAC, which includes the cost of capitalized set-top receivers, increased primarily due to increased demand for advanced products over the second quarter of 2010. Under our lease program we capitalized $150 million of set-top receivers in the second quarter of 2011 and $131 million in the second quarter of 2010 for subscriber acquisitions.

Upgrade and retention costs increased in the second quarter of 2011 due to a more competitive environment and a higher volume of advanced equipment upgrades. Under our lease program we capitalized $76 million of set-top receivers in the second quarter of 2011 and $71 million in the second quarter of 2010 for subscriber upgrades.

Operating profit. The increase in operating profit was primarily due to higher operating profit before depreciation and amortization, coupled with lower depreciation and amortization expense due to the completion of the amortization of a subscriber related intangible asset and decreased subscriber equipment capitalization.

DIRECTV Latin America Segment

The following table provides operating results and a summary of key subscriber data for the DIRECTV Latin America segment:

	Three Months Ended and As of June 30,		Change	
	2011	**2010**	**$**	**%**
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	$ 1,254	$ 857	$ 397	46.3%
Operating profit before depreciation and amortization	423	265	158	59.6%
Operating Profit	241	140	101	72.1%
Other Data:				
ARPU	$ 64.56	$ 56.98	$ 7.58	13.3%
Average monthly total subscriber churn %	1.81%	1.63%		11.0%
Average monthly post paid subscriber churn %	1.44%	1.45%		(0.7)%
Total number of subscribers (000's)(1)	6,707	5,224	1,483	28.4%
Gross subscriber additions (000's)	823	660	163	24.7%
Net subscriber additions (000's)	472	415	57	13.7%

(1) DIRECTV Latin America subscriber data exclude subscribers of the Sky Mexico platform.

Subscribers. The increase in gross subscriber additions was primarily due to higher demand for our middle market products in Brazil. Net additions increased in the second quarter of 2011 due to the higher gross additions and lower post paid churn in Brazil and Venezuela compared to the second quarter of 2010, which benefited from the 2010 FIFA World Cup.

Revenues. Revenues increased primarily due to strong subscriber and ARPU growth across the region. ARPU increased primarily due to price increases, higher penetration of advanced products, as well as favorable exchange rates in Brazil.

Table of Contents

DIRECTV

Operating profit before depreciation and amortization. Operating profit before depreciation and amortization increased from the second quarter of 2010 to the second quarter of 2011 primarily due to the increased gross profit generated from the higher revenues, partially offset by higher subscriber acquisition costs due to the higher number of gross subscriber additions and higher upgrade and retention costs resulting from an increased demand for advanced products.

Operating profit. The increase in operating profit was primarily due to higher operating profit before depreciation and amortization, partially offset by higher depreciation and amortization expense resulting from an increase in basic and advanced product receivers capitalized related to the higher gross subscriber additions attained over the last year.

Six Months Ended June 30, 2011 Compared to Six Months Ended June 30, 2010

Consolidated Results of Operations

We discuss changes for each of our segments in more detail below.

Revenues. The following table presents our revenues by segment:

Revenues By Segment:	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	Change $	Change %
	(Dollars in Millions)			
DIRECTV U.S.	$ 10,422	$ 9,706	$ 716	7.4%
DIRECTV Latin America	2,368	1,636	732	44.7%
Sports Networks, Eliminations and Other	129	114	15	13.2
Total revenues	$ 12,919	$ 11,456	$ 1,463	12.8%

The increase in our total revenues was primarily due to growth in subscribers and average monthly revenue per subscriber, or ARPU, at DIRECTV U.S. and DIRECTV Latin America.

Operating profit before depreciation and amortization. The following table presents our operating profit (loss) before depreciation and amortization by segment:

Operating profit (loss) before depreciation and amortization:	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	Change $	Change %
	(Dollars in Millions)			
DIRECTV U.S.	$ 2,809	$ 2,700	$ 109	4.0%
DIRECTV Latin America	807	509	298	58.5%
Sports Networks, Eliminations and Other	(4)	1	(5)	NM*
Total operating profit before depreciation and amortization	$ 3,612	$ 3,210	$ 402	12.5%

* Percentage not meaningful.

