

DIRECTV
Form 10-Q/A
October 20, 2015

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 1 to Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015

OR

**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 GROUP HOLDINGS, LLC

(successor in interest to 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)

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant 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 No

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

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

As of July 24, 2015, the registrant had outstanding 504,514,734 shares of common stock.

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DIRECTV

EXPLANATORY NOTE

This Amendment No. 1 (the "Amendment") amends and restates the DIRECTV Group Holdings, LLC ("DIRECTV" or the "Company") Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, filed on August 7, 2015 (the "Original 10-Q"). As explained in the Original 10-Q, as a result of the timing of July 24, 2015 acquisition of DIRECTV by AT&T Inc. (AT&T), the Company's independent auditor was no longer regarded as independent and, as a result, the Original 10-Q, when filed, was not reviewed by an independent accountant using professional review standards and procedures as required by Rule 10-01(d) of Regulation S-X.

The Amendment accordingly reflects the required review of the Company's financials by AT&T's independent auditor. In restating the consolidated financial statements for the three and six months ended June 30, 2015, due, in part, to the continued economic uncertainty and lack of liquidity in all three of the official currency exchange mechanisms in Venezuela as well as the July 24, 2015 acquisition and change in management of DIRECTV and the review by AT&T's independent auditor, we have elected to change the exchange rate used to measure our Venezuelan subsidiary's monetary assets and liabilities into U.S. dollars and to impair the fixed assets as of June 30, 2015. The Company also made necessary conforming changes in "Management's Discussion and Analysis of Financial Condition and Results of Operations" resulting from the review.

This Form 10-Q/A speaks as of the filing date of the Original 10-Q, and it does not reflect events occurring after the filing of the Original 10-Q, nor does it modify or update those disclosures presented therein, except with regard to the modifications described above.

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Table of Contents**DIRECTV****PART I FINANCIAL INFORMATION (UNAUDITED)****ITEM 1. FINANCIAL STATEMENTS****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	(As Restated)	2014	(As Restated)	2014
	(Dollars in Millions, Except Per Share Amounts)			
Revenues	\$ 8,441	\$ 8,109	\$ 16,584	\$ 15,964
Operating costs and expenses				
Costs of revenues, exclusive of depreciation and amortization expense				
Broadcast programming and other	3,780	3,498	7,356	6,881
Subscriber service expenses	596	574	1,177	1,125
Broadcast operations expenses	118	107	235	204
Selling, general and administrative expenses, exclusive of depreciation and amortization expense				
Subscriber acquisition costs	900	898	1,788	1,725
Upgrade and retention costs	344	362	694	683
General and administrative expenses	601	517	1,115	971
Impairment of fixed and intangible assets	533		533	
Venezuelan currency devaluation charge	519		519	281
Depreciation and amortization expense	721	729	1,451	1,443
Total operating costs and expenses	8,112	6,685	14,868	13,313
Operating profit	329	1,424	1,716	2,651
Interest income	24	12	46	25
Interest expense	(234)	(230)	(479)	(462)
Other, net	25	35	32	92
Income before income taxes	144	1,241	1,315	2,306
Income tax expense	(502)	(431)	(943)	(927)
Net income (loss)	(358)	810	372	1,379
Less: Net income attributable to noncontrolling interest	(3)	(4)	(3)	(12)
Net income (loss) attributable to DIRECTV	\$ (361)	\$ 806	\$ 369	\$ 1,367
Basic earnings (losses) attributable to DIRECTV per common share	\$ (0.72)	\$ 1.60	\$ 0.73	\$ 2.70
Diluted earnings (losses) attributable to DIRECTV per common share	\$ (0.72)	\$ 1.59	\$ 0.73	\$ 2.67
Weighted average number of common shares outstanding (in millions):				
Basic	504	504	504	507
Diluted	504	508	508	512

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

Table of Contents**DIRECTV****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AS RESTATED****(Unaudited)**

	Three Months Ended June 30, 2015 (As Restated)		Six Months Ended June 30, 2015 (As Restated)	
	2014	2014	2014	2014
	(Dollars in Millions)			
Net income (loss)	\$ (358)	\$ 810	\$ 372	\$ 1,379
Other comprehensive income (loss), net of taxes:				
Cash flows hedges:				
Unrealized gains (losses) arising during the period	83	6	(38)	(1)
Reclassification adjustments included in net income	(74)	(28)	20	(36)
Foreign currency translation adjustments	16	32	(116)	71
Other comprehensive income (loss)	25	10	(134)	34
Comprehensive income (loss)	(333)	820	238	1,413
Comprehensive (income) loss attributable to noncontrolling interest	(8)	(8)	10	(19)
Comprehensive income (loss) attributable to DIRECTV	\$ (341)	\$ 812	\$ 248	\$ 1,394

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

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DIRECTV
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2015 (As Restated)	December 31, 2014
	(Dollars in Millions, Except Share Data)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,473	\$ 4,635
Accounts receivable, net of allowances of \$114 and \$109	2,718	2,800
Inventories	418	299
Deferred income taxes	47	68
Prepaid expenses and other	738	1,017
Total current assets	8,394	8,819
Satellites, net	3,010	3,040
Property and equipment, net	6,055	6,721
Goodwill	3,885	3,929
Intangible assets, net	835	994
Investments and other assets	1,921	1,956
Total assets	\$ 24,100	\$ 25,459
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,681	\$ 5,048
Unearned subscriber revenues and deferred credits	572	584
Current debt	2,355	1,327
Total current liabilities	7,608	6,959
Long-term debt	17,157	19,485
Deferred income taxes	1,624	1,726
Other liabilities and deferred credits	2,282	2,117
Commitments and contingencies		
Stockholders' deficit		
Common stock and additional paid-in capital \$0.01 par value, 3,950,000,000 shares authorized, 504,511,567 and 502,733,342 shares issued and outstanding of common stock at June 30, 2015 and December 31, 2014, respectively	3,645	3,613
Accumulated deficit	(8,039)	(8,408)
Accumulated other comprehensive loss	(552)	(418)
Total DIRECTV stockholders' deficit	(4,946)	(5,213)
Noncontrolling interest	375	385
Total stockholders' deficit	(4,571)	(4,828)
Total liabilities and stockholders' deficit	\$ 24,100	\$ 25,459

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, 2015	
	(As Restated)	2014
	(Dollars in Millions)	
Cash Flows From Operating Activities		
Net income	\$ 372	\$ 1,379
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	1,451	1,443
Impairment of fixed and intangible assets	533	
Venezuelan currency devaluation charge	519	281
Amortization of deferred revenues and deferred credits	(23)	(24)
Share-based compensation expense	53	45
Equity in earnings from unconsolidated affiliates	(57)	(78)
Net foreign currency transaction loss (gain)	64	(11)
Dividends received	7	
Net losses (gains) from sale of investments	5	(17)
Deferred income taxes	95	115
Excess tax benefit from share-based compensation	(31)	(22)
Other	73	45
Change in other operating assets and liabilities:		
Accounts receivable	65	133
Inventories	(111)	(29)
Prepaid expenses and other	304	122
Accounts payable and accrued liabilities	(214)	(342)
Unearned subscriber revenue and deferred credits	2	48
Other, net	131	(24)
Net cash provided by operating activities	3,238	3,064
Cash Flows From Investing Activities		
Cash paid for property and equipment	(1,251)	(1,417)
Cash paid for satellites	(131)	(109)
Cash paid for short-term investments	(53)	
Investment in companies, net of cash acquired	(23)	(8)
Proceeds from sale of investments	2	29
Other, net	(4)	(4)
Net cash used in investing activities	(1,460)	(1,509)
Cash Flows From Financing Activities		
Issuance of commercial paper (maturity 90 days or less), net		25
Proceeds from short-term borrowings		270
Repayment of short-term borrowings		(235)
Proceeds from long-term debt	20	1,329
Debt issuance costs		(7)
Repayment of long-term debt	(1,255)	(1,026)
Repayment of other long-term obligations	(51)	(34)
Common shares repurchased and retired		(1,386)
Stock options exercised	9	10
Taxes paid in lieu of shares issued for share-based compensation	(65)	(57)
Excess tax benefit from share-based compensation	31	22
Other, net		(40)

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Net cash used in financing activities	(1,311)	(1,129)
Effect of exchange rate changes on Venezuelan cash and cash equivalents	(629)	(316)
Net increase (decrease) in cash and cash equivalents	(162)	110
Cash and cash equivalents at beginning of the period	4,635	2,180
Cash and cash equivalents at end of the period	\$ 4,473	\$ 2,290

Supplemental Cash Flow Information

Cash paid for interest	\$ 412	\$ 413
Cash paid for income taxes	384	767

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

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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, and also own non-controlling interests in two others, ROOT SPORTS Northwest and ROOT SPORTS Southwest (our joint venture with AT&T Inc.). We 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 investment in ROOT SPORTS Northwest, ROOT SPORTS Southwest 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 two regional sports networks based in Seattle, Washington and Houston, Texas in which DSN retains a noncontrolling interest, each of which operates under the brand name ROOT SPORTS. In the fourth quarter of 2014, we acquired a noncontrolling interest in Houston Sports Holdings, LLC, or HSH, the regional sports network based in Houston, Texas. The operating results of DSN are reported as part of the "Sports Networks, Eliminations and Other" reporting segment.

On July 24, 2015, DIRECTV completed a merger transaction under which DIRECTV merged into Steam Merger Sub, LLC, a wholly-owned direct subsidiary of AT&T Inc., or AT&T. Following the merger, Steam Merger Sub, LLC (a successor in interest to DIRECTV) was renamed DIRECTV Group Holdings, LLC.

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, 2014 filed with the SEC on June 4, 2015, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 filed

Table of Contents**DIRECTV****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****(Unaudited)**

with the SEC on May 8, 2015, 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 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.

Note 2: New Accounting Standards

Revenue Recognition. In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" (ASU 2014-09), which replaces existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. ASU 2014-09 becomes effective for annual reporting periods beginning after December 15, 2017, following the July 2015 approval of a one-year deferral of the effective date by the FASB. We continue to evaluate the impact of the new standard and available adoption methods.

Long-Term Debt and Debt Issuance Costs In April 2015, the FASB issued ASU No. 2015-03, "Interest Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs" (ASU 2015-03), which will result in the reclassification of debt issuance costs from "Other Assets" to inclusion as a reduction of our reportable "Long-Term Debt" balance on our consolidated balance sheets. ASU 2015-03 becomes effective January 1, 2016, subject to early adoption, and will require full retrospective application. We do not expect this new standard to have a material impact on our consolidated balance sheets.

Note 3: 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, 2015:

	DIRECTV U.S.	DIRECTV Latin America Sky Brasil	PanAmericana and Other	Sports Networks, Eliminations and Other	Total
	(Dollars in Millions)				
Balance as of January 1, 2015	\$ 3,191	\$ 305	\$ 211	\$ 222	\$ 3,929
Sky Brasil foreign currency translation adjustment		(44)			(44)
Balance as of June 30, 2015	\$ 3,191	\$ 261	\$ 211	\$ 222	\$ 3,885

Table of Contents**DIRECTV****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****(Unaudited)****Note 4: Debt**

The following table sets forth our outstanding debt as of:

	June 30, 2015	December 31, 2014
	(Dollars in Millions)	
Current debt		
Current portion of long-term debt	\$ 2,250	\$ 1,200
Current portion of borrowings under BNDES financing facility	105	127
Long-term debt		
Senior notes	17,053	19,327
Borrowings under BNDES financing facility	73	140
Borrowings under Desenvolve SP financing facility	31	18
Total debt	\$ 19,512	\$ 20,812

The amount of interest accrued related to our outstanding debt was \$322 million at June 30, 2015 and \$278 million at December 31, 2014.

*Senior Notes**Six Months Ended June 30, 2015 Financing Transactions*

In March 2015, DIRECTV U.S. repaid the 3.550% senior notes due in 2015, or the 2015 Notes, for the unpaid principal balance of \$1,200 million, together with accrued and unpaid interest as of that date, as required by the indenture for the 2015 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.

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.

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The following table sets forth our outstanding senior notes:

	Principal amount June 30, 2015	Carrying value, net of unamortized original issue discounts	
		June 30, 2015	December 31, 2014
(Dollars in Millions)			
3.550% senior notes due in 2015	\$	\$	\$ 1,200
3.125% senior notes due in 2016	750	750	750
3.500% senior notes due in 2016	1,500	1,500	1,499
2.400% senior notes due in 2017	1,250	1,249	1,249
1.750% senior notes due in 2018	750	746	746
5.875% senior notes due in 2019	1,000	997	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	1,507	1,506
3.800% senior notes due in 2022(1)	1,500	1,521	1,520
2.750% senior notes due in 2023(2)	557	555	602
4.450% senior notes due in 2024(1)	1,250	1,288	1,285
3.950% senior notes due in 2025	1,200	1,192	1,192
4.375% senior notes due in 2029(2)	1,179	1,167	1,157
5.200% senior notes due in 2033(2)	550	548	543
6.350% senior notes due in 2040	500	500	500
6.000% senior notes due in 2040	1,250	1,236	1,236
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	\$ 19,286	\$ 19,303	\$ 20,527

(1) The carrying values as of June 30, 2015 and December 31, 2014 include the following fair value adjustments, respectively: increases of \$11 million and \$10 million for the 5.000% senior notes due in 2021, increases of \$21 million and \$20 million for the 3.800% senior notes due in 2022 and increases of \$42 million and \$39 million for the 4.450% senior notes due in 2024.

