

DIRECTV
Form 10-Q
November 05, 2010

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

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 September 30, 2010

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

(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.)

**2230 East Imperial Highway
El Segundo, California**

(Address of principal executive offices)

90245

(Zip Code)

(310) 964-5000

(Registrant's telephone number, including area code)

N/A

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

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

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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 November 1, 2010, the registrant had outstanding 833,722,851 shares of DIRECTV Class A common stock.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(Dollars in Millions, Except Per Share Amounts)			
Revenues	\$ 6,025	\$ 5,465	\$ 17,481	\$ 15,584
Operating costs and expenses				
Costs of revenues, exclusive of depreciation and amortization expense				
Broadcast programming and other	2,499	2,271	7,179	6,404
Subscriber service expenses	439	406	1,241	1,126
Broadcast operations expenses	86	87	259	254
Selling, general and administrative expenses, exclusive of depreciation and amortization expense				
Subscriber acquisition costs	812	699	2,193	2,076
Upgrade and retention costs	321	277	853	819
General and administrative expenses	384	377	1,062	1,086
Depreciation and amortization expense	616	663	1,860	2,008
Total operating costs and expenses	5,157	4,780	14,647	13,773
Operating profit	868	685	2,834	1,811
Interest income	9	9	28	25
Interest expense	(147)	(101)	(396)	(304)
Liberty transaction and related gains			67	
Other, net	26	10	45	67
Income before income taxes	756	603	2,578	1,599
Income tax expense	(256)	(219)	(949)	(585)
Net income	500	384	1,629	1,014
Less: Net income attributable to noncontrolling interest	(21)	(18)	(49)	(40)
Net income attributable to DIRECTV	\$ 479	\$ 366	\$ 1,580	\$ 974
Net income attributable to DIRECTV Class A common stockholders (DIRECTV Group common stockholders for the three and nine month periods ended September 30, 2009)	\$ 479	\$ 366	\$ 1,396	\$ 974

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Net income attributable to DIRECTV Class B common stockholders, including \$160 million exchange inducement value for the Malone Transaction (Note 8)

184

Net income attributable to DIRECTV	\$	479	\$	366	\$	1,580	\$	974
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Basic earnings attributable to DIRECTV Class A stockholders per common share (DIRECTV Group common shares for the three and nine month periods ended September 30, 2009)

\$	0.56	\$	0.38	\$	1.58	\$	0.97
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Diluted earnings attributable to DIRECTV Class A stockholders per common share (DIRECTV Group common shares for the three and nine month periods ended September 30, 2009)

0.55	0.37	1.57	0.97
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Basic and diluted earnings attributable to DIRECTV Class B stockholders per common share, including \$160 million exchange inducement value for the Malone Transaction (Note 8)

8.44

Weighted average number of Class A common shares outstanding (in millions)

Basic	861	885
Diluted	868	891

Weighted average number of Class B common shares outstanding, through June 16, 2010 (in millions)

Basic	22
Diluted	22

Weighted average number of total common shares outstanding (in millions)

Basic	861	973	898	999
Diluted	868	977	904	1,003

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

Table of Contents**DIRECTV****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

September 30, December 31,
2010 2009
(Dollars in Millions,
Except Share Data)

ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,988	\$ 2,605
Accounts receivable, net of allowances of \$87 and \$56	1,790	1,625
Inventories	185	212
Deferred income taxes	43	217
Prepaid expenses and other	547	396
Total current assets	5,553	5,055
Satellites, net	2,259	2,338
Property and equipment, net	4,278	4,138
Goodwill	4,140	4,164
Intangible assets, net	1,107	1,131
Investments and other assets	1,444	1,434
Total assets	\$ 18,781	\$ 18,260
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,656	\$ 3,757
Unearned subscriber revenues and deferred credits	566	434
Current portion of long-term debt		1,510
Total current liabilities	4,222	5,701
Long-term debt	10,471	6,500
Deferred income taxes	1,202	1,070
Other liabilities and deferred credits	1,508	1,678
Commitments and contingencies		
Redeemable noncontrolling interest	700	400
Stockholders' equity		
Common stock and additional paid-in capital \$0.01 par value, 3,500,000,000 shares authorized, 843,844,207 and 911,377,919 shares issued and outstanding of DIRECTV Class A common stock at September 30, 2010 and December 31, 2009, respectively and \$0.01 par value, 30,000,000 shares authorized, 21,809,863 shares issued and outstanding of DIRECTV Class B common stock at December 31, 2009	5,789	6,689
Accumulated deficit	(5,073)	(3,722)

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Accumulated other comprehensive loss	(38)	(56)
Total stockholders' equity	678	2,911
Total liabilities and stockholders' equity	\$ 18,781	\$ 18,260

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

Table of Contents**DIRECTV****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****Nine Months Ended
September 30,****2010 2009****(Dollars in Millions)****Cash Flows From Operating Activities**

Net income	\$ 1,629	\$ 1,014
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,860	2,008
Amortization of deferred revenues and deferred credits	(27)	(38)
Share-based compensation expense	60	39
Equity earnings in unconsolidated affiliates	(70)	(34)
Dividends received	58	69
Net foreign currency transaction gains	(7)	(57)
Liberty transaction and related gains	(67)	
Deferred income taxes	286	311
Other	60	36
Change in other operating assets and liabilities:		
Accounts receivable	(148)	30
Inventories	27	(34)
Prepaid expenses and other	(140)	(61)
Accounts payable and accrued liabilities	246	(174)
Unearned subscriber revenue and deferred credits	132	147
Other, net	(74)	(58)
Net cash provided by operating activities	3,825	3,198

Cash Flows From Investing Activities

Cash paid for property and equipment	(1,647)	(1,508)
Cash paid for satellites	(99)	(40)
Investment in companies, net of cash acquired	(1)	(30)
Other, net	(33)	11
Net cash used in investing activities	(1,780)	(1,567)

Cash Flows From Financing Activities

Cash proceeds from debt issuance	5,978	1,990
Debt issuance costs	(44)	(12)
Repayment of long-term debt	(2,323)	(661)
Repayment of collar loan	(1,537)	
Repayment of other long-term obligations	(94)	(85)
Common shares repurchased and retired	(3,561)	(1,613)
Stock options exercised	2	33
Taxes paid in lieu of shares issued for share-based compensation	(92)	

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Excess tax benefit from share-based compensation	9	5
Net cash used in financing activities	(1,662)	(343)
Net increase in cash and cash equivalents	383	1,288
Cash and cash equivalents at beginning of the period	2,605	2,005
Cash and cash equivalents at end of the period	\$ 2,988	\$ 3,293
Supplemental Cash Flow Information		
Cash paid for interest	\$ 300	\$ 274
Cash paid for income taxes	601	311

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: Basis of Presentation

DIRECTV, which we sometimes refer to as the company, we, or us, is a leading provider of digital television entertainment in the United States and Latin America. We operate two direct-to-home, or DTH, operating segments: DIRECTV U.S. and DIRECTV Latin America, which are differentiated by their geographic location and are engaged in acquiring, promoting, selling and/or distributing digital entertainment programming via satellite and broadband to residential and commercial subscribers. Beginning November 19, 2009, we also operate three regional sports networks and own a 65% 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 GSN using the equity method of accounting.

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

DIRECTV Latin America. DIRECTV Latin America Holdings, Inc. and its subsidiaries, or DTVLA, is a leading provider of DTH digital television services throughout Latin America. DTVLA is comprised of: PanAmericana, which provides services in Argentina, Chile, Colombia, Puerto Rico, Venezuela and certain other countries in the region; our 74% owned subsidiary Sky Brasil Servicos Ltda., which we refer to as Sky Brazil; and our 41% equity method investment in Innova, S. de R.L. de C.V., or Sky Mexico. Globo Comunicações e Participações S.A., or Globo, owns the other 26% of Sky Brazil and Grupo Televisa, S.A., or Televisa, owns the other 59% of Sky Mexico.

DIRECTV Sports Networks. DIRECTV Sports Networks LLC and its subsidiaries, or DSN, is comprised primarily of three regional sports television networks based in Seattle, Washington, Denver, Colorado and Pittsburgh, Pennsylvania, currently known as FSN Northwest, FSN Rocky Mountain and FSN Pittsburgh, respectively. The operating results of DSN beginning November 19, 2009 are reported as part of the "Sports Networks, Eliminations and Other" operating segment.

We have prepared the accompanying unaudited consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, or GAAP, for interim financial reporting. In the opinion of management, all adjustments (consisting only of normal recurring items) that are necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. For further information, refer to the consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K/A for the year ended December 31, 2009 filed with the Securities and Exchange Commission, or SEC, on August 10, 2010, our Quarterly Reports on Form 10-Q/A for the quarter ended March 31, 2010 and for the quarter ended June 30, 2010 filed with the SEC on August 10, 2010 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.

Note 2: Acquisition

Liberty Transaction

On November 19, 2009, The DIRECTV Group, Inc., or DIRECTV Group, and Liberty Media Corporation, which we refer to as Liberty or Liberty Media, obtained stockholder approval of and

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

closed a series of related transactions which we refer to collectively as the Liberty Transaction. The Liberty Transaction included the split-off of certain of the assets of the Liberty Entertainment group into Liberty Entertainment, Inc., or LEI, which was then split-off from Liberty. Following the split-off, DIRECTV Group and LEI merged with subsidiaries of DIRECTV. As a result of the Liberty Transaction, DIRECTV Group, which is comprised of the DIRECTV U.S. and DIRECTV Latin America businesses, and LEI, which held Liberty's 57% interest in DIRECTV Group, a 100% interest in three regional sports networks, a 65% interest in Game Show Network, LLC, approximately \$120 million in cash and cash equivalents and approximately \$2.1 billion of indebtedness and a related series of equity collars, became wholly-owned subsidiaries of DIRECTV.

The Liberty Transaction was accounted for using the acquisition method of accounting pursuant to accounting standards for business combinations. DIRECTV Group has been treated as the acquiring corporation in the Liberty Transaction for accounting and financial reporting purposes, and accordingly the historical financial statements of DIRECTV Group have become the historical financial statements of DIRECTV. The acquisition date fair value of consideration paid, in the form of DIRECTV common stock, for the assets and liabilities of LEI (excluding LEI's interest in DIRECTV Group) has been allocated to a premium expensed at the close of the transaction and to LEI's other tangible and intangible assets acquired and liabilities assumed based on their estimated acquisition date fair values, with any excess being treated as goodwill. The assets, liabilities and results of operations of LEI have been consolidated beginning on the acquisition date, November 19, 2009.

The following table sets forth the preliminary allocation of the purchase price to the LEI net liabilities assumed on November 19, 2009 (dollars in millions):

Total current assets	\$ 244
Property and equipment	5
Goodwill	295
Investments and other assets	754
Total assets acquired	\$ 1,298
Total current liabilities	\$ 2,492
Other liabilities	259
Total liabilities assumed	\$ 2,751
Net liabilities assumed	\$ 1,453

As part of the mergers, DIRECTV assumed 16.7 million common stock options and stock appreciation rights issued by LEI. Since many of the replacement awards are held by individuals who remained employees of Liberty and did not become employees or directors of DIRECTV, they are reported as a liability at fair value by DIRECTV in accordance with accounting standards for non-employee awards.

The assumed indebtedness also included related equity collars. We completed settlement of those equity collars during the first quarter of 2010. We accounted for the derivative financial instruments of the equity collars acquired as a net asset or liability at fair value. For the nine months ended September 30, 2010, amounts charged to "Liberty transaction and related gains" in the Consolidated Statements of Operations totaled \$67 million, related to net gains recorded for the final settlement of the equity collars. See Note 5 for additional information regarding the indebtedness and equity collars.

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

The following selected unaudited pro forma information is being provided to present a summary of the combined results of DIRECTV and LEI for the three and nine months ended September 30, 2009 as if the acquisition had occurred as of the beginning of the period, giving effect to purchase accounting adjustments. The pro forma data is presented for informational purposes only and may not necessarily reflect the results of our operations had LEI operated as part of us for the period presented, nor are they necessarily indicative of the results of future operations. The pro forma information excludes the effect of non-recurring charges directly related to the transaction.