The increase in total operating profit before depreciation and amortization was primarily due to higher gross profit from the increase in revenues, partially offset by higher subscriber acquisition and upgrade and retention costs at DIRECTV U.S. and DIRECTV Latin America.

Table of Contents

DIRECTV

Operating profit. The following table presents our operating profit (loss) by segment:

Operating profit (loss):	Six Months Ended June 30, 2011	2010	Change $	%
	(Dollars in Millions)			
DIRECTV U.S.	$ 1,937	$ 1,707	$ 230	13.5%
DIRECTV Latin America	460	266	194	72.9%
Sports Networks, Eliminations and Other	(12)	(7)	(5)	NM
Total operating profit	$ 2,385	$ 1,966	$ 419	21.3%

The increase in our operating profit was primarily due to the changes in operating profit before depreciation and amortization discussed above and lower depreciation and amortization expense at DIRECTV U.S. due to the end of the amortization of a subscriber related intangible asset and declining subscriber equipment capitalization, partially offset by increased depreciation at DIRECTV Latin America due to increased subscriber equipment capitalization.

Interest income. Interest income decreased to $16 million in the first half of 2011 from $19 million in the first half of 2010.

Interest expense. The increase in interest expense to $375 million in the first half of 2011 from $249 million in the first half of 2010 was due to an increase in the average debt balance, partially offset by a decrease in weighted average interest rates.

Liberty transaction and related gains. In 2010, we recorded a $67 million net gain from the settlement of the equity collars and debt assumed as part of the Liberty Transaction.

Other, net. The significant components of "Other, net" were as follows:

Other, net:	Six Months Ended June 30, 2011	2010	Change $
	(Dollars in Millions)		
Equity in earnings of unconsolidated subsidiaries.	$ 55	$ 38	$ 17
Gain on sale of investments	63	3	60
Fair-value loss on non-employee stock options	(7)	(3)	(4)
Loss on early extinguishment of debt	(25)	(9)	(16)
Net foreign currency transaction (loss) gain	26	(11)	37
Other		1	(1)
Total	$ 112	$ 19	$ 93

Income Tax Expense. We recognized income tax expense of $746 million in the first half of 2011 compared to income tax expense of $693 million in the first half of 2010. The effective tax rate for the first half of 2011 was 34.9% compared to 38% for the first half of 2010. The lower effective tax rate was primarily attributable to a benefit recorded for previously unrecognized foreign tax credits.

Table of Contents

DIRECTV

Earnings Per Share. Class A common stock earnings per share and weighted average shares outstanding were as follows for the six months ended June 30, 2011:

	2011	2010
	(Shares in Millions)	
Basic earnings attributable to DIRECTV Class A common stockholders per common share	$ 1.77	$ 1.02
Diluted earnings attributable to DIRECTV Class A common stockholders per common share	1.76	1.02
Weighted average number of Class A common shares outstanding		
Basic	778	896
Diluted	782	903

The increases in basic and diluted earnings per share for Class A common stock were due to higher net income attributable to DIRECTV, the $0.18 reduction to basic and $0.17 reduction to diluted earnings per Class A common share resulting from the Malone Transaction in 2010 and a reduction in weighted average shares outstanding resulting from our share repurchase program.

Table of Contents

DIRECTV

DIRECTV U.S. Segment

The following table provides operating results and a summary of key subscriber data for the DIRECTV U.S. segment:

	Six Months Ended and As of June 30, 2011	Six Months Ended and As of June 30, 2010	Change $	Change %
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	$ 10,422	$ 9,706	$ 716	7.4%
Operating costs and expenses				
Costs of revenues, exclusive of depreciation and amortization expense				
Broadcast programming and other	4,407	4,033	374	9.3%
Subscriber service expenses	706	648	58	9.0%
Broadcast operations expenses	149	135	14	10.4%
Selling, general and administrative expenses, exclusive of depreciation and amortization expense				
Subscriber acquisition costs	1,308	1,205	103	8.5%
Upgrade and retention costs	557	509	48	9.4%
General and administrative expenses	486	476	10	2.1%
Depreciation and amortization expense	872	993	(121)	(12.2)%
Total operating costs and expenses	8,485	7,999	486	6.1%
Operating profit	$ 1,937	$ 1,707	$ 230	13.5%
Other Data:				
Operating profit before depreciation and amortization	$ 2,809	$ 2,700	$ 109	4.0%
Total number of subscribers (000's)(1)	19,433	18,760	673	3.6%
ARPU	$ 89.75	$ 86.69	$ 3.06	3.5%
Average monthly subscriber churn %	1.55%	1.49%		4.0%
Gross subscriber additions (000's)	2,006	1,871	135	7.2%
Subscriber disconnections (000's)	1,796	1,671	125	7.5%
Net subscriber additions (000's)	210	200	10	5.0%
Average subscriber acquisition costs per subscriber (SAC)	$ 814	$ 776	$ 38	4.9%

