DIRECTV
Form 10-Q
August 01, 2014

Use these links to rapidly review the document
TABLE OF CONTENTS

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, 2014

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 (State or other jurisdiction of incorporation or organization)	**26-4772533** (I.R.S. Employer Identification No.)
2260 East Imperial Highway **El Segundo, California** (Address of principal executive offices)	**90245** (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 July 25, 2014, the registrant had outstanding 502,228,914 shares of common stock.

Table of Contents

DIRECTV

TABLE OF CONTENTS

Table of Contents

DIRECTV

PART I FINANCIAL INFORMATION (UNAUDITED)

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(Dollars in Millions, Except Per Share Amounts)			
Revenues	$ 8,109	$ 7,700	$ 15,964	$ 15,280
Operating costs and expenses				
Costs of revenues, exclusive of depreciation and amortization expense				
Broadcast programming and other	3,498	3,275	6,881	6,471
Subscriber service expenses	574	554	1,125	1,091
Broadcast operations expenses	107	97	204	207
Selling, general and administrative expenses, exclusive of depreciation and amortization expense				
Subscriber acquisition costs	898	809	1,725	1,623
Upgrade and retention costs	362	374	683	742
General and administrative expenses	517	510	971	979
Venezuelan currency devaluation charge			281	166
Depreciation and amortization expense	729	731	1,443	1,409
Total operating costs and expenses	6,685	6,350	13,313	12,688
Operating profit	1,424	1,350	2,651	2,592
Interest income	12	19	25	41
Interest expense	(230)	(219)	(462)	(436)
Other, net	35	(75)	92	(37)
Income before income taxes	1,241	1,075	2,306	2,160
Income tax expense	(431)	(414)	(927)	(801)
Net income	810	661	1,379	1,359
Less: Net income attributable to noncontrolling interest	(4)	(1)	(12)	(9)
Net income attributable to DIRECTV	$ 806	$ 660	$ 1,367	$ 1,350

Basic earnings attributable to DIRECTV per common share	$ 1.60	$ 1.19	$ 2.70	$ 2.39
Diluted earnings attributable to DIRECTV per common share	$ 1.59	$ 1.18	$ 2.67	$ 2.37
Weighted average number of common shares outstanding (in millions):				
Basic	504	556	507	565
Diluted	508	561	512	569

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

Table of Contents

DIRECTV

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
	(Dollars in Millions)			
Net income	$ 810	$ 661	$ 1,379	$ 1,359
Other comprehensive income (loss), net of taxes:				
Cash flows hedges:				
Unrealized gains (losses) arising during the period	6	9	(1)	(27)
Reclassification adjustments included in net income	(28)	(1)	(36)	48
Foreign currency translation adjustments	32	(22)	71	(48)
Available for sale securities:				
Unrealized holding losses on securities		(3)		
Reclassification adjustment for net losses recognized during the period		2		1
Other comprehensive income (loss)	10	(15)	34	(26)
Comprehensive income	820	646	1,413	1,333
Less: Comprehensive (income) loss attributable to noncontrolling interest	(8)	21	(19)	5
Comprehensive income attributable to DIRECTV	$ 812	$ 667	$ 1,394	$ 1,338

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

Table of Contents

DIRECTV

CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2014	December 31, 2013
	(Dollars in Millions, Except Share Data)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,290	$ 2,180
Accounts receivable, net of allowances of $127 and $95	2,489	2,547
Inventories	312	283
Deferred income taxes	110	140
Prepaid expenses and other	668	803
Total current assets	5,869	5,953
Satellites, net	2,464	2,467
Property and equipment, net	6,874	6,650
Goodwill	3,992	3,970
Intangible assets, net	903	920
Investments and other assets	2,024	1,945
Total assets	$ 22,126	$ 21,905
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued liabilities	$ 4,314	$ 4,685
Unearned subscriber revenues and deferred credits	637	589
Current debt	1,542	1,256
Total current liabilities	6,493	6,530
Long-term debt	18,439	18,284
Deferred income taxes	1,798	1,804
Other liabilities and deferred credits	1,523	1,456
Commitments and contingencies		
Redeemable noncontrolling interest		375
Stockholders' deficit		
Common stock and additional paid-in capital $0.01 par value, 3,950,000,000 shares authorized, 502,225,846 and 519,306,232 shares issued and outstanding of common stock at June 30, 2014 and December 31, 2013, respectively	3,544	3,652
Accumulated deficit	(9,777)	(9,874)
Accumulated other comprehensive loss	(288)	(322)
Total DIRECTV stockholders' deficit	(6,521)	(6,544)

Noncontrolling interest		394		
Total stockholders' deficit		(6,127)		(6,544)
Total liabilities and stockholders' deficit	$	22,126	$	21,905

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, 2014	2013
	(Dollars in Millions)	
Cash Flows From Operating Activities		
Net income	$ 1,379	$ 1,359
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	1,443	1,409
Venezuelan currency devaluation charge	281	166
DSN Northwest deconsolidation charge		59
Amortization of deferred revenues and deferred credits	(24)	(26)
Share-based compensation expense	45	59
Equity in earnings from unconsolidated affiliates	(78)	(56)
Net foreign currency transaction (gain) loss	(11)	33
Dividends received		35
Net gains from sale of investments	(17)	(8)
Deferred income taxes	115	(39)
Excess tax benefit from share-based compensation	(22)	(24)
Other	45	29
Change in other operating assets and liabilities:		
Accounts receivable	133	140
Inventories	(29)	
Prepaid expenses and other	122	22
Accounts payable and accrued liabilities	(342)	(322)
Unearned subscriber revenue and deferred credits	48	43
Other, net	(24)	131
Net cash provided by operating activities	3,064	3,010
Cash Flows From Investing Activities		
Cash paid for property and equipment	(1,417)	(1,580)
Cash paid for satellites	(109)	(194)
Investment in companies, net of cash acquired	(8)	(27)
Proceeds from sale of investments	29	140
Other, net	(4)	(18)
Net cash used in investing activities	(1,509)	(1,679)
Cash Flows From Financing Activities		
Issuance (repayment) of commercial paper (maturity 90 days or less), net	25	(105)
Proceeds from short-term borrowings	270	284
Repayment of short-term borrowings	(235)	(262)
Proceeds from borrowings under revolving credit facility		10
Repayment of borrowings under revolving credit facility		(10)
Proceeds from long-term debt	1,329	1,445
Debt issuance costs	(7)	(7)
Repayment of long-term debt	(1,026)	(3)
Repayment of other long-term obligations	(34)	(32)

Common shares repurchased and retired	(1,386)	(1,968)
Stock options exercised	10	
Taxes paid in lieu of shares issued for share-based compensation	(57)	(61)
Excess tax benefit from share-based compensation	22	24
Other, net	(40)	4
Net cash used in financing activities	(1,129)	(681)
Effect of exchange rate changes on Venezuelan cash and cash equivalents	(316)	(187)
Net increase in cash and cash equivalents	110	463
Cash and cash equivalents at beginning of the period	2,180	1,902
Cash and cash equivalents at end of the period	$ 2,290	$ 2,365
Supplemental Cash Flow Information		
Cash paid for interest	$ 413	$ 389
Cash paid for income taxes	767	702

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: Description of Business and 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, business units: DIRECTV U.S. and DIRECTV Latin America, which are differentiated by their geographic locations and are engaged in acquiring, promoting, selling and distributing digital entertainment programming primarily via satellite to residential and commercial subscribers. In addition, we own and operate two regional sports networks, hold a minority ownership interest in ROOT SPORTS Northwest and own a 42% interest in Game Show Network LLC, or GSN, a television network dedicated to game-related programming and Internet interactive game playing. We account for our investments in ROOT SPORTS Northwest and 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 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, Peru, Puerto Rico, Venezuela and certain other countries in the region, and Sky Brasil Servicos Ltda., or Sky Brasil, which is a 93% owned subsidiary. DIRECTV Latin America also includes our 41% equity method investment in Innova, S. de R.L. de C.V., or Sky Mexico, which we include in the PanAmericana and Other segment.

DIRECTV Sports Networks. DIRECTV Sports Networks LLC and its subsidiaries, or DSN, is comprised primarily of two wholly owned regional sports networks based in Denver, Colorado and Pittsburgh, Pennsylvania, and a regional sports network based in Seattle, Washington in which DSN retains a noncontrolling interest, each of which operates under the brand name ROOT SPORTS. On April 16, 2013, DSN transferred 100% of its interest in the regional sports network based in Seattle, Washington, or DSN Northwest, to NW Sports Net LLC. The Seattle Mariners have a majority interest in NW Sports Net LLC and DSN retains a noncontrolling interest, which we account for using the equity method of accounting. The operating results of DSN are reported as part of the "Sports Networks, Eliminations and Other" reporting 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/A for the year ended December 31, 2013 filed with the SEC on June 30, 2014, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 filed with the SEC on May 12, 2014, 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 GAAP, which requires us to make estimates and assumptions that affect amounts reported herein. We base our estimates and

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

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.

Proposed AT&T Merger Transaction

On May 18, 2014, DIRECTV and AT&T announced that they have entered into a definitive agreement under which DIRECTV will combine with AT&T in a stock-and-cash transaction. The agreement has been approved unanimously by the Boards of Directors of both companies. Subject to the conditions in the merger agreement, at the effective time of the merger, DIRECTV shareholders will receive $95.00 per share under the terms of the merger, comprised of $28.50 per share in cash and $66.50 per share in AT&T stock. The stock portion will be subject to a collar such that DIRECTV shareholders will receive 1.905 AT&T shares if AT&T stock price is below $34.90 at closing and 1.724 AT&T shares if AT&T stock price is above $38.58 at closing. If AT&T stock price at closing is between $34.90 and $38.58, DIRECTV shareholders will receive a number of shares between 1.724 and 1.905, equal to $66.50 in value. The merger is subject to approval by DIRECTV shareholders and review by the U.S. Federal Communications Commission, U.S. Department of Justice, and the Instituto Federal de Telecomunicaciones in Mexico. The transaction is expected to close within approximately 12 months of signing.

In connection with the proposed combination with AT&T, Inc., DIRECTV has made certain representations, warranties and covenants in the Agreement and Plan of Merger, which was included as Exhibit 2.1 to the Form 8-K filed with the SEC on May 19, 2014 (the "Merger Agreement"), including, among other things, covenants by the Company to conduct its business in the ordinary course during the interim period between the execution of the Merger Agreement and consummation of the Merger and not to take certain actions prior to the closing of the Merger without the prior approval of AT&T.

Note 2: New Accounting Standard

Revenue Recognition. In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as a new Topic, Accounting Standards Codification (ASC) Topic 606. This is a comprehensive new revenue recognition standard which will supersede existing revenue recognition guidance. The standard creates a five-step model for revenue recognition that requires companies to exercise judgment when considering contract terms and relevant facts and circumstances. The five-step model includes (1) identifying the contract, (2) identifying the separate performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the separate performance obligations and (5) recognizing revenue when each performance obligation has been satisfied. The standard also requires expanded disclosures surrounding revenue recognition. The standard is effective for fiscal periods beginning after December 15, 2016 and allows for either a full retrospective or modified retrospective adoption. We are currently evaluating the impact of the adoption of this standard on our consolidated financial statements.

Note 3: Divestiture

DSN Northwest Transaction

On April 16, 2013, DSN transferred 100% of its interest in DSN Northwest to NW Sports Net LLC. Upon completion of the transaction, the Seattle Mariners have a majority interest in NW

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Sports Net LLC and DSN retains a noncontrolling interest, which we account for using the equity method of accounting. Additionally, DSN provides management oversight and programming services to NW Sports Net LLC through management service agreements. As a result of this transaction, we deconsolidated DSN Northwest and recorded a non-cash, pre-tax charge of approximately $59 million ($56 million after tax) in "Other, net" in the Consolidated Statements of Operations for the quarter ended June 30, 2013.

Note 4: Goodwill

The following table sets forth changes in the carrying amounts of "Goodwill" in the Consolidated Balance Sheets by reportable segment for the six months ended June 30, 2014:

	DIRECTV U.S.	DIRECTV Latin America: Sky Brasil	DIRECTV Latin America: PanAmericana and Other	Sports Networks, Eliminations and Other	Total
	(Dollars in Millions)				
Balance as of January 1, 2014	$ 3,191	$ 346	$ 211	$ 222	$ 3,970
Sky Brasil foreign currency translation adjustment		22			22
Balance as of June 30, 2014	$ 3,191	$ 368	$ 211	$ 222	$ 3,992

Note 5: Debt

The following table sets forth our outstanding debt as of:

	June 30, 2014	December 31, 2013
	(Dollars in Millions)	
Current debt		
Commercial paper	$ 260	$ 200
Current portion of long-term debt	1,200	1,000
Current portion of borrowings under BNDES financing facility	82	56
Long-term debt		
Senior notes	18,327	18,203
Borrowings under BNDES financing facility	91	81
Borrowings under Desenvolve SP financing facility	21	
Total debt	$ 19,981	$ 19,540

The amount of interest accrued related to our outstanding debt was $309 million at June 30, 2014 and $271 million at December 31, 2013.

Senior Notes

Six Months Ended June 30, 2014 Financing Transactions

On March 17, 2014, DIRECTV U.S. issued, pursuant to a registration statement, $1,250 million in aggregate principal of 4.450% senior notes due in 2024 with proceeds, net of an original issue discount, of $1,245 million. We incurred $7 million of debt issuance costs in connection with this transaction.

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

On March 20, 2014, we exercised our early redemption right under the indenture of the 4.750% senior notes due in 2014 ("the 2014 Notes") effective April 24, 2014. The redemption price was based on the remaining scheduled payments of principal and interest using a discount rate equal to the Treasury Rate (as defined in the indenture governing the 2014 Notes) plus 40 basis points, together with accrued and unpaid interest as of April 24, 2014. The aggregate principal amount of the 2014 Notes outstanding on March 20, 2014 was $1,000 million and we made a cash payment of $1,022 million in the second quarter of 2014 to redeem such Notes.

Six Months Ended June 30, 2013 Financing Transactions

On January 10, 2013, DIRECTV U.S. issued, pursuant to a registration statement, $750 million in aggregate principal of 1.750% senior notes due in 2018 with proceeds, net of an original issue discount, of $743 million. We incurred $4 million of debt issuance costs in connection with this transaction.

On May 13, 2013, DIRECTV U.S. issued, pursuant to a U.S. registration statement, €500 million ($650 million) in aggregate principal of 2.750% senior notes due in 2023 resulting in proceeds, net of an original issue discount, of €497 million ($646 million). The U.S. dollar amounts reflect the conversion of the €500 million aggregate principal and the €497 million proceeds, net of discount, to U.S. dollars based on the exchange rate of €1.00/ $1.30 at May 13, 2013. In connection with the issuance of these senior notes, DIRECTV U.S. entered into cross-currency swaps to effectively convert its fixed-rate euro denominated debt, including annual interest payments and the payment of principal at maturity, to fixed-rate U.S. dollar denominated debt, as further discussed in Note 6. We incurred $4 million of debt issuance costs in connection with this transaction.

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

The following table sets forth our outstanding senior notes:

	Principal amount	Carrying value, net of unamortized original issue discounts	
	June 30, 2014	June 30, 2014	December 31, 2013
	(Dollars in Millions)		
4.750% senior notes due in 2014	$	$	$ 1,000
3.550% senior notes due in 2015	1,200	1,200	1,200
3.125% senior notes due in 2016	750	750	750
3.500% senior notes due in 2016	1,500	1,499	1,499
2.400% senior notes due in 2017	1,250	1,249	1,249
1.750% senior notes due in 2018	750	745	744
5.875% senior notes due in 2019	1,000	996	996
5.200% senior notes due in 2020	1,300	1,299	1,299
4.600% senior notes due in 2021	1,000	1,000	999
5.000% senior notes due in 2021(1)	1,500	1,501	1,495
3.800% senior notes due in 2022(1)	1,500	1,504	1,499
2.750% senior notes due in 2023(2)	684	681	684
4.450% senior notes due in 2024(1)	1,250	1,253	
4.375% senior notes due in 2029(2)	1,283	1,271	1,229
5.200% senior notes due in 2033(2)	599	596	577
6.350% senior notes due in 2040	500	500	500
6.000% senior notes due in 2040	1,250	1,235	1,235
6.375% senior notes due in 2041	1,000	1,000	1,000
5.150% senior notes due in 2042	1,250	1,248	1,248
Total senior notes	$ 19,566	$ 19,527	$ 19,203

(1) The carrying value as of June 30, 2014 includes a fair value adjustment increase of $5 million, $5 million and $7 million for the 5.000% senior notes due in 2021, the 3.800% senior notes due in 2022 and the 4.450% senior notes due in 2024, respectively.

(2) These amounts reflect the remeasurement of the aggregate principal and carrying value of our foreign currency denominated senior notes to U.S. dollars based on the exchange rates in effect at each of the dates presented.

The fair value of our senior notes was approximately $20,898 million at June 30, 2014 and $19,424 million at December 31, 2013. 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.

All of our senior notes were issued by DIRECTV Holdings LLC and DIRECTV Financing Co., Inc., or the Co-Issuers, and have been registered under the Securities Act of 1933, as amended.

The principal amount of our senior notes mature as follows: $1,200 million in 2015, $2,250 million in 2016, $1,250 million in 2017, $750 million in 2018 and $14,116 million thereafter.

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Commercial Paper

DIRECTV U.S. has a commercial paper program backed by its revolving credit facilities, which provides for the issuance of short-term commercial paper in the United States up to a maximum aggregate principal of $2.5 billion. As of June 30, 2014, we had $260 million of short-term commercial paper outstanding, with a weighted average remaining maturity of 59 days, at a weighted average yield of 0.41%, which may be refinanced on a periodic basis as borrowings mature. Aggregate amounts outstanding under the revolving credit facilities described below and the commercial paper program are limited to $2.5 billion.

Revolving Credit Facilities

DIRECTV U.S. has a three and one-half year, $1.0 billion revolving credit facility and a five year, $1.5 billion revolving credit facility. We pay a commitment fee of 0.15% per year for the unused commitment under the revolving credit facilities. Borrowings currently bear interest at a rate equal to the London Interbank Offer Rate (LIBOR) plus 1.25%. Both the commitment fee and the annual interest rate may increase or decrease under certain conditions due to changes in DIRECTV U.S.' long-term, unsecured debt ratings. Under certain conditions, DIRECTV U.S. may increase the borrowing capacity of the revolving credit facilities by an aggregate amount of up to $500 million. Aggregate amounts outstanding under the revolving credit facilities and the commercial paper program are limited to $2.5 billion. As of June 30, 2014, there were no borrowings outstanding under the revolving credit facilities.