(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 \$20,154 million at June 30, 2015 and \$22,044 million at December 31, 2014. 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

The principal amount of our senior notes which have not been redeemed mature as follows: \$2,250 million in 2016, \$1,250 million in 2017, \$750 million in 2018, \$1,000 million in 2019, \$1,300 million in 2020 and \$12,736 million thereafter.

Revolving Credit Facilities and Commercial Paper

Concurrent with the AT&T merger transaction close on July 24, 2015, we terminated our revolving credit facilities and commercial paper program which included the ability for us to borrow up to \$2.5 billion.

Covenants and Restrictions

The senior notes include covenants that limit DIRECTV U.S.'s and its subsidiaries' ability to, among other things, (i) incur certain liens, (ii) engage in certain sale leaseback transactions, and (iii) merge, consolidate or sell substantially all of its assets. If DIRECTV U.S. and its subsidiaries fail to comply with these covenants, all or a portion of its borrowings under the senior notes could become immediately payable. 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.

DIRECTV Group Holdings, LLC Guarantors. Following the close of the AT&T merger transaction discussed in Note 1 of the Notes to the Consolidated Financial Statements, DIRECTV Group Holdings, LLC assumed as the successor of DIRECTV the guarantee of the senior notes on the terms set forth in the respective Supplemental Indentures and the Guarantee, dated as of July 24, 2015, with respect to each Supplemental Indenture (collectively, the "Guarantees"). For further information, refer to the Form 8-K filed with the SEC on July 24, 2015 by AT&T Inc.

DIRECTV Group Holdings, LLC guarantees all of the senior notes outstanding, jointly and severally with DIRECTV Holdings LLC's material domestic subsidiaries. DIRECTV Group Holdings, LLC 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.

As a result of the Guarantees, holders of the senior notes may have the benefit of DIRECTV Group Holdings, LLC '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 Guarantees are unsecured senior obligations of DIRECTV Group Holdings, LLC and rank equally in right of payment with all of DIRECTV Group Holdings, LLC's existing and future senior debt and rank senior in right of payment to all of DIRECTV Group Holdings, LLC 's future subordinated debt, if any. The Guarantees are effectively subordinated to all existing and future secured obligations, if any, of DIRECTV Group Holdings, LLC to the extent of the value of the assets securing the obligations. DIRECTV Group Holdings, LLC is not subject to the covenants contained in the indentures governing the senior notes and the Guarantees will terminate and be released on the terms set forth in each of the indentures.

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DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

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, 2015, Sky Brasil had borrowings of R\$98 million (\$31 million) under the facility bearing interest of 2.5% per year. As of December 31, 2014, Sky Brasil had borrowings of R\$48 million (\$18 million) under the facility bearing interest of 2.5% per year. 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\$3.10 / \$1.00 and R\$2.66 / \$1.00 as of June 30, 2015 and December 31, 2014, respectively.

Borrowings under the Desenvolve SP facility mature as follows: R\$48 million (\$15 million) in 2019 and R\$50 million (\$16 million) in 2020.

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, 2015, Sky Brasil had borrowings of R\$552 million (\$178 million) outstanding under the BNDES facility bearing interest at a weighted-average rate of 5.40% per year. As of December 31, 2014, Sky Brasil had borrowings of R\$710 million (\$267 million) outstanding under the BNDES facility bearing interest at a weighted-average rate of 5.11% 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\$3.10 / \$1.00 and R\$2.66 / \$1.00 as of June 30, 2015 and December 31, 2014, respectively.

Borrowings under the BNDES facility mature as follows: R\$174 million (\$56 million) in 2015, R\$273 million (\$88 million) in 2016, R\$102 million (\$33 million) in 2017 and R\$3 million (\$1 million) in 2018. The financing facility is collateralized by the financed set-top receivers with an original purchase price of approximately R\$1,037 million (\$335 million) based on the exchange rate of R\$3.10 / \$1.00 as of June 30, 2015.

Restricted Cash

Restricted cash of \$13 million as of June 30, 2015 and \$10 million as of December 31, 2014 was included as part of "Prepaid expenses and other" in our Consolidated Balance Sheets. The majority of 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 5: 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

Table of Contents**DIRECTV****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****(Unaudited)**

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, 2015	December 31, 2014	June 30, 2015	December 31, 2014
	(Dollars in millions)			
Cash flow hedges:				
Cross-currency swap contracts	\$ 3	\$ 8	\$ 81	\$ 24
Fair value hedges:				
Interest rate swap contracts		12		6
Total derivative financial instruments	\$ 3	\$ 20	\$ 81	\$ 30

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.

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

	June 30, 2015	December 31, 2014
	(Dollars in millions)	
Cash flow hedges:		
Cross-currency swap contracts	\$ 2,418	\$ 2,418
Fair value hedges:		
Interest rate swap contracts		3,000
Total notional amount of derivative financial instruments	\$ 2,418	\$ 5,418

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, 2015 and December 31, 2014. We did not have any cash collateral posted with counterparties as of June 30, 2015 and December 31, 2014. We do not offset the fair value of

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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

In a series of financing transactions, DIRECTV U.S. issued, pursuant to a U.S. registration statement, the following senior notes: £750 million in aggregate principal of 4.375% senior notes due in 2029, €500 million in aggregate principal of 2.750% senior notes due in 2023 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 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.

We calculate the fair value of the cross-currency swap 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 foreign currency exchange rates, swap rates, cross-currency basis swap spreads and incorporating counterparty credit risk.

During the six months ended June 30, 2015, DIRECTV U.S. recorded net remeasurement gains of \$32 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 \$32 million (\$20 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, 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. These reclassifications eliminate the impact of the remeasurement of the hedged senior notes from our results of operations.

Interest Rate Lock Contracts

Periodically we entered into interest rate lock contracts such as forward starting swaps and treasury locks to hedge against changes in interest payments attributable to changes in the benchmark interest rate during the period leading up to a forecasted issuance of fixed rate debt. These interest rate locks are designated and qualify as cash flow hedges. 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 during 2014. As of June 30, 2015, we had \$8 million in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets related to these forward-starting interest rate swaps that is being recognized as interest expense over the term of the 4.450% senior notes due in 2024.

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Fixed-to-Floating Interest Rate Swap Contracts

DIRECTV U.S. has entered into fixed-to-floating interest rate swap contracts from time to time in order to manage its interest rate exposure. We designate such swaps as fair value hedges. Depending on market conditions, the mix of our fixed interest rate and floating interest rate debt and other factors, we may periodically discontinue these fair value hedges and terminate our fixed-to-floating interest rate swap contracts by settling the contracts or by entering into offsetting contracts.

During 2014, DIRECTV U.S. entered into interest rate swap contracts with a total notional amount of \$3,000 million, 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 January 2015, DIRECTV U.S. discontinued the fair value hedges and settled these fixed-to-floating interest rate swap contracts. As a result of these settlements, DIRECTV U.S. received cash proceeds of \$18 million, which are included in "Net cash provided by operations" in the Consolidated Statements of Cash Flows.

As of June 30, 2015, there was \$74 million of favorable adjustments to the carrying value of the senior notes, which will be amortized to "Interest expense" in the Consolidated Statements of Operations over the remaining term of the hedged senior notes. We calculated the fair value of the interest rate swap 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. In connection with the settlement of the fixed-to-floating interest rate swap contracts, we recognized a \$2 million gain in "Other, net" in the Consolidated Statements of Operations for the quarter ended March 31, 2015. The periodic interest settlements for the interest rate swap contracts are recorded in "Interest expense" in the Consolidated Statements of Operations.

Note 6: 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, and limited our ability to import set-top receivers and other equipment, limiting the growth of our business in Venezuela.

As of June 30, 2015, the mechanisms in Venezuela for exchanging Venezuelan bolivars into U.S. dollars were as follows: (i) the official government mechanism operated by the Venezuelan Central Bank, which has a fixed exchange rate of 6.3 Venezuelan bolivars per U.S. dollar mainly reserved for essential goods and services (ii) the auction based Sistema Complementario de Administración de Divisas, or SICAD, which is intended for dividend and royalty remittances as well as certain imports, including telecommunications equipment and (iii) an open market currency exchange system Sistema Marginal de Divisas, or SIMADI, which is based on supply and demand. As of June 30, 2015, the SICAD exchange rate was 12.8 Venezuelan bolivars per U.S. dollars and the SIMADI exchange rate was 197.7 Venezuelan bolivars per U.S. dollars.

Effective March 31, 2014, we changed the exchange rate for remeasuring our Venezuelan subsidiary's monetary net assets from the official exchange rate of 6.3 Venezuelan bolivars per U.S. dollar to the SICAD rate, which was 10.7 Venezuelan bolivars per U.S. dollar as of March 31, 2014. As

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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 Venezuelan bolivar denominated net monetary assets of our Venezuelan subsidiary on March 31, 2014.

In our Original 10-Q, the net monetary assets and liabilities were remeasured using the SICAD exchange rate. During the second quarter of 2015, we recorded \$39 million in "General and administrative expenses" in the Consolidated Statements of Operations as a result of the change in the SICAD exchange rate to 12.8 Venezuelan bolivars per U.S. dollar as of June 30, 2015 from 12.0 Venezuelan bolivars per U.S. dollar as of March 31, 2015 in our Original 10-Q.

Due to the continued economic uncertainty and lack of liquidity in all three of the official currency exchange mechanisms in Venezuela, effective June 30, 2015, in this amended Form 10-Q we have changed the exchange rate used to remeasure our Venezuelan subsidiary's monetary assets and liabilities into U.S. dollars from SICAD to SIMADI as of June 30, 2015. The significant change in exchange rates required us to also evaluate the recoverability of our fixed and intangible assets and inventory, and we have determined a resulting impairment charge. During the second quarter of 2015, we recorded a pre-tax charge of \$1,060 million, of which \$533 million was recorded in "Impairment of fixed and intangible assets" and \$519 million was recorded in "Venezuelan currency devaluation charge" in the Consolidated Statements of Operations. As Restated as a result of the change to the SIMADI exchange rate of 197.7 Venezuelan bolivars per U.S. dollars as of June 30, 2015 from the SICAD exchange rate of 12.8 Venezuelan bolivars per U.S. dollar as of June 30, 2015 and the impairment of fixed and intangible assets and inventory.

In the second quarter of 2015, our Venezuelan subsidiary generated revenues of approximately \$250 million and operating profit before depreciation and amortization of approximately \$80 million based on the SICAD exchange rate. During the six months ended June 30, 2015, our Venezuelan subsidiary generated revenues of approximately \$500 million and operating profit before depreciation and amortization of approximately \$180 million, excluding the impact of the \$39 million exchange rate losses recorded in "General and administrative expenses" based on the SICAD exchange rate.

Significant uncertainties exist regarding the exchange mechanisms in Venezuela including the nature of transactions that are eligible for repatriation through the official process, SICAD or SIMADI, or any other new exchange mechanism that may emerge, how such mechanisms will operate in the future, as well as the volume of U.S. dollars available under each mechanism. Changes in exchange mechanisms and rates will impact the comparability of our results of operations and financial position, and could result in significant future devaluations or impairments of tangible and intangible assets.

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, 2015. 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.

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NFL Sunday Ticket Litigation. DIRECTV has been served with several putative class actions filed in state and federal court in California and in federal court in New York. The complaints allege, among other things, that the agreement between DIRECTV and the National Football League for DIRECTV's exclusive distribution of NFL Sunday Ticket violates Sections 1 and 2 of the Sherman Act and California state law and that plaintiffs have been overcharged for the televised presentation of out-of-market NFL games. The complaints seek to represent classes of DIRECTV residential and commercial subscribers to NFL Sunday Ticket and seek injunctions, unspecified treble damages and attorneys' fees. We are confident that our agreement with the NFL does not violate the Sherman Act and California state law and intend to vigorously defend the lawsuits.