Subscribers. In the first half of 2011, net subscriber additions increased slightly as the higher gross additions were coupled with a higher number of disconnections due to a higher average monthly subscriber churn rate on the larger subscriber base. The increase in churn was principally due to a more competitive environment.

Revenues. DIRECTV U.S.' revenues increased as a result of the larger subscriber base and higher ARPU. The increase in ARPU resulted primarily from price increases on programming packages, higher set-top receiver lease fees and higher advanced service fees, partially offset by higher promotional offers to new and existing subscribers.

Operating profit before depreciation and amortization. The improvement of operating profit before depreciation and amortization was primarily due to the gross profit generated from the higher revenues, partially offset by higher subscriber acquisition and upgrade and retention costs.

Table of Contents

DIRECTV

Broadcast programming and other costs increased due to annual program supplier rate increases and the larger number of subscribers. Subscriber service expenses increased in the first half of 2011 compared to the first half of 2010 primarily due to the higher number of subscribers.

Subscriber acquisition costs increased primarily due to higher gross additions and higher SAC per subscriber. SAC per subscriber, which includes the cost of capitalized set-top receivers, increased primarily due to increased subscriber demand for advanced products over the first half of 2010 coupled with increased dealer commissions, partially offset by lower marketing costs per subscriber added. Under our lease program we capitalized $324 million of set-top receivers in the first half of 2011 and $246 million of set-top receivers in the first half 2010 for subscriber acquisitions.

Upgrade and retention costs increased in the first half of 2011 due to a higher volume of advanced equipment upgrades. Under our lease program we capitalized $145 million of set-top receivers in the first half of 2011 and $152 million the first half of 2010 for subscriber upgrades.

Operating profit. The increase in operating profit was primarily due to higher operating profit before depreciation and amortization, coupled with lower depreciation and amortization expense due to the completion of the amortization of a subscriber related intangible asset and decreased subscriber equipment capitalization.

DIRECTV Latin America Segment

The following table provides operating results and a summary of key subscriber data for the DIRECTV Latin America segment:

	Six Months Ended and As of June 30,		Change	
	2011	2010	$	%
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	$ 2,368	$ 1,636	$ 732	44.7%
Operating profit before depreciation and amortization	807	509	298	58.5%
Operating Profit	460	266	194	72.9%
Other Data:				
ARPU	$ 63.14	$ 55.95	$ 7.19	12.9%
Average monthly total subscriber churn %	1.84%	1.77%		4.0%
Average monthly post paid subscriber churn %	1.44%	1.50%		(4.0)%
Total number of subscribers (000's)(1)	6,707	5,224	1,483	28.4%
Gross subscriber additions (000's)	1,588	1,153	435	37.7%
Net subscriber additions (000's)	899	636	263	41.4%

(1) DIRECTV Latin America subscriber data exclude subscribers of the Sky Mexico platform.

Subscribers. The increase in gross subscriber additions was primarily due to higher demand for our middle market products in Brazil. Net additions increased in the first half of 2011 due to the higher gross additions and lower post paid churn in Brazil and Venezuela compared to the first half of 2010, which benefited from the 2010 FIFA World Cup.

Revenues. Revenues increased due to strong subscriber and ARPU growth across the region, primarily in Brazil. ARPU increased primarily due to price increases, favorable exchange rates in Brazil and higher penetration of advanced products across the region.

Table of Contents

DIRECTV

Operating profit before depreciation and amortization. Operating profit before depreciation and amortization increased from 2010 to 2011 primarily due to the increased gross profit generated from the higher revenues, partially offset by higher subscriber acquisition costs due to the higher number of gross subscriber additions, higher upgrade and retention costs resulting from an increased demand for advanced products and higher general and administrative costs related to the larger subscriber base.