Borrowings under the revolving credit facilities are unsecured senior obligations of DIRECTV U.S. and rank equally in right of payment with all of DIRECTV U.S.' existing and future senior debt and rank senior in right of payment to all of DIRECTV U.S.' future subordinated debt, if any.

Covenants and Restrictions

The revolving credit facilities require DIRECTV U.S. to maintain at the end of each fiscal quarter a specified ratio of indebtedness to earnings before interest, taxes and depreciation and amortization. The revolving credit facilities also include covenants that limit 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 covenants that are similar. If DIRECTV U.S. fails to comply with these covenants, all or a portion of its borrowings under the senior notes could become immediately payable and its revolving credit facilities could be terminated. The senior notes provide that the borrowings may be required to be prepaid if certain change-in-control events, coupled with a ratings decline, occur. The revolving credit facilities provide that the borrowings may be required to be prepaid if certain change-in-control events occur.

DIRECTV Guarantors. DIRECTV guarantees all of the senior notes outstanding, jointly and severally with DIRECTV Holdings LLC's material domestic subsidiaries. DIRECTV unconditionally guarantees that the principal and interest on the respective senior notes will be paid in full when due and that the obligations of the Co-Issuers to the holders of the outstanding senior notes will be performed. The revolving credit facilities and the commercial paper program are also similarly fully guaranteed by DIRECTV.

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

As a result of the guarantees, holders of the senior notes, the revolving credit debt and the commercial paper have the benefit of DIRECTV's interests in the assets and related earnings of our operations that are not held through DIRECTV Holdings LLC and its subsidiaries. Those operations are primarily our DTH digital television services throughout Latin America which are held by DIRECTV Latin America and our regional sports networks which are held by DSN. However, the subsidiaries that own and operate the DIRECTV Latin America business and the regional sports networks have not guaranteed the senior notes, the revolving credit facilities and the commercial paper program.

The guarantees are unsecured senior obligations of DIRECTV and rank equally in right of payment with all of DIRECTV's existing and future senior debt and rank senior in right of payment to all of DIRECTV's future subordinated debt, if any. The guarantees are effectively subordinated to all existing and future secured obligations, if any, of DIRECTV to the extent of the value of the assets securing the obligations. DIRECTV is not subject to the covenants contained in each indenture of the senior notes and our guarantees will terminate and be released on the terms set forth in each of the indentures.

Desenvolve SP Financing Facility

In the second quarter of 2014, Sky Brasil entered into a Brazilian Real denominated financing facility with Desenvolve SP, an agency created by the Sao Paulo State Government for economic development, under which Sky Brasil may borrow funds for the construction of a satellite and broadcast facility. Each borrowing under the facility, including accrued interest, will be repaid in a single installment five years from the date of such borrowing. The financing facility is secured by a third party bank guarantee. As of June 30, 2014, Sky Brasil had borrowings of R$48 million ($21 million) under the facility bearing interest of 2.5% per year, with a maturity of 2019. The U.S. dollar amounts reflect the conversion of the Brazilian Real denominated amounts into U.S. dollars based on the exchange rate of R$2.20 / $1.00 at June 30, 2014.

BNDES Financing Facility

In March 2013, Sky Brasil entered into a Brazilian Real denominated financing facility with Banco Nacional de Desenvolvimento Econômico e Social, or BNDES, a government owned bank in Brazil, under which Sky Brasil may borrow funds for the purchase of set-top receivers. As of June 30, 2014, Sky Brasil had borrowings of R$382 million ($173 million) outstanding under the BNDES facility bearing interest at a weighted-average rate of 3.70% per year. As of December 31, 2013, Sky Brasil had borrowings of R$320 million ($137 million) outstanding under the BNDES facility bearing interest at a weighted-average rate of 3.07% per year. Borrowings under the facility are required to be repaid in 30 monthly installments. The U.S. dollar amounts reflect the conversion of the Brazilian Real denominated amounts into U.S. dollars based on the exchange rates of R$2.20 / $1.00 and R$2.34 / $1.00 as of June 30, 2014 and December 31, 2013, respectively.

Borrowings under the BNDES facility mature as follows: R$87 million ($39 million) in 2014, R$183 million ($83 million) in 2015, R$103 million ($47 million) in 2016 and R$9 million ($4 million) in 2017. The financing facility is collateralized by the financed set-top receivers with an original purchase price of approximately R$543 million ($246 million) based on the exchange rate at the time of purchase.

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Restricted Cash

Restricted cash of $10 million as of June 30, 2014 and $7 million as of December 31, 2013 was included as part of "Prepaid expenses and other" in our Consolidated Balance Sheets. These amounts secure certain of our letters of credit obligations and restrictions on the cash will be removed as the letters of credit expire.

Note 6: Derivative Financial Instruments

We use derivative financial instruments primarily to manage the risks associated with fluctuations in foreign currency exchange rates and interest rates. We do not use derivatives for trading or speculative purposes. We record derivative financial instruments in the Consolidated Balance Sheets as either assets or liabilities at fair value. We calculate the fair value of derivative contracts using an income-approach model (discounted cash flow analysis), the use of which is considered a Level 2 valuation technique, using observable inputs, such as yield curves, foreign currency exchange rates and incorporating counterparty credit risk, as applicable. For derivative financial instruments designated as fair value hedges, the change in the fair value of both the derivative instrument and the hedged item are recognized in earnings in the current period. For derivative financial instruments designated as cash flow hedges, the effective portion of the unrealized gains or losses on the derivative financial instruments are initially reported in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets, and subsequently reclassified to earnings in the same periods during which the hedged item affects earnings. The ineffective portion of the unrealized gains and losses on these derivative financial instruments, if any, is recorded immediately in earnings. We evaluate the effectiveness of our derivative financial instruments at inception and on a quarterly basis.

The following table sets forth the fair values of assets and liabilities associated with the derivative financial instruments as of:

	Assets		Liabilities	
	June 30, 2014	**December 31, 2013**	**June 30, 2014**	**December 31, 2013**
	(Dollars in millions)			
Cash flow hedges:				
Cross-currency swap contracts	$ 128	$ 112	$	$
Interest rate swap contracts		3		1
Fair value hedges:				
Interest rate swap contracts	19			
Total fair value of derivative financial instruments	$ 147	$ 115	$	$ 1

The fair values of the assets associated with derivative financial instruments are recorded in "Investments and other assets" in the Consolidated Balance Sheets and the fair value of the liabilities associated with derivative financial instruments are recorded in "Other liabilities and deferred credits" in the Consolidated Balance Sheets.

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

The following table sets forth the notional amounts of outstanding derivative financial instruments as of:

	June 30, 2014	December 31, 2013
	(Dollars in millions)	
Cash flow hedges:		
Cross-currency swap contracts	$ 2,418	$ 2,418
Interest rate swap contracts		500
Fair value hedges:		
Interest rate swap contracts	3,000	
Total notional amount of derivative financial instruments	$ 5,418	$ 2,918

Collateral Arrangements. We have agreements with our derivative instrument counterparties that include collateral provisions which require a party with an unrealized loss position in excess of certain thresholds to post cash collateral for the amount in excess of the threshold. The threshold levels in our collateral agreements are based on each party's credit ratings. We held no cash collateral from counterparties as of June 30, 2014 and held $10 million of cash collateral from counterparties as of December 31, 2013. We did not have any cash collateral posted with counterparties as of June 30, 2014 and December 31, 2013. We do not offset the fair value of collateral, whether the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable), against the fair value of the derivative instruments.

Cross-Currency Swap Contracts

On September 11, 2012, DIRECTV U.S. issued, pursuant to a U.S. registration statement, £750 million in aggregate principal of 4.375% senior notes due in 2029. On May 13, 2013, DIRECTV U.S. issued, pursuant to a U.S. registration statement, €500 million in aggregate principal of 2.750% senior notes due in 2023. On November 13, 2013, DIRECTV U.S. issued, pursuant to a U.S. registration statement, £350 million in aggregate principal of 5.200% senior notes due in 2033. In connection with the issuance of these senior notes, DIRECTV U.S. entered into cross-currency swap contracts to manage the related foreign exchange risk by effectively converting all of the fixed-rate British pound sterling and fixed-rate euro denominated debt, including annual interest payments and the payment of principal at maturity, to fixed-rate U.S. dollar denominated debt. These cross-currency swaps are designated and qualify as cash flow hedges. The terms of the cross-currency swap contracts correspond to the related hedged senior notes and have maturities ranging from May 2023 to November 2033.

During the six months ended June 30, 2014, DIRECTV U.S. recorded net remeasurement losses of $58 million in "Other, net" in the Consolidated Statements of Operations related to the remeasurement of the hedged senior notes. To offset these remeasurement losses, we reclassified $58 million ($36 million after tax) from "Accumulated other comprehensive loss" in the Consolidated Balance Sheets to "Other, net" in the Consolidated Statements of Operations. During the six months ended June 30, 2013, DIRECTV U.S. recorded net remeasurement gains of $77 million in "Other, net" in the Consolidated Statements of Operations related to the remeasurement of the hedged senior notes. To offset these remeasurement gains, we reclassified $77 million ($48 million after tax) from "Accumulated other comprehensive loss" in the Consolidated Balance Sheets to "Other, net" in the

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Consolidated Statements of Operations. These reclassifications eliminate the impact of the remeasurement of the hedged senior notes from our results of operations. We measured no ineffectiveness for the six months ended June 30, 2014 and June 30, 2013 related to these cross-currency swap contracts.

Forward-Starting Interest Rate Swap Contracts

On March 17, 2014, DIRECTV U.S. issued $1,250 million in aggregate principal of 4.450% senior notes due in 2024. In connection with this transaction, DIRECTV U.S. settled all then-outstanding forward-starting interest rate swaps, which were previously entered into to protect against unfavorable interest rate changes related to the forecasted issuance of debt. These interest rate swaps were designated and qualified as cash flow hedges. As a result of settling these forward-starting interest rate swaps, we recognized $1 million of ineffectiveness in earnings in the first quarter of 2014. As of March 31, 2014, we had recorded $10 million in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets related to these forward-starting interest rate swaps that will be recognized as interest expense over the term of the 4.450% senior notes due in 2024.

Fixed-to-Floating Interest Rate Swap Contracts

During the second quarter of 2014, DIRECTV U.S. entered into interest rate swap contracts converting a portion of the total aggregate principal amounts of the 5.000% senior notes due in 2021, the 3.800% senior notes due in 2022 and the 4.450% senior notes due in 2024 from a fixed to floating interest rate in order to manage our interest rate exposure by adjusting our mix of fixed rate and floating rate debt. The total notional amount of these interest rate swaps was $3,000 million as of June 30, 2014. These interest rate swaps are designated and qualify as fair value hedges. The terms of the interest rate swap contracts correspond to the related hedged senior notes and have maturities ranging from March 2021 to April 2024.

The difference between the change in the fair value of these interest rate swap contracts and the fair value of the related senior notes as a result of changes in the benchmark interest rate was a $2 million gain for the three and six months ended June 30, 2014, which was recognized in "Other, net" in the Consolidated Statements of Operations. The periodic interest settlements for the interest rate swap contracts are recorded in "Interest expense" in the Consolidated Statements of Operations.

Note 7: Contingencies

Venezuela Devaluation and Foreign Currency Exchange Controls

Companies operating in Venezuela are required to obtain Venezuelan government approval to exchange Venezuelan bolivars into U.S. dollars and such approval has not consistently been granted for several years. Consequently, our ability to pay U.S. dollar denominated obligations and repatriate cash generated in Venezuela in excess of local operating requirements is limited, which has resulted in increases in the cash balance at our Venezuelan subsidiary. In February 2013, the Venezuelan government announced a devaluation of the bolivar from the official exchange rate of 4.3 bolivars per U.S. dollar to an official rate of 6.3 bolivars per U.S. dollar. As a result of the devaluation, we recorded a pre-tax charge in "Venezuelan currency devaluation charge" in the Consolidated Statements of Operations of $166 million ($136 million after tax) in the first quarter of 2013, related to the remeasurement of the bolivar denominated net monetary assets of our Venezuelan subsidiary as of the date of the devaluation.

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

In the first quarter of 2013, the Venezuelan government announced a new currency exchange system, the Sistema Complementario de Administración de Divisas, or SICAD 1, which is intended to function as an auction system for participants to exchange bolivars for U.S. dollars. The volume of amounts exchanged through such SICAD 1 system and the resulting exchange rate are published by the Venezuelan Central Bank. Effective January 24, 2014, the Venezuelan government announced that dividends and royalties would be subject to the SICAD 1 program. The SICAD 1 exchange rate, which was 10.6 bolivars per U.S. dollar as of June 30, 2014, is determined by periodic auctions. Additionally, in February 2014, the Venezuelan government announced SICAD 2, which is an exchange mechanism that became available on March 24, 2014. The exchange rate for SICAD 2 was 49.98 bolivars per U.S. dollar as of June 30, 2014.

We currently believe the SICAD 1 rate is the most representative rate to use for remeasurement, as the official rate of 6.3 bolivars per U.S. dollar will likely be reserved only for the settlement of U.S. dollar denominated obligations related to purchases of "essential goods and services," and the equity of our Venezuelan subsidiary would be realized, if at all, through permitted dividends paid at the SICAD 1 rate. Therefore, as of June 30, 2014, we are continuing to remeasure our Venezuelan subsidiary's financial statements in U.S. dollars using the exchange rate determined by periodic auctions under SICAD 1, which was 10.6 bolivars per U.S. dollar. Prior to March 31, 2014, we used the official exchange rate of 6.3 bolivars per U.S. dollar. As a result of the devaluation, we recorded a pre-tax charge in "Venezuelan currency devaluation charge" in the Consolidated Statements of Operations of $281 million in the first quarter of 2014, related to the remeasurement of the bolivar denominated net monetary assets of our Venezuelan subsidiary on March 31, 2014.

As of June 30, 2014, our Venezuelan subsidiary had Venezuelan bolivar denominated net monetary assets of $494 million, including cash of $519 million, based on the SICAD 1 exchange rate of 10.6 bolivars per U.S. dollar. The exchange rate used to report net monetary assets and operating results of our Venezuelan subsidiary is currently based on the results of periodic SICAD 1 auctions, which is expected to result in fluctuations in reported amounts that could be material to the results of operations in Venezuela in future periods and could materially affect the comparability of results for our Venezuelan subsidiary between periods. The comparability of our results of operations and financial position in Venezuela will also be affected in the event of additional changes to the exchange rate system and further devaluations of the Venezuelan bolivar.

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, 2014. 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. We expense legal costs as incurred.

DIRECTV Shareholder Litigation Proposed DIRECTV and AT&T Merger. Beginning on May 21, 2014, and following the May 18, 2014 announcement that DIRECTV had entered into a definitive agreement to combine with AT&T, Inc., several shareholder putative class action lawsuits have been filed, six in Delaware Chancery Court ("Delaware Actions"), and one in California Superior Court

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

("California Action"), against DIRECTV, its directors and AT&T, Inc., alleging breach of fiduciary duties in connection with the proposed transaction. The complaints generally and collectively assert that defendants failed to maximize the value of DIRECTV, and seek to enjoin the proposed transaction as well as unspecified damages, costs and fees. Service has been accepted by DIRECTV and its directors in all pending cases. An Order consolidating the Delaware Actions and appointing Lead Plaintiff and Lead Counsel was entered on July 21, 2014. Discovery in Delaware Actions stayed pending the filing of a Consolidated Complaint. The California Action has been stayed pending a court status conference scheduled for August 12, 2014. Insofar as the allegations in these lawsuits can be analyzed by us at this early stage, we believe the claims are without merit and intend to defend the actions vigorously.

International Trade Commission Proceedings. On April 17, 2014, ViXS Systems, Inc. submitted to the International Trade Commission a request to commence an investigation pursuant to Section 337 of the Tariff Act. The request alleges that certain patents owned by ViXS Systems, Inc. are infringed by components supplied by Entropic Communications, Inc., or by devices that contain those components. Among those accused devices are satellite receivers and other devices for use in systems for receiving the DIRECTV service. DIRECTV LLC, along with Entropic Communications, Inc. and certain companies alleged to be manufacturers of devices for DIRECTV, are identified as respondents. The request seeks an order excluding the accused devices from entry into the United States, and a cease and desist order prohibiting unlawful importation and/or sale of the accused devices after importation. Also on April 17, 2014, ViXS Systems Inc. filed in United States District Court a companion lawsuit alleging infringement of the same patents by the same products of the respondents named in the action before the ITC. The lawsuit seeks an injunction and monetary damages. DIRECTV is in the process of evaluating the claims made in these actions and intends to defend them vigorously.

Other 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 at least some potential liability would be the responsibility of our equipment vendors pursuant to applicable contractual indemnification provisions. Further, in certain of these cases, suppliers of equipment to DIRECTV are also defendants, and DIRECTV has contractual obligations to indemnify and hold harmless certain suppliers in those cases. 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. The final disposition of these claims is not expected to have a material effect on our consolidated financial position or results of operations. 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. As previously reported, 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. We have reached a settlement in principle with the individual plaintiffs in the federal cases and are finalizing the settlement agreements. In the California state court action, the denial of our motion to compel arbitration is currently on appeal. We believe that our early cancellation fees are adequately disclosed, and represent reasonable

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

estimates of the costs we incur when customers cancel service before fulfilling their programming commitments.

State and Federal Inquiries. 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. As reported previously, DIRECTV U.S. received a request for information from the Federal Trade Commission, or FTC, on issues similar to those resolved in 2011 with a multistate group of state attorneys general. We have been cooperating with the FTC by providing information about our sales and marketing practices and customer complaints and have engaged in ongoing negotiations with FTC staff concerning these issues. The FTC staff has advised that they will refer this matter to the Commissioners to obtain authority to file suit if we are unable to agree upon a resolution of these issues.

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. 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 position or results of operations.

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 a portion of 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. 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, 2014, the net book value of in-orbit satellites was $1,285 million, all of which was uninsured.