	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
	(Dollars in Millions, Except Per Share Amounts)	
Revenues	\$ 5,514	\$ 15,738
Net income attributable to DIRECTV	236	754
Basic and diluted earnings attributable to DIRECTV common shareholder	0.25	0.77

Note 3: Accounting Change and New Accounting Standard*Accounting Change*

On January 1, 2010, we adopted the revisions issued by the Financial Accounting Standards Board, or FASB, to consolidation accounting standards for variable interest entities, or VIEs. The new standard replaces the quantitative- based risks and rewards calculation for determining which enterprise, if any, has a controlling financial interest in a variable interest entity. Instead, the new approach is qualitative and focused on identifying which enterprise has the power to direct the activities of a VIE that most significantly impact the entity's performance and (1) the obligation to absorb the losses of an entity or (2) the right to receive benefits from the entity. As a result of the changed requirements, it is possible that an entity's previous assessment of a VIE will change, and the standard now requires ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE. Disclosure requirements under the new standard have been enhanced, and now include disclosure of the method the entity used to determine whether they are the primary beneficiary of the VIE. The adoption of these changes did not have an effect on our consolidated results of operations and financial position.

New Accounting Standard

In September 2009, the FASB approved a revised standard for revenue arrangements with multiple deliverables. Under the revised standard, the criteria for determining whether a deliverable should be considered a separate unit of accounting has changed to remove a limitation for separation to only items with objective and reliable evidence of fair value. Instead, the revised standard allows entities to use the "best estimate of selling price" in addition to third-party evidence or actual selling prices for determining the fair value of a deliverable. The standard also includes additional disclosure requirements for revenue arrangements for multiple deliverables. We currently do not expect the adoption of the revised standard to have an effect on our consolidated results of operations and financial position, when adopted, as required, on January 1, 2011.

Table of Contents**DIRECTV****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****(Unaudited)****Note 4: Goodwill and Intangible Assets**

The changes in the carrying amounts of goodwill at each of our segments for the nine months ended September 30, 2010 were as follows:

	DIRECTV U.S.	DIRECTV Latin America	Sports Networks, Eliminations and Other	Total
	(Dollars in Millions)			
Balance as of December 31, 2009	\$ 3,167	\$ 656	\$ 341	\$ 4,164
Foreign currency translation adjustment		12		12
Purchase or acquisition accounting adjustments	9		(45)	(36)
Balance as of September 30, 2010	\$ 3,176	\$ 668	\$ 296	\$ 4,140

The following table sets forth the amounts recorded for intangible assets as of the periods presented:

	Estimated Useful Lives (years)	September 30, 2010			December 31, 2009		
		Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
		(Dollars in Millions)					
Orbital slots	Indefinite	\$ 432		\$ 432	\$ 432		\$ 432
72.5° WL Orbital license	5	\$			208	\$ 208	
Satellite rights	15	122	4	118			
Subscriber related	5-10	465	295	170	1,787	1,526	261
Dealer network	15	130	96	34	130	90	40
Trade name and other	10-20	345	27	318	344	17	327
Distribution rights	7	334	299	35	334	263	71
Total intangible assets		\$ 1,828	\$ 721	\$ 1,107	\$ 3,235	\$ 2,104	\$ 1,131

Satellite Rights

Sky Brazil has entered into an agreement for the right to use a replacement satellite in the event its existing leased satellite suffers a significant failure. The satellite was launched in March 2010 and we recorded the total obligations for the right to use the satellite of \$116 million in "Intangible Assets" in the Consolidated Balance Sheets, including payments made to date of \$29 million. As of September 30, 2010, the remaining \$87 million of required payments is recorded in "Accounts payable and accrued liabilities" in the Consolidated Balance Sheets, the accrual of which is considered a non-cash investing and financing activity for purposes of the Consolidated Statements of Cash Flows for the nine months ended September 30, 2010. The intangible asset is being amortized on a straight line basis over the 15 year period of the agreement.

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

The following table sets forth amortization expense for intangible assets for each of the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(Dollars in Millions)			
Amortization expense	\$ 38	\$ 86	\$ 150	\$ 293

Estimated amortization expense for intangible assets in each of the next five years and thereafter is as follows: \$38 million in the remainder of 2010; \$137 million in 2011; \$90 million in 2012; \$46 million in 2013; \$38 million in 2014; and \$326 million thereafter.

Note 5: Borrowings

The following table sets forth our outstanding borrowings:

	September 30, 2010	December 31, 2009
	(Dollars in Millions)	
Senior notes	\$ 10,471	\$ 4,492
Senior secured credit facility, net of unamortized discount of \$7 million as of December 31, 2009		2,316
Collar Loan		1,202
 Total debt	 10,471	 8,010
Less: Current portion of long-term debt		(1,510)
 Long-term debt	 \$ 10,471	 \$ 6,500

All of the senior notes and the senior secured credit facility were issued by DIRECTV U.S. The senior secured credit facility is secured by substantially all of DIRECTV U.S.' assets. As discussed below, in financing transactions in March and August 2010, DIRECTV U.S. repaid the remaining balance of the Term Loans under its senior secured credit facility. As of September 30, 2010, DIRECTV U.S. had the ability to borrow up to \$500 million under its existing credit facility.

Collar Loan

As part of the Liberty Transaction completed on November 19, 2009, we assumed a credit facility and related equity collars, which we refer to as the Collar Loan. During the first quarter of 2010, we paid \$1,537 million to repay the remaining principal balance of the loan and settle the equity collars, which had a fair value of \$400 million as of December 31, 2009 and as a result, recorded a gain of \$67 million in "Liberty transaction and related gains" in the Consolidated Statements of Operations in the first quarter of 2010 related to the Collar Loan.

We accounted for the equity collars pursuant to the accounting standards for derivatives and hedging, which require that all derivatives, whether designated in hedging relationships or not, are recorded on the balance sheet at fair value. The equity collars were not designated as a hedge, and therefore changes in the fair value of the derivative were recognized in earnings. We determined the December 31, 2009 fair value of the equity collars using the Black-Scholes Model. Our use of the

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Black-Scholes Model to value the equity collars was considered a Level 2 valuation technique, which used observable inputs such as exchange-traded equity prices, risk-free interest rates, dividend yields and volatilities.

See Note 2 for further discussion of the Liberty Transaction.

2010 Financing Transactions

On August 17, 2010, pursuant to a registration statement, DIRECTV U.S. issued \$750 million in five year 3.125% senior notes due in 2016 at a 0.1% discount resulting in \$750 million of proceeds, \$1,000 million in 10 year 4.600% senior notes due in 2021 at a 0.1% discount resulting in \$999 million of proceeds and \$1,250 million in 30 year 6.000% senior notes at a 1.3% discount resulting in \$1,233 million of proceeds. Principal on these senior notes is payable upon maturity, while interest is payable semi-annually commencing February 15, 2011. We incurred \$19 million of debt issuance costs in connection with these transactions.

On August 20, 2010, DIRECTV U.S. repaid the \$1,220 million of remaining principal on Term Loans A and B of its senior secured credit facility. The repayment of Term Loans A and B resulted in a third quarter 2010 pre-tax charge of \$7 million, \$4 million after tax, resulting from the write-off of deferred debt issuance and other transaction costs. The charge was recorded in "Other, net" in our Consolidated Statements of Operations.

On March 11, 2010, DIRECTV U.S. issued \$1,200 million in five year 3.550% senior notes due in 2015 at a 0.1% discount resulting in \$1,199 million of proceeds, \$1,300 million in 10 year 5.200% senior notes due in 2020 at a 0.2% discount resulting in \$1,298 million of proceeds and \$500 million in 30 year 6.350% senior notes at a 0.1% discount resulting in \$499 million of proceeds in private placement transactions. Principal on these senior notes is payable upon maturity, while interest is payable semi-annually commencing September 15, 2010. We incurred \$17 million of debt issuance costs in connection with these transactions. We completed the exchange offer of these senior notes, which resulted in the exchanged senior notes being registered under the Securities Act of 1933, as amended, during the second quarter of 2010.

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

2009 Financing Transactions

On September 22, 2009, DIRECTV U.S. issued \$1,000 million in five-year 4.750% senior notes due in 2014 at a 0.3% discount resulting in \$997 million of proceeds and \$1,000 million in 10 year 5.875% senior notes due in 2019 at a 0.7% discount resulting in \$993 million of proceeds in private placement transactions. Principal on these senior notes is payable upon maturity, while interest is payable semi-annually commencing April 1, 2010. We incurred \$14 million of debt issuance costs in connection with these transactions. We completed the exchange offer of these senior notes, which resulted in the senior notes being registered under the Securities Act of 1933, as amended, during the second quarter of 2010.

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

On September 22, 2009, DIRECTV U.S. purchased, pursuant to a tender offer, \$583 million of its then outstanding \$910 million 8.375% senior notes at a price of 103.125% plus accrued and unpaid interest, for a total of \$603 million. On September 23, 2009, DIRECTV U.S. exercised its right to redeem the remaining \$327 million of the 8.375% senior notes at a price of 102.792% plus accrued and unpaid interest. On October 23, 2009, DIRECTV U.S. redeemed the remaining \$327 million of its 8.375% senior notes at a price of 102.792% plus accrued and unpaid interest for a total of \$339 million.

The redemption of our 8.375% senior notes resulted in a 2009 pre-tax charge of \$34 million, \$21 million after tax, of which \$27 million resulted from the premium paid for redemption of our 8.375% senior notes and \$7 million resulted from the write-off of deferred debt issuance and other transaction costs. The charge was recorded in "Other, net" in our Consolidated Statements of Operations.

Senior Notes. The following table sets forth the outstanding balance and fair value of our senior notes as of:

	Outstanding Balance		Fair value	
	September 30, 2010	December 31, 2009	September 30, 2010	December 31, 2009
	(Dollars in millions)			
4.750% senior notes due in 2014, net of unamortized discount of \$2 million as of September 30, 2010 and \$3 million as of December 31, 2009	\$ 998	\$ 997	\$ 1,087	\$ 1,017
6.375% senior notes due in 2015, includes unamortized bond premium of \$2 million as of September 30, 2010 and December 31, 2009	1,002	1,002	1,039	1,038
3.550% senior notes due in 2015, net of unamortized discount of \$1 million as of September 30, 2010	1,199		1,242	
3.125% senior notes due in 2016	750		757	
7.625% senior notes due in 2016	1,500	1,500	1,668	1,642
5.875% senior notes due in 2019, net of unamortized discount of \$7 million as of September 30, 2010 and December 31, 2009	993	993	1,134	1,016
5.200% senior notes due in 2020, net of unamortized discount of \$2 million as of	1,298		1,411	

September 30, 2010					
4.600% senior notes due in 2021, net of unamortized discount of \$1 million as of September 30, 2010		999		1,031	
6.350% senior notes due in 2040, net of unamortized discount of \$1 million as of September 30, 2010		499		552	
6.000% senior notes due in 2040, net of unamortized discount of \$17 million as of September 30, 2010		1,233		1,295	
Total senior notes	\$	10,471	\$	4,492	\$ 11,216 \$ 4,713

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

We calculated the fair values based on quoted market prices of our senior notes, which are Level 1 inputs under the accounting guidance.

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

Our notes payable mature as follows: \$1,000 million in 2014 and \$9,500 million thereafter. Borrowings under our existing senior secured credit facility, all of which have been repaid in 2010, were subject to prepayments based on a computation that we are required to make at each year end under the credit agreement. We were not required to make a prepayment for the year ended December 31, 2009. The amount of interest accrued related to our outstanding debt was \$138 million at September 30, 2010 and \$47 million at December 31, 2009.