Major League Baseball Litigation. A class was certified by Judge Shira Scheindlin in the case Lerner et al. v. Office of the Commissioner of Baseball et al. filed in May 2015 in federal court for the Southern District of New York. Judge Scheindlin ruled that the plaintiffs were entitled to seek an injunction on behalf of a class of subscribers who had purchased MLB Extra Innings from DIRECTV, Comcast and MLB, to prevent MLB from enforcing league rules that grant member teams exclusive home team territories. The Judge also ruled that the plaintiffs were not entitled to seek damages on behalf of the class. A trial is scheduled to begin in January 2016. The defendants intend to defend the case and pursue appeals to reverse the numerous errors of law that formed the bases of the trial court's orders.

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.

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 with the individual plaintiffs in the federal cases. In the California state court action, the United States Supreme Court agreed to review the California Court of Appeal's opinion affirming the denial of our motion to compel arbitration. A decision from the U.S. Supreme Court is expected in 2016. We believe that our early cancellation fees are adequately disclosed, and represent reasonable estimates of the costs we incur when customers cancel service before fulfilling their programming commitments.

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.

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FTC Litigation. On March 11, 2015, the Federal Trade Commission, or FTC, filed a lawsuit against DIRECTV and DIRECTV, LLC in United States District Court for the Northern District of California. The FTC alleges that DIRECTV failed to disclose adequately in our advertisements certain terms and conditions of our programming package offers. The complaint also alleges that DIRECTV violated applicable law by failing adequately to disclose, and to obtain consumers' express consent to, the terms of negative option offers for premium channels. The complaint seeks a permanent injunction to prevent further violations, as well as relief to redress injury to consumers. We believe we have valid defenses to the FTC's claims and we intend to vigorously defend the lawsuit.

Waste Disposal Inquiry. In August 2012, DIRECTV U.S. received from the State of California subpoenas and interrogatories related to our generation, handling, record keeping, transportation and disposal of hazardous waste, including universal waste, in the State of California, and the training of employees regarding the same. The investigation is jointly conducted by the Office of the Attorney General and the District Attorney for Alameda County and appears to be part of a broader effort to investigate waste handling and disposal processes of a number of industries. We are continuing to review our policies and procedures applicable to all facilities, cooperating with the investigation and recently began discussions with regulators directed at reaching resolution of this matter.

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.

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 result 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, 2015, the net book value of in-orbit satellites was \$2,047 million, all of which was uninsured.

Other

We have an investment with a carrying value of \$147 million as of June 30, 2015 in an entity that holds certain soccer rights and provides production services for soccer tournaments in Latin America. In connection with recent FIFA-related developments and investigations, our investment, which we account for following the equity method of accounting, could be adversely impacted and we could be

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required to record an impairment of our investment depending on on-going developments related to this entity.

As of June 30, 2015, we were contingently liable under standby letters of credit and bonds in the aggregate amount of \$361 million primarily related to judicial deposit and payment guarantees in Latin America and insurance deductibles.

Note 7: Related Party Transactions

In the ordinary course of our operations, we enter into transactions with related parties as discussed below. Related parties include Globo, which provides programming and advertising to Sky Brasil, and companies in which we hold equity method investments, including Sky Mexico, GSN, HSH and ROOT SPORTS Northwest.

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.

The following table summarizes revenues and expenses with related parties:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(Dollars in Millions)			
Revenues	\$ 3	\$ 2	\$ 5	\$ 4
Expenses	263	300	504	541

The following table sets forth the amounts recorded in the Consolidated Balance Sheets for related party transactions as of:

	June 30, 2015	December 31, 2014
	(Dollars in Millions)	
Accounts receivable	\$ 7	\$ 26
Prepaid expenses and other	4	
Accounts payable	128	123
Short-term liability	169	149
Long-term liability	1	1

Note 8: Stockholders' Deficit and Noncontrolling Interest*Capital Stock and Additional Paid-In Capital*

At June 30, 2015, our certificate of incorporation provided for 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. Prior to the close of the merger transaction on July 24, 2015, DIRECTV common stock was entitled to one vote per share and traded on the NASDAQ, under the ticker "DTV". As of June 30, 2015 and December 31, 2014, there were no outstanding shares of preferred stock.

Table of Contents**DIRECTV****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****(Unaudited)***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 an authorization for up to \$3.5 billion for repurchases of our common stock. In accordance with the Merger Agreement, we 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 without AT&T's consent, effective May 18, 2014.

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.

The following table sets forth a reconciliation of stockholders' deficit for the six months ended June 30, 2015:

	DIRECTV Common Shares	Common Stock and Additional Paid-In Capital	Stockholders' Deficit				
			Accumulated Other Comprehensive Deficit	Accumulated Other Comprehensive Loss	Total DIRECTV Stockholders' Deficit	Total Noncontrolling Interest	Total Stockholders' Deficit
(Amounts in Millions, Except Share Data)							
Balance as of January 1, 2015	502,733,342	\$ 3,613	\$ (8,408)	\$ (418)	\$ (5,213)	\$ 385	\$ (4,828)
Net income			369		369	3	372
Stock options exercised and restricted stock units vested and distributed	1,778,225	(53)			(53)		(53)
Share-based compensation expense		53			53		53
Tax benefit from share-based compensation		31			31		31
Other		1			1		1
Other comprehensive loss				(134)	(134)		(134)
CTA adjustment allocated to noncontrolling interest						(13)	(13)
Balance as of June 30, 2015	504,511,567	\$ 3,645	\$ (8,039)	\$ (552)	\$ (4,946)	\$ 375	\$ (4,571)

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The following table sets forth a reconciliation of stockholders' deficit and redeemable noncontrolling interest 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)	\$

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,					
	Pre-Tax	2015 Tax Benefit (Expense)	Net of Tax	Pre-Tax	2014 Tax Benefit (Expense)	Net of Tax
(Dollars in Millions)						
Cash flows hedges:						
Unrealized gains arising during the period	\$ 132	\$ (49)	\$ 83	\$ 10	\$ (4)	\$ 6
Reclassification adjustments included in "Other, net"	(119)	45	(74)	(45)	17	(28)
Foreign currency translation adjustments	37	(21)	16	58	(26)	32
Other comprehensive income	\$ 50	\$ (25)	\$ 25	\$ 23	\$ (13)	\$ 10

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	Six Months Ended June 30,					
	Pre-Tax	2015 Tax Benefit (Expense)	Net of Tax	Pre-Tax	2014 Tax Benefit (Expense)	Net of Tax
(Dollars in Millions)						
Cash flows hedges:						
Unrealized losses arising during the period	\$ (62)	\$ 24	\$ (38)	\$ (2)	\$ 1	\$ (1)
Reclassification adjustments included in "Other, net"	32	(12)	20	(58)	22	(36)
Foreign currency translation adjustments	(181)	65	(116)	121	(50)	71
Other comprehensive income (loss)	\$ (211)	\$ 77	\$ (134)	\$ 61	\$ (27)	\$ 34

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, 2015	\$ (141)	\$ 44	\$ (321)	\$ (418)
Other comprehensive loss		(18)	(116)	(134)
Balance as of June 30, 2015	\$ (141)	\$ 26	\$ (437)	\$ (552)

	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)

Note 9: Earnings (Losses) Per Common Share

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We compute basic earnings (losses) 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, 2015 and 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.

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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			
<u>June 30, 2015</u>			
Basic EPS			
Net income (loss) attributable to DIRECTV	\$ (361)	504	\$ (0.72)
Effect of dilutive securities			
Dilutive effect of stock options and restricted stock units			
Diluted EPS			
Adjusted net income (loss) attributable to DIRECTV	\$ (361)	504	\$ (0.72)
<u>June 30, 2014</u>			
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

	Income	Shares	Per Share Amounts
	(Dollars and Shares in Millions, Except Per Share Amounts)		
Six Months Ended			
<u>June 30, 2015</u>			
Basic EPS			
Net income attributable to DIRECTV	\$ 369	504	\$ 0.73
Effect of dilutive securities			
Dilutive effect of stock options and restricted stock units		4	
Diluted EPS			
Adjusted net income attributable to DIRECTV	\$ 369	508	\$ 0.73

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June 30, 2014

Basic EPS

Net income attributable to DIRECTV	\$	1,367	507	\$	2.70
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Effect of dilutive securities

Dilutive effect of stock options and restricted stock units			5		(0.03)
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Diluted EPS

Adjusted net income attributable to DIRECTV	\$	1,367	512	\$	2.67
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Table of Contents**DIRECTV****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****(Unaudited)****Note 10: 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, restated for the changes discussed in Note 6 above, 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, 2015						
DIRECTV U.S.	\$ 6,708	\$ 2	\$ 6,710	\$ 1,373	\$ 433	\$ 1,806
Sky Brasil	781		781	63	143	206
PanAmericana and Other	895		895	(1,064)	143	(921)
DIRECTV Latin America	1,676		1,676	(1,001)	286	(715)
Sports Networks, Eliminations and Other	57	(2)	55	(43)	2	(41)
Total	\$ 8,441	\$	\$ 8,441	\$ 329	\$ 721	\$ 1,050
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

Table of Contents**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⁾
Six Months Ended						
June 30, 2015						
DIRECTV U.S.	\$ 13,164	\$ 4	\$ 13,168	\$ 2,622	\$ 871	\$ 3,493
Sky Brasil	1,576		1,576	117	288	405
PanAmericana	1,735		1,735	(962)	287	(675)
DIRECTV Latin America	3,311		3,311	(845)	575	(270)
Sports Networks, Eliminations and Other	109	(4)	105	(61)	5	(56)
Total	\$ 16,584	\$	\$ 16,584	\$ 1,716	\$ 1,451	\$ 3,167
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

(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,	
	2015	2014	2015	2014
	(Dollars in Millions)			
Operating profit before depreciation and amortization	\$ 1,050	\$ 2,153	\$ 3,167	\$ 4,094
Depreciation and amortization	(721)	(729)	(1,451)	(1,443)
Operating profit	329	1,424	1,716	2,651
Interest income	24	12	46	25
Interest expense	(234)	(230)	(479)	(462)
Other, net	25	35	32	92
Income before income taxes	144	1,241	1,315	2,306
Income tax expense	(502)	(431)	(943)	(927)
Net income (loss)	(358)	810	372	1,379
Less: Net income attributable to noncontrolling interest	(3)	(4)	(3)	(12)
Net income (loss) attributable to DIRECTV	\$ (361)	\$ 806	\$ 369	\$ 1,367

Note 11: Condensed Consolidating Financial Statements

As discussed in Note 4, 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.

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, 2015 and 2014, the condensed consolidating statements of cash flows for the six months ended June 30, 2015 and 2014, and the condensed consolidating balance sheets as of June 30, 2015 and December 31, 2014.

The condensed consolidating statements of operations for the three and six months ended June 30, 2015, the condensed consolidating statements of comprehensive income for the three and six months ended June 30, 2015, the condensed consolidating statement of cash flows for the six months ended June 30, 2015 and the condensed consolidating balance sheet as of June 30, 2015 have been restated from the Original 10-Q to reflect the change in the exchange rate used to remeasure the net monetary assets and liabilities of our Venezuelan subsidiary to SIMADI from SICAD, as well as the charge recorded for the impairment of fixed and intangible assets and inventory, discussed further in

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Note 13 below. These restatements primarily impact the "Non-Guarantor Subsidiaries" column in the condensed

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

consolidating financial statements. In the condensed consolidating statement of operations for the three and six months ended June 30, 2015, the restatements primarily impact "Income tax benefit (expense)" for all columns due to changes in the allocation of federal and state income tax expenses based on pre-tax income.

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 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.