Other

As of June 30, 2014, we were contingently liable under standby letters of credit and bonds in the aggregate amount of $322 million primarily related to judicial deposit and payment guarantees in Latin America and insurance deductibles.

Note 8: 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 Brasil, and companies in which we hold equity method investments, including Sky Mexico, GSN and NW Sports Net LLC.

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.

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

The following table summarizes revenues and expenses with related parties:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(Dollars in Millions)			
Revenues	$ 2	$ 1	$ 4	$ 3
Expenses	300	246	541	482

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

	June 30, 2014	December 31, 2013
	(Dollars in Millions)	
Accounts receivable	$ 14	$ 18
Accounts payable	104	100
Long-term liability	97	69

Note 9: Stockholders' Deficit and Noncontrolling Interest

Capital Stock and Additional Paid-In Capital

Our certificate of incorporation authorizes the following capital stock: 3,950,000,000 shares of common stock, par value $0.01 per share, and 50,000,000 shares of preferred stock, par value $0.01 per share. As of June 30, 2014 and December 31, 2013, there were no outstanding shares of preferred stock.

Share Repurchase Program

Since 2006 our Board of Directors has approved multiple authorizations for the repurchase of our common stock. In February 2014 our Board of Directors approved a new authorization for up to $3.5 billion for repurchases of our common stock. On May 18, 2014 DIRECTV and AT&T entered into a definitive agreement, under which AT&T would combine with DIRECTV in a stock-and-cash transaction. As a result, we have suspended the share repurchase program and agreed to not purchase, repurchase, redeem or otherwise acquire any shares of our capital stock during the pendency of the proposed transaction and without AT&T's consent.

Accelerated Share Repurchase. On March 20, 2013, we entered into a variable notional/variable maturity accelerated share repurchase agreement, or ASR, with a third-party financial institution to repurchase $300 million to $500 million of our common stock, which was settled during the second quarter of 2013. Under the agreement, we paid $500 million up-front and received an initial delivery of 4.9 million shares, which were retired. The ASR agreement was settled on April 19, 2013 for a final notional amount of $337 million, which was recorded as a reduction to stockholders' equity. Accordingly, we received an additional 1.2 million shares, which were retired, and we received a $163 million cash payment from our counterparty equal to the difference between the $500 million up-front payment and the final notional amount. We accounted for the ASR as a repurchase of common stock for purposes of calculating earnings per share and as a forward contract indexed to our

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

own common stock, which met all of the applicable criteria for equity classification, and, therefore, was not accounted for as a derivative instrument.

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

	Six Months Ended June 30,	
	2014	2013
	(Amounts in Millions, Except Per Share Amounts)	
Total cost of repurchased shares(1)	$ 1,386	$ 1,998
Average price per share	$ 73.82	$ 54.23
Number of shares repurchased and retired	19	37

(1) Of the $1,998 million in repurchases during the six months ended June 30, 2013, $30 million were paid for in July 2013. Amounts repurchased but settled subsequent to the end of such period are considered non-cash financing activities and excluded from the Consolidated Statements of Cash Flows.

Noncontrolling Interest

In connection with our acquisition of Sky Brasil in 2006, our 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 Brasil. Globo did not exercise its right to require us to purchase its shares in Sky Brasil. That right has now expired and the noncontrolling interest is no longer redeemable. In accordance with Accounting Standards Codification 480, *Distinguishing Liabilities from Equity*, during the first quarter of 2014, we reclassified $375 million, which was the fair value of Globo's remaining 7% interest, from "Redeemable noncontrolling interest" to "Noncontrolling interest," a component of stockholders' deficit in the Consolidated Balance Sheets. During the first quarter of 2014, we discontinued fair value accounting for this equity instrument.

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

The following table sets forth a reconciliation of stockholders' deficit for the six months ended June 30, 2014:

	Stockholders' Deficit							
	DIRECTV Common Shares	Common Stock and Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total DIRECTV Stockholders' Deficit	Noncontrolling Interest	Total Stockholders' Deficit	Redeemable Noncontrolling Interest
	(Amounts in Millions, Except Share Data)							
Balance as of January 1, 2014	519,306,232	$ 3,652	$ (9,874)	$ (322)	$ (6,544)	$	$ (6,544)	$ 375
Net income			1,367		1,367	12	1,379	
Stock repurchased and retired	(18,774,194)	(130)	(1,256)		(1,386)		(1,386)	
Stock options exercised and restricted stock units vested and distributed	1,693,808	(46)			(46)		(46)	
Share-based compensation expense		45			45		45	
Tax benefit from share-based compensation		22			22		22	
Other		1	(14)		(13)		(13)	
Other comprehensive income				34	34		34	
CTA adjustment allocated to noncontrolling interest						7	7	
Noncontrolling interest						375	375	(375)
Balance as of June 30, 2014	502,225,846	$ 3,544	$ (9,777)	$ (288)	$ (6,521)	$ 394	$ (6,127)	$

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

The following table sets forth a reconciliation of stockholders' deficit and redeemable noncontrolling interest for the six months ended June 30, 2013:

	Stockholders' Deficit						
	DIRECTV Common Shares	Common Stock and Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit	Redeemable Noncontrolling Interest	Net Income
	(Amounts in Millions, Except Share Data)						
Balance as of January 1, 2013	586,839,817	$ 4,021	$ (9,210)	$ (242)	$ (5,431)	$ 400	
Net income			1,350		1,350	9	$ 1,359
Stock repurchased and retired	(36,842,811)	(252)	(1,746)		(1,998)		
Stock options exercised and restricted stock units vested and distributed	1,964,305	(61)			(61)		
Share-based compensation expense		59			59		
Tax benefit from share-based compensation		24			24		
Adjustment to the fair value of redeemable noncontrolling interest		(5)			(5)	5	
Other comprehensive loss				(26)	(26)	(14)	
Balance as of June 30, 2013	551,961,311	$ 3,786	$ (9,606)	$ (268)	$ (6,088)	$ 400	

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Other Comprehensive Income (Loss)

The following represents the components of other comprehensive income (loss) for each of the periods presented:

	Three Months Ended June 30,					
	2014			2013		
	Pre-Tax	Tax Benefit (Expense)	Net of Tax	Pre-Tax	Tax Benefit (Expense)	Net of Tax
	(Dollars in Millions)					
Cash flows hedges:						
Unrealized gains arising during the period	$ 10	$ (4)	$ 6	$ 15	$ (6)	$ 9
Reclassification adjustments included in "Other, net"	(45)	17	(28)	(1)		(1)
Foreign currency translation adjustments	58	(26)	32	(33)	11	(22)
Available for sale securities:						
Unrealized holding losses on securities				(5)	2	(3)
Reclassification adjustment for net losses recognized during the period, included in "Other, net"				4	(2)	2
Other comprehensive income (loss)	$ 23	$ (13)	$ 10	$ (20)	$ 5	$ (15)

	Six Months Ended June 30,					
	2014			2013		
	Pre-Tax	Tax Benefit (Expense)	Net of Tax	Pre-Tax	Tax Benefit (Expense)	Net of Tax
	(Dollars in Millions)					
Cash flows hedges:						
Unrealized losses arising during the period	$ (2)	$ 1	$ (1)	$ (42)	$ 15	$ (27)
Reclassification adjustments included in "Other, net"	(58)	22	(36)	77	(29)	48
Foreign currency translation adjustments	121	(50)	71	(76)	28	(48)
Available for sale securities:						
Reclassification adjustment for net losses recognized during the period, included in "Other, net"				2	(1)	1
Other comprehensive income (loss)	$ 61	$ (27)	$ 34	$ (39)	$ 13	$ (26)

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Accumulated Other Comprehensive Loss

The following represents the changes in the components of accumulated other comprehensive loss for each of the periods presented:

	Defined Benefit Plan Items	Gains (Losses) on Cash Flow Hedges	Foreign Currency Items	Accumulated Other Comprehensive Loss
	(Dollars in Millions)			
Balance as of January 1, 2014	$ (123)	$ 14	$ (213)	$ (322)
Other comprehensive income (loss)		(37)	71	34
Balance as of June 30, 2014	$ (123)	$ (23)	$ (142)	$ (288)

	Defined Benefit Plan Items	Gains (Losses) on Cash Flow Hedges	Foreign Currency Items	Unrealized Gains (Losses) on Available for Sale Securities	Accumulated Other Comprehensive Loss
	(Dollars in Millions)				
Balance as of January 1, 2013	$ (184)	$ (17)	$ (40)	$ (1)	$ (242)
Other comprehensive income (loss)		21	(48)	1	(26)
Balance as of June 30, 2013	$ (184)	$ 4	$ (88)	$	$ (268)

Note 10: Earnings Per Common Share

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 entirely of common stock options and restricted stock units issued to employees. During the three and six months ended June 30, 2014 we excluded 0.2 million common stock awards from the computation of diluted EPS, because the inclusion of the potential common shares would have had an antidilutive effect. We did not exclude any common stock options from the computation of diluted EPS during the three and six months ended June 30, 2013.

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

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, 2014					
Basic EPS					
Net income attributable to DIRECTV	$	806	504	$	1.60
Effect of dilutive securities					
Dilutive effect of stock options and restricted stock units			4		(0.01)
Diluted EPS					
Adjusted net income attributable to DIRECTV	$	806	508	$	1.59
June 30, 2013					
Basic EPS					
Net income attributable to DIRECTV	$	660	556	$	1.19
Effect of dilutive securities					
Dilutive effect of stock options and restricted stock units			5		(0.01)
Diluted EPS					
Adjusted net income attributable to DIRECTV	$	660	561	$	1.18

	Income		Shares		Per Share Amounts
	(Dollars and Shares in Millions, Except Per Share Amounts)				
Six Months Ended					
June 30, 2014					
Basic EPS					
Net income attributable to DIRECTV	$	1,367	507	$	2.70
Effect of dilutive securities					
Dilutive effect of stock options and restricted stock units			5		(0.03)

Diluted EPS					
Adjusted net income attributable to DIRECTV	$	1,367	512	$	2.67

June 30, 2013					
Basic EPS					
Net income attributable to DIRECTV	$	1,350	565	$	2.39
Effect of dilutive securities					
Dilutive effect of stock options and restricted stock units			4		(0.02)
Diluted EPS					
Adjusted net income attributable to DIRECTV	$	1,350	569	$	2.37

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Note 11: Segment Reporting

Our reportable segments, which are differentiated by their products and services as well as geographic location, are DIRECTV U.S., Sky Brasil and PanAmericana and Other, which are engaged in acquiring, promoting, selling and distributing digital entertainment programming primarily via satellite to residential and commercial subscribers, and the Sports Networks, Eliminations and Other segment, which includes our regional sports networks that provide programming devoted to local professional sports teams and college sporting events and locally produce their own programming. Sports Networks, Eliminations and Other also includes the corporate office, eliminations and other entities.

Selected information for our operating segments is reported as follows:

	External Revenues	Intersegment Revenues	Total Revenues	Operating Profit (Loss)	Depreciation and Amortization Expense	Operating Profit (Loss) Before Depreciation and Amortization(1)
			(Dollars in Millions)			
Three Months Ended						
June 30, 2014						
DIRECTV U.S.	$ 6,270	$ 2	$ 6,272	$ 1,319	$ 429	$ 1,748
Sky Brasil	1,011		1,011	114	175	289
PanAmericana and Other	778		778	28	121	149
DIRECTV Latin America	1,789		1,789	142	296	438
Sports Networks, Eliminations and Other	50	(2)	48	(37)	4	(33)
Total	$ 8,109	$	$ 8,109	$ 1,424	$ 729	$ 2,153
June 30, 2013						
DIRECTV U.S.	$ 5,941	$ 2	$ 5,943	$ 1,241	$ 410	$ 1,651
Sky Brasil	942		942	56	206	262
PanAmericana and Other	744		744	83	110	193
DIRECTV Latin America	1,686		1,686	139	316	455
Sports Networks, Eliminations and Other	73	(2)	71	(30)	5	(25)
Total	$ 7,700	$	$ 7,700	$ 1,350	$ 731	$ 2,081

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

	External Revenues	Intersegment Revenues	Total Revenues	Operating Profit (Loss)	Depreciation and Amortization Expense	Operating Profit (Loss) Before Depreciation and Amortization(1)
			(Dollars in Millions)			
Six Months Ended						
June 30, 2014						
DIRECTV U.S.	$ 12,355	$ 4	$ 12,359	$ 2,562	$ 855	$ 3,417
Sky Brasil	1,950		1,950	262	338	600
PanAmericana	1,560		1,560	(146)	243	97
DIRECTV Latin America	3,510		3,510	116	581	697
Sports Networks, Eliminations and Other	99	(4)	95	(27)	7	(20)
Total	$ 15,964	$	$ 15,964	$ 2,651	$ 1,443	$ 4,094
June 30, 2013						
DIRECTV U.S.	$ 11,729	$ 4	$ 11,733	$ 2,356	$ 816	$ 3,172
Sky Brasil	1,907		1,907	210	363	573
PanAmericana	1,507		1,507	46	216	262
DIRECTV Latin America	3,414		3,414	256	579	835
Sports Networks, Eliminations and Other	137	(4)	133	(20)	14	(6)
Total	$ 15,280	$	$ 15,280	$ 2,592	$ 1,409	$ 4,001

(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 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

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

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.

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,	
	2014	2013	2014	2013
	(Dollars in Millions)			
Operating profit before depreciation and amortization	$ 2,153	$ 2,081	$ 4,094	$ 4,001
Depreciation and amortization	(729)	(731)	(1,443)	(1,409)
Operating profit	1,424	1,350	2,651	2,592
Interest income	12	19	25	41
Interest expense	(230)	(219)	(462)	(436)
Other, net	35	(75)	92	(37)
Income before income taxes	1,241	1,075	2,306	2,160
Income tax expense	(431)	(414)	(927)	(801)
Net income	810	661	1,379	1,359
Less: Net income attributable to noncontrolling interest	(4)	(1)	(12)	(9)
Net income attributable to DIRECTV	$ 806	$ 660	$ 1,367	$ 1,350

Note 12: Condensed Consolidating Financial Statements

As discussed in Note 5, DIRECTV has provided a guarantee of all the outstanding senior notes of DIRECTV Holdings LLC and DIRECTV Financing Co., Inc., or the Co-issuers.

The following condensed consolidating financial statements of DIRECTV and subsidiaries have been prepared pursuant to rules regarding the preparation of consolidating financial statements of Regulation S-X. Also, restricted net assets of our Venezuelan subsidiary, which is included within Non-Guarantor subsidiaries, exceeded 25% of total consolidated net assets and as such, the required condensed parent company information is included as part of the condensed consolidating financial statements below. For additional information regarding the Venezuelan restricted net assets see Note 7.

These condensed consolidating financial statements present the condensed consolidating statements of operations and condensed consolidating statements of comprehensive income for the three and six months ended June 30, 2014 and 2013, the condensed consolidating statements of cash flows for the six months ended June 30, 2014 and 2013, and the condensed consolidating balance sheets as of June 30, 2014 and December 31, 2013.

The condensed consolidating financial statements are comprised of DIRECTV, or the Parent Guarantor, its indirect 100% owned subsidiaries, DIRECTV Holdings, DIRECTV Financing and each of DIRECTV Holdings' material subsidiaries (other than DIRECTV Financing), or the Guarantor Subsidiaries, as well as other subsidiaries who are not guarantors of the senior notes, or the Non-Guarantor Subsidiaries, and the eliminations necessary to present DIRECTV's financial

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

statements on a consolidated basis. The Non-Guarantor Subsidiaries consist primarily of DIRECTV's DTH digital television services throughout Latin America which are held by DIRECTV Latin America Holdings, Inc. and its subsidiaries, and our regional sports networks which are held by DIRECTV Sports Networks LLC and its subsidiaries. In addition, the Non-Guarantor Subsidiaries include the entity that is the parent of DIRECTV Holdings.

The accompanying condensed consolidating financial statements are presented based on the equity method of accounting for all periods presented. Under this method, investments in subsidiaries are recorded at cost and adjusted for the subsidiaries' cumulative results of operations, capital contributions and distributions, and other changes in equity.

Elimination entries include consolidating and eliminating entries for investments in subsidiaries, intercompany activity and balances, and income taxes.

Subsequent to the issuance of the 10-Q for the period ending June 30, 2013, management identified certain corrections that were needed in the presentation of the condensed consolidating financial statements and related eliminations. These corrections only impact the condensed consolidating financial statements for the three and six months ended June 30, 2013 and do not affect our consolidated results of operations, balance sheets or cash flows. Management believes these changes are not material.

In the Condensed Consolidating Statement of Operations, we now present the equity earnings of DIRECTV Holdings, which is a subsidiary of DIRECTV Group, an entity included in Non-Guarantor Subsidiaries, in "Equity in income of consolidated subsidiaries" for the Non-Guarantor Subsidiaries. We also recorded an adjustment to the tax allocation from the Guarantor Subsidiaries to the Parent Guarantor, the Co-Issuers and the Non-Guarantor Subsidiaries for the the three and six months ended June 30, 2013.