Covenants and Restrictions. The senior secured credit facility requires DIRECTV U.S. to comply with certain financial covenants. The senior secured credit facility includes covenants that restrict DIRECTV U.S.' ability to, among other things, (i) incur additional indebtedness, (ii) incur liens, (iii) pay dividends or make certain other restricted payments, investments or acquisitions, (iv) enter into certain transactions with affiliates, (v) merge or consolidate with another entity, (vi) sell, assign, lease or otherwise dispose of all or substantially all of its assets, and (vii) make voluntary prepayments of certain debt, in each case subject to exceptions as provided in the credit agreement. Additionally, the senior notes restrict DIRECTV U.S.' ability to, among other things, incur liens, merge or consolidate with another entity or sell, assign, lease or otherwise dispose of all or substantially all of its assets. Should DIRECTV U.S. fail to comply with these covenants, all or a portion of its borrowings under the senior notes could become immediately payable and its revolving credit facility could be terminated. At September 30, 2010, DIRECTV U.S. was in compliance with all such covenants. The senior notes and senior secured credit facility also provide that the borrowings may be required to be prepaid if certain change-in-control events occur.

Note 6: Contingencies

Contingencies

Redeemable Noncontrolling Interest

In connection with our acquisition of Sky Brazil in 2006, Globo, which holds the remaining 25.9% interest, was granted the right, until January 2014, to require us to purchase all or a portion (but not less than half) of its shares in Sky Brazil. In June 2010, Globo notified us that it was exercising its right to exchange 178,830,000 shares representing approximately 19% of the ownership interests in Sky Brazil.

As a result of Globo's notice, the fair value of Sky Brazil shares will be determined by mutual agreement or by independent investment banks according to a process specified in the related agreement. We may pay Globo either in DIRECTV Class A common stock (at the weighted average price based on 20 consecutive trading days ending on the fifth trading day prior to the closing), in cash in the local currency, or in a combination of the two, at our discretion. We are required to register any common shares issued after the closing.

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(Unaudited)

As part of the process to acquire the approximate 19% interest in Sky Brazil from Globo, two independent investment banks were engaged by us and Globo to estimate its fair value. The parties have agreed that the fair value of the 19% interest is within a range of approximately \$500 million to \$800 million based on these valuations. The final price for the approximate 19% interest to be transferred by Globo will be determined by mutual agreement or by another independent investment bank.

After completion of this transaction, which we currently expect to occur in the fourth quarter 2010, we and our subsidiaries will beneficially own approximately 93% of Sky Brazil and Globo will own the remaining 7%. In accordance with our agreement, Globo will have the right to exchange all (but not less than all) of its remaining equity interest in Sky Brazil consistent with the procedure summarized above.

As of September 30, 2010, we estimated that Globo's entire 25.9% equity interest in Sky Brazil had a fair value of approximately \$600 million to \$1.1 billion based on the valuations discussed above. As of December 31, 2009 we estimated that Globo's 25.9% equity interest in Sky Brazil had a fair value of approximately \$400 million to \$550 million. As of September 30, 2010, and December 31, 2009, the carrying amount of the redeemable noncontrolling interest was \$700 million and \$400 million, respectively, representing our best estimates of the fair value on those dates. Adjustments to the carrying amount of the redeemable noncontrolling interest are recorded to additional paid-in-capital. We determined the fair values using significant unobservable inputs, which are Level 3 inputs under accounting guidance for measuring fair value.

Venezuela Devaluation and Exchange Controls

In January 2010, the Venezuelan government announced the creation of a dual exchange rate system, including an exchange rate of 4.3 bolivars fuerte per U.S. dollar for most of the activities of our Venezuelan operations compared to an exchange rate of 2.15 Venezuelan bolivars fuerte prior to the announcement. As a result of this devaluation, we recorded a \$6 million charge to net income in the nine months ended September 30, 2010 related to the adjustment of net bolivars fuerte denominated monetary assets to the new official exchange rate. We began reporting the operating results of our Venezuelan subsidiary in the first quarter of 2010 using the devalued rate of 4.3 bolivars fuerte per U.S. dollar.

Companies operating in Venezuela are required to obtain Venezuelan government approval to exchange Venezuelan bolivars fuerte into U.S. dollars at the official rate. The official approval process has been delayed in recent periods and as a result, our Venezuelan subsidiary has relied on a parallel exchange process to settle U.S. dollar obligations and to repatriate accumulated cash balances. In May 2010, the Venezuelan government enacted regulations that suspended the parallel exchange process. Rates implied by transactions in the parallel market were significantly higher than the official rate (6 to 7 bolivars fuerte per U.S. dollar). As a result of utilizing the parallel market, we recorded a \$22 million charge for the nine months ended September 30, 2010, a \$48 million charge in the third quarter of 2009 and a \$168 million charge for the nine months ended September 30, 2009 in "General and administrative expenses" in the Consolidated Statements of Operations in connection with the exchange of accumulated Venezuelan cash balances to U.S. dollars.

In June 2010, the Venezuelan government established the SITME, an alternative to the official process for exchanging foreign currency. Venezuelan entities can purchase U.S. dollar denominated securities through the SITME; however, trading volume is limited to \$50,000 per day with a maximum

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

equivalent of \$350,000 in a calendar month, subject to certain limitations. The SITME has established a weighted average implicit exchange rate of approximately 5.3 bolivars fuerte per U.S. dollar.

As a result of these recent developments, our ability to pay U.S. dollar denominated obligations and repatriate cash generated in Venezuela in excess of local operating requirements is limited, resulting in an increase in the cash balance at our Venezuelan subsidiary. Accumulated cash balances may ultimately be repatriated at less than their currently reported value, as the official exchange rate has not changed despite continuing high inflation in Venezuela. These conditions may affect growth in our Venezuelan business which is dependent on our ability to purchase set-top boxes and other components using U.S. dollars.

Using the official 4.3 bolivars fuerte per U.S. dollar exchange rate as of September 30, 2010, our Venezuelan subsidiary had net Venezuelan bolivar fuerte denominated monetary assets of \$45 million in excess of Venezuelan bolivar fuerte denominated monetary liabilities, including cash of \$122 million as of September 30, 2010.

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 September 30, 2010. 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 adverse effect on our consolidated results of operations or financial position.

During the nine months ended September 30, 2010 an arbitration panel determined that, pursuant to a contractual indemnity provision, one of our vendors was required to reimburse us \$28 million for legal fees and settlement payments incurred and pay accrued interest to us for patent infringement claims settled by us in previous periods. We received the cash payment during the nine months ended September 30, 2010 and recorded \$25 million as a reduction to "General and administrative expenses" and \$3 million as "Interest income" in the Consolidated Statements of Operations.

Income Taxes

During the third quarter of 2010 we entered into an agreement with a former owner to settle certain uncertain tax positions. As a result of this settlement we reversed an accrual for the uncertain tax position and recorded a net benefit of \$39 million in "Income tax expense" in the Consolidated Statements of Operations during the three and nine months ended September 30, 2010.

Satellites

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

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mitigate the impact a satellite failure could have on our ability to provide service. At September 30, 2010, the net book value of in-orbit satellites was \$2,220 million, all of which was uninsured.

Note 7: Related-Party Transactions

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

Liberty Media, Liberty Global and Discovery Communications

As discussed below in Note 8 of the Notes to the Consolidated Financial Statements, on June 16, 2010, we completed a transaction, which we refer to as the Malone Transaction, with John Malone and his wife and certain trusts for the benefit of his children, which we refer to as the Malones, which resulted in the reduction of the Malones' voting interest in DIRECTV from approximately 24.3% to approximately 3% and Dr. Malone's resignation from our Board of Directors.

Prior to the completion of the Malone Transaction, Dr. Malone was Chairman of the Board of Directors of DIRECTV and of Liberty Media. Dr. Malone also had an approximate 35% voting interest in Liberty Media, an approximate 31% voting interest in Discovery Communications, Inc., or Discovery Communications, an approximate 40% voting interest in Liberty Global Inc., or Liberty Global, and serves as Chairman of Liberty Global, and certain of Liberty Media's management and directors also serve as directors of Discovery Communications or Liberty Global. As a result of this common ownership and management, transactions with Liberty Media, Discovery Communications and Liberty Global and their subsidiaries or equity method investees were considered to be related party transactions through the completion of the Malone Transaction. Our transactions with Liberty Media, Discovery Communications and Liberty Global consisted primarily of purchases of programming created, owned or distributed by Liberty Media and Discovery Communications and its subsidiaries and investees.

Other

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
(Dollars in Millions)				
Sales:				
Liberty Media and affiliates	\$	\$ 13	\$ 26	\$ 38
Discovery Communications, Liberty Global and affiliates		3	5	7
Other	5	3	10	8
Total	\$ 5	\$ 19	\$ 41	\$ 53

Purchases:

Liberty Media and affiliates	\$	\$ 94	\$ 143	\$ 269
Discovery Communications, Liberty Global and affiliates		65	128	188
Other	160	121	447	356
Total	\$ 160	\$ 280	\$ 718	\$ 813

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

	September 30, 2010	December 31, 2009
(Dollars in Millions)		
Accounts receivable	\$ 1	\$ 26
Accounts payable	74	184

The accounts receivable and accounts payable balances as of September 30, 2010 are primarily related to Globo and equity method investments we hold. The accounts receivable and accounts payable balances as of December 31, 2009 are primarily related to affiliates of Liberty Media.

Note 8: Stockholders' Equity*Malone Transaction*

In connection with approval by the Federal Communications Commission, or FCC, of the sale of News Corporation's interest in DIRECTV Group to Liberty Media in 2008, the FCC imposed certain conditions related to attributable interests in two pay television operations: DIRECTV Puerto Rico and Liberty Cablevision of Puerto Rico Ltd, or LCPRL. We refer to the FCC's requirements as the "Puerto Rico Condition".

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Because neither News Corporation nor Liberty Media could satisfy the Puerto Rico Condition, in connection with the close of that transaction a Special Committee of independent directors of our Board of Directors approved an agreement with News Corporation and Liberty Media in which we assumed responsibility for the satisfaction, modification or waiver of the Puerto Rico Condition within the one year period specified by the FCC. As part of this agreement, during the first quarter of 2008, we received a \$160 million cash capital contribution, which we recorded as "Additional paid-in-capital" in the Consolidated Balance Sheets.

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In order to comply with terms of the FCC order, effective February 25, 2009, we placed the shares of DIRECTV Puerto Rico into a trust and appointed an independent trustee who, prior to completion of the Malone Transaction, oversaw the management and operation of DIRECTV Puerto Rico, with the authority, subject to certain conditions, to divest ownership of DIRECTV Puerto Rico. We continued to consolidate the results of DIRECTV Puerto Rico while the trust was in place.

The FCC staff advised us in early 2010 that the trust arrangement created in 2009 for the purpose of satisfying the FCC order could not remain in place indefinitely and was not alone sufficient to comply with the requirements of its order.

In order to resolve the Puerto Rico Condition, on April 6, 2010, we entered into an agreement with the Malones which severed all attributable interests between DIRECTV Puerto Rico and LCPRL in satisfaction of the requirements of the FCC order. The agreement achieved these requirements through the exchange of the DIRECTV stock held by the Malones and the resignation of Dr. Malone and two other board members affiliated with Liberty Media from our Board of Directors. Under the terms of the agreement, the Malones exchanged 21.8 million shares of high-vote DIRECTV Class B common stock, which was all of the outstanding DIRECTV Class B shares, for 26.5 million shares of DIRECTV Class A common stock, resulting in the reduction of the Malone's voting interest in DIRECTV from approximately 24% to approximately 3%. The number of DIRECTV Class A shares issued was determined as follows: one share of DIRECTV Class A common stock for each share of DIRECTV Class B common stock held, plus an additional number of DIRECTV Class A shares with a fair value of \$160 million based on the then current market price of the DIRECTV Class A (DTV) common stock. Following the exchange we dissolved the Puerto Rico trust.

We were required to account for the exchange of DIRECTV Class B common stock into DIRECTV Class A common stock pursuant to accounting standards for induced conversions, whereby the \$160 million in incremental DIRECTV Class A common stock issued to the former DIRECTV Class B stockholders has been deducted from earnings attributable to DIRECTV Class A stockholders for purposes of calculating earnings per share in the Consolidated Statements of Operations. This adjustment had the effect of reducing diluted earnings per DIRECTV Class A common share by \$0.18 for the nine months ended September 30, 2010.