Table of Contents**DIRECTV****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****(Unaudited)****Condensed Consolidating Statement of Operations As Restated
For the Three Months Ended June 30, 2015**

	Parent Guarantor	Co-Issuers	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	DIRECTV Consolidated
(Dollars in Millions)						
Revenues	\$	\$	\$ 6,710	\$ 1,772	\$ (41)	\$ 8,441
Operating costs and expenses						
Costs of revenues, exclusive of depreciation and amortization expense						
Broadcast programming and other			3,121	689	(30)	3,780
Subscriber service expenses			404	194	(2)	596
Broadcast operations expenses			76	44	(2)	118
Selling, general and administrative expenses, exclusive of depreciation and amortization expense						
Subscriber acquisition costs			682	221	(3)	900
Upgrade and retention costs			301	46	(3)	344
General and administrative expenses	30		320	252	(1)	601
Impairment of fixed and intangible assets				533		533
Venezuelan currency devaluation charge				519		519
Depreciation and amortization expense			433	288		721
Total operating costs and expenses	30		5,337	2,786	(41)	8,112
Operating profit (loss)	(30)		1,373	(1,014)		329
Equity in income (loss) of consolidated subsidiaries	(346)	773		651	(1,078)	
Interest income	1		1	22		24
Interest expense		(222)	(1)	(11)		(234)
Other, net		1	11	13		25
Income (loss) before income taxes	(375)	552	1,384	(339)	(1,078)	144
Income tax benefit (expense)	14	99	(611)	(4)		(502)
Net income (loss)	(361)	651	773	(343)	(1,078)	(358)
Less: Net income attributable to noncontrolling interest				(3)		(3)
Net income (loss) attributable to DIRECTV	\$ (361)	\$ 651	\$ 773	\$ (346)	\$ (1,078)	\$ (361)

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 Restated
For the Six Months Ended June 30, 2015**

	Parent Guarantor	Co-Issuers	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	DIRECTV Consolidated
(Dollars in Millions)						
Revenues	\$	\$	\$ 13,168	\$ 3,497	\$ (81)	\$ 16,584
Operating costs and expenses						
Costs of revenues, exclusive of depreciation and amortization expense						
Broadcast programming and other			6,119	1,305	(68)	7,356
Subscriber service expenses			789	390	(2)	1,177
Broadcast operations expenses			157	82	(4)	235
Selling, general and administrative expenses, exclusive of depreciation and amortization expense						
Subscriber acquisition costs			1,385	406	(3)	1,788
Upgrade and retention costs			609	88	(3)	694
General and administrative expenses	62		616	438	(1)	1,115
Impairment of fixed and intangible assets				533		533
Venezuelan currency devaluation charge				519		519
Depreciation and amortization expense			871	580		1,451
Total operating costs and expenses	62		10,546	4,341	(81)	14,868
Operating profit (loss)	(62)		2,622	(844)		1,716
Equity in income of consolidated subsidiaries	404	1,524		1,266	(3,194)	
Interest income	1	3	1	41		46
Interest expense		(453)	(1)	(25)		(479)
Other, net		3	17	12		32
Income before income taxes	343	1,077	2,639	450	(3,194)	1,315
Income tax benefit (expense)	26	189	(1,115)	(43)		(943)
Net income	369	1,266	1,524	407	(3,194)	372
Less: Net income attributable to noncontrolling interest				(3)		(3)
Net income attributable to DIRECTV	\$ 369	\$ 1,266	\$ 1,524	\$ 404	\$ (3,194)	\$ 369

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 charge				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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

**Condensed Consolidating Statement of Comprehensive Income As Restated
For the Three Months Ended June 30, 2015**

	Parent Guarantor	Co-Issuers	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	DIRECTV Consolidated
(Dollars in Millions)						
Net income (loss)	\$ (361)	\$ 651	\$ 773	\$ (343)	\$ (1,078)	\$ (358)
Other comprehensive income (loss), net of taxes:						
Cash flows hedges:						
Unrealized gains arising during the period	83	83		83	(166)	83
Reclassification adjustments included in net income	(74)	(74)		(74)	148	(74)
Foreign currency translation adjustments	11			16	(11)	16
Other comprehensive income	20	9		25	(29)	25
Comprehensive income (loss)	(341)	660	773	(318)	(1,107)	(333)
Comprehensive income attributable to noncontrolling interest				(8)		(8)
Comprehensive income (loss) attributable to DIRECTV	\$ (341)	\$ 660	\$ 773	\$ (326)	\$ (1,107)	\$ (341)

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
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 Restated
For the Six Months Ended June 30, 2015**

	Parent Guarantor	Co-Issuers	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	DIRECTV Consolidated
	(Dollars in Millions)					
Net income	\$ 369	\$ 1,266	\$ 1,524	\$ 407	\$ (3,194)	\$ 372
Other comprehensive income (loss), net of taxes:						
Cash flows hedges:						
Unrealized losses arising during the period	(38)	(38)		(38)	76	(38)
Reclassification adjustments included in net income	20	20		20	(40)	20
Foreign currency translation adjustments	(103)			(116)	103	(116)
Other comprehensive loss	(121)	(18)		(134)	139	(134)
Comprehensive income	248	1,248	1,524	273	(3,055)	238
Comprehensive loss attributable to noncontrolling interest				10		10
Comprehensive income attributable to DIRECTV	\$ 248	\$ 1,248	\$ 1,524	\$ 283	\$ (3,055)	\$ 248

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
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 Balance Sheet As Restated
As of June 30, 2015**

	Parent Guarantor	Co-Issuers	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	DIRECTV Consolidated
(Dollars in Millions)						
ASSETS						
Total current assets	\$ 3,360	\$ 1,210	\$ 3,105	\$ 1,255	\$ (536)	\$ 8,394
Satellites, net			1,669	1,341		3,010
Property and equipment, net			3,761	2,294		6,055
Goodwill		1,828	1,363	694		3,885
Intangible assets, net			506	337	(8)	835
Intercompany receivables	4,638	13,379	31,060	618	(49,695)	
Investment in subsidiaries	(11,549)	22,926		(11,912)	535	
Investments and other assets	136	77	626	1,202	(120)	1,921
Total assets	\$ (3,415)	\$ 39,420	\$ 42,090	\$ (4,171)	\$ (49,824)	\$ 24,100
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)						
Total current liabilities	\$ 422	\$ 2,605	\$ 3,811	\$ 1,306	\$ (536)	\$ 7,608
Long-term debt		17,053		104		17,157
Deferred income taxes		21	1,703	20	(120)	1,624
Intercompany liabilities	642	31,076	13,379	4,598	(49,695)	
Other liabilities and deferred credits	467	577	271	975	(8)	2,282
Stockholders' equity (deficit)						
Common stock and additional paid-in capital	3,645	8	5,468	3,022	(8,498)	3,645
Retained earnings (accumulated deficit)	(8,039)	(11,947)	17,458	(14,160)	8,649	(8,039)
Accumulated other comprehensive income (loss)	(552)	27		(411)	384	(552)
Total DIRECTV stockholders' equity (deficit)	(4,946)	(11,912)	22,926	(11,549)	535	(4,946)
Noncontrolling interest				375		375
Total stockholders' equity (deficit)	(4,946)	(11,912)	22,926	(11,174)	535	(4,571)
Total liabilities and stockholders' equity (deficit)	\$ (3,415)	\$ 39,420	\$ 42,090	\$ (4,171)	\$ (49,824)	\$ 24,100

Table of Contents**DIRECTV****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****(Unaudited)****Condensed Consolidating Balance Sheet
As of December 31, 2014**

	Parent Guarantor	Co-Issuers	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	DIRECTV Consolidated
(Dollars in Millions)						
ASSETS						
Total current assets	\$ 1,201	\$ 3,690	\$ 2,964	\$ 1,592	\$ (628)	\$ 8,819
Satellites, net			1,717	1,323		3,040
Property and equipment, net			3,891	2,830		6,721
Goodwill		1,828	1,363	738		3,929
Intangible assets, net			512	490	(8)	994
Intercompany receivables	4,975	11,698	28,132	1,143	(45,948)	
Investment in subsidiaries	(9,341)	21,337		(10,725)	(1,271)	
Investments and other assets	134	99	670	1,185	(132)	1,956
Total assets	\$ (3,031)	\$ 38,652	\$ 39,249	\$ (1,424)	\$ (47,987)	\$ 25,459
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)						
Total current liabilities	\$ 527	\$ 1,454	\$ 4,244	\$ 1,362	\$ (628)	\$ 6,959
Long-term debt		19,327		158		19,485
Deferred income taxes		33	1,736	89	(132)	1,726
Intercompany liabilities	1,212	28,110	11,698	4,928	(45,948)	
Other liabilities and deferred credits	443	453	234	995	(8)	2,117
Stockholders' equity (deficit)						
Common stock and additional paid-in capital	3,613	432	5,403	3,489	(9,324)	3,613
Retained earnings (accumulated deficit)	(8,408)	(11,202)	15,934	(12,554)	7,822	(8,408)
Accumulated other comprehensive income (loss)	(418)	45		(276)	231	(418)
Total DIRECTV stockholders' equity (deficit)	(5,213)	(10,725)	21,337	(9,341)	(1,271)	(5,213)
Noncontrolling interest				385		385
Total Stockholders' equity (deficit)	(5,213)	(10,725)	21,337	(8,956)	(1,271)	(4,828)
Total liabilities and stockholders' equity (deficit)	\$ (3,031)	\$ 38,652	\$ 39,249	\$ (1,424)	\$ (47,987)	\$ 25,459

Table of Contents**DIRECTV****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****(Unaudited)****Condensed Consolidating Statement of Cash Flows As Restated
For the Six Months Ended June 30, 2015**

	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	\$ 2,596	\$ (700)	\$ 2,990	\$ 886	\$ (2,534)	\$ 3,238
Cash flows from investing activities						
Cash paid for property and equipment			(642)	(609)		(1,251)
Cash paid for satellites			(47)	(84)		(131)
Cash paid for short-term investments				(53)		(53)
Investment in companies, net of cash acquired			(18)	(5)		(23)
Proceeds from sale of investments			2			2
Intercompany payments (funding)	(148)	(701)	(2,996)	40	3,805	
Other, net				(4)		(4)
Net cash used in investing activities	(148)	(701)	(3,701)	(715)	3,805	(1,460)
Cash flows from financing activities						
Proceeds from long-term debt				20		20
Repayment of long-term debt		(1,200)		(55)		(1,255)
Repayment of other long-term obligations			(13)	(38)		(51)
Stock options exercised	9					9
Taxes paid in lieu of shares issued for share-based compensation	(65)		(51)	(14)	65	(65)
Excess tax benefit from share-based compensation	31		23	8	(31)	31
Intercompany payments (funding)	(39)	2,981	751	112	(3,805)	
Cash dividend to Parent		(2,500)			2,500	
Net cash provided by (used in) financing activities	(64)	(719)	710	33	(1,271)	(1,311)
Effect of exchange rate changes on Venezuelan cash and cash equivalents				(629)		(629)
Net increase (decrease) in cash and cash equivalents	2,384	(2,120)	(1)	(425)		(162)
Cash and cash equivalents at beginning of the period	680	3,191	20	744		4,635
Cash and cash equivalents at end of the period	\$ 3,064	\$ 1,071	\$ 19	\$ 319	\$	\$ 4,473

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)
	84	52	16	(42)		110

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Net increase (decrease) in cash and cash equivalents						
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

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DIRECTV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Note 12: Subsequent Events

On July 24, 2015, we were acquired by AT&T. Under the merger agreement, each share of DIRECTV stock was exchanged for \$28.50 cash plus 1.892 shares of AT&T common stock. DIRECTV shareholders hold an approximate 16% stake in the combined company, based on AT&T's common shares outstanding. Based on AT&T's \$34.29 per share closing stock price on July 24, 2015, total consideration paid to DIRECTV shareholders was \$47,110 million.

Our assets and liabilities are being appraised, based on third-party valuations and will be recorded in AT&T's financial statements at their respective fair values as of the date of the acquisition, July 24, 2015.

Long-lived assets such as property, plant and equipment valuations will reflect changes in technology, usage, and relative obsolescence and depreciation of the assets.

Debt instruments and investments are valued in relation to current market conditions.

Foreign holdings and operations will be valued using exchange rates as determined by current practice in the countries in which we operate, such as Argentina, Brazil, Venezuela and other countries in Latin America. These valuations could result in significant changes to our historical account balances.

Assets and liabilities will also be recorded for other identifiable intangible assets, including customer lists, trade name, and orbital slots. The value of these intangibles will be determined using AT&T's estimates of future cash flows from the existing business.

Other assets and liabilities will be valued based on AT&T's estimates.

After all values have been assigned to assets and liabilities, the remainder of the purchase price is recorded as goodwill.

Note 13: Restatement

As discussed above in Note 6, due to the continued economic uncertainty and lack of liquidity in all three of the official currency exchange mechanisms in Venezuela, effective June 30, 2015, in this amended Form 10-Q we have changed the exchange rate used to remeasure our Venezuelan subsidiary's monetary assets and liabilities into U.S. dollars from SICAD to SIMADI as of June 30, 2015. The significant change in exchange rates required us to also evaluate the recoverability of our fixed and intangible assets and inventory, and we have determined a resulting impairment charge. Accordingly, the unaudited Consolidated Statements of Operations for the three and six months ended June 30, 2015, Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2015, Consolidated Balance Sheet as of June 30, 2015 and Consolidated Statements of Cash Flows for the six months ended June 30, 2015 have been restated from amounts previously reported to reflect this change in the exchange rate used to remeasure our Venezuelan's subsidiary's monetary assets and liabilities into U.S. dollars from SICAD to SIMADI as of June 30, 2015 and the impairment charge related to fixed assets and intangible assets and inventory.