Operating profit. The increase in operating profit was primarily due to higher operating profit before depreciation and amortization, partially offset by higher depreciation and amortization expense resulting from an increase in basic and advanced product receivers capitalized for the higher gross subscriber additions attained over the last year.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2011, our cash and cash equivalents totaled $2.5 billion compared to $1.5 billion at December 31, 2010. The $1.0 billion increase resulted primarily from $2.4 billion of cash provided by operating activities and approximately $4.0 billion of cash proceeds from the issuance of senior notes, partially offset by $2.9 billion in cash used for the repurchase of shares, $1.0 billion of cash used for the repayment of long-term debt and $1.3 billion of cash paid for the acquisition of satellites, property and equipment.

As of June 30, 2011, DIRECTV U.S. had the ability to borrow up to $2 billion under a revolving credit facility, which is available until February 2016. DIRECTV U.S. is subject to certain restrictive covenants under its credit facility.

As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) was 1.31 at June 30, 2011 and 0.96 December 31, 2010. The increase in our current ratio during the six months ended June 30, 2011 was primarily due to the change in our cash and cash equivalents.

Since 2006 our Board of Directors has approved multiple authorizations for the repurchase of our common stock, the most recent of which was announced in the first quarter of 2011, authorizing share repurchases of $6 billion. As of June 30, 2011, we had approximately $3,420 million remaining under this authorization. During the six months ended June 30, 2011, we repurchased and retired 63 million shares for $2,901 million, at an average price of $45.94. The authorization allows us to repurchase our common stock from time to time through open market purchases and negotiated transactions, or otherwise. The timing, nature and amount of such transactions will depend on a variety of factors, including market conditions, and the program may be suspended, discontinued or accelerated at any time. The sources of funds for the purchases under the remaining authorizations are our existing cash on hand, cash from operations and potential additional borrowings.

We expect to fund our cash requirements and our existing business plan using our available cash balances and cash provided by operations. We may also borrow additional amounts in the future to maintain our outstanding long-term debt target of approximately 2.5 times DIRECTV U.S. annual operating profit before depreciation and amortization. Additional borrowings, which may include borrowings under the $2 billion DIRECTV U.S. revolving credit facility, may be required to fund strategic investment opportunities should they arise.

Several factors may affect our ability to fund our operations and commitments that we discuss in "Contractual Obligations" and "Contingencies" below. In addition, our future cash flows may be reduced if we experience, among other things, significantly higher subscriber additions than planned, increased subscriber churn or upgrade and retention costs, higher than planned capital expenditures for satellites and broadcast equipment, satellite anomalies or signal theft. Additionally, DIRECTV U.S.'

ability to borrow under the revolving credit facility is contingent upon DIRECTV U.S. meeting financial and other covenants associated with its facility as more fully described below.

Borrowings

At June 30, 2011, we had $13,462 million in total outstanding borrowings, bearing a weighted average interest rate of 5.2%. Our outstanding borrowings consist of senior notes issued by DIRECTV U.S. as more fully described in Note 5 of the Notes to the Consolidated Financial Statements in Item 1, Part I of this Quarterly Report and in Note 9 to the Notes to the Consolidated Financial Statements in Item 8, Part II of our 2010 Form 10-K.

Our senior notes mature as follows: $1,000 million in 2014, $1,200 million in 2015 and $11,300 million thereafter.

Revolving Credit Facility

In February 2011, DIRECTV U.S.' senior secured credit facility was terminated and replaced by a new five-year, $2.0 billion revolving credit facility. We pay a commitment fee of .30% per year for the unused commitment under the revolving credit facility, and borrowings will bear interest at an annual rate of (i) the London interbank offer rate (LIBOR) (or for Euro advances the EURIBOR rate) plus 1.50% or at our option (ii) the higher of the prime rate plus 0.50% or the Fed Funds Rate plus 1.00%. The commitment fee and the annual interest rate may be increased or decreased under certain conditions, which include changes in DIRECTV U.S.' long-term, unsecured debt ratings. The revolving credit facility has been fully and unconditionally guaranteed, jointly and severally, by substantially all of DIRECTV U.S.' subsidiaries on a senior unsecured basis.