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

The following is a reconciliation of the amounts previously reported to the "As Revised" amounts as stated in the following components of the Condensed Consolidating Statement of Operations for the three and six months ended June 30, 2013:

Parent Guarantor for the three months ended June 30, 2013	**As Previously Reported**	**Adjustments**	**As Revised**
		(Dollars in Millions)	
Equity in income of consolidated subsidiaries	$ 678	$ (3)	$ 675
Income before income tax	$ 653	$ (3)	$ 650
Income tax benefit	$ 7	$ 3	$ 10
Net income	$ 660	$	$ 660
Net income attributable to DIRECTV	$ 660	$	$ 660

Co-Issuers for the three months ended June 30, 2013			
Equity in income of consolidated subsidiaries	$ 917	$ (170)	$ 747
Income before income tax	$ 711	$ (170)	$ 541
Income tax benefit	$ 54	$ 29	$ 83
Net income	$ 765	$ (141)	$ 624
Net income attributable to DIRECTV	$ 765	$ (141)	$ 624

Guarantor Subsidiaries for the three months ended June 30, 2013			
Income tax expense	$ (329)	$ (170)	$ (499)
Net income	$ 917	$ (170)	$ 747
Net income attributable to DIRECTV	$ 917	$ (170)	$ 747

Non-Guarantor Subsidiaries for the three months ended June 30, 2013			
Equity in income of consolidated subsidiaries	$	$ 624	$ 624
Income before income tax	$ 60	$ 624	$ 684
Income tax expense	$ (146)	$ 138	$ (8)
Net income (loss)	$ (86)	$ 762	$ 676
Net income (loss) attributable to DIRECTV	$ (87)	$ 762	$ 675

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Parent Guarantor for the six months ended June 30, 2013	As Previously Reported	Adjustments	As Revised
	(Dollars in Millions)		
Equity in income of consolidated subsidiaries	$ 1,376	$ (3)	$ 1,373
Income before income tax	$ 1,340	$ (3)	$ 1,337
Income tax benefit	$ 10	$ 3	$ 13
Net income	$ 1,350	$	$ 1,350
Net income attributable to DIRECTV	$ 1,350	$	$ 1,350

Co-Issuers for the six months ended June 30, 2013			
Equity in income of consolidated subsidiaries	$ 1,710	$ (170)	$ 1,540
Income before income tax	$ 1,303	$ (170)	$ 1,133
Income tax benefit	$ 114	$ 29	$ 143
Net income	$ 1,417	$ (141)	$ 1,276
Net income attributable to DIRECTV	$ 1,417	$ (141)	$ 1,276

Guarantor Subsidiaries for the six months ended June 30, 2013			
Income tax expense	$ (662)	$ (170)	$ (832)
Net income	$ 1,710	$ (170)	$ 1,540
Net income attributable to DIRECTV	$ 1,710	$ (170)	$ 1,540

Non-Guarantor Subsidiaries for the six months ended June 30, 2013			
Equity in income of consolidated subsidiaries	$	$ 1,276	$ 1,276
Income before income tax	$ 231	$ 1,276	$ 1,507
Income tax expense	$ (263)	$ 138	$ (125)
Net income (loss)	$ (32)	$ 1,414	$ 1,382
Net income (loss) attributable to DIRECTV	$ (41)	$ 1,414	$ 1,373

In the Condensed Consolidating Statement of Comprehensive Income, we changed our presentation such that the comprehensive income of a subsidiary is included in the comprehensive income of its parent. Comprehensive income is also impacted by the adjustments to net income noted above.

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

The following is a reconciliation of the amounts previously reported to the "As Revised" amounts as stated in the following components of the Condensed Consolidating Statement of Comprehensive Income for the three and six months ended June 30, 2013:

Parent Guarantor for the three months ended June 30, 2013	**As Previously Reported**	**Adjustments**	**As Revised**
		(Dollars in Millions)	
Cash flows hedges:			
Unrealized gains arising during the period	$	$ 9	$ 9
Reclassification adjustments included in net income	$	$ (1)	$ (1)
Unrealized holding losses on securities	$	$ (3)	$ (3)
Reclassification adjustment for net losses on securities recognized during the period	$	$ 2	$ 2
Other comprehensive income	$	$ 7	$ 7
Comprehensive income	$ 660	$ 7	$ 667
Comprehensive income attributable to DIRECTV	$ 660	$ 7	$ 667

Co-Issuers for the three months ended June 30, 2013			
Net income	$ 765	$ (141)	$ 624
Comprehensive income	$ 773	$ (141)	$ 632
Comprehensive income attributable to DIRECTV	$ 773	$ (141)	$ 632

Guarantor Subsidiaries for the three months ended June 30, 2013			
Net income	$ 917	$ (170)	$ 747
Comprehensive income	$ 917	$ (170)	$ 747
Comprehensive income attributable to DIRECTV	$ 917	$ (170)	$ 747

Non-Guarantor Subsidiaries for the three months ended June 30, 2013			
Net income (loss)	$ (86)	$ 762	$ 676
Cash flows hedges:			
Unrealized gains arising during the period	$	$ 9	$ 9
Reclassification adjustments included in net income	$	$ (1)	$ (1)
Other comprehensive loss	$ (23)	$ 8	$ (15)
Comprehensive income (loss)	$ (109)	$ 770	$ 661
Comprehensive income (loss) attributable to DIRECTV	$ (88)	$ 770	$ 682

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Parent Guarantor for the six months ended June 30, 2013	As Previously Reported	Adjustments	As Revised
		(Dollars in Millions)	
Cash flows hedges:			
Unrealized losses arising during the period	$	$ (27)	$ (27)
Reclassification adjustments included in net income	$	$ 48	$ 48
Foreign currency translation adjustments	$	$ (34)	$ (34)
Reclassification adjustment for net losses on securities recognized during the period	$	$ 1	$ 1
Other comprehensive loss	$	$ (12)	$ (12)
Comprehensive income	$ 1,350	$ (12)	$ 1,338
Comprehensive income attributable to DIRECTV	$ 1,350	$ (12)	$ 1,338

Co-Issuers for the six months ended June 30, 2013			
Net income	$ 1,417	$ (141)	$ 1,276
Comprehensive income	$ 1,438	$ (141)	$ 1,297
Comprehensive income attributable to DIRECTV	$ 1,438	$ (141)	$ 1,297

Guarantor Subsidiaries for the six months ended June 30, 2013			
Net income	$ 1,710	$ (170)	$ 1,540
Comprehensive income	$ 1,710	$ (170)	$ 1,540
Comprehensive income attributable to DIRECTV	$ 1,710	$ (170)	$ 1,540

Non-Guarantor Subsidiaries for the six months ended June 30, 2013			
Net income (loss)	$ (32)	$ 1,414	$ 1,382
Cash flows hedges:			
Unrealized losses arising during the period	$	$ (27)	$ (27)
Reclassification adjustments included in net income	$	$ 48	$ 48
Other comprehensive loss	$ (47)	$ 21	$ (26)
Comprehensive income (loss)	$ (79)	$ 1,435	$ 1,356
Comprehensive income (loss) attributable to DIRECTV	$ (74)	$ 1,435	$ 1,361

In the Condensed Consolidating Statement of Cash Flows, we present changes in receivable balances of affiliates as investing activities and changes in payable balances of affiliates as financing activities because these changes are a result of a subsidiary's deposit in or withdrawal from its parent's cash account under a centralized cash management arrangement. We previously presented all changes from receivable and payable balances of affiliates as operating or financing activities.

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

The following is a reconciliation of the amounts previously reported to the "As Revised" amounts as stated in the following components of the Condensed Consolidating Statement of Cash Flows for the six months ended June 30, 2013:

Parent Guarantor for the six months ended June 30, 2013	**As Previously Reported**	**Adjustments**	**As Revised**
		(Dollars in Millions)	
Net cash provided by operating activities	$ 45	$ 506	$ 551
Cash flows from investing activities			
Proceeds from sale of investments	$ 117	$ (117)	$
Intercompany funding	$	$ (222)	$ (222)
Net cash provided by investing activities	$ 1,499	$ (339)	$ 1,160
Cash flows from financing activities			
Taxes paid in lieu of shares issued for share-based compensation	$	$ (61)	$ (61)
Excess tax benefit from share-based compensation	$	$ 24	$ 24
Intercompany payments	$ 244	$ (130)	$ 114
Net cash used in financing activities	$ (1,724)	$ (167)	$ (1,891)

Co-Issuers for the six months ended June 30, 2013			
Net cash provided by (used in) operating activities	$ 1,266	$ (2,129)	$ (863)
Cash flows from investing activities			
Intercompany funding	$	$ (617)	$ (617)
Net cash used in investing activities	$	$ (617)	$ (617)
Cash flows from financing activities			
Intercompany payments	$	$ 2,746	$ 2,746
Net cash provided by (used in) financing activities	$ (646)	$ 2,746	$ 2,100

Guarantor Subsidiaries for the six months ended June 30, 2013			
Net cash provided by operating activities	$ 963	$ 2,079	$ 3,042
Cash flows from investing activities			
Intercompany funding	$	$ (2,746)	$ (2,746)
Net cash used in investing activities	$ (935)	$ (2,746)	$ (3,681)
Cash flows from financing activities			
Intercompany payments	$ 8	$ 667	$ 675
Net cash provided by (used in) financing activities	$ (35)	$ 667	$ 632

Non-Guarantor Subsidiaries for the six months ended June 30, 2013			
Net cash provided by operating activities	$ 1,304	$ (419)	$ 885
Cash flows from investing activities			
Proceeds from sale of investments	$ 11	$ 117	$ 128
Intercompany funding	$	$ (121)	$ (121)
Net cash used in investing activities	$ (861)	$ (4)	$ (865)
Cash flows from financing activities			
Intercompany payments (funding)	$ (252)	$ 423	$ 171
Net cash provided by (used in) financing activities	$ (226)	$ 423	$ 197

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Condensed Consolidating Statement of Operations
For the Three Months Ended June 30, 2014

	Parent Guarantor	Co-Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	DIRECTV Consolidated
			(Dollars in Millions)			
Revenues	$	$	$ 6,272	$ 1,879	$ (42)	$ 8,109
Operating costs and expenses						
Costs of revenues, exclusive of depreciation and amortization expense						
Broadcast programming and other			2,800	736	(38)	3,498
Subscriber service expenses			374	201	(1)	574
Broadcast operations expenses			75	34	(2)	107
Selling, general and administrative expenses, exclusive of depreciation and amortization expense						
Subscriber acquisition costs			661	237		898
Upgrade and retention costs			314	48		362
General and administrative expenses	30		300	188	(1)	517
Depreciation and amortization expense			429	300		729
Total operating costs and expenses	30		4,953	1,744	(42)	6,685
Operating profit (loss)	(30)		1,319	135		1,424
Equity in income of consolidated subsidiaries	826	813		667	(2,306)	
Interest income				12		12
Interest expense	(1)	(222)	(1)	(6)		(230)
Other, net	(1)	(18)	13	41		35
Income before income taxes	794	573	1,331	849	(2,306)	1,241
Income tax benefit (expense)	12	94	(518)	(19)		(431)
Net income	806	667	813	830	(2,306)	810
Less: Net income attributable to noncontrolling interest				(4)		(4)
Net income attributable to DIRECTV	$ 806	$ 667	$ 813	$ 826	$ (2,306)	$ 806

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Condensed Consolidating Statement of Operations As Revised
For the Three Months Ended June 30, 2013

	Parent Guarantor	Co-Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	DIRECTV Consolidated
			(Dollars in Millions)			
Revenues	$	$	$ 5,943	$ 1,772	$ (15)	$ 7,700
Operating costs and expenses						
Costs of revenues, exclusive of depreciation and amortization expense						
Broadcast programming and other			2,642	647	(14)	3,275
Subscriber service expenses			360	194		554
Broadcast operations expenses			71	27	(1)	97
Selling, general and administrative expenses, exclusive of depreciation and amortization expense						
Subscriber acquisition costs			594	215		809
Upgrade and retention costs			324	50		374
General and administrative expenses	28		301	181		510
Depreciation and amortization expense			410	321		731
Total operating costs and expenses	28		4,702	1,635	(15)	6,350
Operating profit (loss)	(28)		1,241	137		1,350
Equity in income of consolidated subsidiaries	675	747		624	(2,046)	
Interest income	4		1	17	(3)	19
Interest expense	(1)	(206)		(15)	3	(219)
Other, net			4	(79)		(75)
Income before income taxes	650	541	1,246	684	(2,046)	1,075
Income tax benefit (expense)	10	83	(499)	(8)		(414)
Net income	660	624	747	676	(2,046)	661
Less: Net income attributable to noncontrolling interest				(1)		(1)
Net income attributable to DIRECTV	$ 660	$ 624	$ 747	$ 675	$ (2,046)	$ 660

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Condensed Consolidating Statement of Operations
For the Six Months Ended June 30, 2014

	Parent Guarantor	Co-Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	DIRECTV Consolidated
			(Dollars in Millions)			
Revenues	$	$	$ 12,359	$ 3,677	$ (72)	$ 15,964
Operating costs and expenses						
Costs of revenues, exclusive of depreciation and amortization expense						
Broadcast programming and other			5,568	1,377	(64)	6,881
Subscriber service expenses			733	393	(1)	1,125
Broadcast operations expenses			147	61	(4)	204
Selling, general and administrative expenses, exclusive of depreciation and amortization expense						
Subscriber acquisition costs			1,309	417	(1)	1,725
Upgrade and retention costs			595	89	(1)	683
General and administrative expenses	39		590	343	(1)	971
Venezuelan currency devaluation				281		281
Depreciation and amortization expense			855	588		1,443
Total operating costs and expenses	39		9,797	3,549	(72)	13,313
Operating profit (loss)	(39)		2,562	128		2,651
Equity in income of consolidated subsidiaries	1,394	1,600		1,315	(4,309)	
Interest income			1	24		25
Interest expense	(1)	(442)	(4)	(15)		(462)
Other, net	(3)	(18)	18	95		92
Income before income taxes	1,351	1,140	2,577	1,547	(4,309)	2,306
Income tax benefit (expense)	16	175	(977)	(141)		(927)
Net income	1,367	1,315	1,600	1,406	(4,309)	1,379
Less: Net income attributable to noncontrolling interest				(12)		(12)
Net income attributable to DIRECTV	$ 1,367	$ 1,315	$ 1,600	$ 1,394	$ (4,309)	$ 1,367

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Condensed Consolidating Statement of Operations As Revised
For the Six Months Ended June 30, 2013

	Parent Guarantor	Co-Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	DIRECTV Consolidated
			(Dollars in Millions)			
Revenues	$	$	$ 11,733	$ 3,583	$ (36)	$ 15,280
Operating costs and expenses						
Costs of revenues, exclusive of depreciation and amortization expense						
Broadcast programming and other			5,243	1,260	(32)	6,471
Subscriber service expenses			711	380		1,091
Broadcast operations expenses			152	59	(4)	207
Selling, general and administrative expenses, exclusive of depreciation and amortization expense						
Subscriber acquisition costs			1,223	400		1,623
Upgrade and retention costs			643	99		742
General and administrative expenses	41		589	349		979
Venezuelan currency devaluation				166		166
Depreciation and amortization expense			816	593		1,409
Total operating costs and expenses	41		9,377	3,306	(36)	12,688
Operating profit (loss)	(41)		2,356	277		2,592
Equity in income of consolidated subsidiaries	1,373	1,540		1,276	(4,189)	
Interest income	10		1	36	(6)	41
Interest expense	(1)	(407)	(1)	(33)	6	(436)
Other, net	(4)		16	(49)		(37)
Income before income taxes	1,337	1,133	2,372	1,507	(4,189)	2,160
Income tax benefit (expense)	13	143	(832)	(125)		(801)
Net income	1,350	1,276	1,540	1,382	(4,189)	1,359
Less: Net income attributable to noncontrolling interest				(9)		(9)
Net income attributable to DIRECTV	$ 1,350	$ 1,276	$ 1,540	$ 1,373	$ (4,189)	$ 1,350

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Condensed Consolidating Statement of Comprehensive Income
For the Three Months Ended June 30, 2014

	Parent Guarantor	Co-Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	DIRECTV Consolidated
			(Dollars in Millions)			
Net income	$ 806	$ 667	$ 813	$ 830	$ (2,306)	$ 810
Other comprehensive income (loss), net of taxes:						
Cash flows hedges:						
Unrealized gains arising during the period	6	6		6	(12)	6
Reclassification adjustments included in net income	(28)	(28)		(28)	56	(28)
Foreign currency translation adjustments	28			32	(28)	32
Other comprehensive income (loss)	6	(22)		10	16	10
Comprehensive income	812	645	813	840	(2,290)	820
Less: Comprehensive income attributable to noncontrolling interest				(8)		(8)
Comprehensive income attributable to DIRECTV	$ 812	$ 645	$ 813	$ 832	$ (2,290)	$ 812

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Condensed Consolidating Statement of Comprehensive Income As Revised
For the Three Months Ended June 30, 2013

	Parent Guarantor	Co-Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	DIRECTV Consolidated
	(Dollars in Millions)					
Net income	$ 660	$ 624	$ 747	$ 676	$ (2,046)	$ 661
Other comprehensive income (loss), net of taxes:						
Cash flows hedges:						
Unrealized gains arising during the period	9	9		9	(18)	9
Reclassification adjustments included in net income	(1)	(1)		(1)	2	(1)
Foreign currency translation adjustments				(22)		(22)
Available for sale securities:						
Unrealized holding losses on securities	(3)			(3)	3	(3)
Reclassification adjustments recognized for net losses during the period	2			2	(2)	2
Other comprehensive income (loss)	7	8		(15)	(15)	(15)
Comprehensive income	667	632	747	661	(2,061)	646
Less: Comprehensive loss attributable to noncontrolling interest				21		21
Comprehensive income attributable to DIRECTV	$ 667	$ 632	$ 747	$ 682	$ (2,061)	$ 667

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Condensed Consolidating Statement of Comprehensive Income
For the Six Months Ended June 30, 2014

	Parent Guarantor	Co-Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	DIRECTV Consolidated
	(Dollars in Millions)					
Net income	$ 1,367	$ 1,315	$ 1,600	$ 1,406	$ (4,309)	$ 1,379
Other comprehensive income (loss), net of taxes:						
Cash flows hedges:						
Unrealized losses arising during the period	(1)	(1)		(1)	2	(1)
Reclassification adjustments included in net income	(36)	(36)		(36)	72	(36)
Foreign currency translation adjustments	64			71	(64)	71
Other comprehensive income (loss)	27	(37)		34	10	34
Comprehensive income	1,394	1,278	1,600	1,440	(4,299)	1,413
Less: Comprehensive income attributable to noncontrolling interest				(19)		(19)
Comprehensive income attributable to DIRECTV	$ 1,394	$ 1,278	$ 1,600	$ 1,421	$ (4,299)	$ 1,394

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Condensed Consolidating Statement of Comprehensive Income As Revised
For the Six Months Ended June 30, 2013

	Parent Guarantor	Co-Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	DIRECTV Consolidated
			(Dollars in Millions)			
Net income	$ 1,350	$ 1,276	$ 1,540	$ 1,382	$ (4,189)	$ 1,359
Other comprehensive income (loss), net of taxes:						
Cash flows hedges:						
Unrealized losses arising during the period	(27)	(27)		(27)	54	(27)
Reclassification adjustments included in net income	48	48		48	(96)	48
Foreign currency translation adjustments	(34)			(48)	34	(48)
Available for sale securities:						
Reclassification adjustment for net losses recognized during the period	1			1	(1)	1
Other comprehensive income (loss)	(12)	21		(26)	(9)	(26)
Comprehensive income	1,338	1,297	1,540	1,356	(4,198)	1,333
Less: Comprehensive loss attributable to noncontrolling interest				5		5
Comprehensive income attributable to DIRECTV	$ 1,338	$ 1,297	$ 1,540	$ 1,361	$ (4,198)	$ 1,338