Table of Contents**DIRECTV****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****(Unaudited)**

The following tables reconcile amounts previously reported to the "As Restated" amounts in the consolidated financial statements:

Consolidated Statements of Operations:

For the three months ended June 30, 2015	As Previously Reported	Adjustments	As Restated
(Dollars in Millions)			
Operating profit	\$ 1,389	\$ (1,060)	\$ 329
Income before income tax	1,204	(1,060)	144
Income tax expense	(454)	(48)	(502)
Net income (loss) attributable to DIRECTV	747	(1,108)	(361)
Basic earnings (losses) attributable to DIRECTV per common share	\$ 1.48	\$ (2.20)	\$ (0.72)
Diluted earnings (losses) attributable to DIRECTV per common share	\$ 1.47	\$ (2.19)	\$ (0.72)

For the six months ended June 30, 2015	As Previously Reported	Adjustments	As Restated
(Dollars in Millions)			
Operating profit	\$ 2,776	\$ (1,060)	\$ 1,716
Income before income tax	2,375	(1,060)	1,315
Income tax expense	(895)	(48)	(943)
Net income attributable to DIRECTV	1,477	(1,108)	369
Basic earnings attributable to DIRECTV per common share	\$ 2.93	\$ (2.20)	\$ 0.73
Diluted earnings attributable to DIRECTV per common share	\$ 2.91	\$ (2.18)	\$ 0.73

Consolidated Statements of Comprehensive Income:

For the three months ended June 30, 2015	As Previously Reported	Adjustments	As Restated
(Dollars in Millions)			
Net income (loss)	\$ 750	\$ (1,108)	\$ (358)
Comprehensive income (loss)	775	(1,108)	(333)
Comprehensive income (loss) attributable to DIRECTV	767	(1,108)	(341)

For the six months ended June 30, 2015	As Previously Reported	Adjustments	As Restated
(Dollars in Millions)			
Net income (loss)	\$ 1,480	\$ (1,108)	\$ 372
Comprehensive income (loss)	1,346	(1,108)	238
Comprehensive income (loss) attributable to DIRECTV	1,356	(1,108)	248

Table of Contents**DIRECTV****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****(Unaudited)***Consolidated Balance Sheet:*

As of June 30, 2015	As Previously Reported	Adjustments	As Restated
(Dollars in Millions)			
Cash and cash equivalents	\$ 5,061	\$ (588)	\$ 4,473
Accounts receivable, net	2,754	(36)	2,718
Inventories	425	(7)	418
Deferred income taxes	65	(18)	47
Prepaid expenses and other	777	(39)	738
Total current assets	9,082	(688)	8,394
Property and equipment, net	6,477	(422)	6,055
Intangible assets, net	946	(111)	835
Total assets	25,321	(1,221)	24,100
Accounts payable and accrued liabilities	4,795	(114)	4,681
Total current liabilities	7,722	(114)	7,608
Other liabilities and deferred credits	2,281	1	2,282
Accumulated deficit	(6,931)	(1,108)	(8,039)
Total DIRECTV stockholders' deficit	(3,838)	(1,108)	(4,946)
Total stockholders' deficit	(3,463)	(1,108)	(4,571)
Total liabilities stockholders' deficit	25,321	(1,221)	24,100

Consolidated Statements of Cash Flows:

The change to the Consolidated Statements of Cash Flows for the six months ended June 30, 2015 resulted from the remeasurement of Venezuelan bolivar denominated cash balances from SICAD to SIMADI as of June 30, 2015. The \$588 million decrease in "Cash and cash equivalents" in the Consolidated Balance Sheets is reflected "Effect of exchange rate changes on Venezuela cash and cash equivalents" in the Consolidated Statements of Cash Flows.

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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, 2014 filed with the SEC on June 4, 2015, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 filed with the SEC on May 8, 2015, 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 2015 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, 2014:

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, especially in Venezuela.

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.

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The loss of one or more satellites, none of which is currently insured, could materially adversely affect our business and earnings.

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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 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, 2014.

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:

Summary Data

Business Overview

Significant Events Affecting the Comparability of the Results of Operations

Key Terminology

Results of Operations

Liquidity and Capital Resources

Contractual Obligations

Contingencies

Certain Relationships and Related-Party Transactions

Critical Accounting Estimates

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DIRECTV
SUMMARY DATA
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(Dollars in Millions, Except Per Share Amounts)			
Consolidated Statements of Operations Data:				
Revenues	\$ 8,441	\$ 8,109	\$ 16,584	\$ 15,964
Total operating costs and expenses	8,112	6,685	14,868	13,313
Operating profit	329	1,424	1,716	2,651
Interest income	24	12	46	25
Interest expense	(234)	(230)	(479)	(462)
Other, net	25	35	32	92
Income before income taxes	144	1,241	1,315	2,306
Income tax expense	(502)	(431)	(943)	(927)
Net income (loss)	(358)	810	372	1,379
Less: Net income attributable to noncontrolling interest	(3)	(4)	(3)	(12)
Net income (loss) attributable to DIRECTV	\$ (361)	\$ 806	\$ 369	\$ 1,367
Basic earnings (losses) attributable to DIRECTV per common share	\$ (0.72)	\$ 1.60	\$ 0.73	\$ 2.70
Diluted earnings (losses) attributable to DIRECTV per common share	\$ (0.72)	\$ 1.59	\$ 0.73	\$ 2.67
Weighted average number of total common shares outstanding (in millions):				
Basic	504	504	504	507
Diluted	504	508	508	512

Table of Contents**DIRECTV****SUMMARY DATA (continued)****(Unaudited)**

	June 30, 2015	December 31, 2014
	(Dollars in Millions)	
Consolidated Balance Sheets Data:		
Cash and cash equivalents	\$ 4,473	\$ 4,635
Total current assets	8,394	8,819
Total assets	24,100	25,459
Total current liabilities	7,608	6,959
Long-term debt	17,157	19,485
Total stockholders' deficit	(4,571)	(4,828)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(Dollars in Millions)			
Other Data:				
Operating profit before depreciation and amortization(1)				
Operating profit	\$ 329	\$ 1,424	\$ 1,716	\$ 2,651
Add: Depreciation and amortization expense	721	729	1,451	1,443
Operating profit before depreciation and amortization	\$ 1,050	\$ 2,153	\$ 3,167	\$ 4,094

Operating profit before depreciation and amortization margin	12.4%	26.6%	19.1%	25.6%
Cash flow information				
Net cash provided by operating activities	\$ 1,602	\$ 1,474	\$ 3,238	\$ 3,064
Net cash used in investing activities	(744)	(802)	(1,460)	(1,509)
Net cash provided by (used in) financing activities	(40)	(1,396)	(1,311)	(1,129)
Free cash flow(2)				
Net cash provided by operating activities	1,602	1,474	3,238	3,064
Less: Cash paid for property and equipment	(638)	(767)	(1,251)	(1,417)
Less: Cash paid for satellites	(35)	(55)	(131)	(109)
Free cash flow	\$ 929	\$ 652	\$ 1,856	\$ 1,538

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, 2015					
DIRECTV U.S.	\$ 6,710	79.5%	\$ 1,373	\$ 433	\$ 1,806
Sky Brasil	781	9.3%	63	143	206
PanAmericana and Other	895	10.6%	(1,064)	143	(921)
DIRECTV Latin America	1,676	19.9%	(1,001)	286	(715)
Sports Networks, Eliminations and Other	55	0.6%	(43)	2	(41)
Total	\$ 8,441	100.0%	\$ 329	\$ 721	\$ 1,050
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

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)
Six Months Ended					
June 30, 2015					
DIRECTV U.S.	\$ 13,168	79.4%	\$ 2,622	\$ 871	\$ 3,493
Sky Brasil	1,576	9.5%	117	288	405
PanAmericana and Other	1,735	10.5%	(962)	287	(675)
DIRECTV Latin America	3,311	20.0%	(845)	575	(270)
Sports Networks, Eliminations and Other	105	0.6%	(61)	5	(56)
Total	\$ 16,584	100.0%	\$ 1,716	\$ 1,451	\$ 3,167
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

(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

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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

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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.

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BUSINESS OVERVIEW

DIRECTV, which we also refer to as the Company, we, or us, is a leading provider of digital television entertainment in the United States and Latin America. We 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, and also own non-controlling interests in two others, ROOT SPORTS Northwest and ROOT SPORTS Southwest (our joint venture with AT&T Inc.). We 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 investment in ROOT SPORTS Northwest, ROOT SPORTS Southwest 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, 2015, DIRECTV U.S. had approximately 20.3 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, 2015, PanAmericana had approximately 7.2 million subscribers, Sky Brasil had approximately 5.7 million subscribers and Sky Mexico had approximately 6.9 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 two regional sports networks based in Seattle, Washington and Houston, Texas in which DSN retains a noncontrolling interest, each of which operates under the brand name ROOT SPORTS. In the fourth quarter of 2014, we acquired a noncontrolling interest in Houston Sports Holdings, LLC, or HSH, the regional sports network based in Houston, Texas. The operating results of DSN are reported as part of the "Sports Networks, Eliminations and Other" reporting segment.

On July 24, 2015, DIRECTV completed a merger transaction under which DIRECTV merged into Steam Merger Sub, LLC, a wholly-owned direct subsidiary of AT&T Inc., or AT&T. Following the merger, Steam Merger Sub, LLC (a successor in interest to DIRECTV) was renamed DIRECTV Group Holdings, LLC.

SIGNIFICANT EVENTS AFFECTING THE COMPARABILITY OF THE RESULTS OF OPERATIONS

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

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increases in the cash balance at our Venezuelan subsidiary, and limited our ability to import set-top receivers and other equipment, limiting the growth of our business in Venezuela.

As of June 30, 2015, the mechanisms in Venezuela for exchanging Venezuelan bolivars into U.S. dollars were as follows: (i) the official government mechanism operated by the Venezuelan Central Bank, which has a fixed exchange rate of 6.3 Venezuelan bolivars per U.S. dollar mainly reserved for essential goods and services (ii) the auction based Sistema Complementario de Administración de Divisas, or SICAD, which is intended for dividend and royalty remittances as well as certain imports, including telecommunications equipment and (iii) an open market currency exchange system Sistema Marginal de Divisas, or SIMADI, which is based on supply and demand. As of June 30, 2015, the SICAD exchange rate was 12.8 Venezuelan bolivars per U.S. dollars and the SIMADI exchange rate was 197.7 Venezuelan bolivars per U.S. dollars.

Effective March 31, 2014, we changed the exchange rate for remeasuring our Venezuelan subsidiary's monetary net assets from the official exchange rate of 6.3 Venezuelan bolivars per U.S. dollar to the SICAD rate, which was 10.7 Venezuelan bolivars per U.S. dollar as of March 31, 2014. 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 Venezuelan bolivar denominated net monetary assets of our Venezuelan subsidiary on March 31, 2014.

In our Original 10-Q, the net monetary assets and liabilities were remeasured using the SICAD exchange rate. During the second quarter of 2015, we recorded \$39 million in "General and administrative expenses" in the Consolidated Statements of Operations as a result of the change in the SICAD exchange rate to 12.8 Venezuelan bolivars per U.S. dollar as of June 30, 2015 from 12.0 Venezuelan bolivars per U.S. dollar as of March 31, 2015 in our Original 10-Q.

Due to the continued economic uncertainty and lack of liquidity in all three of the official currency exchange mechanisms in Venezuela, effective June 30, 2015, in this amended Form 10-Q we have changed the exchange rate used to remeasure our Venezuelan subsidiary's monetary assets and liabilities into U.S. dollars from SICAD to SIMADI as of June 30, 2015. The significant change in exchange rates required us to also evaluate the recoverability of our fixed and intangible assets and inventory, and we have determined a resulting impairment charge. During the second quarter of 2015, we recorded a pre-tax charge of \$1,060 million, of which \$533 million was recorded in "Impairment of fixed and intangible assets" and \$519 million was recorded in "Venezuelan currency devaluation charge" in the Consolidated Statements of Operations. As Restated as a result of the change to the SIMADI exchange rate of 197.7 Venezuelan bolivars per U.S. dollars as of June 30, 2015 from the SICAD exchange rate of 12.8 Venezuelan bolivars per U.S. dollar as of June 30, 2015 and the impairment of fixed and intangible assets and inventory.

In the second quarter of 2015, our Venezuelan subsidiary generated revenues of approximately \$250 million and operating profit before depreciation and amortization of approximately \$80 million based on the SICAD exchange rate. During the six months ended June 30, 2015, our Venezuelan subsidiary generated revenues of approximately \$500 million and operating profit before depreciation and amortization of approximately \$180 million, excluding the impact of the \$39 million exchange rate losses recorded in "General and administrative expenses" based on the SICAD exchange rate.

Significant uncertainties exist regarding the exchange mechanisms in Venezuela including the nature of transactions that are eligible for repatriation through the official process, SICAD or SIMADI, or any other new exchange mechanism that may emerge, how such mechanisms will operate in the future, as well as the volume of U.S. dollars available under each mechanism. Changes in exchange

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mechanisms and rates will impact the comparability of our results of operations and financial position, and could result in significant future devaluations or impairments of tangible and intangible assets.