Covenants and Restrictions. The revolving credit facility requires DIRECTV U.S. to maintain at the end of each fiscal quarter a specified ratio of indebtedness to adjusted net income. The revolving credit facility also includes covenants that restrict DIRECTV U.S.' ability to, among other things, (i) incur additional subsidiary indebtedness, (ii) incur liens, (iii) enter into certain transactions with affiliates, (iv) merge or consolidate with another entity, (v) sell, assign, lease or otherwise dispose of all or substantially all of its assets, and (vi) change its lines of business. Additionally, the senior notes contain restrictive covenants that are similar. Should DIRECTV U.S. fail to comply with these covenants, all or a portion of its borrowings under the senior notes could become immediately payable and its revolving credit facility could be terminated. At June 30, 2011, DIRECTV U.S. was in compliance with all such covenants. The senior notes and revolving credit facility also provide that the borrowings may be required to be prepaid if certain change-in-control events occur.

Contingencies

Venezuela Devaluation and Exchange Controls. In January 2010, the Venezuelan government announced the creation of a dual exchange rate system, including an exchange rate of 4.3 bolivars fuerte per U.S. dollar for most of the activities of our Venezuelan operations compared to an exchange rate of 2.15 Venezuelan bolivars fuerte prior to the announcement. As a result of this devaluation, we recorded a $6 million charge to net income during the first quarter of 2010 related to the adjustment of net bolivars fuerte denominated monetary assets to the new official exchange rate. We began reporting the operating results of our Venezuelan subsidiary in the first quarter of 2010 using the devalued rate of 4.3 bolivars fuerte per U.S. dollar. In December 2010, the Venezuelan government announced the elimination of the dual exchange rate system, eliminating the 2.6 bolivars fuerte per U.S. dollar preferential rate which was available for certain activities.

DIRECTV

Companies operating in Venezuela are required to obtain Venezuelan government approval to exchange Venezuelan bolivars fuerte into U.S. dollars at the official rate. We have not been able to consistently exchange Venezuelan bolivars fuerte into U.S. dollars at the official rate and as a result, we have relied on a parallel exchange process to settle U.S. dollar obligations and to repatriate accumulated cash balances prior to its close. The rates implied by transactions in the parallel market, which was closed in May 2010, were significantly higher than the official rate (6 to 7 bolivars fuerte per U.S. dollar). As a result of utilizing the parallel market, we recorded a $9 million charge in the second quarter of 2010 and a $22 million charge for the six months ended June 30, 2010 in "General and administrative expenses" in the Consolidated Statements of Operations in connection with the exchange of accumulated Venezuelan cash balances to U.S. dollars.

In June 2010, the Venezuelan government established the SITME, an alternative to the official process for exchanging foreign currency. Venezuelan entities can purchase U.S. dollar denominated securities through the SITME; however, trading volume is limited to $50,000 per day with a maximum equivalent of $350,000 in a calendar month, subject to certain limitations. The SITME has established a weighted average implicit exchange rate of approximately 5.3 bolivars fuerte per U.S. dollar.

As a result of these recent developments, our ability to pay U.S. dollar denominated obligations and repatriate cash generated in Venezuela in excess of local operating requirements is limited, resulting in an increase in the cash balance at our Venezuelan subsidiary. Due to these limitations, we have realized lower charges for the repatriation of cash in 2011 as compared to 2010 and our Venezuelan subsidiary had accumulated Venezuelan bolivars fuerte denominated cash of $264 million at June 30, 2011, as compared to $169 million at December 31, 2010.

We expect to continue our practice of repatriating cash generated in Venezuela in excess of local operating requirements. At such time that exchange controls are eased, accumulated cash balances may ultimately be repatriated at less than their currently reported value, as the official exchange rate has not changed despite continuing high inflation in Venezuela. These conditions are also expected to affect growth in our Venezuelan business which is dependent on our ability to purchase set-top boxes and other components using U.S. dollars.

Using the official 4.3 bolivars fuerte per U.S. dollar exchange rate as of June 30, 2011, our Venezuelan subsidiary had net Venezuelan bolivar fuerte denominated monetary assets of $192 million in excess of Venezuelan bolivar fuerte denominated monetary liabilities on that date.