Share Repurchase Program

During 2010 and 2009, our Board of Directors approved multiple authorizations for the repurchase of our common stock, the most recent of which was in August 2010, authorizing share repurchases of \$2.0 billion. As of September 30, 2010, we had approximately \$1,862 million remaining under this authorization. The authorizations allow us to repurchase our common stock from time to time through open market purchases and negotiated transactions, or otherwise. The timing, nature and amount of such transactions will depend on a variety of factors, including market conditions, and the program may be suspended, discontinued or accelerated at any time. The sources of funds for the purchases under the remaining authorization are our existing cash on hand, cash from operations and potential additional borrowings. Purchases are made in the open market, through block trades and other negotiated transactions. Repurchased shares are retired but remain authorized for registration and issuance in the future.

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

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

	Nine Months Ended September 30,	
	2010	2009
	(Amounts in Millions, Except Per Share Amounts)	
Total cost of repurchased shares	\$ 3,638	\$ 1,661
Average price per share	36.95	23.73
Number of shares repurchased and retired	98	70

For the nine months ended September 30, 2010, we recorded the \$3,638 million in repurchases as a decrease of \$707 million to "Common stock and additional paid in capital" and an increase of \$2,931 million to "Accumulated deficit" in the Consolidated Balance Sheets. Of the \$3,638 million in repurchases during the nine months ended September 30, 2010, \$77 million were paid for in October 2010. Of the \$1,661 million in repurchases during the nine months ended September 30, 2009, \$48 million were paid for in October 2009. Amounts repurchased but settled subsequent to the end of such periods are considered non-cash financing activities for purposes of the Consolidated Statements of Cash Flows.

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

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

	DIRECTV Class A Common Shares	DIRECTV Class B Common Shares	Common Stock and Additional Paid-In Capital	Stockholders' Equity Accumulated Other Comprehensive Loss, net of taxes	Total Stockholders' Equity	Redeemable Noncontrolling Interest	Net Income
(Dollars in Millions)							
Balance at January 1, 2010	911,377,919	21,809,863	\$ 6,689	\$ (3,722)	\$ (56)	\$ 2,911	\$ 400
Net income				1,580	1,580	49	\$ 1,629
Stock repurchased and retired	(98,428,774)		(707)	(2,931)	(3,638)		
Stock options exercised and restricted stock units vested and distributed	4,347,438		(42)		(42)		
Malone Transaction	26,547,624	(21,809,863)					
Share-based compensation expense			60		60		
Tax benefit from stock option exercises			36		36		
Adjustment to the fair value of redeemable noncontrolling interest			(245)		(245)	245	
Other			(2)		(2)		
Amortization of amounts resulting from changes in defined benefit plan experience and actuarial assumptions, net of taxes				7	7		
Foreign currency translation adjustment				11	11	6	
Unrealized losses on securities, net of taxes:							
Unrealized gains on securities					3	3	
Less: reclassification adjustment for net gains recognized during the period				(3)	(3)		
Balance at September 30, 2010	843,844,207		\$ 5,789	\$ (5,073)	\$ (38)	\$ 678	\$ 700

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	The DIRECTV Group, Inc. Common Shares	Common Stock and Additional Paid-In Capital	Stockholders' Equity					Net Income
			Accumulated Deficit	Accumulated Loss, net of taxes	Total Stockholders' Equity	Redeemable Noncontrolling Interest		
							Other Comprehensive Loss, net of taxes	
(Dollars in Millions)								
Balance at January 1, 2009	1,024,182,043	\$ 8,318	\$ (3,559)	\$ (128)	\$ 4,631	\$ 325		
Net income			974		974	40	\$ 1,014	
Stock repurchased and retired	(69,942,534)	(581)	(1,080)		(1,661)			
Stock options exercised and restricted stock units vested and distributed	3,862,243	14			14			
Share-based compensation expense		39			39			
Tax benefit from stock option exercises		5			5			
Adjustment to the fair value of redeemable noncontrolling interest		34			34	(34)		
Other		5			5			
Amortization of amounts resulting from changes in defined benefit plan experience and actuarial assumptions, net of taxes				(3)	(3)			
Foreign currency translation adjustment				53	53	(6)		
Unrealized gain on securities, net of tax				3	3			
Balance at September 30, 2009	958,101,752	\$ 7,834	\$ (3,665)	\$ (75)	\$ 4,094	\$ 325		

Accumulated Other Comprehensive Loss

	As of September 30, 2010	As of December 31, 2009
(Dollars in Millions)		
Unamortized net amount resulting from changes in defined benefit plan experience and actuarial assumptions, net of taxes	\$ (120)	\$ (127)
Unamortized amount resulting from changes in defined benefit plan provisions, net of taxes	(3)	(3)
Accumulated unrealized gains on securities, net of taxes	8	8
Accumulated foreign currency translation adjustments	77	66
Total Accumulated Other Comprehensive Loss	\$ (38)	\$ (56)

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Total comprehensive income was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(Dollars in Millions)			
Net income	\$ 500	\$ 384	\$ 1,629	\$ 1,014
Other comprehensive income (loss):				
Adjustments to unamortized defined benefit plan amounts, net of taxes	7	(3)	7	(3)
Foreign currency translation adjustments:				
Cumulative effect of change in functional currency at Sky Brazil				(112)
Foreign currency translation activity during the period	44	72	11	165
Unrealized gains (losses) on securities, net of taxes:				
Unrealized holding gains on securities	4	(1)	3	3
Less: reclassification adjustment for net gains recognized during the period			(3)	
Comprehensive income	555	452	1,647	1,067
Comprehensive income attributable to redeemable noncontrolling interest	(34)	(32)	(55)	(34)
Comprehensive income attributable to DIRECTV.	\$ 521	\$ 420	\$ 1,592	\$ 1,033

Note 9: Earnings Per Common Share

Earnings per share, or EPS, has been computed using the number of outstanding shares of DIRECTV Group from January 1, 2009 through September 30, 2009, and based on the outstanding shares of DIRECTV Class A common stock from January 1, 2010 through September 30, 2010, and DIRECTV Class B common stock from January 1, 2010 through June 16, 2010.

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

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

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exercise prices were greater than the average market price of our common stock during the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(Shares in Millions)			
Common stock options excluded		21		21

There were no DIRECTV Class B common stock options.

The following table sets forth comparative information regarding DIRECTV Class A common shares outstanding:

	Nine Months Ended September 30, 2010 (Shares in Millions)
DIRECTV Class A common shares outstanding at January 1	911
Decrease for common shares repurchased and retired	(98)
Increase for DIRECTV Class A common shares issued as part of the Malone Transaction	27
Increase for stock options exercised and restricted stock units vested and distributed	4
DIRECTV Class A common shares outstanding at September 30	844
Weighted average number of DIRECTV Class A common shares outstanding	885

The following table sets forth comparative information regarding DIRECTV Class B common shares outstanding:

	Nine Months Ended September 30, 2010 (Shares in Millions)
DIRECTV Class B common shares outstanding at January 1	22
Decrease for exchange of DIRECTV Class B common shares for DIRECTV Class A common shares as part of the Malone Transaction	(22)
DIRECTV Class B common shares outstanding at September 30	
Weighted average number of DIRECTV Class B common shares outstanding through June 16, 2010	22

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The following table sets forth comparative information regarding DIRECTV Group common stock outstanding:

	Nine Months Ended September 30, 2009 (Shares in Millions)
DIRECTV Group common shares outstanding at January 1	1,024
Decrease for common shares repurchased and retired	(70)
Increase for stock options exercised and restricted stock units vested and distributed	4
DIRECTV Group common shares outstanding at September 30	958
Weighted average number of DIRECTV Group common shares outstanding	999

For the nine month period ended September 30, 2010, we allocated "Net income attributable to DIRECTV" in the Consolidated Statements of Operations to the DIRECTV Class A and DIRECTV Class B common stockholders based on the weighted average shares outstanding for each class through the close of the Malone Transaction on June 16, 2010. After the close of the Malone Transaction we allocate all net income attributable to DIRECTV to the DIRECTV Class A stockholders. At the close of the transaction, we exchanged 21.8 million shares of DIRECTV Class B common stock, which represented all of the issued and outstanding DIRECTV Class B common stock, for 26.5 million shares of DIRECTV Class A common stock. We determined the number of shares of DIRECTV Class A common stock to be exchanged as follows: one share of DIRECTV Class A common stock for each share of DIRECTV Class B common stock held, plus an additional number of DIRECTV Class A shares with a fair value of \$160 million based on the market price of the DIRECTV Class A common stock at the time of the agreement on April 6, 2010. We included the \$160 million in income attributable to DIRECTV Class B common stockholders. For the nine months ended September 30, 2010, there were no dilutive securities outstanding for the DIRECTV Class B common stock. See Note 8 of the Notes to the Consolidated Financial Statements for a further discussion of the Malone Transaction.

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

	Income	Shares	Per Share
	(Dollars and Shares in Millions, Except Per Share Amounts)		
Three Months Ended September 30, 2010:			
DIRECTV Class A Common Stock:			
Basic EPS			
Net income attributable to DIRECTV Class A common stockholders.	\$ 479	861	\$ 0.56
Effect of Dilutive Securities			
Dilutive effect of stock options and restricted stock units		7	(0.01)
Diluted EPS			
Adjusted net income attributable to DIRECTV Class A common stockholders.	\$ 479	868	\$ 0.55
Three Months Ended September 30, 2009:			
DIRECTV Group Common Stock:			
Basic EPS			
Net income attributable to DIRECTV common stockholders	\$ 366	973	\$ 0.38
Effect of Dilutive Securities			
Dilutive effect of stock options and restricted stock units		4	(0.01)
Diluted EPS			
Adjusted net income attributable to DIRECTV common stockholders.	\$ 366	977	\$ 0.37
Nine Months Ended September 30, 2010:			
DIRECTV Class A Common Stock:			
Basic EPS			
Net income attributable to DIRECTV Class A common stockholders	\$ 1,396	885	\$ 1.58
Effect of Dilutive Securities			
Dilutive effect of stock options and restricted stock units		6	(0.01)
Diluted EPS			
Adjusted net income attributable to DIRECTV Class A common stockholders.	\$ 1,396	891	\$ 1.57
DIRECTV Class B Common Stock:			
Basic and diluted EPS			
Net income attributable to DIRECTV Class B common stockholders, including \$160 million exchange inducement value for the Malone Transaction	\$ 184	22	\$ 8.44

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Income Shares Per Share
(Dollars and Shares in
Millions, Except Per Share
Amounts)

Nine Months Ended September 30, 2009:**DIRECTV Group Common Stock:****Basic EPS**

Net income attributable to DIRECTV common stockholders	\$	974	999	\$	0.97
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Effect of Dilutive Securities

Dilutive effect of stock options and restricted stock units			4		
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Diluted EPS

Adjusted net income attributable to DIRECTV common stockholders	\$	974	1,003	\$	0.97
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Note 10: Segment Reporting

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

Selected information for our operating segments is reported as follows:

	DIRECTV U.S.	DIRECTV Latin America	Sports Networks, Eliminations and Other	Total
(Dollars in Millions)				
Three Months Ended:				
September 30, 2010				
External revenues	\$ 5,030	\$ 930	\$ 65	\$ 6,025
Intersegment revenues	1		(1)	
Revenues	\$ 5,031	\$ 930	\$ 64	\$ 6,025
Operating profit (loss)	\$ 720	\$ 172	\$ (24)	\$ 868
Add: Depreciation and amortization expense	472	141	3	616
Operating profit before depreciation and amortization(1)	\$ 1,192	\$ 313	\$ (21)	\$ 1,484
September 30, 2009				
External revenues	\$ 4,703	\$ 761	\$ 1	\$ 5,465
Intersegment revenues				
Revenues	\$ 4,703	\$ 761	\$ 1	\$ 5,465
Operating profit (loss)	\$ 611	\$ 103	\$ (29)	\$ 685