AT&T Merger-Related Costs

On July 24, 2015, we were acquired by AT&T. Under the merger agreement, each share of DIRECTV stock was exchanged for \$28.50 cash plus 1.892 shares of AT&T common stock. DIRECTV shareholders hold an approximate 16% stake in the combined company, based on AT&T's common shares outstanding. Based on AT&T's \$34.29 per share closing stock price on July 24, 2015, total consideration paid to DIRECTV shareholders was \$47,110 million.

In connection with the merger, we recognized costs of \$21 million for the second quarter of 2015 and \$47 million for the six months ended June 30, 2015 in "General and administrative expenses" in the Consolidated Statements of Operations, primarily related to professional services fees. These costs are reported in the "Sports Networks, Eliminations and Other" segment.

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 fees (which include HD, DVR and multi-room viewing), seasonal live sporting events and pay-per-view programming. 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, seasonal live sporting 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.

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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.

Average Monthly Revenue Per Subscriber. We calculate ARPU by dividing average monthly revenues, net of customer credits and discounted promotions, 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, 2015 Compared to Three Months Ended June 30, 2014***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	
	2015	2014	\$	%
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	\$ 6,710	\$ 6,272	\$ 438	7.0%
Operating costs and expenses				
Costs of revenues, exclusive of depreciation and amortization expense				
Broadcast programming and other	3,121	2,800	321	11.5%
Subscriber service expenses	404	374	30	8.0%
Broadcast operations expenses	76	75	1	1.3%
Selling, general and administrative expenses, exclusive of depreciation and amortization expense				
Subscriber acquisition costs	682	661	21	3.2%
Upgrade and retention costs	301	314	(13)	(4.1)%
General and administrative expenses	320	300	20	6.7%
Depreciation and amortization expense	433	429	4	0.9%
Total operating costs and expenses	5,337	4,953	384	7.8%
Operating profit	\$ 1,373	\$ 1,319	\$ 54	4.1%
Operating profit margin	20.5%	21.0%		
Other data:				
Operating profit before depreciation and amortization	\$ 1,806	\$ 1,748	\$ 58	3.3%
Operating profit before depreciation and amortization margin	26.9%	27.9%		
Total number of subscribers (in thousands)	20,279	20,231	48	0.2%
ARPU	\$ 109.93	\$ 103.26	\$ 6.67	6.5%
Average monthly subscriber churn %	1.56%	1.55%		0.6%
Gross subscriber additions (in thousands)	818	908	(90)	(9.9)%
Subscriber disconnections (in thousands)	951	942	9	1.0%
Net subscriber disconnections (in thousands)	(133)	(34)	(99)	*NM
Average subscriber acquisition costs per subscriber (SAC)	\$ 950	\$ 855	\$ 95	11.1%
Capital expenditures:				
Property and equipment	\$ 147	\$ 183	\$ (36)	(19.7)%
Subscriber leased equipment subscriber acquisitions	95	115	(20)	(17.4)%
Subscriber leased equipment upgrade and retention	63	104	(41)	(39.4)%
Satellites	2	22	(20)	(90.9)%
Total capital expenditures	\$ 307	\$ 424	\$ (117)	(27.6)%

*

Percentage not meaningful

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Subscribers. In the second quarter of 2015, net subscriber disconnections increased primarily due to lower gross subscriber additions as compared to the second quarter of 2014. Gross subscriber additions declined primarily as a result of stricter credit policies. Average monthly subscriber churn was relatively unchanged in the second quarter of 2015 compared to the second quarter of 2014.

Revenues. DIRECTV U.S. revenues increased in the second quarter of 2015 primarily as a result of higher ARPU. The increase in ARPU resulted primarily from price increases on programming packages and regional sports networks, higher set-top box lease fees, a reduction in new customer credits and higher revenues from pay-per-view events, as well as increased ad sales. These improvements were partially offset by increased promotional offers to existing customers.

Operating profit before depreciation and amortization. Operating profit before depreciation and amortization increased in the second quarter of 2015 as compared to the second quarter of 2014 primarily due to higher revenues coupled with lower upgrade and retention costs, partially offset by higher broadcast programming and other costs and higher subscriber service expenses. Upgrade and retention costs decreased primarily due to a lower upgrade volume. Broadcast programming and other costs increased primarily due to annual program supplier rate increases and a larger subscriber base, as well as higher pay-per-view events expense. Subscriber service expenses increased mainly as a result of customer service initiatives.

Operating profit before depreciation and amortization margin declined primarily due to the higher broadcast programming and other costs. The decline was partially offset by lower upgrade and retention expenses, relatively lower growth to subscriber acquisition costs associated with the decrease in gross additions and unchanged general and administrative expenses.

Operating profit. Operating profit increased in the second quarter of 2015 as compared to the second quarter of 2014 due to the higher operating profit before depreciation and amortization.

Operating profit margin decreased in the second quarter of 2015 as compared to the second quarter of 2014 due to the decrease in operating profit before depreciation and amortization margin, partially offset by the impact of slower relative growth in depreciation and amortization expense.

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	
	2015	2014	\$	%
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	\$ 1,676	\$ 1,789	\$ (113)	(6.3)%
Operating profit (loss) before depreciation and amortization	(715)	438	(1,153)	NM
Operating profit before depreciation and amortization margin		24.5%		
Operating profit (loss)	\$ (1,001)	\$ 142	\$ (1,143)	NM
Operating profit margin		7.9%		
Other data:				
ARPU	\$ 43.73	\$ 48.88	\$ (5.15)	(10.5)%
Average monthly total subscriber churn %	2.71%	2.10%		29.0%
Average monthly post-paid subscriber churn %	2.34%	1.90%		23.2%
Total number of subscribers (in thousands)(1)	12,857	12,472	385	3.1%
Gross subscriber additions (in thousands)(1)	1,205	1,311	(106)	(8.1)%
Net subscriber additions (in thousands)(1)	167	543	(376)	(69.2)%
Capital expenditures:				
Property and equipment	\$ 72	\$ 70	\$ 2	2.9%
Subscriber leased equipment subscriber acquisitions	196	185	11	5.9%
Subscriber leased equipment upgrade and retention	66	108	(42)	(38.9)%
Satellites	26	27	(1)	(3.7)%
Total capital expenditures	\$ 360	\$ 390	\$ (30)	(7.7)%

(1) Amounts include the impact of the Venezuelan currency devaluation charge and impairment charge for fixed and intangible assets of \$1,099 million recorded in the second quarter of 2015, as well as the ongoing impact of foreign currency exchange fluctuations.

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

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	
	2015	2014	\$	%
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	\$ 781	\$ 1,011	\$ (230)	(22.7)%
Operating profit before depreciation and amortization	206	289	(83)	(28.7)%
Operating profit before depreciation and amortization margin	26.4%	28.6%		
Operating profit	\$ 63	\$ 114	\$ (51)	(44.7)%
Operating profit margin	8.1%	11.3%		
Other Data:				
ARPU	\$ 45.90	\$ 60.77	\$ (14.87)	(24.5)%
Total number of subscribers (in thousands)	5,655	5,617	38	0.7%
Total capital expenditures	\$ 202	\$ 229	\$ (27)	(11.8)%

Subscribers. In the second quarter of 2015 net subscriber results decreased as higher gross additions driven by increased advanced product sales were more than offset by the impact of a higher average monthly churn rate. Total churn increased due to a combination of factors including a challenging economic and competitive environment, issues related to the migration of key systems that impacted existing subscribers, as well as a higher mix of pre-paid customers. Additionally, the average monthly churn rate in the second quarter of 2014 was favorably impacted by demand related to the FIFA World Cup.

Revenues. Revenues decreased in the second quarter of 2015 due to a decrease in ARPU, partially offset by subscriber growth. The decrease in ARPU was primarily due to unfavorable exchange rates, partially offset by higher ARPU in local currency terms due to growth in 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 2015 as compared to the second quarter of 2014 primarily due to lower revenues. The operating profit before depreciation and amortization margin was also impacted by issues related to the system migration of customers, which increased the growth in customer service, and the weaker economic conditions, which impacted general and administrative expenses, as well as higher broadcast operations expenses primarily associated with the buildout of a new broadband network.

Operating profit. Operating profit and operating profit margin decreased in the second quarter of 2015 as compared to the second quarter of 2014 primarily due to the decrease in operating profit before depreciation and amortization and operating profit before depreciation and amortization margin.

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,		Change	
	2015	2014	\$	%
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	\$ 895	\$ 778	\$ 117	15.0%
Operating profit (loss) before depreciation and amortization	(921)	149	(1,070)	*NM
Operating profit before depreciation and amortization margin		19.2%		
Operating profit (loss)	\$ (1,064)	\$ 28	\$ (1,092)	*NM
Operating profit margin		3.6%		
Other Data:				
ARPU	\$ 42.00	\$ 38.96	\$ 3.04	7.8%
Total number of subscribers (in thousands)	7,202	6,855	347	5.1%
Total capital expenditures	\$ 158	\$ 161	\$ (3)	(1.9)%

*

Percentage not meaningful

Subscribers. In the second quarter of 2015 net subscriber additions decreased primarily due to a decline in prepaid gross additions mainly in Argentina, as well as an increase in the average monthly churn rate principally due to lower prepaid connection rates. Prepaid gross additions and reconnections rates in the second quarter of 2014 were favorably impacted by demand related to the FIFA World Cup.

Revenues. Revenues increased in the second quarter of 2015 due to subscriber growth and an increase in ARPU. The increase in ARPU was primarily driven by price increases and an increase in the number of subscribers with advanced services, partially offset by unfavorable exchange rates.

Operating profit (loss) before depreciation and amortization. Operating profit before depreciation and amortization decreased to an operating loss before depreciation and amortization in the second quarter of 2015 as compared to the second quarter of 2014 primarily due to a \$1,099 million devaluation charge of which \$533 million was recorded in "Impairment of fixed and intangible assets" and \$519 million was recorded in "Venezuelan currency devaluation charge" in the Consolidated Statements of Operations, related to the remeasurement of the Venezuelan bolivar denominated net monetary assets, as well as a fixed and intangible asset and inventory impairment charge during the second quarter of 2015.

Operating profit (loss). Operating profit decreased to an operating loss in the second quarter of 2015 as compared to the second quarter of 2014 due to the decrease in operating loss before depreciation and amortization, as well as an increase in depreciation and amortization expense due to higher total capitalized subscriber leased equipment and installations costs, as well as higher capitalized infrastructure costs.

DIRECTV Other Income and Income Taxes

Interest income. Interest income was \$24 million in the second quarter of 2015 and \$12 million in the second quarter of 2014.

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Interest expense. Interest expense was \$234 million in the second quarter of 2015 and \$230 million in the second quarter of 2014.

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

	Three Months Ended June 30,		Change \$
	2015	2014	
	(Dollars in Millions)		
Equity in earnings from unconsolidated affiliates	\$ 23	\$ 34	\$ (11)
Net foreign currency transaction gains	6	5	1
Net gains (losses) from sale of investments	(4)	15	(19)
Loss on early extinguishment of debt		(19)	19
Interest rate swap gain		2	(2)
Fair-value gain on non-employee stock options		1	(1)
Other		(3)	3
Total	\$ 25	\$ 35	\$ (10)

Income Tax Expense. We recognized income tax expense of \$502 million for the second quarter of 2015 compared to \$431 million for the second quarter of 2014. The effective tax rate for the second quarter of 2015 increased primarily due to the unfavorable tax impact of the Venezuela currency devaluation charge and higher foreign taxes during the second quarter of 2015.

Earnings (Losses) Per Share

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

	Three Months Ended June 30,	
	2015	2014
	(Shares in Millions)	
Basic earnings (losses) attributable to DIRECTV per common share	\$ (0.72)	\$ 1.60
Diluted earnings (losses) attributable to DIRECTV per common share	\$ (0.72)	\$ 1.59
Weighted average number of common shares outstanding:		
Basic	504	504
Diluted	504	508

The decreases in basic and diluted earnings per share were due to the net losses attributable to DIRECTV.