Redeemable Noncontrolling Interest. As discussed in Note 6 of the Notes to the Consolidated Financial Statements in Part 1, Item 1 of this Quarterly Report, Globo has the right to exchange Sky Brazil shares for cash or our common shares. If Globo exercises this right, we have the option to elect to pay the consideration in cash, shares of our common stock, or a combination of both.

Dividend Policy

Dividends may be paid on our common stock only when, as, and if declared by our Board of Directors in its sole discretion. We have no current plans to pay any dividends on our common stock. We currently expect to use our future earnings for the development of our businesses or other corporate purposes, which may include share repurchases.

CONTRACTUAL OBLIGATIONS

The following table sets forth our contractual obligations as of June 30, 2011, including the future periods in which payments are expected. Additional details regarding these obligations are provided in the Notes to the Consolidated Financial Statements in Part I, Item 1 referenced in the table below and

Table of Contents

DIRECTV

the Notes to the Consolidated Financial Statements in Part II, Item 8 in our Form 10-K for the year ended December 31, 2010. The contractual obligations below do not include payments that could be made related to our net unrecognized tax benefits liability, which amounted to $365 million as of June 30, 2011. The timing and amount of any future payments is not reasonably estimable, as such payments are dependent on the completion and resolution of examinations with tax authorities. We do not expect a significant payment related to these obligations within the next twelve months.

	Payments Due By Period				
Contractual Obligations	**Total**	**2011**	**2012-2013**	**2014-2015**	**2016 and thereafter**
	(Dollars in Millions)				
Long-term debt obligations (Note 5)(a)	$ 22,131	$ 350	$ 1,408	$ 3,539	$ 16,834
Purchase obligations(b)	8,489	1,075	3,795	2,210	1,409
Operating lease obligations(c)	457	45	134	89	189
Capital lease obligations	830	47	183	164	436
Total	$ 31,907	$ 1,517	$ 5,520	$ 6,002	$ 18,868

(a) Long-term debt obligations include interest calculated based on the rates in effect at June 30, 2011, however, the obligations do not reflect potential prepayments that may be required under DIRECTV U.S.' senior secured credit facility, if any, or permitted under its indentures.

(b) Purchase obligations consist primarily of broadcast programming commitments, regional professional team rights agreements, service contract commitments and satellite contracts. Broadcast programming commitments include guaranteed minimum contractual commitments that are typically based on a flat fee or a minimum number of required subscribers subscribing to the related programming. Actual payments may exceed the minimum payment requirements if the actual number of subscribers subscribing to the related programming exceeds the minimum amounts. Service contract commitments include minimum commitments for the purchase of services that have been outsourced to third parties, such as billing services, telemetry, tracking and control services and broadcast center services. In most cases, actual payments, which are typically based on volume, usually exceed these minimum amounts.

(c) Certain of our operating leases contain escalation clauses and renewal or purchase options, which we do not consider in the amounts disclosed.

CONTINGENCIES

For a discussion of "Contingencies," see Part I, Item 1, and Note 6 of the Notes to the Consolidated Financial Statements of this Quarterly Report, which we incorporate herein by reference.

CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

For a discussion of "Certain Relationships and Related-Party Transactions," see Part I, Item 1, Note 7 of the Notes to the Consolidated Financial Statements of this Quarterly Report, which we incorporate herein by reference.

CRITICAL ACCOUNTING ESTIMATES

There have been no material changes in our critical accounting estimates during the six months ended June 30, 2011. For additional information, see Item 7. Critical Accounting Estimates in Part II of our Annual Report on Form 10-K for the year ended December 31, 2010.

DIRECTV

ACCOUNTING CHANGES

For a discussion of "Accounting Changes," see Part I, Item 1, Note 3 of the Notes to the Consolidated Financial Statements of this Quarterly Report, which we incorporate herein by reference.