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Add: Depreciation and amortization expense	568	96	(1)	663
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Operating profit (loss) before depreciation and amortization(1)	\$ 1,179	\$ 199	\$ (30)	\$ 1,348
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Table of Contents**DIRECTV****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****(Unaudited)**

	DIRECTV U.S.	DIRECTV Latin America	Sports Networks, Eliminations and Other	Total
(Dollars in Millions)				
Nine Months Ended:				
September 30, 2010				
External revenues	\$ 14,732	\$ 2,566	\$ 183	\$ 17,481
Intersegment revenues	5		(5)	
Revenues	\$ 14,737	\$ 2,566	\$ 178	\$ 17,481
Operating profit	\$ 2,427	\$ 438	\$ (31)	\$ 2,834
Add: Depreciation and amortization expense	1,465	384	11	1,860
Operating profit before depreciation and amortization(1)	\$ 3,892	\$ 822	\$ (20)	\$ 4,694
September 30, 2009				
External revenues	\$ 13,545	\$ 2,039	\$	\$ 15,584
Intersegment revenues				
Revenues	\$ 13,545	\$ 2,039	\$	\$ 15,584
Operating profit (loss)	\$ 1,660	\$ 217	\$ (66)	\$ 1,811
Add: Depreciation and amortization expense	1,750	261	(3)	2,008
Operating profit (loss) before depreciation and amortization(1)	\$ 3,410	\$ 478	\$ (69)	\$ 3,819

(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 (loss) before depreciation and amortization to evaluate the operating performance of our company and our business segments and to allocate resources and capital to business segments. This metric is also used as a measure of performance for incentive compensation purposes and to measure income generated from operations that could be used to fund capital expenditures, service debt or pay taxes. Depreciation and amortization expense primarily represents an allocation to current expense of the cost of historical capital expenditures and for intangible assets resulting from prior business acquisitions. To compensate for the exclusion of depreciation and amortization expense from operating profit, our management and Board of Directors separately measure and budget for capital expenditures and business acquisitions.

We believe this measure is useful to investors, along with GAAP measures (such as revenues, operating profit and net income), to compare our operating performance to other communications, entertainment and media service providers. We believe that investors use current and projected operating profit (loss) before depreciation and amortization and similar measures to estimate our current or

prospective enterprise value and make investment decisions. This metric provides investors with a means to compare operating results exclusive of depreciation and amortization. Our management believes this is useful given the significant variation in depreciation and amortization expense that can result from the timing of capital expenditures, the capitalization of intangible assets, potential variations in expected useful lives when compared to other companies and periodic changes to estimated useful lives.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(Dollars in Millions)			
Operating profit before depreciation and amortization	\$ 1,484	\$ 1,348	\$ 4,694	\$ 3,819
Depreciation and amortization	616	663	1,860	2,008
Operating profit	868	685	2,834	1,811
Interest income	9	9	28	25
Interest expense	(147)	(101)	(396)	(304)
Liberty transaction and related gains			67	
Other, net	26	10	45	67
Income before income taxes	756	603	2,578	1,599
Income tax expense	(256)	(219)	(949)	(585)
Net income	500	384	1,629	1,014
Less: Net income attributable to noncontrolling interest	(21)	(18)	(49)	(40)
Net income attributable to DIRECTV	\$ 479	\$ 366	\$ 1,580	\$ 974

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DIRECTV

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

The following management's discussion and analysis should be read in conjunction with our management's discussion and analysis of financial condition and results of operations included in our Annual Report on Form 10-K/A for the year ended December 31, 2009 filed with the SEC on August 10, 2010, our Quarterly Reports on Form 10-Q/A for the quarter ended March 31, 2010 and for the quarter ended June 30, 2010 filed with the SEC on August 10, 2010 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 2010 financial results, liquidity and capital resources.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you therefore against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements include economic, business, competitive, national or global political, market and regulatory conditions and the following, each of which is described in more detail in our Annual Report on Form 10-K/A for the year ended December 31, 2009:

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.

Our ability to keep pace with technological developments is uncertain.

Our business relies on intellectual property, some of which is owned by third parties, and we may inadvertently infringe patents and proprietary rights of others.

Construction or launch delays on satellites could materially adversely affect our revenues and earnings.

Our satellites are subject to significant launch and operational risks.

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

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.

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DIRECTV

The ability to maintain FCC licenses and other regulatory approvals is critical to our business.

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.

We may have a significant indemnity obligation to Liberty Media, which is not limited in amount or subject to any cap, if parts of the Liberty Transaction or Liberty's 2008 transaction with News Corporation are treated as a taxable transaction.

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

The other factors that are described in our Annual Report on Form 10-K/A for the year ended December 31, 2009.

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 developments or otherwise, except as required by law.

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DIRECTV
SUMMARY DATA
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(Dollars in Millions, Except Per Share Amounts)			
Consolidated Statements of Operations Data:				
Revenues	\$ 6,025	\$ 5,465	\$ 17,481	\$ 15,584
Total operating costs and expenses	5,157	4,780	14,647	13,773
Operating profit	868	685	2,834	1,811
Interest income	9	9	28	25
Interest expense	(147)	(101)	(396)	(304)
Liberty transaction and related gains			67	
Other, net	26	10	45	67
Income before income taxes	756	603	2,578	1,599
Income tax expense	(256)	(219)	(949)	(585)
Net income	500	384	1,629	1,014
Less: Net income attributable to noncontrolling interest	(21)	(18)	(49)	(40)
Net income attributable to DIRECTV.	\$ 479	\$ 366	\$ 1,580	\$ 974
Net income attributable to DIRECTV Class A common stockholders (DIRECTV Group common stockholders for the three and nine month periods ended September 30, 2009)	\$ 479	\$ 366	\$ 1,396	\$ 974
Net income attributable to DIRECTV Class B			184	

common
stockholders,
including
\$160 million
exchange
inducement value
for the Malone
Transaction
(Note 8)

Net income attributable to DIRECTV	\$	479	\$	366	\$	1,580	\$	974
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Basic earnings attributable to DIRECTV Class A stockholders per common share (DIRECTV Group common shares for the three and nine month periods ended September 30, 2009)	\$	0.56	\$	0.38	\$	1.58	\$	0.97
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Diluted earnings attributable to DIRECTV Class A stockholders per common share (DIRECTV Group common shares for the three and nine month periods ended September 30, 2009)		0.55		0.37		1.57		0.97
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Basic and diluted earnings attributable to DIRECTV Class B stockholders per common share, including \$160 million exchange inducement value for the Malone Transaction						8.44		
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Weighted average
number of Class A
common shares
outstanding
(in millions)

Basic	861	885
Diluted	868	891

Weighted average
number of Class B
common shares
outstanding,
through June 16,

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2010 (in millions)				
Basic			22	
Diluted			22	
Weighted average number of total common shares outstanding (in millions)				
Basic	861	973	898	999
Diluted	868	977	904	1,003
				30

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

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

	September 30, 2010	December 31, 2009
	(Dollars in Millions)	
Consolidated Balance Sheet Data:		
Cash and cash equivalents	\$ 2,988	\$ 2,605
Total current assets	5,553	5,055
Total assets	18,781	18,260
Total current liabilities	4,222	5,701
Long-term debt	10,471	6,500
Redeemable noncontrolling interest	700	400
Total stockholders' equity	678	2,911

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(Dollars in Millions, Except Per Share Amounts)			
Other Data:				
Operating profit before depreciation and amortization(1)				
Operating profit	\$ 868	\$ 685	\$ 2,834	\$ 1,811
Add: Depreciation and amortization expense	616	663	1,860	2,008
Operating profit before depreciation and amortization(1)	\$ 1,484	\$ 1,348	\$ 4,694	\$ 3,819
Operating profit before depreciation and amortization margin(1)	24.6%	24.7%	26.9%	24.5%
Cash flow information				
Net cash provided by operating activities	\$ 1,331	\$ 1,158	\$ 3,825	\$ 3,198
Net cash used in investing activities	(663)	(532)	(1,780)	(1,567)
Net cash provided by (used in) financing activities	320	395	(1,662)	(343)
Free cash flow(2)				
Net cash provided by operating activities	\$ 1,331	\$ 1,158	\$ 3,825	\$ 3,198
Less: Cash paid for property and equipment	(636)	(506)	(1,647)	(1,508)
Less: Cash paid for satellites	(30)	(9)	(99)	(40)
Free cash flow(2)	\$ 665	\$ 643	\$ 2,079	\$ 1,650

(1)

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

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DIRECTV

SUMMARY DATA (continued)

(Unaudited)

business segments. This metric is also used as a measure of performance for incentive compensation purposes and to measure income generated from operations that could be used to fund capital expenditures, service debt or pay taxes. Depreciation and amortization expense primarily represents an allocation to current expense of the cost of historical capital expenditures and for acquired intangible assets resulting from prior business acquisitions. To compensate for the exclusion of depreciation and amortization expense from operating profit, our management and Board of Directors separately measure and budget for capital expenditures and business acquisitions.

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

Operating profit before depreciation and amortization margin is calculated by dividing operating profit before depreciation and amortization by revenues.

(2)

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

Table of Contents**DIRECTV****SUMMARY DATA (concluded)****(Unaudited)****Selected Segment Data**

	DIRECTV U.S.	DIRECTV Latin America	Sports Networks, Eliminations and Other	Total
(Dollars in Millions)				
Three Months Ended:				
September 30, 2010				
Revenues	\$ 5,031	\$ 930	\$ 64	\$ 6,025
% of total revenue	83.5%	15.4%	1.1%	100.0%
Operating profit (loss)	\$ 720	\$ 172	\$ (24)	\$ 868
Add: Depreciation and amortization expense	472	141	3	616
Operating profit (loss) before depreciation and amortization	\$ 1,192	\$ 313	\$ (21)	\$ 1,484
Operating profit before depreciation and amortization margin	23.7%	33.7%	N/A	24.6%
Capital expenditures	\$ 428	\$ 237	1	\$ 666
September 30, 2009				
Revenues	\$ 4,703	\$ 761	\$ 1	\$ 5,465
% of total revenue	86.1%	13.9%		100.0%
Operating profit (loss)	\$ 611	\$ 103	\$ (29)	\$ 685
Add: Depreciation and amortization expense	568	96	(1)	663
Operating profit (loss) before depreciation and amortization	\$ 1,179	\$ 199	\$ (30)	\$ 1,348
Operating profit before depreciation and amortization margin	25.1%	26.1%	N/A	24.7%
Capital expenditures	\$ 357	\$ 158	\$	\$ 515

	DIRECTV U.S.		DIRECTV Latin America		Sports Networks, Eliminations and Other	Total
(Dollars in Millions)						
Nine Months Ended:						
September 30, 2010						
Revenues	\$	14,737	\$	2,566	\$ 178	\$ 17,481
% of total revenue		84.3%		14.7%	1.0%	100.0%
Operating profit (loss)	\$	2,427	\$	438	\$ (31)	\$ 2,834
Add: Depreciation and amortization expense		1,465		384	11	1,860
Operating profit before depreciation and amortization	\$	3,892	\$	822	\$ (20)	\$ 4,694
Operating profit before depreciation and amortization margin		26.4%		32.0%	N/A	26.9%
Capital expenditures	\$	1,117	\$	627	2	\$ 1,746
September 30, 2009						
Revenues	\$	13,545	\$	2,039	\$	\$ 15,584
% of total revenue		86.9%		13.1%		100.0%
Operating profit (loss)	\$	1,660	\$	217	\$ (66)	\$ 1,811

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Add: Depreciation and amortization expense	1,750	261	(3)	2,008
Operating profit (loss) before depreciation and amortization	\$ 3,410	\$ 478	\$ (69)	\$ 3,819
Operating profit before depreciation and amortization margin	25.2%	23.4%	N/A	24.5%
Capital expenditures	\$ 1,142	\$ 405	\$ 1	\$ 1,548
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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, operating segments: DIRECTV U.S. and DIRECTV Latin America, which are differentiated by their geographic location and are engaged in acquiring, promoting, selling and/or distributing digital entertainment programming via satellite and broadband to residential and commercial subscribers. In addition, beginning November 19, 2009, we own and operate three regional sports networks and own a 65% interest in Game Show Network, LLC, or GSN, a basic television network dedicated to game-related programming and Internet interactive game playing. We account for our investment in GSN using the equity method of accounting.