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Condensed Consolidating Balance Sheet
As of June 30, 2014

	Parent Guarantor	Co-Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	DIRECTV Consolidated
			(Dollars in Millions)			
ASSETS						
Total current assets	$ 1,007	$ 1,080	$ 2,508	$ 1,712	$ (438)	$ 5,869
Satellites, net			1,760	704		2,464
Property and equipment, net			3,754	3,120		6,874
Goodwill		1,828	1,363	801		3,992
Intangible assets, net			517	394	(8)	903
Intercompany receivables	4,937	8,916	23,516	1,562	(38,931)	
Investment in subsidiaries	(10,232)	19,465		(12,413)	3,180	
Investments and other assets	96	234	313	1,489	(108)	2,024
Total assets	$ (4,192)	$ 31,523	$ 33,731	$ (2,631)	$ (36,305)	$ 22,126
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)						
Total current liabilities	$ 294	$ 1,759	$ 3,428	$ 1,450	$ (438)	$ 6,493
Long-term debt		18,327		112		18,439
Deferred income taxes			1,613	293	(108)	1,798
Intercompany liabilities	1,631	23,494	8,916	4,890	(38,931)	
Other liabilities and deferred credits	404	356	309	462	(8)	1,523
Stockholders' equity (deficit)						
Common stock and additional paid-in capital	3,544	14	4,983	3,636	(8,633)	3,544
Retained earnings (accumulated deficit)	(9,777)	(12,405)	14,482	(13,676)	11,599	(9,777)
Accumulated other comprehensive loss	(288)	(22)		(192)	214	(288)
Total DIRECTV stockholders' equity (deficit)	(6,521)	(12,413)	19,465	(10,232)	3,180	(6,521)
Noncontrolling interest				394		394
Total stockholders' equity (deficit)	(6,521)	(12,413)	19,465	(9,838)	3,180	(6,127)
Total liabilities and stockholders' equity (deficit)	$ (4,192)	$ 31,523	$ 33,731	$ (2,631)	$ (36,305)	$ 22,126

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Condensed Consolidating Balance Sheet
As of December 31, 2013

	Parent Guarantor	Co-Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	DIRECTV Consolidated
	(Dollars in Millions)					
ASSETS						
Total current assets	$ 979	$ 1,133	$ 2,577	$ 1,775	$ (511)	$ 5,953
Satellites, net			1,810	657		2,467
Property and equipment, net			3,724	2,926		6,650
Goodwill		1,828	1,363	779		3,970
Intangible assets, net			527	401	(8)	920
Intercompany receivables	4,799	7,820	20,988	1,386	(34,993)	
Investment in subsidiaries	(10,177)	17,812		(12,247)	4,612	
Investments and other assets	92	190	361	1,416	(114)	1,945
Total assets	$ (4,307)	$ 28,783	$ 31,350	$ (2,907)	$ (31,014)	$ 21,905
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)						
Total current liabilities	$ 448	$ 1,478	$ 3,812	$ 1,303	$ (511)	$ 6,530
Long-term debt		18,203		81		18,284
Deferred income taxes		9	1,632	277	(114)	1,804
Intercompany liabilities	1,390	21,019	7,820	4,764	(34,993)	
Other liabilities and deferred credits	399	321	274	470	(8)	1,456
Redeemable noncontrolling interest				375		375
Stockholders' equity (deficit)						
Common stock and additional paid-in capital	3,652	25	4,930	3,671	(8,626)	3,652
Retained earnings (accumulated deficit)	(9,874)	(12,286)	12,882	(13,620)	13,024	(9,874)
Accumulated other comprehensive income (loss)	(322)	14		(228)	214	(322)
Total stockholders' equity (deficit)	(6,544)	(12,247)	17,812	(10,177)	4,612	(6,544)
Total liabilities and stockholders' equity (deficit)	$ (4,307)	$ 28,783	$ 31,350	$ (2,907)	$ (31,014)	$ 21,905

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Condensed Consolidating Statement of Cash Flows
For the Six Months Ended June 30, 2014

	Parent Guarantor	Co-Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	DIRECTV Consolidated
			(Dollars in Millions)			
Cash flows from operating activities						
Net cash provided by (used in) operating activities	$ 1,042	$ (1,033)	$ 3,139	$ 1,026	$ (1,110)	$ 3,064
Cash flows from investing activities						
Cash paid for property and equipment			(773)	(644)		(1,417)
Cash paid for satellites			(33)	(76)		(109)
Investment in companies, net of cash acquired			(1)	(7)		(8)
Proceeds from sale of investments			16	13		29
Return of capital from subsidiary	425				(425)	
Intercompany payments (funding)	103	(653)	(2,990)	72	3,468	
Other, net				(4)		(4)
Net cash provided by (used in) investing activities	528	(653)	(3,781)	(646)	3,043	(1,509)
Cash flows from financing activities						
Issuance of commercial paper (maturity 90 days or less), net		25				25
Proceeds from short-term borrowings		270				270
Repayment of short-term borrowings		(235)				(235)
Proceeds from long-term debt		1,245		84		1,329
Debt issuance costs		(7)				(7)
Repayment of long-term debt		(1,000)		(26)		(1,026)
Repayment of other long-term obligations			(15)	(19)		(34)
Common shares repurchased and retired	(1,386)					(1,386)
Stock options exercised	10					10
Taxes paid in lieu of shares issued for share-based compensation	(57)		(47)	(10)	57	(57)
Excess tax benefit from share-based compensation	22		18	4	(22)	22
Intercompany payments (funding)	(75)	2,966	702	(125)	(3,468)	
Cash dividend to Parent		(1,500)			1,500	
Other, net		(26)		(14)		(40)
Net cash provided by (used in) financing activities	(1,486)	1,738	658	(106)	(1,933)	(1,129)

Effect of exchange rate changes on Venezuelan cash and cash equivalents				(316)		(316)
Net increase (decrease) in cash and cash equivalents	84	52	16	(42)		110
Cash and cash equivalents at beginning of the period	498	791	6	885		2,180
Cash and cash equivalents at end of the period	$ 582	$ 843	$ 22	$ 843	$	$ 2,290

Table of Contents

DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Condensed Consolidating Statement of Cash Flows As Revised
For the Six Months Ended June 30, 2013

	Parent Guarantor	Co-Issuers	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	DIRECTV Consolidated
			(Dollars in Millions)			
Cash flows from operating activities						
Net cash provided by (used in) operating activities	$ 551	$ (863)	$ 3,042	$ 885	$ (605)	$ 3,010
Cash flows from investing activities						
Cash paid for property and equipment			(820)	(760)		(1,580)
Cash paid for satellites			(108)	(86)		(194)
Investment in companies, net of cash acquired			(21)	(6)		(27)
Proceeds from sale of investments			12	128		140
Return of capital from subsidiary	1,382				(1,382)	
Intercompany funding	(222)	(617)	(2,746)	(121)	3,706	
Other, net			2	(20)		(18)
Net cash provided by (used in) investing activities	1,160	(617)	(3,681)	(865)	2,324	(1,679)
Cash flows from financing activities						
Repayment of commercial paper (maturity 90 days or less), net		(105)				(105)
Proceeds from short-term borrowings		284				284
Repayment of short-term borrowings		(262)				(262)
Proceeds from borrowings under revolving credit facility		10				10
Repayment of borrowings under revolving credit facility		(10)				(10)
Proceeds from long-term debt		1,390		55		1,445
Debt issuance costs		(7)				(7)
Repayment of long-term debt				(3)		(3)
Repayment of other long-term obligations			(12)	(20)		(32)
Common shares repurchased and retired	(1,968)					(1,968)
Taxes paid in lieu of shares issued for share-based compensation	(61)		(51)	(10)	61	(61)
Excess tax benefit from share-based compensation	24		20	4	(24)	24
Intercompany payments	114	2,746	675	171	(3,706)	
Cash dividend to Parent		(1,950)			1,950	
Other, net		4				4
Net cash provided by (used in) financing activities	(1,891)	2,100	632	197	(1,719)	(681)
Effect of exchange rate changes on Venezuelan cash and cash equivalents				(187)		(187)

Net increase (decrease) in cash and cash equivalents	(180)	620	(7)	30	463
Cash and cash equivalents at beginning of the period	408	728	11	755	1,902
Cash and cash equivalents at end of the period	$ 228	$ 1,348	$ 4	$ 785	$ $ 2,365

46

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/A for the year ended December 31, 2013 filed with the SEC on June 30, 2014, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 filed with the SEC on May 12, 2014, 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.

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 2014 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/A for the year ended December 31, 2013:

- 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 and controls.
- 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 one or more satellites, none of which is currently insured, could materially adversely affect our business and 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 an indemnity obligation to Liberty Media, which is not limited in amount or subject to any cap, that could be triggered if parts of the 2009 transaction between us and Liberty Media or Liberty Media's 2008 transaction with News Corporation are treated as a taxable transaction.

We rely on network and information systems and other technology and a disruption or failure of such networks, systems or technology as a result of misappropriation of data or other malfeasance, as well as outages, natural disasters, accidental releases of information or similar events, may disrupt our business.

We face risks arising from the outcome of various legal proceedings.

Our strategic initiatives may not be successfully implemented, may not elicit the expected customer response in the market and may result in competitive reactions.

Those and the other factors that are described in more detail in our Annual Report on Form 10-K/A for the year ended December 31, 2013.

In addition, below are risk factors relating to the proposed AT&T merger transaction:

The value of the stock portion of the merger consideration is subject to changes based on fluctuations in the value of AT&T common stock, and DIRECTV stockholders may receive stock consideration with a value that, at the time received, is less than $66.50 per share of DIRECTV common stock.

AT&T and DIRECTV may have difficulty attracting, motivating and retaining executives and other key employees in light of the merger.

Completion of the merger is subject to conditions and if these conditions are not satisfied or waived, the merger will not be completed.

In order to complete the merger, AT&T and DIRECTV must make certain governmental filings and obtain certain governmental authorizations, and if such filings and authorizations are not made or granted or are granted with conditions, completion of the merger may be jeopardized or the anticipated benefits of the merger could be reduced.

AT&T's and DIRECTV's business relationships may be subject to disruption due to uncertainty associated with the merger.

The merger agreement limits DIRECTV's ability to pursue alternatives to the merger and may discourage other companies from trying to acquire DIRECTV for greater consideration than what AT&T has agreed to pay.

Failure to complete the merger could negatively impact the stock price and the future business and financial results of AT&T and DIRECTV.

The shares of AT&T common stock to be received by DIRECTV stockholders as a result of the merger will have rights different from the shares of DIRECTV common stock.

Table of Contents

DIRECTV

After the merger, DIRECTV stockholders will have a significantly lower ownership and voting interest in AT&T than they currently have in DIRECTV and will exercise less influence over management.

Any forward-looking statement made by us in this 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:

Table of Contents

DIRECTV

SUMMARY DATA

(Unaudited)

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
	(Dollars in Millions, Except Per Share Amounts)			
Consolidated Statements of Operations Data:				
Revenues	$ 8,109	$ 7,700	$ 15,964	$ 15,280
Total operating costs and expenses	6,685	6,350	13,313	12,688
Operating profit	1,424	1,350	2,651	2,592
Interest income	12	19	25	41
Interest expense	(230)	(219)	(462)	(436)
Other, net	35	(75)	92	(37)
Income before income taxes	1,241	1,075	2,306	2,160
Income tax expense	(431)	(414)	(927)	(801)
Net income	810	661	1,379	1,359
Less: Net income attributable to noncontrolling interest	(4)	(1)	(12)	(9)
Net income attributable to DIRECTV	$ 806	$ 660	$ 1,367	$ 1,350
Basic earnings attributable to DIRECTV per common share	$ 1.60	$ 1.19	$ 2.70	$ 2.39
Diluted earnings attributable to DIRECTV per common share	$ 1.59	$ 1.18	$ 2.67	$ 2.37
Weighted average number of total common shares outstanding (in millions):				
Basic	504	556	507	565
Diluted	508	561	512	569

	June 30, 2014	December 31, 2013
	(Dollars in Millions)	
Consolidated Balance Sheets Data:		
Cash and cash equivalents	$ 2,290	$ 2,180
Total current assets	5,869	5,953
Total assets	22,126	21,905
Total current liabilities	6,493	6,530
Long-term debt	18,439	18,284
Redeemable noncontrolling interest		375
Total stockholders' deficit	(6,127)	(6,544)

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

Table of Contents

DIRECTV

SUMMARY DATA (continued)

(Unaudited)

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
	(Dollars in Millions)			
Other Data:				
Operating profit before depreciation and amortization(1)				
Operating profit	$ 1,424	$ 1,350	$ 2,651	$ 2,592
Add: Depreciation and amortization expense	729	731	1,443	1,409
Operating profit before depreciation and amortization	$ 2,153	$ 2,081	$ 4,094	$ 4,001
Operating profit before depreciation and amortization margin	26.6%	27.0%	25.6%	26.2%
Cash flow information				
Net cash provided by operating activities	$ 1,474	$ 1,474	$ 3,064	$ 3,010
Net cash used in investing activities	(802)	(861)	(1,509)	(1,679)
Net cash provided by (used in) financing activities	(1,396)	73	(1,129)	(681)
Free cash flow(2)				
Net cash provided by operating activities	1,474	1,474	3,064	3,010
Less: Cash paid for property and equipment	(767)	(832)	(1,417)	(1,580)
Less: Cash paid for satellites	(55)	(116)	(109)	(194)
Free cash flow	$ 652	$ 526	$ 1,538	$ 1,236

Table of Contents

DIRECTV

SUMMARY DATA (continued)

(Unaudited)

Selected Segment Data

	Revenues	Percentage of Total Revenues	Operating Profit (Loss)	Depreciation and Amortization Expense	Operating Profit (Loss) Before Depreciation and Amortization(1)
			(Dollars in Millions)		
Three Months Ended					
June 30, 2014					
DIRECTV U.S.	$ 6,272	77.3%	$ 1,319	$ 429	$ 1,748
Sky Brasil	1,011	12.5%	114	175	289
PanAmericana and Other	778	9.6%	28	121	149
DIRECTV Latin America	1,789	22.1%	142	296	438
Sports Networks, Eliminations and Other	48	0.6%	(37)	4	(33)
Total	$ 8,109	100.0%	$ 1,424	$ 729	$ 2,153
June 30, 2013					
DIRECTV U.S.	$ 5,943	77.2%	$ 1,241	$ 410	$ 1,651
Sky Brasil	942	12.2%	56	206	262
PanAmericana and Other	744	9.7%	83	110	193
DIRECTV Latin America	1,686	21.9%	139	316	455
Sports Networks, Eliminations and Other	71	0.9%	(30)	5	(25)
Total	$ 7,700	100.0%	$ 1,350	$ 731	$ 2,081

Table of Contents

DIRECTV

SUMMARY DATA (continued)

(Unaudited)

	Revenues	Percentage of Total Revenues	Operating Profit (Loss)	Depreciation and Amortization Expense	Operating Profit (Loss) Before Depreciation and Amortization(1)
	(Dollars in Millions)				
Six Months Ended					
June 30, 2014					
DIRECTV U.S.	$ 12,359	77.4%	$ 2,562	$ 855	$ 3,417
Sky Brasil	1,950	12.2%	262	338	600
PanAmericana and Other	1,560	9.8%	(146)	243	97
DIRECTV Latin America	3,510	22.0%	116	581	697
Sports Networks, Eliminations and Other	95	0.6%	(27)	7	(20)
Total	$ 15,964	100.0%	$ 2,651	$ 1,443	$ 4,094
June 30, 2013					
DIRECTV U.S.	$ 11,733	76.8%	$ 2,356	$ 816	$ 3,172
Sky Brasil	1,907	12.4%	210	363	573
PanAmericana and Other	1,507	9.9%	46	216	262
DIRECTV Latin America	3,414	22.3%	256	579	835
Sports Networks, Eliminations and Other	133	0.9%	(20)	14	(6)
Total	$ 15,280	100.0%	$ 2,592	$ 1,409	$ 4,001

(1) Operating profit before depreciation and amortization, which is a financial measure that is not determined in accordance with accounting principles generally accepted in the United States of America, or 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 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 our 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

Table of Contents

DIRECTV

SUMMARY DATA (continued)

(Unaudited)

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 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

BUSINESS OVERVIEW

DIRECTV, which we sometimes 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, business units: DIRECTV U.S. and DIRECTV Latin America, which are differentiated by their geographic location and are engaged in acquiring, promoting, selling and distributing digital entertainment programming primarily via satellite to residential and commercial subscribers. In addition, we own and operate two regional sports networks, or RSNs, hold a minority ownership interest in ROOT SPORTS Northwest and own a 42% interest in Game Show Network LLC, or GSN, a television network dedicated to game-related programming and Internet interactive game playing. We account for our investments in ROOT SPORTS Northwest and 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, 2014, DIRECTV U.S. had approximately 20.2 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, Ecuador, Peru, Puerto Rico, Venezuela and certain other countries in the region, and Sky Brasil Servicos Ltda., or Sky Brasil, which is a 93% owned subsidiary. DIRECTV Latin America also includes our 41% equity method investment in Innova, S. de R.L. de C.V., or Sky Mexico, which we include in the PanAmericana segment. As of June 30, 2014, PanAmericana had approximately 6.9 million subscribers, Sky Brasil had approximately 5.6 million subscribers and Sky Mexico had approximately 6.4 million subscribers.

DIRECTV Sports Networks. DIRECTV Sports Networks LLC and its subsidiaries, or DSN, is comprised primarily of two wholly owned regional sports networks based in Denver, Colorado and Pittsburgh, Pennsylvania, and a regional sports network based in Seattle, Washington in which DSN retains a noncontrolling interest, each of which operates under the brand name ROOT SPORTS. On April 16, 2013, DSN transferred 100% of its interest in a regional sports network based in Seattle, Washington, or DSN Northwest, to NW Sports Net LLC. The Seattle Mariners have a majority interest in NW Sports Net LLC and DSN retains a noncontrolling interest, which we account for using the equity method of accounting. The operating results of DSN are reported as part of the "Sports Networks, Eliminations and Other" reporting segment.