Table of Contents**DIRECTV****Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014***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,		Change	
	2015	2014	\$	%
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	\$ 13,168	\$ 12,359	\$ 809	6.5%
Operating costs and expenses				
Costs of revenues, exclusive of depreciation and amortization expense				
Broadcast programming and other	6,119	5,568	551	9.9%
Subscriber service expenses	789	733	56	7.6%
Broadcast operations expenses	157	147	10	6.8%
Selling, general and administrative expenses, exclusive of depreciation and amortization expense				
Subscriber acquisition costs	1,385	1,309	76	5.8%
Upgrade and retention costs	609	595	14	2.4%
General and administrative expenses	616	590	26	4.4%
Depreciation and amortization expense	871	855	16	1.9%
Total operating costs and expenses	10,546	9,797	749	7.6%
Operating profit	\$ 2,622	\$ 2,562	\$ 60	2.3%
Operating profit margin	19.9%	20.7%		
Other data:				
Operating profit before depreciation and amortization	\$ 3,493	\$ 3,417	\$ 76	2.2%
Operating profit before depreciation and amortization margin	26.5%	27.6%		
Total number of subscribers (in thousands)	20,279	20,231	48	0.2%
ARPU	\$ 107.86	\$ 101.72	\$ 6.14	6.0%
Average monthly subscriber churn %	1.46%	1.50%		(2.7)%
Gross subscriber additions (in thousands)	1,713	1,799	(86)	(4.8)%
Subscriber disconnections (in thousands)	1,786	1,821	(35)	(1.9)%
Net subscriber disconnections (in thousands)	(73)	(22)	(51)	*NM
Average subscriber acquisition costs per subscriber (SAC)	\$ 931	\$ 857	\$ 74	8.6%
Capital expenditures:				
Property and equipment	\$ 283	\$ 327	\$ (44)	(13.5)%
Subscriber leased equipment subscriber acquisitions	210	232	(22)	(9.5)%
Subscriber leased equipment upgrade and retention	149	214	(65)	(30.4)%
Satellites	47	33	14	42.4%
Total capital expenditures	\$ 689	\$ 806	\$ (117)	(14.5)%

*

Percentage not meaningful

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Subscribers. In the six months ended June 30, 2015, net subscriber disconnections increased due to lower gross subscriber additions, partially offset by the impact of a lower average monthly churn rate compared to the six months ended June 30, 2014. Gross subscriber additions decreased primarily as a result of stricter credit policies. The improvement in average monthly churn was primarily due to a continued focus on attracting higher quality new subscribers and improved macroeconomic conditions, which resulted in higher customer pay rates, as well as successful winback initiatives.

Revenues. DIRECTV U.S. revenues increased in the six months ended June 30, 2015 as a result of higher ARPU and a larger subscriber base. The increase in ARPU resulted primarily from price increases on programming packages and regional sports networks, higher set-top box lease fees, higher penetration of HD-DVRs, a reduction in new customer credits and higher revenues from pay-per-view events, as well as increased ad sales. These increases were partially offset by increased promotional offers for existing customers.

Operating profit before depreciation and amortization. Operating profit before depreciation and amortization increased in the six months ended June 30, 2015 as compared to the six months ended June 30, 2014 due to higher revenues, partially offset by higher broadcast programming and other costs, increased subscriber acquisition costs and higher subscriber services expenses. Broadcast programming and other costs increased primarily due to annual program supplier rate increases and a larger subscriber base, as well as higher pay-per-view events expenses. Subscriber acquisition costs increased primarily due to an increase in higher quality subscribers from the consumer electronics distribution channel. Subscriber service expenses increased mainly as a result of customer service initiatives.

Operating profit before depreciation and amortization margin decreased in the six months ended June 30, 2015 as compared to the six months ended June 30, 2014 primarily due to the higher broadcast programming and other costs.

Operating profit. Operating profit increased in the six months ended June 30, 2015 compared to the six months ended June 30, 2014 primarily due to the increase in operating profit before depreciation and amortization.

Operating profit margin decreased in the second quarter of 2015 as compared to the second quarter of 2014 primarily due to the decrease in operating profit before depreciation and amortization margin, partially offset by the impact of slower relative growth in depreciation and amortization expense.

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	
	2015	2014	\$	%
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	\$ 3,311	\$ 3,510	\$ (199)	(5.7)%
Operating profit (loss) before depreciation and amortization(1)	(270)	697	(967)	(138.7)%
Operating profit before depreciation and amortization margin(1)		19.9%		
Operating profit (loss)(1)	\$ (845)	\$ 116	\$ (961)	(828.4)%
Operating profit margin(1)		3.3%		
Other data:				
ARPU	\$ 43.54	\$ 48.79	\$ (5.25)	(10.8)%
Average monthly total subscriber churn %	2.53%	2.11%		19.9%
Average monthly post-paid subscriber churn %	2.25%	1.88%		19.7%
Total number of subscribers (in thousands) (2)	12,857	12,472	385	3.1%
Gross subscriber additions (in thousands) (2)	2,308	2,422	(114)	(4.7)%
Net subscriber additions (in thousands) (2)	386	904	(518)	(57.3)%
Capital expenditures:				
Property and equipment	\$ 100	\$ 126	\$ (26)	(20.6)%
Subscriber leased equipment subscriber acquisitions	385	313	72	23.0%
Subscriber leased equipment upgrade and retention	124	204	(80)	(39.2)%
Satellites	71	65	6	9.2%
Total capital expenditures	\$ 680	\$ 708	\$ (28)	(4.0)%

(1) Amounts include the impact of the Venezuelan devaluation charges and impairment charges of \$1,099 million recorded in the second quarter of 2015 and \$281 million recorded in the first quarter of 2014, as well as the ongoing impact of foreign currency exchange fluctuations.

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

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	
	2015	2014	\$	%
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	\$ 1,576	\$ 1,950	\$ (374)	(19.2)%
Operating profit before depreciation and amortization	405	600	(195)	(32.5)%
Operating profit before depreciation and amortization margin	25.7%	30.8%		
Operating profit	\$ 117	\$ 262	\$ (145)	(55.3)%
Operating profit margin	7.4%	13.4%		
Other Data:				
ARPU	\$ 46.40	\$ 59.21	\$ (12.81)	(21.6)%
Total number of subscribers (in thousands)	5,655	5,617	38	0.7%
Total capital expenditures	\$ 384	\$ 390	\$ (6)	(1.5)%

Subscribers. In the six months ended June 30, 2015, net subscriber additions decreased as higher gross additions driven by increased advanced product sales were more than offset by the impact of a higher average monthly churn rate. Total churn increased due to a combination of factors including issues related to the migration of key systems that impacted existing subscribers, a higher mix of pre-paid customers, and a challenging economic and competitive environment.

Revenues. Revenues decreased in the six months ended June 30, 2015 due to a decrease in ARPU, partially offset by subscriber growth. The decrease in ARPU was primarily due to unfavorable exchange rates.

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, 2015 as compared to the six months ended June 30, 2014 primarily due to lower revenues along with higher broadcast operations expenses primarily associated with the buildout of a new broadband network. The operating profit before depreciation and amortization margin was also impacted by issues related to the system migration of customers which increased the growth in customer service and general and administrative expenses.

Operating profit. Operating profit and operating profit margin decreased in the six months ended June 30, 2015 as compared to the six months ended June 30, 2014 primarily due to the decrease in operating profit before depreciation and amortization and operating profit before depreciation and amortization margin.

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:

	Six Months Ended and As of June 30,		Change	
	2015	2014	\$	%
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	\$ 1,735	\$ 1,560	\$ 175	11.2%
Operating profit (loss) before depreciation and amortization(1)	(675)	97	(772)	*NM
Operating profit before depreciation and amortization margin(1)		6.2%		
Operating loss(1)	\$ (962)	\$ (146)	\$ (816)	*NM
Other Data:				
ARPU	\$ 41.23	\$ 39.99	\$ 1.24	3.1%
Total number of subscribers (in thousands)	7,202	6,855	347	5.1%
Total capital expenditures	\$ 296	\$ 318	\$ (22)	(6.9)%

*
Percentage not meaningful

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

Subscribers. In the six months ended June 30, 2015, net subscriber additions decreased primarily due to a decline in prepaid gross additions mainly in Argentina, as well as an increase in the average monthly churn rate principally due to lower prepaid connection rates. Prepaid gross additions and reconnections rates in the six months ended June 30, 2014 were favorably impacted by demand related to the FIFA World Cup.

Revenues. Revenues increased in the six months ended June 30, 2015 due to subscriber growth and an increase in ARPU. The increase in ARPU was primarily driven by price increases and an increase in the number of subscribers with advanced services, partially offset by unfavorable exchange rates.

Operating profit (loss) before depreciation and amortization. Operating profit before depreciation and amortization decreased to an operating loss before depreciation and amortization expense in the six months ended June 30, 2015 as compared to the six months ended June 30, 2014, primarily due to a \$1,099 million devaluation charge, of which \$533 million was recorded in "Impairment of fixed and intangible assets" and \$519 million was recorded in "Venezuelan currency devaluation charge" in the Consolidated Statements of Operations, related to the remeasurement of the Venezuelan bolivar denominated net monetary assets, as well as a fixed and intangible asset and inventory impairment charge during the second quarter of 2015 compared to a \$284 million of currency devaluation charge related to the remeasurement of the Venezuelan bolivar denominated net monetary assets during the six months ended June 30, 2014. These decreases were partially offset by higher revenues and lower subscriber acquisition costs mainly resulting from the lower gross additions.

Operating loss. Operating loss increased in the six months ended June 30, 2015 as compared to the six months ended June 30, 2014 due to the decrease in operating profit before depreciation and amortization.

Table of Contents**DIRECTV***DIRECTV Other Income and Income Taxes*

Interest income. Interest income was \$46 million in the six months ended June 30, 2015 and \$25 million in the six months ended June 30, 2014.

Interest expense. Interest expense was \$479 million in the six months ended June 30, 2015 and \$462 million in the six months ended June 30, 2014.

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

	Six Months Ended June 30,		Change \$
	2015	2014	
	(Dollars in Millions)		
Equity in earnings from unconsolidated affiliates	\$ 56	\$ 78	\$ (22)
Net foreign currency transaction gains (losses)	(25)	11	(36)
Net gains (losses) from sale of investments	(4)	24	(28)
Other	3	(7)	10
Interest rate swap gain	2	2	
Loss on early extinguishment of debt		(19)	19
Fair-value gain on non-employee stock options		3	(3)
Total	\$ 32	\$ 92	\$ (60)

Income Tax Expense. We recognized income tax expense of \$943 million for the six months ended June 30, 2015 compared to \$927 million for the six months ended June 30, 2014. The effective tax rate increased primarily due to the unfavorable tax impact of the larger Venezuela currency devaluation charge in 2015.

Earnings Per Share

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

	Six Months Ended June 30,	
	2015	2014
	(Shares in Millions)	
Basic earnings attributable to DIRECTV per common share	\$ 0.73	\$ 2.70
Diluted earnings attributable to DIRECTV per common share	\$ 0.73	\$ 2.67
Weighted average number of common shares outstanding:		
Basic	504	507
Diluted	508	512

The decreases in basic and diluted earnings per share were primarily due to the net losses 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.

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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, 2015, Sky Brasil had borrowings of R\$552 million (\$178 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, 2015, Sky Brasil had borrowings of R\$98 million (\$31 million) under the facility.

As of June 30, 2015, our cash and cash equivalents totaled \$4,473 million compared to \$4,635 million at December 31, 2014. As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) was 1.10 at June 30, 2015 and 1.27 at December 31, 2014.

Cash Flows Provided by Operating Activities

Net cash flows provided by operating activities increased to \$3,238 million for the six months ended June 30, 2015 from \$3,064 million for the six months ended June 30, 2014. The increase was primarily due to an increase in operating profit before depreciation and amortization expense and an increase in working capital related to the timing of prepaid expenses and payables.

Cash Flows Used in Investing Activities

Net cash flows used in investing activities decreased to \$1,460 million for the six months ended June 30, 2015 from \$1,509 million for the six months ended June 30, 2014. The decrease was primarily due to lower capital expenditures for subscriber leased set-top receivers, partially offset by an increase in purchases of short-term investments and higher satellite capital expenditures.

Cash Flows Used in Financing Activities

Net cash flows used in financing activities increased to \$1,311 million for the six months ended June 30, 2015 from net cash flows used in financing activities of \$1,129 million for the six months ended June 30, 2014. The increase was due higher repayments of long-term debt and a decrease in long-term debt issuances in the six months ended June 30, 2015, partially offset by a decrease in our share repurchases due to the suspension of our share repurchase program in May 2014.

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 an authorization for up to \$3.5 billion for repurchases of our common stock. In accordance with the Merger Agreement, we 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 without AT&T's consent, effective May 18, 2014.

Debt

At June 30, 2015, we had \$19,512 million in total outstanding borrowings, which consisted of senior notes 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 4 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 2014 Form 10-K/A.

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As appropriate, we will evaluate our optimal leverage on an ongoing basis. 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. In March 2015, DIRECTV U.S. repaid the 3.550% senior notes due in 2015, or the 2015 Notes, for the unpaid principal balance of \$1,200 million, together with accrued and unpaid interest as of that date, as required by the indenture for the 2015 Notes.

In March 2014, we exercised our early redemption right under the indenture of the 4.750% senior notes due in 2014, or 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.