DIRECTV U.S. DIRECTV Holdings LLC and its subsidiaries, which we refer to as DIRECTV U.S., is the largest provider of DTH digital television services and the second largest provider in the multi-channel video programming distribution, or MVPD, industry in the United States. As of September 30, 2010, DIRECTV U.S. had over 18.9 million subscribers.

DIRECTV Latin America. DIRECTV Latin America Holdings, Inc. and its subsidiaries, or DTVLA, is a leading provider of DTH digital television services throughout Latin America. DTVLA is comprised of: PanAmericana, which provides services in Argentina, Chile, Colombia, Puerto Rico, Venezuela and certain other countries in the region; our 74% owned subsidiary, Sky Brazil; and our 41% equity method investment in Sky Mexico. As of September 30, 2010, PanAmericana had approximately 3.2 million subscribers, Sky Brazil had approximately 2.2 million subscribers and Sky Mexico had approximately 2.8 million subscribers.

DIRECTV Sports Networks. DIRECTV Sports Networks LLC and its subsidiaries, or DSN, is comprised primarily of three regional sports television networks based in Seattle, Washington, Denver, Colorado and Pittsburgh, Pennsylvania, currently known as FSN Northwest, FSN Rocky Mountain and FSN Pittsburgh, respectively. The operating results of DSN beginning November 19, 2009 are reported as part of the "Sports Networks, Eliminations and Other" operating segment.

SIGNIFICANT TRANSACTIONS

Malone Transaction

As further discussed in Note 8 of the Notes to the Consolidated Financial Statements, in order to resolve the Puerto Rico Condition, on April 6, 2010, we entered into an agreement with Dr. John C. Malone which severed all attributable interests in satisfaction of the requirements of the FCC order. Under the terms of the agreement, the Malones exchanged 21.8 million shares of high-vote DIRECTV Class B common stock, which were all of the outstanding DIRECTV Class B shares, for 26.5 million shares of DIRECTV Class A common stock, resulting in the reduction of the Malone's voting interest in DIRECTV from approximately 24.3% to approximately 3%.

We were required to account for the exchange of DIRECTV Class B common stock into DIRECTV Class A common stock pursuant to accounting standards for induced conversions, whereby the \$160 million in incremental DIRECTV Class A common stock issued to the former DIRECTV Class B stockholders has been deducted from earnings attributable to DIRECTV Class A stockholders for purposes of calculating earnings per share in the Consolidated Statements of Operations. This adjustment had the effect of reducing diluted earnings per DIRECTV Class A common share by \$0.18 for the nine months ended September 30, 2010. See Note 8 of the Notes to the Consolidated Financial Statements in Item 1, Part I of this Quarterly Report for additional information.

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Acquisition

Liberty Transaction

On November 19, 2009, The DIRECTV Group, Inc., or DIRECTV Group, and Liberty Media Corporation, or Liberty Media, obtained stockholder approval of and closed a series of related transactions which we refer to collectively as the Liberty Transaction. The Liberty Transaction included the split-off of certain of the assets of the Liberty Entertainment group into Liberty Entertainment, Inc., or LEI, which was then split-off from Liberty. Following the split-off, DIRECTV Group and LEI merged with subsidiaries of DIRECTV. As a result of the Liberty Transaction, DIRECTV Group, which is comprised of the DIRECTV U.S. and DIRECTV Latin America businesses, and LEI, which held Liberty's 57% interest in DIRECTV Group, a 100% interest in three regional sports networks, a 65% interest in Game Show Network, LLC, approximately \$120 million in cash and cash equivalents and approximately \$2.1 billion of indebtedness and a related series of equity collars, became wholly-owned subsidiaries of DIRECTV.

The Liberty Transaction was accounted for using the acquisition method of accounting pursuant to accounting standards for business combinations. DIRECTV Group has been treated as the acquiring corporation in the Liberty Transaction for accounting and financial reporting purposes, and accordingly the historical financial statements of DIRECTV Group have become the historical financial statements of DIRECTV. The assets, liabilities and results of operations of LEI have been consolidated beginning on the acquisition date, November 19, 2009.

For the nine months ended September 30, 2010, amounts charged to "Liberty transaction and related gains" in the Consolidated Statements of Operations totaled \$67 million, related to net gains recorded for the final settlement of the equity collars, which were a part of the assumed indebtedness.

For additional information regarding the Liberty Transaction, refer to Note 2 of the Notes to the Consolidated Financial Statements.

Financing Transactions

2010 Financing Transactions

In August 2010, DIRECTV U.S. issued \$3.0 billion of senior notes resulting in \$2,982 million of net proceeds and repaid the \$1,220 million of remaining principal on Term Loans A and B of its senior secured credit facility. The repayment of Term Loans A and B resulted in a third quarter of 2010 pre-tax charge of \$7 million, \$4 million after tax resulting from the write-off of deferred debt issuance and other transaction costs.

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

The charges were recorded in "Other, net" in our Consolidated Statements of Operations.

2009 Financing Transactions

In September 2009, DIRECTV U.S. issued \$2 billion in senior notes resulting in \$1,990 million of net proceeds and repaid \$583 million its then outstanding \$910 million 8.375% senior notes. The repayment of the senior notes resulted in a third quarter of 2009 pre-tax charge of \$23 million, \$14 million after tax, of which \$18 million resulted from the write-off of deferred debt issuance costs and other transaction costs.

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The charges recorded for the write-off of deferred debt issuance costs and unamortized discounts were recorded in "Other, net" in our Consolidated Statements of Operations.

See Note 5 of the Notes to the Consolidated Financial Statements for a further discussion of these transactions.

Venezuela Devaluation and Exchange Controls

In January 2010, the Venezuelan government announced the creation of a dual exchange rate system, including an exchange rate of 4.3 bolivars fuerte per U.S. dollar for most of the activities of our Venezuelan operations compared to an exchange rate of 2.15 Venezuelan bolivars fuerte prior to the announcement. As a result of this devaluation, we recorded a \$6 million charge to net income in the nine months ended September 30, 2010 related to the adjustment of net bolivars fuerte denominated monetary assets to the new official exchange rate. We began reporting the operating results of our Venezuelan subsidiary in the first quarter of 2010 using the devalued rate of 4.3 bolivars fuerte per U.S. dollar.

Companies operating in Venezuela are required to obtain Venezuelan government approval to exchange Venezuelan bolivars fuerte into U.S. dollars at the official rate. The official approval process has been delayed in recent periods and as a result, our Venezuelan subsidiary has relied on a parallel exchange process to settle U.S. dollar obligations and to repatriate accumulated cash balances prior to its close. Until May 2010, a parallel exchange process existed, however the rates implied by transactions in the parallel market were significantly higher than the official rate (6 to 7 bolivars fuerte per U.S. dollar). As a result, we recorded a \$22 million charge for the nine months ended September 30, 2010, a \$48 million charge in the third quarter of 2009 and a \$168 million charge for the nine months ended September 30, 2009 in "General and administrative expenses" in the Consolidated Statements of Operations in connection with the exchange of accumulated Venezuelan cash balances to U.S. dollars using the parallel exchange process.

As a result of the closing of the parallel exchange process in May 2010, we have been unable to repatriate excess cash balances and as a result, we have realized lower charges for the repatriation of cash in 2010 and our Venezuelan subsidiary had Venezuelan bolivar fuerte denominated cash of \$122 million at September 30, 2010, as compared to \$33 million at December 31, 2009.

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

KEY TERMINOLOGY

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

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

Broadcast programming and other. These costs primarily include license fees for subscription service programming, pay-per-view programming, live sports and other events. Other costs include expenses associated with the publication and distribution of our programming guide, continuing service

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DIRECTV

fees paid to third parties for active subscribers, warranty service costs and production costs for on-air advertisements we sell to third parties.

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

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

Subscriber acquisition costs. These costs include the cost of set-top receivers and other equipment, commissions we pay to national retailers, independent satellite television retailers, dealers, regional Bell operating companies, 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 estimated useful lives. The amount of set-top receivers capitalized each period for subscriber acquisitions is included in "Cash paid for property and equipment" in the Consolidated Statements of Cash Flows.

Upgrade and retention costs. The majority of 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 DVR, HD and HD DVR receivers and local channels, our multiple set-top receiver offer and similar initiatives. Retention costs also include the costs of installing and providing hardware under our movers program for subscribers relocating to a new residence. Set-top receivers leased to existing subscribers under upgrade and retention programs are capitalized in "Property and equipment, net" in the Consolidated Balance Sheets and depreciated over their 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 and charges incurred for repatriation of currency from our Venezuelan subsidiary.

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

Average monthly subscriber churn. Average monthly subscriber churn represents the number of subscribers whose service is disconnected, expressed as a percentage of the average total number of subscribers. We calculate average monthly subscriber churn by dividing the average monthly number of disconnected subscribers for the period (total subscribers disconnected, net of reconnects, during the period divided by the number of months in the period) by average subscribers for the period.

Subscriber count. The total number of subscribers represents the total number of subscribers actively subscribing to our service, including seasonal subscribers, subscribers who are in the process of relocating and commercial equivalent viewing units.

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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.

EXECUTIVE OUTLOOK UPDATE

We previously reported in our Annual Report on Form 10-K/A for the year ended December 31, 2009 that we expected free cash flow, or cash provided by operating activities less capital expenditures, to grow in the mid-single digit percent range. Due in part to a tax benefit we will receive in the fourth quarter related to the most recent economic stimulus program, we now expect free cash flow growth for 2010 to exceed our initial estimate of mid-single digit percent growth.

RESULTS OF OPERATIONS**Three Months Ended September 30, 2010 Compared to Three Months Ended September 30, 2009***Consolidated Results of Operations*

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

Revenues. The following table presents our revenues by segment:

Revenues By Segment:	Three Months Ended September 30,		Change	
	2010	2009	\$	%
(Dollars in Millions)				
DIRECTV U.S.	\$ 5,031	\$ 4,703	\$ 328	7.0%
DIRECTV Latin America	930	761	169	22.2%
Sports Networks, Eliminations and Other	64	1	63	NM*
Total revenues	\$ 6,025	\$ 5,465	\$ 560	10.2%

*

Percentage not meaningful.

The increase in our total revenues was primarily due to subscriber and ARPU growth at DIRECTV U.S. and subscriber growth at DIRECTV Latin America as well as the revenue generated by DIRECTV Sports Networks, which we acquired in November 2009.

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

Operating profit (loss) before depreciation and amortization:	Three Months Ended September 30,		Change	
	2010	2009	\$	%
(Dollars in Millions)				
DIRECTV U.S.	\$ 1,192	\$ 1,179	\$ 13	1.1%
DIRECTV Latin America	313	199	114	57.3%
Sports Networks, Eliminations and Other	(21)	(30)	9	NM

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Total operating profit before depreciation and amortization	\$	1,484	\$	1,348	\$	136	10.1%
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The increase in total operating profit before depreciation and amortization was primarily due to higher gross profit from the increase in revenues, lower charges in the third quarter of 2010 for foreign

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currency transactions at DIRECTV Latin America, offset by higher subscriber acquisition and upgrade and retention costs and higher general and administrative expenses at DIRECTV U.S.

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

	Three Months Ended September 30,		Change	
	2010	2009	\$	%
(Dollars in Millions)				
Operating profit (loss):				
DIRECTV U.S.	\$ 720	\$ 611	\$ 109	17.8%
DIRECTV Latin America	172	103	69	67.0%
Sports Networks, Eliminations and Other	(24)	(29)	5	NM
Total operating profit	\$ 868	\$ 685	\$ 183	26.7%

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

Interest income. Interest income remained unchanged from the third quarter of 2009 due to higher average cash balances, offset by lower weighted average interest rates.

Interest expense. The increase in interest expense to \$147 million in the third quarter of 2010 from \$101 million in the third quarter of 2009 was due to an increase in the average debt balance, partially offset by a decrease in weighted average interest rates.