Proposed AT&T Merger Transaction

On May 18, 2014, DIRECTV and AT&T announced that they have entered into a definitive agreement under which DIRECTV will combine with AT&T in a stock-and-cash transaction. The agreement has been approved unanimously by the Boards of Directors of both companies. Subject to the conditions in the merger agreement, at the effective time of the merger, DIRECTV shareholders will receive $95.00 per share under the terms of the merger, comprised of $28.50 per share in cash and $66.50 per share in AT&T stock. The stock portion will be subject to a collar such that DIRECTV shareholders will receive 1.905 AT&T shares if AT&T stock price is below $34.90 at closing and 1.724 AT&T shares if AT&T stock price is above $38.58 at closing. If AT&T stock price at closing is between $34.90 and $38.58, DIRECTV shareholders will receive a number of shares between 1.724 and 1.905, equal to $66.50 in value. The merger is subject to approval by DIRECTV shareholders and review by the U.S. Federal Communications Commission, U.S. Department of Justice, and the Instituto Federal de Telecomunicaciones in Mexico. The transaction is expected to close within approximately 12 months of signing.

In connection with the proposed combination with AT&T, Inc., DIRECTV has made certain representations, warranties and covenants in the Agreement and Plan of Merger, which was included as Exhibit 2.1 to the Form 8-K filed with the SEC on May 19, 2014 (the "Merger Agreement"), including, among other things, covenants by the Company to conduct its business in the ordinary course during the interim period between the execution of the Merger Agreement and consummation of the Merger and not to take certain actions prior to the closing of the Merger without the prior approval of AT&T.

SIGNIFICANT EVENTS AFFECTING THE COMPARABILITY OF THE RESULTS OF OPERATIONS

Senior Notes

Six Months Ended June 30, 2014 Financing Transactions

On March 17, 2014, DIRECTV U.S. issued $1,250 million of senior notes resulting in $1,245 million proceeds, net of original issue discount.

On March 20, 2014, we exercised our early redemption right under the indenture of the 4.750% senior notes due in 2014 ("the 2014 Notes") effective April 24, 2014. The redemption price was based on the remaining scheduled payments of principal and interest using a discount rate equal to the Treasury Rate (as defined in the indenture governing the 2014 Notes) plus 40 basis points, together with accrued and unpaid interest as of April 24, 2014. The aggregate principal amount of the 2014 Notes outstanding on March 20, 2014 was $1,000 million and we made a cash payment of $1,022 million in the second quarter of 2014 to redeem such Notes.

During the second quarter of 2014, DIRECTV U.S. entered into interest rate swap contracts converting a portion of the total aggregate principal amounts of the 5.000% senior notes due in 2021, the 3.800% senior notes due in 2022 and the 4.450% senior notes due in 2024 from a fixed to floating interest rate in order to manage our interest rate exposure by adjusting our mix of fixed rate and floating rate debt. The total notional amount of these interest rate swaps was $3,000 million as of June 30, 2014. These interest rate swaps are designated and qualify as fair value hedges. The terms of the interest rate swap contracts correspond to the related hedged senior notes and have maturities ranging from March 2021 to April 2024.

Six Months Ended June 30, 2013 Financing Transactions

In January 2013, DIRECTV U.S. issued $750 million of senior notes resulting in $743 million proceeds, net of discount.

In May 2013, DIRECTV U.S. issued €500 million ($650 million) in aggregate principal of 2.750% senior notes due in 2023 resulting in proceeds, net of an original issue discount, of €497 million ($646 million). In connection with the issuance of these senior notes, DIRECTV U.S. entered into cross-currency swaps to effectively convert its fixed-rate euro denominated debt, including annual interest payments and the payment of principal at maturity, to fixed-rate U.S. dollar denominated debt. These cross-currency swaps are designated and qualify as cash flow hedges. The terms of the cross-currency swap agreements correspond to the related senior notes and the cross-currency swaps have maturities extending through May 2023.

Table of Contents

Venezuela Devaluation and Foreign Currency Exchange Controls

Companies operating in Venezuela are required to obtain Venezuelan government approval to exchange Venezuelan bolivars into U.S. dollars and such approval has not consistently been granted for several years. Consequently, our ability to pay U.S. dollar denominated obligations and repatriate cash generated in Venezuela in excess of local operating requirements is limited, which has resulted in increases in the cash balance at our Venezuelan subsidiary. In February 2013, the Venezuelan government announced a devaluation of the bolivar from the official exchange rate of 4.3 bolivars per U.S. dollar to an official rate of 6.3 bolivars per U.S. dollar. As a result of the devaluation, we recorded a pre-tax charge in "Venezuelan currency devaluation charge" in the Consolidated Statements of Operations of $166 million ($136 million after tax) in the first quarter of 2013, related to the remeasurement of the bolivar denominated net monetary assets of our Venezuelan subsidiary as of the date of the devaluation.

In the first quarter of 2013, the Venezuelan government announced a new currency exchange system, the Sistema Complementario de Administración de Divisas, or SICAD 1, which is intended to function as an auction system for participants to exchange bolivars for U.S. dollars. The volume of amounts exchanged through such SICAD 1 system and the resulting exchange rate are published by the Venezuelan Central Bank. Effective January 24, 2014, the Venezuelan government announced that dividends and royalties would be subject to the SICAD 1 program. The SICAD 1 exchange rate, which was 10.6 bolivars per U.S. dollar as of June 30, 2014, is determined by periodic auctions. Additionally, in February 2014, the Venezuelan government announced SICAD 2, which is an exchange mechanism that became available on March 24, 2014. The exchange rate for SICAD 2 was 49.98 bolivars per U.S. dollar as of June 30, 2014.

We currently believe the SICAD 1 rate is the most representative rate to use for remeasurement, as the official rate of 6.3 bolivars per U.S. dollar will likely be reserved only for the settlement of U.S. dollar denominated obligations related to purchases of "essential goods and services," and the equity of our Venezuelan subsidiary would be realized, if at all, through permitted dividends paid at the SICAD 1 rate. Therefore, as of June 30, 2014, we are continuing to remeasure our Venezuelan subsidiary's financial statements in U.S. dollars using the exchange rate determined by periodic auctions under SICAD 1, which was 10.6 bolivars per U.S. dollar. Prior to March 31, 2014, we used the official exchange rate of 6.3 bolivars per U.S. dollar. As a result of the devaluation, we recorded a pre-tax charge in "Venezuelan currency devaluation charge" in the Consolidated Statements of Operations of $281 million in the first quarter of 2014, related to the remeasurement of the bolivar denominated net monetary assets of our Venezuelan subsidiary on March 31, 2014.

As of June 30, 2014, our Venezuelan subsidiary had Venezuelan bolivar denominated net monetary assets of $494 million, including cash of $519 million, based on the SICAD 1 exchange rate of 10.6 bolivars per U.S. dollar. The exchange rate used to report net monetary assets and operating results of our Venezuelan subsidiary is currently based on the results of periodic SICAD 1 auctions, which is expected to result in fluctuations in reported amounts that could be material to the results of operations in Venezuela in future periods and could materially affect the comparability of results for our Venezuelan subsidiary between periods. The comparability of our results of operations and financial position in Venezuela will also be affected in the event of additional changes to the exchange rate system and further devaluations of the Venezuelan bolivar.

Table of Contents

DIRECTV

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, advanced receiver service fees (which include HD, DVR and multi-room viewing), pay-per-view programming, and seasonal live sporting events. We also earn revenues from monthly fees we charge subscribers for multiple set-top receivers, 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 service calls.

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. In certain countries in Latin America, where our customer agreements provide for the lease of the entire DIRECTV or SKY System, we also capitalize the costs of the other customer premises equipment and related installation costs. 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 average monthly revenue per subscriber, or ARPU, and lower churn. Our upgrade efforts include subscriber equipment upgrade programs for advanced receivers 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 estimated 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.

Table of Contents

DIRECTV

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.

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.

Table of Contents

DIRECTV

RESULTS OF OPERATIONS

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

DIRECTV U.S. Results of Operations

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	
	2014	2013	$	%
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	$ 6,272	$ 5,943	$ 329	5.5%
Operating costs and expenses				
Costs of revenues, exclusive of depreciation and amortization expense				
Broadcast programming and other	2,800	2,642	158	6.0%
Subscriber service expenses	374	360	14	3.9%
Broadcast operations expenses	75	71	4	5.6%
Selling, general and administrative expenses, exclusive of depreciation and amortization expense				
Subscriber acquisition costs	661	594	67	11.3%
Upgrade and retention costs	314	324	(10)	(3.1)%
General and administrative expenses	300	301	(1)	(0.3)%
Depreciation and amortization expense	429	410	19	4.6%
Total operating costs and expenses	4,953	4,702	251	5.3%
Operating profit	$ 1,319	$ 1,241	$ 78	6.3%
Operating profit margin	21.0%	20.9%		
Other data:				
Operating profit before depreciation and amortization	$ 1,748	$ 1,651	$ 97	5.9%
Operating profit before depreciation and amortization margin	27.9%	27.8%		
Total number of subscribers (in thousands)	20,231	20,021	210	1.0%
ARPU	$ 103.26	$ 98.73	$ 4.53	4.6%
Average monthly subscriber churn %	1.55%	1.53%		1.3%
Gross subscriber additions (in thousands)	908	839	69	8.2%
Subscriber disconnections (in thousands)	942	923	19	2.1%
Net subscriber disconnections (in thousands)	(34)	(84)	50	(59.5)%
Average subscriber acquisition costs per subscriber (SAC)	$ 855	$ 888	$ (33)	(3.7)%
Capital expenditures:				
Property and equipment	$ 183	$ 154	$ 29	18.8%
Subscriber leased equipment subscriber acquisitions	115	151	(36)	(23.8)%
Subscriber leased equipment upgrade and retention	104	119	(15)	(12.6)%
Satellites	22	55	(33)	(60.0)%

Total capital expenditures	$	424	$	479	$	(55)	(11.5)%

Subscribers. In the second quarter of 2014, net subscriber disconnections decreased primarily due to higher gross subscriber additions, partially offset by a higher number of subscriber disconnections mainly associated with the higher average monthly subscriber churn as compared to the second quarter

Table of Contents

of 2013. Gross subscriber additions increased as a result of streamlined promotional offers and investments in retail distributors. Average monthly subscriber churn was higher in the second quarter of 2014 as compared to the second quarter of 2013 primarily due to a more competitive environment.

Revenues. DIRECTV U.S. revenues increased in the second quarter of 2014 as a result of higher ARPU and a larger subscriber base. The increase in ARPU resulted primarily from price increases on programming packages, higher advanced receiver service fees, higher fees for our new enhanced warranty program, as well as higher ad sales and commercial revenues, partially offset by increased promotional offers for new and existing customers.

Operating profit before depreciation and amortization. Operating profit before depreciation and amortization increased in the second quarter of 2014 as compared to the second quarter of 2013 primarily due to higher revenues coupled with lower upgrade and retention costs, partially offset by higher broadcast programming and other costs and higher subscriber acquisition costs. Upgrade and retention costs decreased primarily due to lower equipment costs used for subscriber upgrades to advanced products. Broadcast programming and other costs increased primarily due to annual program supplier rate increases and a larger subscriber base. Subscriber acquisition costs increased as a result of the higher gross subscriber additions. SAC per subscriber, which includes the cost of capitalized set-top receivers, decreased due to lower advanced products equipment costs.

Operating profit before depreciation and amortization margin improved primarily due to the higher revenues combined with lower upgrade and retention and relatively unchanged general and administrative expenses, partially offset by higher broadcast programming and other costs, as well as higher subscriber acquisition costs.

Operating profit. Operating profit and operating profit margin increased in the second quarter of 2014 as compared to the second quarter of 2013 due to an increase in operating profit before depreciation and amortization and operating profit before depreciation and amortization margin.

Table of Contents

DIRECTV

DIRECTV Latin America Results of Operations

The following table provides operating results and a summary of key subscriber data for the consolidated DIRECTV Latin America operations, which does not include Sky Mexico:

	Three Months Ended and As of June 30,		Change	
	2014	2013	$	%
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	$ 1,789	$ 1,686	$ 103	6.1%
Operating profit before depreciation and amortization	438	455	(17)	(3.7)%
Operating profit before depreciation and amortization margin	24.5%	27.0%		
Operating profit	$ 142	$ 139	$ 3	2.2%
Operating profit margin	7.9%	8.2%		
Other data:				
ARPU	$ 48.88	$ 51.13	$ (2.25)	(4.4)%
Average monthly total subscriber churn %(2)	2.10%	3.10%		(32.3)%
Average monthly post-paid subscriber churn %(2)	1.90%	2.86%	%	(33.6)%
Total number of subscribers (in thousands)(1)(2)	12,472	11,077	1,395	12.6%
Gross subscriber additions (in thousands)(1)	1,311	1,189	122	10.3%
Net subscriber additions (in thousands)(1)(2)	543	165	378	229.1%
Capital expenditures:				
Property and equipment	$ 70	$ 39	$ 31	79.5%
Subscriber leased equipment subscriber acquisitions	185	252	(67)	(26.6)%
Subscriber leased equipment upgrade and retention	108	117	(9)	(7.7)%
Satellites	27	58	(31)	(53.4)%
Total capital expenditures	$ 390	$ 466	$ (76)	(16.3)%

(1) DIRECTV Latin America subscriber data excludes subscribers on the Sky Mexico platform.

(2) Based on the results of an internal investigation, we determined that, beginning in 2012, certain employees of Sky Brasil directed activities which were inconsistent with Sky Brasil's authorized policies for subscriber retention and churn management. These activities had the effect of artificially reducing churn and increasing the Sky Brasil subscriber base during portions of 2013. As a result, subscribers who would have previously ceased receiving Sky Brasil service were terminated as subscribers pursuant to Sky Brasil's authorized policies. We estimate that as of June 30, 2013, our subscriber count would have been approximately 200,000 lower than the number of subscribers previously reported if the identified improper actions had not been taken. See the Current Report on Form 8-K filed with the SEC on June 27, 2013 for further details.

Table of Contents

DIRECTV

Sky Brasil Results of Operations

The following table provides operating results and a summary of key subscriber data for the consolidated Sky Brasil operations:

	Three Months Ended and As of June 30,		Change	
	2014	2013	$	%
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	$ 1,011	$ 942	$ 69	7.3%
Operating profit before depreciation and amortization	289	262	27	10.3%
Operating profit before depreciation and amortization margin	28.6%	27.8%		
Operating profit	$ 114	$ 56	$ 58	103.6%
Operating profit margin	11.3%	5.9%		
Other Data:				
ARPU	$ 60.77	$ 60.32	$ 0.45	0.7%
Total number of subscribers (in thousands)(1)	5,617	5,167	450	8.7%
Total capital expenditures	$ 229	$ 263	$ (34)	(12.9)%

(1)
See Note (2) on the table showing consolidated DIRECTV Latin America results of operations above.

Subscribers. In the second quarter of 2014 net subscriber additions increased due to higher gross subscriber additions and lower average monthly churn. Gross subscriber additions increased driven by demand for the FIFA World Cup. Total average monthly churn decreased primarily due to the improper crediting of certain subscriber accounts and associated corrective actions in the second quarter of 2013.

Revenues. Revenues increased in the second quarter of 2014 primarily due to subscriber growth and an increase in ARPU. The increase in ARPU was primarily due to a decrease in promotional offers to subscribers and an increase in advanced services, mostly offset by unfavorable exchange rates.

Operating profit before depreciation and amortization. Operating profit before depreciation and amortization and operating profit depreciation and amortization margin increased in the second quarter of 2014 as compared to the second quarter of 2013 primarily due to higher revenues, partially offset by higher broadcast operations expenses associated with our broadband network buildout. Operating profit before depreciation and amortization was also impacted by higher broadcast programming and other costs due to subscriber growth.

Operating profit. Operating profit and operating profit margin increased in the second quarter of 2014 as compared to the second quarter of 2013. This increase was due to the increase in operating profit before depreciation and amortization and operating profit before depreciation and amortization margin, as well as a decrease in depreciation and amortization expense in the second quarter of 2014 as compared to the second quarter of 2013, resulting from lower subscriber churn partially offset by higher total capitalized subscriber leased equipment.

Table of Contents

DIRECTV

PanAmericana and Other Results of Operations

The following table provides operating results and a summary of key subscriber data for the consolidated PanAmericana and Other operations:

	Three Months Ended and As of June 30, 2014	2013	Change $	%
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	$ 778	$ 744	$ 34	4.6%
Operating profit before depreciation and amortization	149	193	(44)	(22.8)%
Operating profit before depreciation and amortization margin	19.2%	25.9%		
Operating profit	$ 28	$ 83	$ (55)	(66.3)%
Operating profit margin	3.6%	11.2%		
Other Data:				
ARPU	$ 38.96	$ 42.96	$ (4.00)	(9.3)%
Total number of subscribers (in thousands)	6,855	5,910	945	16.0%
Total capital expenditures	$ 161	$ 203	$ (42)	(20.7)%

Subscribers. In the second quarter of 2014 net subscriber additions increased primarily due to higher gross additions and lower average monthly total subscriber churn resulting from demand for the FIFA World Cup as well as higher prepaid subscriber reconnections.

Revenues. Revenues increased in the second quarter of 2014 primarily due to subscriber growth, partially offset by a decrease in ARPU. The decrease in ARPU was primarily driven by currency depreciation in Venezuela and Argentina and a higher penetration of lower ARPU mass market subscribers, partially offset by price increases and an increase in the number of subscribers with advanced services.

Operating profit before depreciation and amortization. Operating profit before depreciation and amortization and operating profit before depreciation and amortization margin decreased in the second quarter of 2014 as compared to the second quarter of 2013 due to higher broadcast programming costs associated with special events, including the FIFA World Cup and higher subscriber acquisition costs primarily resulting from the increase in gross subscriber additions. Operating profit before depreciation and amortization margin also decreased due to inflation and the timing of price increases in Venezuela.

Operating profit. Operating profit and operating profit margin decreased in the second quarter of 2014 as compared to the second quarter of 2013 due to a decrease in operating profit before depreciation and amortization and operating profit before depreciation and amortization margin, as well as an increase in depreciation and amortization expense due to higher total capitalized subscriber leased equipment and installations costs.

DIRECTV Other Income and Income Taxes

Interest income. Interest income was $12 million in the second quarter of 2014 and $19 million in the second quarter of 2013.