KEY TERMINOLOGY

The following key terminology is used in management's discussion and analysis of financial condition and results of operations:

Revenues. We earn revenues mostly from monthly fees we charge subscribers for subscriptions to basic and premium channel programming, HD programming and access fees, pay-per-view programming, and seasonal and live sporting events. We also earn revenues from monthly fees that we charge subscribers with multiple non-leased set-top receivers (which we refer to as mirroring fees), monthly fees we charge subscribers for leased set-top receivers, monthly fees we charge subscribers for DVR service, hardware revenues from subscribers who lease or purchase set-top receivers from us, warranty service fees and advertising services. Revenues are reported net of customer credits and discounted promotions.

Broadcast Programming and Other. These costs primarily include license fees for subscription service programming, pay-per-view programming, live sports and other events. Other costs include continuing service fees paid to third parties for active subscribers and warranty service costs.

Subscriber Service Expenses. Subscriber service expenses include the costs of customer call centers, billing, remittance processing and certain home services expenses, such as in-home repair costs.

Broadcast Operations Expenses. These expenses include broadcast center operating costs, signal transmission expenses (including costs of collecting signals for our local channel offerings), and costs of monitoring, maintaining and insuring our satellites. Also included are engineering expenses associated with deterring theft of our signal.

Subscriber Acquisition Costs. These costs include the cost of set-top receivers and other equipment, commissions we pay to national retailers, independent satellite television retailers, dealers and telcos, and the cost of installation, advertising, marketing and customer call center expenses associated with the acquisition of new subscribers. Set-top receivers leased to new subscribers are capitalized in "Property and equipment, net" in the Consolidated Balance Sheets and depreciated over their useful lives. The amount of set-top receivers capitalized each period for subscriber acquisitions is included in "Cash paid for property and equipment" in the Consolidated Statements of Cash Flows.

Upgrade and Retention Costs. Upgrade and retention costs are associated with upgrade efforts for existing subscribers that we believe will result in higher ARPU and lower churn. Our upgrade efforts include subscriber equipment upgrade programs for DVR, HD and HD DVR receivers and local channels, our multiple set-top receiver offer and similar initiatives. Retention costs also include the costs of installing and providing hardware under our movers program for subscribers relocating to a new residence. Set-top receivers leased to existing subscribers under upgrade and retention programs are capitalized in "Property and equipment, net" in the Consolidated Balance Sheets and depreciated over their useful lives. The amount of set-top receivers capitalized each period for upgrade and retention programs is included in "Cash paid for property and equipment" in the Consolidated Statements of Cash Flows.

General and Administrative Expenses. General and administrative expenses include departmental costs for legal, administrative services, finance, marketing and information technology. These costs also include expenses for bad debt and other operating expenses, such as legal settlements, and gains or losses from the sale or disposal of fixed assets.

Average Monthly Revenue Per Subscriber. We calculate ARPU by dividing average monthly revenues for the period (total revenues during the period divided by the number of months in the period) by average subscribers for the period. We calculate average subscribers for the period by adding the number of subscribers as of the beginning of the period and for each quarter end in the current year or period and dividing by the sum of the number of quarters in the period plus one.

Average Monthly Subscriber Churn. Average monthly subscriber churn represents the number of subscribers whose service is disconnected, expressed as a percentage of the average total number of subscribers. We calculate average monthly subscriber churn by dividing the average monthly number of disconnected subscribers for the period (total subscribers disconnected, net of reconnects, during the period divided by the number of months in the period) by average subscribers for the period. For our DIRECTV Latin America business, post paid churn is calculated excluding those subscribers who are on a prepaid programming plan.

Subscriber Count. The total number of subscribers represents the total number of subscribers actively subscribing to our service, including subscribers who have suspended their account for a particular season of the year because they are temporarily away from their primary residence and subscribers who are in the process of relocating and commercial equivalent viewing units.

SAC. We calculate SAC, which represents total subscriber acquisition costs stated on a per subscriber basis, by dividing total subscriber acquisition costs for the period by the number of gross new subscribers acquired during the period. We calculate total subscriber acquisition costs for the period by adding together "Subscriber acquisition costs" expensed during the period and the amount of cash paid for equipment leased to new subscribers during the period.

* * *

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk during the six months ended June 30, 2011. For additional information, see Item 7A. Quantitative and Qualitative Disclosures About Market Risk in Part II of our Annual Report on Form 10-K for the year ended December 31, 2010.