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

	Three Months Ended September 30,		Change
	2010	2009	\$
(Dollars in Millions)			
Other, net:			
Equity in earnings of unconsolidated subsidiaries.	\$ 32	\$ 14	\$ 18
Fair-value adjustment loss on non-employee stock options	(10)		(10)
Loss on early extinguishment of debt	(7)	(23)	16
Net foreign currency transaction gain	18	19	(1)
Other	(7)		(7)
Total	\$ 26	\$ 10	\$ 16

The increase in Other, net was primarily due to an increase in equity earnings primarily from our investment in GSN, a \$16 million decrease in charges from the early extinguishment of debt, partially offset by a \$10 million charge related to non-employee stock options and \$7 million in other charges.

Income Tax Expense. We recognized income tax expense of \$256 million for the third quarter of 2010 compared to income tax expense of \$219 million for the third quarter of 2009. The increase in income tax expense is primarily attributable to the increase in income before income taxes, partially offset by a \$39 million benefit from settlement of an uncertain tax position.

Table of Contents**DIRECTV***DIRECTV U.S. Segment*

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

	Three Months Ended and As of September 30,		Change	
	2010	2009	\$	%
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	\$ 5,031	\$ 4,703	\$ 328	7.0%
Operating costs and expenses				
Costs of revenues, exclusive of depreciation and amortization expense				
Broadcast programming and other	2,125	1,998	127	6.4%
Subscriber service expenses	351	338	13	3.8%
Broadcast operations expenses	68	70	(2)	(2.9)%
Selling, general and administrative expenses, exclusive of depreciation and amortization expense				
Subscriber acquisition costs	724	621	103	16.6%
Upgrade and retention costs	306	266	40	15.0%
General and administrative expenses	265	231	34	14.7%
Depreciation and amortization expense	472	568	(96)	(16.9)%
Total operating costs and expenses	4,311	4,092	219	5.4%
Operating profit	\$ 720	\$ 611	\$ 109	17.8%
Other Data:				
Operating profit before depreciation and amortization	\$ 1,192	\$ 1,179	\$ 13	1.1%
Total number of subscribers (000's)	18,934	18,441	493	2.7%
ARPU	\$ 88.98	\$ 85.32	\$ 3.66	4.3%
Average monthly subscriber churn %	1.70%	1.72%		(1.2)%
Gross subscriber additions (000's)	1,137	1,086	51	4.7%
Subscriber disconnections (000's)	963	950	13	1.4%
Net subscriber additions (000's)	174	136	38	27.9%
Average subscriber acquisition costs per subscriber (SAC)	\$ 805	\$ 697	\$ 108	15.5%

Subscribers. In the third quarter of 2010, gross subscriber additions increased compared to the third quarter of 2009 primarily due to higher additions due to improved customer offers and segmentation, as well as increased demand for advanced products, partially offset by lower additions from our regional telephone company partners. Net subscriber additions increased as higher gross subscriber additions exceeded the higher number of subscriber disconnections associated with the larger subscriber base.

Revenues. DIRECTV U.S.' revenues increased as a result of the larger subscriber base and higher ARPU. The increase in ARPU resulted primarily from price increases on programming packages, higher HD and DVR service fees as well as higher advertising sales, partially offset by more competitive promotions for both new and existing customers.

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

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general and administrative expenses. Broadcast programming and other costs increased due to annual program supplier rate increases and the larger number of subscribers.

Subscriber acquisition costs increased primarily due to increased installation costs from an increase in subscriber demand for advanced products over the third quarter of 2009 as well as increased dealer commissions. SAC per subscriber, which includes the cost of capitalized set-top receivers, increased primarily due to increased subscriber demand for advanced products over the third quarter of 2009, coupled with increased dealer commissions. Under our lease program we capitalized \$191 million of set-top receivers in the third quarter of 2010 and \$136 million in the third quarter of 2009.

Upgrade and retention costs increased in the third quarter of 2010 due to increased costs related to advanced product upgrades and increased marketing costs. Under our lease program we capitalized \$80 million of set-top receivers in the third quarter of 2010 and \$95 million in the third quarter of 2009 for subscriber upgrades. The decrease in the capitalized amount of set-top receivers is due to a decrease in the volume and cost of advance products and the increased use of refurbished equipment.

General and administrative expenses increased primarily due to increased bad debt expense and higher compensation costs as a result of increased headcount and increased incentive compensation costs.

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

DIRECTV Latin America Segment

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

	Three Months Ended and As of September 30,		Change	
	2010	2009	\$	%
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	\$ 930	\$ 761	\$ 169	22.2%
Operating profit before depreciation and amortization	313	199	114	57.3%
Operating Profit	172	103	69	67.0%
Other Data:				
ARPU	\$ 58.20	\$ 59.80	\$ (1.60)	(2.7)%
Average monthly subscriber churn %	2.00%	1.75%		14.3%
Total number of subscribers (000's)(1)	5,430	4,330	1,100	25.4%
Gross subscriber additions (000's)	525	385	140	36.4%
Net subscriber additions (000's)	206	162	44	27.2%

(1)

DIRECTV Latin America subscriber data exclude subscribers of the Sky Mexico platform. Net subscriber additions as well as churn exclude the effect of the migration of approximately 6,000 subscribers from a local pay television service provider to Sky Brazil in the third quarter of 2009.

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Gross subscriber additions increased in Brazil, Argentina and Ecuador, due to continued demand for advanced product and pre-paid services, as well as targeted customer promotions aimed at the middle-market segment. Average monthly subscriber churn increased across the region primarily due to higher pre-paid churn following the completion of the FIFA World Cup soccer tournament in July 2010. Post-paid churn was relatively unchanged at an average monthly subscriber churn rate of 1.54%.

DIRECTV Latin America's revenues increased as a result of the larger subscriber base, partially offset by lower ARPU. ARPU decreased primarily due to an unfavorable exchange rate in Venezuela due to the devaluation of its currency, partially offset by price increases and higher fees for advanced products, as well as net favorable exchange rates in Brazil.

The higher operating profit before depreciation and amortization was primarily from the increased gross profit generated from the higher revenues, as well as lower general and administrative expenses primarily due to lower currency related transaction charges in Venezuela compared to the third quarter of 2009. This was partially offset by an increase in subscriber acquisition costs due to a higher number of gross subscriber additions.

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

Sports Networks, Eliminations and Other

Revenues, operating profit before depreciation and amortization and operating profit from Sports Networks, Eliminations and Other increased in the third quarter of 2010 from the third quarter of 2009 due to the completion of the Liberty Transaction in the fourth quarter of 2009 when we acquired three regional sports networks. Sports Networks, Eliminations and Other primarily consisted of corporate operating costs until November 19, 2009 when we completed the Liberty Transaction.

Nine Months Ended September 30, 2010 Compared to Nine Months Ended September 30, 2009*Consolidated Results of Operations*

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

Revenues. The following table presents our revenues by segment:

Revenues By Segment:	Nine Months Ended September 30,		Change	
	2010	2009	\$	%
(Dollars in Millions)				
DIRECTV U.S.	\$ 14,737	\$ 13,545	\$ 1,192	8.8%
DIRECTV Latin America	2,566	2,039	527	25.8%
Sports Networks, Eliminations and Other	178		178	NM
Total revenues	\$ 17,481	\$ 15,584	\$ 1,897	12.2%

The increase in our total revenues was primarily due to subscriber and ARPU growth at DIRECTV U.S. and DIRECTV Latin America as well as the revenue generated by DIRECTV Sports Networks, which we acquired in November 2009.

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

Operating profit (loss) before depreciation and amortization:	Nine Months Ended September 30,		Change	
	2010	2009	\$	%
(Dollars in Millions)				
DIRECTV U.S.	\$ 3,892	\$ 3,410	\$ 482	14.1%
DIRECTV Latin America	822	478	344	72.0%
Sports Networks, Eliminations and Other	(20)	(69)	49	NM
Total operating profit before depreciation and amortization	\$ 4,694	\$ 3,819	\$ 875	22.9%

The increase in total operating profit before depreciation and amortization was primarily due to higher gross profit from the increase in revenues and lower general and administrative expenses at DIRECTV Latin America, primarily due to lower currency related transaction charges in Venezuela, partially offset by increased subscriber acquisition and upgrade and retention costs and general and administrative expenses at DIRECTV U.S.

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

Operating profit (loss):	Nine Months Ended September 30,		Change	
	2010	2009	\$	%
(Dollars in Millions)				
DIRECTV U.S.	\$ 2,427	\$ 1,660	\$ 767	46.2%
DIRECTV Latin America	438	217	221	101.8%
Sports Networks, Eliminations and Other	(31)	(66)	35	NM
Total operating profit	\$ 2,834	\$ 1,811	\$ 1,023	56.5%

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

Interest income. The increase in interest income to \$28 million in 2010 from \$25 million 2009 was due to higher average cash balances, partially offset by lower weighted average interest rates.

Interest expense. The increase in interest expense to \$396 million in 2010 from \$304 million in 2009 was due to an increase in the average debt balance, partially offset by a decrease in weighted average interest rates.

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

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

Other, net:	Nine Months Ended		Change
	September 30,	September 30,	
	2010	2009	\$
	(Dollars in Millions)		
Equity in earnings of unconsolidated subsidiaries.	\$ 70	\$ 33	\$ 37
Gain on sale of investment	3		3
Fair-value adjustment loss on non-employee stock options	(13)		(13)
Loss on early extinguishment of debt	(16)	(23)	7
Net foreign currency transaction gain	7	57	(50)
Other	(6)		(6)
Total	\$ 45	\$ 67	\$ (22)

The decrease in other, net was primarily due to a decrease of \$50 million in the net foreign currency transaction gain in 2010, partially offset by an increase of \$37 million in equity earnings primarily due to our investment in GSN.

Income Tax Expense. We recognized income tax expense of \$949 million in 2010 compared to income tax expense of \$585 million in 2009. The increase in income tax expense is primarily attributable to the increase in income before income taxes, partially offset by a \$39 million benefit from settlement of an uncertain tax position.

Table of Contents**DIRECTV***DIRECTV U.S. Segment*

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

	Nine Months Ended and As of September 30,		Change	
	2010	2009	\$	%
(Dollars in Millions, Except Per Subscriber Amounts)				
Revenues	\$ 14,737	\$ 13,545	\$ 1,192	8.8%
Operating costs and expenses				
Costs of revenues, exclusive of depreciation and amortization expense				
Broadcast programming and other	6,158	5,668	490	8.6%
Subscriber service expenses	999	946	53	5.6%
Broadcast operations expenses	203	206	(3)	(1.5)%
Selling, general and administrative expenses, exclusive of depreciation and amortization expense				
Subscriber acquisition costs	1,929	1,871	58	3.1%
Upgrade and retention costs	815	785	30	3.8%
General and administrative expenses	741	659	82	12.4%
Depreciation and amortization expense	1,465	1,750	(285)	(16.3)%
Total operating costs and expenses	12,310	11,885	425	3.6%
Operating profit	\$ 2,427	\$ 1,660	\$ 767	46.2%
Other Data:				
Operating profit before depreciation and amortization	\$ 3,892	\$ 3,410	\$ 482	14.1%
Total number of subscribers (000's)(1)	18,934	18,441	493	2.7%
ARPU	\$ 87.43	\$ 83.09	\$ 4.34	5.2%
Average monthly subscriber churn %	1.56%	1.53%		2.0%
Gross subscriber additions (000's)	3,008	3,309	(301)	(9.1)%
Subscriber disconnections (000's)	2,634	2,489	145	5.8%
Net subscriber additions (000's)	374	820	(446)	(54.4)%
Average subscriber acquisition costs per subscriber (SAC)	\$ 787	\$ 700	\$ 87	12.4%

Subscribers. In 2010, gross subscriber additions decreased compared to 2009 primarily due to the impact of the transition to digital broadcast in 2009, lower additions from our regional telephone company partners and a more challenging competitive environment. Net subscriber additions decreased as the lower gross additions were coupled with a higher number of disconnections due to a higher average monthly subscriber churn rate on the larger subscriber base.