At June 30, 2015, DIRECTV U.S.' senior notes had a carrying value of \$19,303 million and a weighted-average coupon of 4.15%. The principal amount of our senior notes which have not been redeemed mature as follows: \$2,250 million in 2016, \$1,250 million in 2017, \$750 million in 2018, \$1,000 million in 2019, \$1,300 million in 2020 and \$12,736 million 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.

Revolving Credit Facilities and Commercial Paper

Concurrent with the AT&T merger transaction close on July 24, 2015, we terminated our revolving credit facilities and commercial paper program which included the ability for us to borrow up to \$2.5 billion.

Covenants and Restrictions

The senior notes include covenants that limit DIRECTV U.S.'s and its subsidiaries' ability to, among other things, (i) incur certain liens, (ii) engage in certain sale leaseback transactions, and (iii) merge, consolidate or sell substantially all of its assets. If DIRECTV U.S. and its subsidiaries fail to comply with these covenants, all or a portion of its borrowings under the senior notes could become immediately payable. 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.

DIRECTV Group Holdings, LLC Guarantors. Following the close of the AT&T merger transaction discussed in Note 1 of the Notes to the Consolidated Financial Statements in Part 1 Item 1, DIRECTV Group Holdings, LLC assumed as the successor of DIRECTV the guarantee of the senior notes on the

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terms set forth in the respective Supplemental Indentures and the Guarantee, dated as of July 24, 2015, with respect to each Supplemental Indenture (collectively, the "Guarantees"). For further information, refer to the Form 8-K filed with the SEC on July 24, 2015 by AT&T Inc.

DIRECTV Group Holdings, LLC guarantees all of the senior notes outstanding, jointly and severally with DIRECTV Holdings LLC's material domestic subsidiaries. DIRECTV Group Holdings, LLC 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.

As a result of the Guarantees, holders of the senior notes may have the benefit of DIRECTV Group Holdings, LLC'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 Guarantees are unsecured senior obligations of DIRECTV Group Holdings, LLC and rank equally in right of payment with all of DIRECTV Group Holdings, LLC's existing and future senior debt and rank senior in right of payment to all of DIRECTV Group Holdings, LLC's future subordinated debt, if any. The Guarantees are effectively subordinated to all existing and future secured obligations, if any, of DIRECTV Group Holdings, LLC to the extent of the value of the assets securing the obligations. DIRECTV Group Holdings, LLC is not subject to the covenants contained in the indentures governing the senior notes and the 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 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, 2015, Sky Brasil had borrowings of R\$552 million (\$178 million) outstanding under the BNDES facility bearing interest at a weighted-average rate of 5.40% per year. As of December 31, 2014, Sky Brasil had borrowings of R\$710 million (\$267 million) outstanding under the BNDES facility bearing interest at a weighted-average rate of 5.11% 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\$3.10 / \$1.00 and R\$2.66 / \$1.00 as of June 30, 2015 and December 31, 2014, respectively.

Borrowings under the BNDES facility mature as follows: R\$174 million (\$56 million) in 2015, R\$273 million (\$88 million) in 2016 and R\$102 million (\$33 million) in 2017. The financing facility is collateralized by the financed set-top receivers with an original purchase price of approximately R\$1,037 million (\$335 million) based on the exchange rate of RR\$3.10 / \$1.00 as of June 30, 2015.

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

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bank guarantee. As of June 30, 2015, Sky Brasil had borrowings of R\$98 million (\$31 million) under the facility bearing interest of 2.5% per year. As of December 31, 2014, Sky Brasil had borrowings of R\$48 million (\$18 million) under the facility bearing interest of 2.5% per year. 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\$3.10 / \$1.00 and R\$2.66 / \$1.00 as of June 30, 2015 and December 31, 2014, respectively.

Borrowings under the Desenvolve SP facility mature as follows: R\$48 million (\$15 million) in 2019 and R\$50 million (\$16 million) in 2020.

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, and limited our ability to import set-top receivers and other equipment, limiting the growth of our business in Venezuela.

As of June 30, 2015, the mechanisms in Venezuela for exchanging Venezuelan bolivars into U.S. dollars were as follows: (i) the official government mechanism operated by the Venezuelan Central Bank, which has a fixed exchange rate of 6.3 Venezuelan bolivars per U.S. dollar mainly reserved for essential goods and services (ii) the auction based Sistema Complementario de Administración de Divisas, or SICAD, which is intended for dividend and royalty remittances as well as certain imports, including telecommunications equipment and (iii) an open market currency exchange system Sistema Marginal de Divisas, or SIMADI, which is based on supply and demand. As of June 30, 2015, the SICAD exchange rate was 12.8 Venezuelan bolivars per U.S. dollars and the SIMADI exchange rate was 197.7 Venezuelan bolivars per U.S. dollars.

Effective March 31, 2014, we changed the exchange rate for remeasuring our Venezuelan subsidiary's monetary net assets from the official exchange rate of 6.3 Venezuelan bolivars per U.S. dollar to the SICAD rate, which was 10.7 Venezuelan bolivars per U.S. dollar as of March 31, 2014. 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 Venezuelan bolivar denominated net monetary assets of our Venezuelan subsidiary on March 31, 2014.

In our Original 10-Q, the net monetary assets and liabilities were remeasured using the SICAD exchange rate. During the second quarter of 2015, we recorded \$39 million in "General and administrative expenses" in the Consolidated Statements of Operations as a result of the change in the SICAD exchange rate to 12.8 Venezuelan bolivars per U.S. dollar as of June 30, 2015 from 12.0 Venezuelan bolivars per U.S. dollar as of March 31, 2015 in our Original 10-Q.

Due to the continued economic uncertainty and lack of liquidity in all three of the official currency exchange mechanisms in Venezuela, effective June 30, 2015, in this amended Form 10-Q we have changed the exchange rate used to remeasure our Venezuelan subsidiary's monetary assets and liabilities into U.S. dollars from SICAD to SIMADI as of June 30, 2015. The significant change in exchange rates required us to also evaluate the recoverability of our fixed and intangible assets and inventory, and we have determined a resulting impairment charge. During the second quarter of 2015, we recorded a pre-tax charge of \$1,060 million, of which \$533 million was recorded in "Impairment of fixed and intangible assets" and \$519 million was recorded in "Venezuelan currency devaluation

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charge" in the Consolidated Statements of Operations As Restated as a result of the change to the SIMADI exchange rate of 197.7 Venezuelan bolivars per U.S. dollars as of June 30, 2015 from the SICAD exchange rate of 12.8 Venezuelan bolivars per U.S. dollar as of June 30, 2015 and the impairment of fixed and intangible assets and inventory.

In the second quarter of 2015, our Venezuelan subsidiary generated revenues of approximately \$250 million and operating profit before depreciation and amortization of approximately \$80 million based on the SICAD exchange rate. During the six months ended June 30, 2015, our Venezuelan subsidiary generated revenues of approximately \$500 million and operating profit before depreciation and amortization of approximately \$180 million, excluding the impact of the \$39 million exchange rate losses recorded in "General and administrative expenses" based on the SICAD exchange rate.

Significant uncertainties exist regarding the exchange mechanisms in Venezuela including the nature of transactions that are eligible for repatriation through the official process, SICAD or SIMADI, or any other new exchange mechanism that may emerge, how such mechanisms will operate in the future, as well as the volume of U.S. dollars available under each mechanism. Changes in exchange mechanisms and rates will impact the comparability of our results of operations and financial position, and could result in significant future devaluations or impairments of tangible and intangible assets.

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 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

The Merger Agreement precluded the Company from paying a dividend so long as the Merger Agreement was in effect.

CONTRACTUAL OBLIGATIONS

The following table sets forth our contractual obligations as of June 30, 2015, 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, 2014. The contractual obligations below do not include payments that could be made related to our net unrecognized tax benefits liability, which amounted to \$548 million as of June 30, 2015. The timing and amount of any future payments is not reasonably estimable, as such

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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.

Contractual Obligations	Total	Payments Due By Period			2020 and thereafter
		2015	2016-2017	2018-2019	
		(Dollars in Millions)			
Long-term debt obligations (Note 4)(a)	\$ 30,117	\$ 541	\$ 5,254	\$ 3,288	\$ 21,034
Purchase obligations(b)	15,757	1,183	4,074	3,668	6,832
Operating lease obligations(c)	945	59	205	201	480
Capital lease obligations(d)	1,253	71	283	255	644
Total	\$ 48,072	\$ 1,854	\$ 9,816	\$ 7,412	\$ 28,990

-
- (a) Long-term debt obligations include interest calculated based on the rates in effect at June 30, 2015, however, 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.
- (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 6 of the Notes to the Consolidated Financial Statements of this Quarterly Report, which we incorporate herein by reference.

CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

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

CRITICAL ACCOUNTING ESTIMATES

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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, 2014.

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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, 2015. 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, 2014.

* * *

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/A 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, 2015.

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, 2015, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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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, 2015 or subsequent thereto, but before the filing of the report, are summarized below:

NFL Sunday Ticket Litigation. DIRECTV has been served with several putative class actions filed in state and federal court in California and in federal court in New York. The complaints allege, among other things, that the agreement between DIRECTV and the National Football League for DIRECTV's exclusive distribution of NFL Sunday Ticket violates Sections 1 and 2 of the Sherman Act and California state law and that plaintiffs have been overcharged for the televised presentation of out-of-market NFL games. The complaints seek to represent classes of DIRECTV residential and commercial subscribers to NFL Sunday Ticket and seek injunctions, unspecified treble damages and attorneys' fees. We are confident that our agreement with the NFL does not violate the Sherman Act and California state law and intend to vigorously defend the lawsuits.

Major League Baseball Litigation. A class was certified by Judge Shira Scheindlin in the case Lerner et al. v. Office of the Commissioner of Baseball et al. filed in May 2015 in federal court for the Southern District of New York. Judge Scheindlin ruled that the plaintiffs were entitled to seek an injunction on behalf of a class of subscribers who had purchased MLB Extra Innings from DIRECTV, Comcast and MLB, to prevent MLB from enforcing league rules that grant member teams exclusive home team territories. The Judge also ruled that the plaintiffs were not entitled to seek damages on behalf of the class. A trial is scheduled to begin in January 2016. The defendants intend to defend the case and pursue appeals to reverse the numerous errors of law that formed the bases of the trial court's orders.

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.

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 with the individual plaintiffs in the federal cases. In the California state court action, the United States Supreme Court agreed to review the California Court of Appeal's opinion affirming the denial of our motion to compel arbitration. A decision from the U.S. Supreme Court is expected in 2016. We believe that our early cancellation fees are adequately disclosed, and represent reasonable estimates of the costs we incur when customers cancel service before fulfilling their programming commitments.

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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.

FTC Litigation. On March 11, 2015, the Federal Trade Commission, or FTC, filed a lawsuit against DIRECTV and DIRECTV, LLC in United States District Court for the Northern District of California. The FTC alleges that DIRECTV failed to disclose adequately in our advertisements certain terms and conditions of our programming package offers. The complaint also alleges that DIRECTV violated applicable law by failing adequately to disclose, and to obtain consumers' express consent to, the terms of negative option offers for premium channels. The complaint seeks a permanent injunction to prevent further violations, as well as relief to redress injury to consumers. We believe we have valid defenses to the FTC's claims and we intend to vigorously defend the lawsuit.

Waste Disposal Inquiry. In August 2012, DIRECTV U.S. received from the State of California subpoenas and interrogatories related to our generation, handling, record keeping, transportation and disposal of hazardous waste, including universal waste, in the State of California, and the training of employees regarding the same. The investigation is jointly conducted by the Office of the Attorney General and the District Attorney for Alameda County and appears to be part of a broader effort to investigate waste handling and disposal processes of a number of industries. We are continuing to review our policies and procedures applicable to all facilities, cooperating with the investigation and recently began discussions with regulators directed at reaching resolution of this matter.

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.

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ITEM 1A. RISK FACTORS

The risk factors included in our Annual Report on Form 10-K/A for the year ended December 31, 2014 have not materially changed. See Part I Item 2 of this Quarterly Report related to "forward-looking statements" which we incorporate by reference.

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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. In accordance with the Merger Agreement, we suspended the share repurchase program and agreed to not purchase, repurchase, redeem or otherwise acquire any shares of our capital stock without AT&T's consent, effective May 18, 2014.

During the three months ended June 30, 2015, there were no share repurchases.

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ITEM 6. EXHIBITS

Exhibit Number	Exhibit Name
*31.1	Certification of the Chief Executive Officer
*31.2	Certification of the Chief Financial Officer
*32	Section 1350 Certifications
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

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Furnished, not filed.

Management contract or compensatory plan or arrangement.

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EXHIBIT INDEX

Exhibit Number	Exhibit Name
31.1	Certification of the Chief Executive Officer
31.2	Certification of the Chief Financial Officer
32	Section 1350 Certifications
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101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