Interest expense. The increase in interest expense to $230 million in the second quarter of 2014 from $219 million in the second quarter of 2013 was primarily due to the higher average debt balance.

Table of Contents

DIRECTV

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

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Change $
	(Dollars in Millions)		
Equity in earnings from unconsolidated affiliates	$ 34	$ 24	$ 10
Net gains from sale of investments	15	1	14
Loss on early extinguishment of debt	(19)		(19)
Net foreign currency transaction gain (loss)	5	(39)	44
Fair-value gain (loss) on non-employee stock options	1	(2)	3
DSN Northwest deconsolidation charge		(59)	59
Other	(1)	0	(1)
Total	$ 35	$ (75)	$ 110

Income Tax Expense. We recognized income tax expense of $431 million for the second quarter of 2014 compared to $414 million for the second quarter of 2013. The effective tax rate for the second quarter of 2014 was 34.7% compared to 38.5% for the second quarter of 2013, primarily due to lower foreign taxes during the second quarter of 2014.

Earnings Per Share

Earnings per share and weighted average shares outstanding were as follows:

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013
	(Shares in Millions)	
Basic earnings attributable to DIRECTV per common share	$ 1.60	$ 1.19
Diluted earnings attributable to DIRECTV per common share	$ 1.59	$ 1.18
Weighted average number of common shares outstanding:		
Basic	504	556
Diluted	508	561

The increases in basic and diluted earnings per share were due to higher net income attributable to DIRECTV, partially offset by a reduction in weighted average shares outstanding resulting from our share repurchase program.

Table of Contents

DIRECTV

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

DIRECTV U.S. Results of Operations

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, 2014	Six Months Ended and As of June 30, 2013	Change $	Change %
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	$ 12,359	$ 11,733	$ 626	5.3%
Operating costs and expenses				
Costs of revenues, exclusive of depreciation and amortization expense				
Broadcast programming and other	5,568	5,243	325	6.2%
Subscriber service expenses	733	711	22	3.1%
Broadcast operations expenses	147	152	(5)	(3.3)%
Selling, general and administrative expenses, exclusive of depreciation and amortization expense				
Subscriber acquisition costs	1,309	1,223	86	7.0%
Upgrade and retention costs	595	643	(48)	(7.5)%
General and administrative expenses	590	589	1	0.2%
Depreciation and amortization expense	855	816	39	4.8%
Total operating costs and expenses	9,797	9,377	420	4.5%
Operating profit	$ 2,562	$ 2,356	$ 206	8.7%
Operating profit margin	20.7%	20.1%		
Other data:				
Operating profit before depreciation and amortization	$ 3,417	$ 3,172	$ 245	7.7%
Operating profit before depreciation and amortization margin	27.6%	27.0%		
Total number of subscribers (in thousands)	20,231	20,021	210	1.0%
ARPU	$ 101.72	$ 97.43	$ 4.29	4.4%
Average monthly subscriber churn %	1.50%	1.49%		0.7%
Gross subscriber additions (in thousands)	1,799	1,732	67	3.9%
Subscriber disconnections (in thousands)	1,821	1,795	26	1.4%
Net subscriber disconnections (in thousands)	(22)	(63)	41	(65.1)%
Average subscriber acquisition costs per subscriber (SAC)	$ 857	$ 894	$ (37)	(4.1)%
Capital expenditures:				
Property and equipment	$ 327	$ 265	$ 62	23.4%
Subscriber leased equipment subscriber acquisitions	232	325	(93)	(28.6)%
Subscriber leased equipment upgrade and retention	214	230	(16)	(7.0)%
Satellites	33	108	(75)	(69.4)%
Total capital expenditures	$ 806	$ 928	$ (122)	(13.1)%

Subscribers. In the six months ended June 30, 2014, net subscriber disconnections decreased due to higher gross subscriber additions, partially offset by a higher number of subscriber disconnections mainly associated with the larger subscriber base compared to the six months ended June 30, 2013. Gross subscriber additions increased as a result of streamlined promotional offers and investments in retail distributors. Average monthly subscriber churn remained relatively unchanged for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013.

Table of Contents

DIRECTV

Revenues. DIRECTV U.S. revenues increased in the six months ended June 30, 2014 as a result of higher ARPU and a larger subscriber base. The increase in ARPU resulted primarily from higher advanced receiver service fees, price increases on programming packages, higher fees for our new enhanced warranty program, as well as higher ad sales and commercial revenues, partially offset by increased promotional offers for new and existing customers.

Operating profit before depreciation and amortization. Operating profit before depreciation and amortization increased in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 primarily due to higher revenues coupled with lower upgrade and retention costs, partially offset by higher broadcast programming and other costs and higher subscriber acquisition costs. Upgrade and retention costs decreased primarily due to lower equipment costs used for subscriber upgrades to advanced products. Broadcast programming and other costs increased primarily due to annual program supplier rate increases and a larger subscriber base. Subscriber acquisition costs increased mainly as a result of the higher gross subscriber additions. SAC per subscriber, which includes the cost of capitalized set-top receivers, decreased due to lower equipment costs for advanced products on a per subscriber basis.

Operating profit before depreciation and amortization margin increased in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 primarily due to the higher revenues coupled with lower upgrade and retention costs and relatively unchanged general and administrative expenses, partially offset by higher broadcast programming and other costs.

Operating profit. Operating profit and operating profit margin increased in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 due to an increase in operating profit before depreciation and amortization and operating profit before depreciation and amortization margin, partially offset by an increase in depreciation and amortization expense due to higher total capitalized subscriber leased equipment.

Table of Contents

DIRECTV

DIRECTV Latin America Results of Operations

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

	Six Months Ended and As of June 30,		Change	
	2014	2013	$	%
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	$ 3,510	$ 3,414	$ 96	2.8%
Operating profit before depreciation and amortization(1)	697	835	(138)	(16.5)%
Operating profit before depreciation and amortization margin(1)	19.9%	24.5%		
Operating profit(1)	$ 116	$ 256	$ (140)	(54.7)%
Operating profit margin(1)	3.3%	7.5%		
Other data:				
ARPU(2)	$ 48.79	$ 52.82	$ (4.03)	(7.6)%
Average monthly total subscriber churn %(2)	2.11%	2.51%		(15.9)%
Average monthly post-paid subscriber churn %(2)	1.88%	2.31%		(18.6)%
Total number of subscribers (in thousands)(2)(3)	12,472	11,077	1,395	12.6%
Gross subscriber additions (in thousands)(3)(4)	2,422	2,370	52	2.2%
Net subscriber additions (in thousands)(2)(3)(4)	904	748	156	20.9%
Capital expenditures:				
Property and equipment	$ 126	$ 80	$ 46	57.5%
Subscriber leased equipment subscriber acquisitions	313	447	(134)	(30.0)%
Subscriber leased equipment upgrade and retention	204	233	(29)	(12.4)%
Satellites	65	80	(15)	(18.8)%
Total capital expenditures	$ 708	$ 840	$ (132)	(15.7)%

(1) Amounts include the impact of the Venezuelan devaluation charge of $281 million recorded in the first quarter of 2014 and $166 million recorded in the first quarter of 2013, as well as the ongoing impact of foreign currency exchange fluctuations.

(2) Based on the results of an internal investigation, we determined that, beginning in 2012, certain employees of Sky Brasil directed activities which were inconsistent with Sky Brasil's authorized policies for subscriber retention and churn management. These activities had the effect of artificially reducing churn and increasing the Sky Brasil subscriber base during portions of 2013. As a result, subscribers who would have previously ceased receiving Sky Brasil service were terminated as subscribers pursuant to Sky Brasil's authorized policies. We estimate that as of June 30, 2013, our subscriber count would have been approximately 200,000 lower than the number of subscribers previously reported if the identified improper actions had not been taken. See the Current Report on Form 8-K filed with the SEC on June 27, 2013 for further details.

(3) DIRECTV Latin America subscriber data excludes subscribers on the Sky Mexico platform.

(4)

Gross and net subscriber additions exclude 1,000 subscribers acquired in transactions in Brazil during during the first quarter of 2013.

Table of Contents

DIRECTV

Sky Brasil Results of Operations

The following table provides operating results and a summary of key subscriber data for the consolidated Sky Brasil operations:

	Six Months Ended and As of June 30,		Change	
	2014	2013	$	%
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	$ 1,950	$ 1,907	$ 43	2.3%
Operating profit before depreciation and amortization	600	573	27	4.7%
Operating profit before depreciation and amortization margin	30.8%	30.0%		
Operating profit	$ 262	$ 210	$ 52	24.8%
Operating profit margin	13.4%	11.0%		
Other Data:				
ARPU	$ 59.21	$ 61.72	$ (2.51)	(4.1)%
Total number of subscribers (in thousands)(1)	5,617	5,167	450	8.7%
Total capital expenditures	$ 390	$ 470	$ (80)	(17.0)%

(1)
See Note (2) on the table showing consolidated DIRECTV Latin America results of operations above.

Subscribers. In the six months ended June 30, 2014, net subscriber additions increased primarily due to higher gross subscriber additions and lower total average monthly churn. Gross subscriber additions increased driven by higher demand for the FIFA World Cup and advanced products. Total average monthly churn decreased primarily due to the improper crediting of certain subscriber accounts and associated corrective actions in the second quarter of 2013.

Revenues. Revenues increased in the six months ended June 30, 2014, primarily due to subscriber growth, partially offset by a decrease in ARPU. The decrease in ARPU was primarily due to unfavorable exchange rates, partially offset by higher ARPU in local currency terms, which resulted from a reduction in promotional offers to subscribers and an increase in subscribers with advanced services.

Operating profit before depreciation and amortization. Operating profit before depreciation and amortization increased in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 primarily due to higher revenues partially offset by higher broadcast programming and other costs mainly related to subscriber growth, higher broadcast operations expenses primarily associated with the buildout of our broadband network.

Operating profit before depreciation and amortization margin increased in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 primarily driven by a reduction in promotional offers to subscribers coupled with slower relative growth in broadcast programming and other costs.

Operating profit. Operating profit and operating profit margin increased in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013. These increases were due to the increase in operating profit before depreciation and amortization and operating profit before depreciation and amortization margin, as well as a decrease in depreciation and amortization expense

Table of Contents

in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013, resulting from lower subscriber churn partially offset by higher total capitalized subscriber leased equipment.

PanAmericana and Other Results of Operations

The following table provides operating results and a summary of key subscriber data for the consolidated PanAmericana and Other operations:

	Six Months Ended and As of June 30, 2014	Six Months Ended and As of June 30, 2013	Change $	Change %
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	$ 1,560	$ 1,507	$ 53	3.5%
Operating profit before depreciation and amortization(1)	97	262	(165)	(63.0)%
Operating profit before depreciation and amortization margin(1)	6.2%	17.4%		
Operating profit (loss)(1)	$ (146)	$ 46	$ (192)	(417.4)%
Operating profit margin(1)	NM*	3.1%		
Other Data:				
ARPU	$ 39.99	$ 44.79	$ (4.80)	(10.7)%
Total number of subscribers (in thousands)	6,855	5,910	945	16.0%
Total capital expenditures	$ 318	$ 370	$ (52)	(14.1)%

* Not meaningful

(1) Amounts include the impact of the Venezuelan devaluation charge of $281 million recorded in the first quarter of 2014 and $166 million recorded in the first quarter of 2013, as well as the ongoing impact of foreign currency exchange fluctuations.

Subscribers. In the six months ended June 30, 2014, net subscriber additions increased as lower gross subscriber additions were more than offset by lower total average monthly subscriber churn. Gross subscriber additions decreased primarily from certain limitations on importing set-top receivers for new subscribers in Venezuela, partially offset by an increase in gross subscriber additions in Argentina and Chile related to demand for the FIFA World Cup. Total average monthly churn decreased primarily due to the demand for FIFA World Cup and higher prepaid subscriber reconnections.

Revenues. Revenues increased in the six months ended June 30, 2014, primarily due to subscriber growth partially offset by a decrease in ARPU. The decrease in ARPU was primarily due to unfavorable exchange rates, partially offset by price increases and an increase in subscribers with advanced services.

Operating profit before depreciation and amortization. Operating profit before depreciation and amortization and operating profit before depreciation and amortization margin decreased in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013, primarily in Venezuela as a result of the $281 million devaluation charge recorded in the first quarter of 2014 as compared to the $166 million charge resulting from the devaluation of the bolivar fuerte recorded in the first quarter of 2013. Also contributing to the decrease were higher broadcast programming costs associated with special events, including the FIFA World Cup. Operating profit before depreciation and amortization margin also decreased due to inflation and the timing of price increases in Venezuela.

Table of Contents

DIRECTV

Operating profit. Operating profit and operating profit margin decreased in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 due to the decrease in operating profit before depreciation and amortization and operating profit before depreciation and amortization margin, as well as an increase in depreciation and amortization expense as a result of higher total capitalized subscriber leased equipment.

DIRECTV Other Income and Income Taxes

Interest income. Interest income was $25 million in the six months ended June 30, 2014 and $41 million in the six months ended June 30, 2013.

Interest expense. The increase in interest expense to $462 million in the six months ended June 30, 2014 from $436 million in the six months ended June 30, 2013 was primarily a result of the higher average debt balance.

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

	Six Months Ended June 30,		Change
	2014	**2013**	**$**
	(Dollars in Millions)		
Equity in earnings from unconsolidated affiliates	$ 78	$ 56	$ 22
Net gains from sale of investments	24	8	16
Loss on early extinguishment of debt	(19)		(19)
Net foreign currency transaction gain (loss)	11	(33)	44
Fair-value gain (loss) on non-employee stock options	3	(4)	7
DSN Northwest deconsolidation charge		(59)	59
Other	(5)	(5)	0
Total	$ 92	$ (37)	$ 129

Income Tax Expense. We recognized income tax expense of $927 million for the six months ended June 30, 2014 compared to $801 million for the six months ended June 30, 2013. The effective tax rate for the six months ended June 30, 2014 was 40.2% compared to 37.1% for the six months ended June 30, 2013, primarily due to the unfavorable tax impact of a larger Venezuela currency devaluation in 2014.

Earnings Per Share

Earnings per share and weighted average shares outstanding were as follows:

	Six Months Ended June 30,	
	2014	**2013**
	(Shares in Millions)	
Basic earnings attributable to DIRECTV per common share	$ 2.70	$ 2.39
Diluted earnings attributable to DIRECTV per common share	$ 2.67	$ 2.37
Weighted average number of common shares outstanding:		
Basic	507	565
Diluted	512	569

Table of Contents

The increases in basic and diluted earnings per share were due to a reduction in weighted average shares outstanding resulting from our share repurchase program and higher net income attributable to DIRECTV.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity are our cash, cash equivalents and the cash flow that we generate from our operations. We expect that net cash provided by operating activities will grow and believe that our existing cash balances and cash provided by operations will be sufficient to fund our existing business plan. DIRECTV U.S. has the ability to borrow up to $2.5 billion under its revolving credit facilities. As of June 30, 2014, there were no borrowings outstanding under the revolving credit facilities. DIRECTV U.S. also has a commercial paper program backed by its revolving credit facilities. As of June 30, 2014, we had $260 million of short-term commercial paper outstanding. Aggregate amounts outstanding under the revolving credit facilities described below and the commercial paper program are limited to $2.5 billion.

In March 2013, Sky Brasil entered into a Brazilian Real denominated financing facility with Banco Nacional de Desenvolvimento Econômico e Social, or BNDES, a government owned bank in Brazil, under which Sky Brasil may borrow funds for the purchase of set-top receivers. As of June 30, 2014, Sky Brasil had borrowings of R$382 million ($173 million) outstanding under the BNDES facility.

In the second quarter of 2014, Sky Brasil entered into a Brazilian Real denominated financing facility with Desenvolve SP, an agency created by Sao Paulo State Government for economic development, under which Sky Brasil may borrow funds for the construction of a satellite and broadcast facility. As of June 30, 2014, Sky Brasil had borrowings of R$48 million ($21 million) under the facility.

As of June 30, 2014, our cash and cash equivalents totaled $2,290 million compared to $2,180 million at December 31, 2013. As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) was 0.90 at June 30, 2014 and 0.91 at December 31, 2013.

Cash Flows Provided by Operating Activities

Net cash flows provided by operating activities increased to $3,064 million for the six months ended June 30, 2014 from $3,010 million for the six months ended June 30, 2013. The increase is primarily a result of an increase in operating profit before depreciation and amortization expense and changes in working capital.

Cash Flows Used in Investing Activities

Net cash flows used in investing activities decreased to $1,509 million for the six months ended June 30, 2014 from $1,679 million for the six months ended June 30, 2013. The decrease resulted primarily from lower capital expenditures for subscriber leased set-top receivers at DIRECTV U.S. and DIRECTV Latin America, as well as a decrease in capital expenditures for satellites. In addition, proceeds from the sale of investments decreased due to the partial sale of our equity method investment in GSN, for which we received proceeds in April 2013.

Cash Flows Used in Financing Activities

Net cash flows used in financing activities increased to $1,129 million for the six months ended June 30, 2014 from net cash flows used in financing activities of $681 million for the six months ended June 30, 2013. The increase is primarily due to the repayment of our 4.750% senior notes due in 2014, partially offset by a reduction in common shares repurchased and retired.

Table of Contents

DIRECTV

Share Repurchase Program

Since 2006 our Board of Directors has approved multiple authorizations for the repurchase of our common stock. In February 2014 our Board of Directors approved a new authorization for up to $3.5 billion for repurchases of our common stock. On May 18, 2014, DIRECTV and AT&T entered into a definitive agreement under which AT&T would combine with DIRECTV in a stock-and-cash transaction. As a result, we have suspended the share repurchase program and agreed to not purchase, repurchase, redeem or otherwise acquire any shares of our capital stock during the pendency of the proposed transaction and without AT&T's consent. During the six months ended June 30, 2014, we repurchased and retired 19 million common shares for $1,386 million, at an average price of $73.82.

Debt

At June 30, 2014, we had $19,981 million in total outstanding borrowings, which consisted of senior notes and commercial paper issued by DIRECTV U.S. and borrowings under the BNDES and Desenvolve SP financing facilities at Sky Brasil. Our outstanding borrowings are 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 10 of the Notes to the Consolidated Financial Statements in Item 8, Part II of our 2013 Form 10-K/A.