* * *

ITEM 4. CONTROLS AND PROCEDURES

We carried out an evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q under the supervision and with the participation of management, including our principal executive officer and our principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act). Based on the evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2011.

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our fiscal quarter ended June 30, 2011, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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Table of Contents

DIRECTV

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

(a) Material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which we became or were a party during the quarter ended June 30, 2011 or subsequent thereto, but before the filing of the report, are summarized below:

Intellectual Property Litigation. We are a defendant in several unrelated lawsuits claiming infringement of various patents relating to various aspects of our businesses. In certain of these cases other industry participants are also defendants, and also in certain of these cases we expect that any potential liability would be the responsibility of our equipment vendors pursuant to applicable contractual indemnification provisions. To the extent that the allegations in these lawsuits can be analyzed by us at this stage of their proceedings, we believe the claims are without merit and intend to defend the actions vigorously. We have determined that the likelihood of a material liability in such matters is remote or have made appropriate accruals and the final disposition of these claims is not expected to have a material effect on our consolidated financial position. However, if an adverse ruling is made in a lawsuit involving key intellectual property, such ruling could result in a loss that would be material to our consolidated results of operations of any one period. No assurance can be given that any adverse outcome would not be material to our consolidated financial position.

Other. We are subject to other legal proceedings and claims that arise in the ordinary course of our business. The amount of ultimate liability with respect to such actions is not expected to materially affect our financial position, results of operations or liquidity.

(b) No previously reported legal proceedings were terminated during the second quarter ended June 30, 2011.

ITEM 1A. RISK FACTORS

Except as discussed below, the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2010 and our Quarterly report for the quarter ended March 31, 2011 have not materially changed. See Part I Item 2 of this Quarterly Report related to "forward-looking statements" which we incorporate by reference.

The National Football League labor dispute has been resolved.

DIRECTV U.S. has a contract with the National Football League for the exclusive rights to distribute the NFL Sunday Ticket Package to DIRECTV U.S. subscribers. The NFL's collective bargaining agreement with its players expired in March 2011 and the NFL and its players have been engaged in a labor dispute. The NFL and its players recently agreed to a new collective bargaining agreement. Therefore, DIRECTV U.S.'s risks related to the labor dispute have been resolved and the NFL Sunday Ticket Package will be distributed to DIRECTV U.S. subscribers for the 2011-2012 season pursuant to DIRECTV U.S.' contract with the NFL.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Share Repurchase Program

In February 2011, our Board of Directors approved a $6 billion repurchase program of our Class A common stock. The authorization allows us to repurchase our common stock from time to time through open market purchases and negotiated transactions, subject to market conditions. The program may be suspended, discontinued or accelerated at any time. The sources of funds for the purchases under the remaining authorization are our existing cash on hand and cash from operations. Repurchased shares are retired, but remain authorized for registration and issuance in the future.

A summary of the repurchase activity for the three months ended June 30, 2011 is as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs
	(Amounts in Millions, Except Per Share Amounts)			
April 1 30, 2011	10	$ 46.86	10	$ 4,444
May 1 31, 2011	10	49.41	10	3,966
June 1 30, 2011	11	47.97	11	3,420
Total	31	48.06	31	3,420

Table of Contents

DIRECTV

ITEM 6. EXHIBITS

Exhibit Number	**Exhibit Name**
*10.1	Form of Indemnification Agreement dated as of July 29, 2011 between DIRECTV and Neil R. Austrian, Ralph F. Boyd, David B. Dillon, Samuel A. DiPiazza, Dixon R. Doll, Charles R. Lee, Peter A. Lund, Nancy S. Newcomb and Lorrie M. Norrington
**31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
**31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
**32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
**32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
***101.INS	XBRL Instance Document
***101.SCH	XBRL Taxonomy Extension Schema Document
***101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
***101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
***101.LAB	XBRL Taxonomy Extension Label Linkbase Document
***101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** Furnished, not filed.

*** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

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Table of Contents

DIRECTV

SIGNATURES

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

	DIRECTV (Registrant)	
Date: August 4, 2011	By:	/s/ PATRICK T. DOYLE
		Patrick T. Doyle *(Duly Authorized Officer and Executive Vice President and Chief Financial Officer)*

DIRECTV

EXHIBIT INDEX

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101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document