We may incur additional borrowings in the future in order to refinance or repay maturing indebtedness. We may purchase our outstanding senior notes in the future from time to time in open market transactions or otherwise as part of liability management initiatives.

Senior Notes. On March 20, 2014, we exercised our early redemption right under the indenture of the 4.750% senior notes due in 2014 ("the 2014 Notes") effective April 24, 2014. The redemption price was based on the remaining scheduled payments of principal and interest using a discount rate equal to the Treasury Rate (as defined in the indenture governing the 2014 Notes) plus 40 basis points, together with accrued and unpaid interest as of April 24, 2014. The aggregate principal amount of the 2014 Notes outstanding on March 20, 2014 was $1,000 million and we made a cash payment of $1,022 million in the second quarter of 2014 to redeem such Notes.

During the second quarter of 2014, DIRECTV U.S. entered into interest rate swap contracts converting a portion of the total aggregate principal amounts of the 5.000% senior notes due in 2021, the 3.800% senior notes due in 2022 and the 4.450% senior notes due in 2024 from a fixed to floating interest rate in order to manage our interest rate exposure by adjusting our mix of fixed rate and floating rate debt. The total notional amount of these interest rate swaps was $3,000 million as of June 30, 2014. These interest rate swaps are designated and qualify as fair value hedges. The terms of the interest rate swap contracts correspond to the related hedged senior notes and have maturities ranging from March 2021 to April 2024.

At June 30, 2014, DIRECTV U.S.' senior notes had a carrying value of $19,527 million and a weighted-average coupon of 4.15%. The principal amount of our senior notes mature as follows: $1,200 million in 2015, $2,250 million in 2016, $1,250 million in 2017, $750 million in 2018 and $14,116 million in 2019 and thereafter.

Included in the amounts above are DIRECTV U.S.' €500 million in aggregate principal of 2.750% senior notes due in 2023, £750 million in aggregate principal of 4.375% senior notes due in 2029, and £350 million in aggregate principal of 5.200% senior notes due in 2033. In connection with the issuance of these senior notes, DIRECTV U.S. entered into cross-currency swap agreements to manage the related foreign exchange risk by effectively converting all of the fixed-rate British pound sterling and fixed-rate euro denominated debt, including annual interest payments and the payment of principal at maturity, to fixed-rate U.S. dollar denominated debt. These cross-currency swaps are designated and qualify as cash flow hedges. The terms of the cross-currency swap agreements correspond to the related hedged senior notes and have maturities ranging from May 2023 to November 2033.

All of our senior notes were issued by DIRECTV Holdings LLC and DIRECTV Financing Co., Inc., or the Co-Issuers, and have been registered under the Securities Act of 1933, as amended.

Commercial Paper. On November 27, 2012, DIRECTV U.S. established a commercial paper program backed by its revolving credit facilities, which provides for the issuance of short-term commercial paper in the United States up to a maximum aggregate principal of $2.5 billion. As of June 30, 2014, we had $260 million of short-term commercial paper outstanding, with a weighted average maturity of 59 days, at a weighted average yield of 0.41%, which may be refinanced on a periodic basis as borrowings mature.

Revolving Credit Facilities

On September 28, 2012, DIRECTV U.S.' five year, $2.0 billion revolving credit facility dated February 7, 2011 was terminated and replaced with a three and one-half year, $1.0 billion revolving credit facility and a five year, $1.5 billion revolving credit facility. We pay a commitment fee of 0.15% per year for the unused commitment under the revolving credit facilities. Borrowings currently bear interest at a rate equal to the London Interbank Offer Rate (LIBOR) plus 1.25%. Both the commitment fee and the annual interest rate may increase or decrease under certain conditions due to changes in DIRECTV U.S.' long-term, unsecured debt ratings. Under certain conditions, DIRECTV U.S. may increase the borrowing capacity of the revolving credit facilities by an aggregate amount of up to $500 million. Aggregate amounts outstanding under the revolving credit facilities and the commercial paper program are limited to $2.5 billion. As of June 30, 2014, there were no borrowings outstanding under the revolving credit facilities.

Borrowings under the revolving credit facilities are unsecured senior obligations of DIRECTV U.S. and will rank equally in right of payment with all of DIRECTV U.S.' existing and future senior debt and will rank senior in right of payment to all of DIRECTV U.S.' future subordinated debt, if any.

Covenants and Restrictions

The revolving credit facilities require DIRECTV U.S. to maintain at the end of each fiscal quarter a specified ratio of indebtedness to earnings before interest, taxes and depreciation and amortization. The revolving credit facilities also include covenants that limit 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. If DIRECTV U.S. fails to comply with these covenants, all or a portion of its borrowings under the senior notes could become immediately payable and its revolving credit facilities could be terminated. At June 30, 2014, management believes DIRECTV U.S. was in compliance with all such covenants. The senior notes provide that the borrowings may be required to be prepaid if certain change-in-control events, coupled with a ratings decline, occur. The revolving credit facilities provide that the borrowings may be required to be prepaid if certain change-in-control events occur.

DIRECTV Guarantors. DIRECTV guarantees all of the senior notes then outstanding, jointly and severally with DIRECTV Holdings LLC's material domestic subsidiaries. DIRECTV unconditionally guarantees that the principal and interest on the respective senior notes will be paid in full when due and that the obligations of the Co-Issuers to the holders of the outstanding senior notes will be performed. The revolving credit facilities and the commercial paper program are also similarly fully guaranteed by DIRECTV.

As a result of the guarantees, holders of the senior notes, the revolving credit debt and the commercial paper have the benefit of DIRECTV's interests in the assets and related earnings of our operations that are not held through DIRECTV Holdings LLC and its subsidiaries. Those operations are primarily our DTH digital television services throughout Latin America which are held by DIRECTV Latin America and our regional sports networks which are held by DSN. However, the subsidiaries that own and operate the DIRECTV Latin America business and the regional sports networks have not guaranteed the senior notes, the revolving credit facilities and the commercial paper program.

The guarantees are unsecured senior obligations of DIRECTV and rank equally in right of payment with all of DIRECTV's existing and future senior debt and rank senior in right of payment to all of DIRECTV's future subordinated debt, if any. The guarantees are effectively subordinated to all existing and future secured obligations, if any, of DIRECTV to the extent of the value of the assets securing the obligations. DIRECTV is not subject to the covenants contained in each indenture of the senior notes and our guarantees will terminate and be released on the terms set forth in each of the indentures.

BNDES Financing Facility

In March 2013, Sky Brasil entered into a Brazilian Real denominated financing facility with BNDES, a government owned bank in Brazil, under which Sky Brasil may borrow funds for the purchase of set-top receivers. As of June 30, 2014, Sky Brasil had borrowings of R$382 ($173 million) outstanding under the BNDES facility bearing interest at a weighted-average rate of 3.70% per year. Borrowings under the facility are required to be repaid in 30 monthly installments. The U.S. dollar amounts reflect the conversion of the Brazilian Real denominated amounts into U.S. dollars based on the exchange rate of R$2.20 / $1.00 at June 30, 2014.

Borrowings under the BNDES facility mature as follows: R$87 million ($39 million) in 2014, R$183 million ($83 million) in 2015, R$103 million ($47 million) in 2016 and R$9 million ($4 million) in 2017. The financing facility is collateralized by the financed set-top receivers with an original purchase price of approximately R$543 million ($246 million) based on the exchange rate at the time of purchase.

Desenvolve SP Financing Facility

In the second quarter of 2014, Sky Brasil entered into a Brazilian Real denominated financing facility with Desenvolve SP, an agency created by the Sao Paulo State Government for economic development, under which Sky Brasil may borrow funds for the construction of a satellite and broadcast facility. Each borrowing under the facility, including accrued interest, will be repaid in a single installment five years from the date of such borrowing. The financing facility is secured by a third party bank guarantee. As of June 30, 2014, Sky Brasil had borrowings of R$48 million ($21 million) under the facility bearing interest of 2.5% per year, with a maturity of 2019. The U.S. dollar amounts reflect the conversion of the Brazilian Real denominated amounts into U.S. dollars based on the exchange rate of R$2.20 / $1.00 at June 30, 2014.

Table of Contents

DIRECTV

Contingencies

Venezuela Devaluation and Foreign Currency Exchange Controls. Companies operating in Venezuela are required to obtain Venezuelan government approval to exchange Venezuelan bolivars into U.S. dollars and such approval has not consistently been granted for several years. Consequently, our ability to pay U.S. dollar denominated obligations and repatriate cash generated in Venezuela in excess of local operating requirements is limited, which has resulted in increases in the cash balance at our Venezuelan subsidiary. In February 2013, the Venezuelan government announced a devaluation of the bolivar from the official exchange rate of 4.3 bolivars per U.S. dollar to an official rate of 6.3 bolivars per U.S. dollar. As a result of the devaluation, we recorded a pre-tax charge in "Venezuelan currency devaluation charge" in the Consolidated Statements of Operations of $166 million ($136 million after tax) in the first quarter of 2013, related to the remeasurement of the bolivar denominated net monetary assets of our Venezuelan subsidiary as of the date of the devaluation.

In the first quarter of 2013, the Venezuelan government announced a new currency exchange system, the Sistema Complementario de Administración de Divisas, or SICAD 1, which is intended to function as an auction system for participants to exchange bolivars for U.S. dollars. The volume of amounts exchanged through such SICAD 1 system and the resulting exchange rate are published by the Venezuelan Central Bank. Effective January 24, 2014, the Venezuelan government announced that dividends and royalties would be subject to the SICAD 1 program. The SICAD 1 exchange rate, which was 10.6 bolivars per U.S. dollar as of June 30, 2014, is determined by periodic auctions. Additionally, in February 2014, the Venezuelan government announced SICAD 2, which is an exchange mechanism that became available on March 24, 2014. The exchange rate for SICAD 2 was 49.98 bolivars per U.S. dollar as of June 30, 2014.

We currently believe the SICAD 1 rate is the most representative rate to use for remeasurement, as the official rate of 6.3 bolivars per U.S. dollar will likely be reserved only for the settlement of U.S. dollar denominated obligations related to purchases of "essential goods and services," and the equity of our Venezuelan subsidiary would be realized, if at all, through permitted dividends paid at the SICAD 1 rate. Therefore, as of June 30, 2014, we are continuing to remeasure our Venezuelan subsidiary's financial statements in U.S. dollars using the exchange rate determined by periodic auctions under SICAD 1, which was 10.6 bolivars per U.S. dollar. Prior to March 31, 2014, we used the official exchange rate of 6.3 bolivars per U.S. dollar. As a result of the devaluation, we recorded a pre-tax charge in "Venezuelan currency devaluation charge" in the Consolidated Statements of Operations of $281 million in the first quarter of 2014, related to the remeasurement of the bolivar denominated net monetary assets of our Venezuelan subsidiary on March 31, 2014.

As of June 30, 2014, our Venezuelan subsidiary had Venezuelan bolivar denominated net monetary assets of $494 million, including cash of $519 million, based on the SICAD 1 exchange rate of 10.6 bolivars per U.S. dollar. The exchange rate used to report net monetary assets and operating results of our Venezuelan subsidiary is currently based on the results of periodic SICAD 1 auctions, which is expected to result in fluctuations in reported amounts that could be material to the results of operations in Venezuela in future periods and could materially affect the comparability of results for our Venezuelan subsidiary between periods. The comparability of our results of operations and financial position in Venezuela will also be affected in the event of additional changes to the exchange rate system and further devaluations of the Venezuelan bolivar.

Other. 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

DIRECTV

satellites and broadcast equipment, satellite anomalies or signal theft. Additionally, DIRECTV U.S.' ability to borrow under the revolving credit facilities is contingent upon DIRECTV U.S. meeting financial and other covenants associated with its facilities as more fully described above.

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.

CONTRACTUAL OBLIGATIONS

The following table sets forth our contractual obligations as of June 30, 2014, 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 the Notes to the Consolidated Financial Statements in Part II, Item 8 in our Form 10-K/A for the year ended December 31, 2013. The contractual obligations below do not include payments that could be made related to our net unrecognized tax benefits liability, which amounted to $434 million as of June 30, 2014. 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**	**2014**	**2015-2016**	**2017-2018**	**2019 and thereafter**
	(Dollars in Millions)				
Long-term debt obligations (Note 5)(a)	$ 30,693	$ 514	$ 5,231	$ 3,459	$ 21,489
Purchase obligations(b)	4,374	1,141	1,911	608	714
Operating lease obligations(c)	942	50	196	175	521
Capital lease obligations(d)	1,372	50	285	264	773
Total	$ 37,381	$ 1,755	$ 7,623	$ 4,506	$ 23,497

(a) The cash payments due for long-term debt include interest payments based on the outstanding principal amounts and the applicable fixed interest rates as of June 30, 2014. The obligations do not reflect potential prepayments required under indentures.

(b) Purchase obligations consist primarily of broadcast programming commitments, regional professional team rights agreements, service contract commitments and satellite construction and launch 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 the operating leases contain variable escalation clauses and renewal or purchase options, which we do not consider in the amounts disclosed.

DIRECTV

(d) Capital lease obligations include prepayments related to a satellite lease contract which we expect to account for as a capital lease upon commencement.

CONTINGENCIES

For a discussion of "Contingencies," see Part I, Item 1, and Note 7 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 8 of the Notes to the Consolidated Financial Statements of this Quarterly Report, which we incorporate herein by reference.

CRITICAL ACCOUNTING ESTIMATES

For a discussion of our "Critical Accounting Estimates," see Item 7. Critical Accounting Estimates in Part II of our Annual Report on Form 10-K/A for the year ended December 31, 2013.

* * *

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, 2014. For additional information, see Item 7A. Quantitative and Qualitative Disclosures About Market Risk in Part II of our Annual Report on Form 10-K/A for the year ended December 31, 2013.

* * *

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, 2014.

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, 2014, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

* * *

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, 2014 or subsequent thereto, but before the filing of the report, are summarized below:

DIRECTV Shareholder Litigation Proposed DIRECTV and AT&T Merger. Beginning on May 21, 2014, and following the May 18, 2014 announcement that DIRECTV had entered into a definitive agreement to combine with AT&T, Inc., several shareholder putative class action lawsuits have been filed, six in Delaware Chancery Court ("Delaware Actions"), and one in California Superior Court ("California Action"), against DIRECTV, its directors and AT&T, Inc., alleging breach of fiduciary duties in connection with the proposed transaction. The complaints generally and collectively assert that defendants failed to maximize the value of DIRECTV, and seek to enjoin the proposed transaction as well as unspecified damages, costs and fees. Service has been accepted by DIRECTV and its directors in all pending cases. An Order consolidating the Delaware Actions and appointing Lead Plaintiff and Lead Counsel was entered on July 21, 2014. Discovery in Delaware Actions stayed pending the filing of a Consolidated Complaint. The California Action has been stayed pending a court status conference scheduled for August 12, 2014. Insofar as the allegations in these lawsuits can be analyzed by us at this early stage, we believe the claims are without merit and intend to defend the actions vigorously.

International Trade Commission Proceedings. On April 17, 2014, ViXS Systems, Inc. submitted to the International Trade Commission a request to commence an investigation pursuant to Section 337 of the Tariff Act. The request alleges that certain patents owned by ViXS Systems, Inc. are infringed by components supplied by Entropic Communications, Inc., or by devices that contain those components. Among those accused devices are satellite receivers and other devices for use in systems for receiving the DIRECTV service. DIRECTV LLC, along with Entropic Communications, Inc. and certain companies alleged to be manufacturers of devices for DIRECTV, are identified as respondents. The request seeks an order excluding the accused devices from entry into the United States, and a cease and desist order prohibiting unlawful importation and/or sale of the accused devices after importation. Also on April 17, 2014, ViXS Systems Inc. filed in United States District Court a companion lawsuit alleging infringement of the same patents by the same products of the respondents named in the action before the ITC. The lawsuit seeks an injunction and monetary damages. DIRECTV is in the process of evaluating the claims made in these actions and intends to defend them vigorously.

Other 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. Further, in certain of these cases, suppliers of equipment to DIRECTV are also defendants, and DIRECTV has contractual obligations to indemnify and hold harmless those suppliers in those cases. 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 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 possibly 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.

Table of Contents

DIRECTV

State and Federal Inquiries. 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. As reported previously, DIRECTV U.S. received a request for information from the Federal Trade Commission, or FTC, on issues similar to those resolved in 2011 with a multistate group of state attorneys general. We have been cooperating with the FTC by providing information about our sales and marketing practices and customer complaints and have engaged in ongoing negotiations with FTC staff concerning these issues. The FTC staff has advised that they will refer this matter to the Commissioners to obtain authority to file suit if we are unable to agree upon a resolution of these issues.

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.

* * *

ITEM 1A. RISK FACTORS

The risk factors included in our Annual Report on Form 10-K/A for the year ended December 31, 2013 have not materially changed. See Part I Item 2 of this Quarterly Report related to "forward-looking statements" which we incorporate by reference.

* * *

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

Share Repurchase Program

Since 2006 our Board of Directors has approved multiple authorizations for the repurchase of our common stock. In February 2014 our Board of Directors approved a new authorization for up to $3.5 billion for repurchases of our common stock. On May 18, 2014, DIRECTV and AT&T entered into a definitive agreement, under which AT&T would combine with DIRECTV in a stock-and-cash transaction. As a result, we have suspended the share repurchase program and agreed to not purchase, repurchase, redeem or otherwise acquire any shares of our capital stock during the pendency of the proposed transaction and without AT&T's consent.

A summary of the repurchase activity for the three months ended June 30, 2014 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, 2014	4	$ 76.80	4	$ 3,127
May 1-31, 2014	2	83.49	2	2,977
June 1-30, 2014				2,977
Total	6	78.87	6	2,977

* * *

Table of Contents

DIRECTV

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Name
2.1	Agreement and Plan of Merger, dated as of May 18, 2014, by and among DIRECTV, AT&T Inc. and Steam Merger Sub LLC (incorporated by reference to Exhibit 2.1 to the Form 8-K of DIRECTV filed May 18, 2014 (SEC File No. 1-34554))
*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

* Furnished, not filed.

Management contract or compensatory plan or arrangement.

* * *

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 1, 2014	By:	/s/ PATRICK T. DOYLE
		Patrick T. Doyle *(Duly Authorized Officer and Executive Vice President and Chief Financial Officer)*

Table of Contents

DIRECTV

EXHIBIT INDEX

Exhibit Number	Exhibit Name
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