Revenues. DIRECTV U.S.' revenues increased as a result of the larger subscriber base and higher ARPU. The increase in ARPU resulted primarily from price increases on programming packages, higher HD and DVR service fees and increased sports programming revenue due to one week of NFL SUNDAY TICKET revenue in 2010, partially offset by more competitive promotions for both new and existing customers.

Operating profit before depreciation and amortization. The improvement of operating profit before depreciation and amortization was primarily due to the gross profit generated from the higher

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revenues, partially offset by increased subscriber acquisition and upgrade and retention costs and higher general and administrative expenses.

Broadcast programming and other costs increased due to annual program supplier rate increases, the larger number of subscribers, increased NFL programming costs due to one additional week of programming in 2010 and increased On Demand Pay-Per-View volume. Subscriber service expenses increased in 2010 compared to 2009 primarily due to the higher number of subscribers.

Subscriber acquisition costs increased primarily due to increased installation costs from an increase in subscriber demand for advanced products over 2009 and increased dealer commissions. SAC per subscriber, which includes the cost of capitalized set-top receivers, increased primarily due to increased subscriber demand for advanced products over 2009, coupled with increased dealer commissions and increased marketing costs per subscriber added. Under our lease program we capitalized \$437 million of set-top receivers in 2010 and \$445 million of set-top receivers in 2009.

Upgrade and retention costs increased in 2010 primarily due to increased marketing expense. Under our lease program we capitalized \$232 million of set-top receivers in 2010 and \$321 million in 2009 for subscriber upgrades. The decrease in the capitalized amount of set-top receivers is due to a decrease in the volume of advance product upgrades and the increased use of refurbished equipment.

General and administrative expense increased primarily from increased bad debt expense and higher compensation costs as a result of increased headcount and increased incentive compensation costs.

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

Table of Contents**DIRECTV***DIRECTV Latin America Segment*

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

	Nine Months Ended and As of September 30,		Change	
	2010	2009	\$	%
	(Dollars in Millions, Except Per Subscriber Amounts)			
Revenues	\$ 2,566	\$ 2,039	\$ 527	25.8%
Operating profit before depreciation and amortization	822	478	344	72.0%
Operating Profit	438	217	221	101.8%
Other Data:				
ARPU	\$ 56.88	\$ 55.25	\$ 1.63	3.0%
Average monthly subscriber churn %	1.86%	1.84%		1.1%
Total number of subscribers (000's)(1)	5,430	4,330	1,100	25.4%
Gross subscriber additions (000's)	1,679	1,115	564	50.6%
Net subscriber additions (000's)	842	438	404	92.2%

(1)

DIRECTV Latin America subscriber data exclude subscribers of the Sky Mexico platform. Net subscriber additions as well as churn exclude the effect of the migration of approximately 3,000 subscribers to Sky Mexico and the migration of approximately 12,000 subscribers from a local pay television service provider to Sky Brazil in 2009.

Gross additions increased in 2010 principally due to continued demand for advanced product and prepaid services, the effect of the FIFA World Cup soccer tournament as well as targeted customer promotions aimed at the middle-market segment. Average monthly subscriber churn increased in 2010 primarily due to higher pre-paid churn attributable to the conclusion of the FIFA World Cup soccer tournament in July 2010. The increase in net subscriber additions was due to higher gross subscriber additions primarily in Brazil, Argentina and Colombia.

DIRECTV Latin America's revenues increased as a result of the larger subscriber base and higher ARPU. ARPU increased primarily due to price increases and higher fees for advanced product services as well as net favorable exchange rates in the region, mainly in Brazil, partially offset by the devaluation in Venezuela.

The higher operating profit before depreciation and amortization was primarily from the increased gross profit generated from the higher revenues, coupled with lower general and administrative expenses primarily due to a decrease of \$146 million in the charges related to the exchange of Venezuelan currency. This was partially offset by an increase in subscriber acquisition costs due to a higher number of gross subscriber additions.

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

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Sports Networks, Eliminations and Other

Revenues, operating profit before depreciation and amortization and operating profit from Sports Networks, Eliminations and Other increased in 2010 from 2009 due to the completion of the Liberty Transaction in the fourth quarter of 2009 when we acquired our three regional sports networks. Sports Networks, Eliminations and Other primarily consisted of corporate operating costs until November 19, 2009 when we completed the Liberty Transaction.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2010, our cash and cash equivalents totaled \$3.0 billion compared with \$2.6 billion at December 31, 2009. The \$383 million increase resulted primarily from \$3.8 billion of cash provided by operating activities and approximately \$6.0 billion of cash proceeds from the issuance of senior notes, partially offset by \$1.5 billion of cash used to repay the collar loan, \$2.3 billion of cash used to repay long-term debt, \$1.7 billion of cash paid for the acquisition of satellites, property and equipment and \$3.6 billion in cash used for the repurchase of shares.

As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) was 1.32 at September 30, 2010 and 0.89 at December 31, 2009. The increase in our current ratio during the nine months ended September 30, 2010 was primarily due to the increase in cash and cash equivalents and the repayment of the collar loan and long-term debt discussed above.

As of September 30, 2010, DIRECTV U.S. had the ability to borrow up to \$500 million under its existing credit facility, which is available until April 2011. DIRECTV U.S. is subject to restrictive covenants under its credit facility. These covenants limit the ability of DIRECTV U.S. and its respective subsidiaries to, among other things, make restricted payments, including dividends, loans or advances to us.

During 2010 and 2009 our Board of Directors approved multiple authorizations for the repurchase of our common stock, the most recent of which was in August 2010, authorizing share repurchases of \$2.0 billion. As of September 30, 2010, we had approximately \$1,862 million remaining under this authorization. During the nine months ended September 30, 2010, we repurchased and retired 98 million shares for \$3,638 million, at an average price of \$36.95. The authorizations allow us to repurchase our common stock from time to time through open market purchases and negotiated transactions, or otherwise. The timing, nature and amount of such transactions will depend on a variety of factors, including market conditions, and the program may be suspended, discontinued or accelerated at any time. The sources of funds for the purchases under the remaining authorizations are our existing cash on hand, cash from operations and potential additional borrowings.

We expect to fund our cash requirements and our existing business plan using our available cash balances and cash provided by operations. Additional borrowings, which may include borrowings under the \$500 million DIRECTV U.S. revolving credit facility, may be required to fund strategic investment opportunities should they arise.

Borrowings

At September 30, 2010, we had \$10,471 million in total outstanding notes payable, bearing a weighted average interest rate of 5.4% that are more fully described in Note 5 of the Notes to the Consolidated Financial Statements in Item 1, Part I of this Quarterly Report and in Note 9 to the Notes to the Consolidated Financial Statements in Item 8, Part II of our 2009 Form 10-K/A.

Our notes payable mature as follows: \$1,000 million in 2014 and \$9,500 million thereafter. Borrowings under our existing senior secured credit facility, all of which have been repaid in 2010, were

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subject to prepayments based on a computation that we are required to make at each year end under the credit agreement. We were not required to make a prepayment for the year ended December 31, 2009.

Covenants and Restrictions. The senior secured credit facility requires DIRECTV U.S. to comply with certain financial covenants. The senior secured credit facility includes covenants that restrict DIRECTV U.S.' ability to, among other things, (i) incur additional indebtedness, (ii) incur liens, (iii) pay dividends or make certain other restricted payments, investments or acquisitions, (iv) enter into certain transactions with affiliates, (v) merge or consolidate with another entity, (vi) sell, assign, lease or otherwise dispose of all or substantially all of its assets, and (vii) make voluntary prepayments of certain debt, in each case subject to exceptions as provided in the credit agreement. Additionally, the senior notes restrict DIRECTV U.S.' ability to, among other things, incur liens, merge or consolidate with another entity or sell, assign, lease or otherwise dispose of all or substantially all of its assets. Should DIRECTV U.S. fail to comply with these covenants, all or a portion of its borrowings under the senior notes could become immediately payable and its revolving credit facility could be terminated. At September 30, 2010, DIRECTV U.S. was in compliance with all such covenants.

Contingencies

Redeemable noncontrolling interest. As discussed in Note 6 of the Notes to the Consolidated Financial Statements in Part 1, Item 1 of this Quarterly Report, Globo has the right to exchange Sky Brazil shares for cash or our common stock. As discussed in Note 6, Globo has exercised the right to sell us a 19% interest in Sky Brazil and we have the option to elect to pay the consideration in cash, shares of our common stock, or a combination of both.

Venezuela devaluation and exchange controls. In January 2010, the Venezuelan government announced the creation of a dual exchange rate system, including an exchange rate of 4.3 bolivars fuerte per U.S. dollar for most of the activities of our Venezuelan operations compared to an exchange rate of 2.15 Venezuelan bolivars fuerte prior to the announcement. As a result of this devaluation, we recorded a \$6 million charge to net income in the nine months ended September 30, 2010 related to the adjustment of net bolivars fuerte denominated monetary assets to the new official exchange rate. We began reporting the operating results of our Venezuelan subsidiary in the first quarter of 2010 using the devalued rate of 4.3 bolivars fuerte per U.S. dollar.

Companies operating in Venezuela are required to obtain Venezuelan government approval to exchange Venezuelan bolivars fuerte into U.S. dollars at the official rate. The official approval process has been delayed in recent periods and as a result, our Venezuelan subsidiary has relied on a parallel exchange process to settle U.S. dollar obligations and to repatriate accumulated cash balances. In May 2010, the Venezuelan government enacted regulations that suspended the parallel exchange process. Rates implied by transactions in the parallel market were significantly higher than the official rate (6 to 7 bolivars fuerte per U.S. dollar). As a result of utilizing the parallel market, we recorded a \$22 million charge for the nine months ended September 30, 2010, a \$48 million charge in the third quarter of 2009 and a \$168 million charge for the nine months ended September 30, 2009 in "General and administrative expenses" in the Consolidated Statements of Operations in connection with the exchange of accumulated Venezuelan cash balances to U.S. dollars.

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

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As a result of these recent developments, our ability to pay U.S. dollar denominated obligations and repatriate cash generated in Venezuela in excess of local operating requirements is limited, resulting in an increase in the cash balance at our Venezuelan subsidiary. Accumulated cash balances may ultimately be repatriated at less than their currently reported value, as the official exchange rate has not changed despite continuing high inflation in Venezuela. These conditions are also expected to affect growth in our Venezuelan business which is dependent on our ability to purchase set-top boxes and other components using U.S. dollars.

Using the official 4.3 bolivars fuerte per U.S. dollar exchange rate as of September 30, 2010, our Venezuelan subsidiary had net Venezuelan bolivar fuerte denominated monetary assets of \$45 million in excess of Venezuelan bolivar fuerte denominated monetary liabilities, including cash of \$122 million as of September 30, 2010.

Income taxes. During the third quarter of 2010 we entered into an agreement with a former owner to settle certain tax contingencies. As a result of this settlement we recorded a benefit of \$39 million in "Income tax expense" in the Consolidated Statements of Operations during the nine months ended September 30, 2010.

Several factors may affect our ability to fund our operations and commitments that we discuss in "Contractual Obligations", "Off-Balance Sheet Arrangements" and "Contingencies" below. In addition, our future cash flows may be reduced if we experience, among other things, significantly higher subscriber additions than planned, increased subscriber churn or upgrade and retention costs, higher than planned capital expenditures for satellites and broadcast equipment, satellite anomalies or signal theft. Additionally, DIRECTV U.S.' ability to borrow under the revolving credit facility is contingent upon DIRECTV U.S. meeting financial and other covenants associated with its facility as more fully described above.

Dividend Policy

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

CONTRACTUAL OBLIGATIONS

The following table sets forth our contractual obligations as of September 30, 2010, 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

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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, 2009.

Contractual Obligations	Total	Payments Due By Period			2015 and thereafter
		2010	2011-2012	2013-2014	
		(Dollars in Millions)			
Long-term debt obligations (Note 5)(a)	\$ 16,863	\$ 142	\$ 1,141	\$ 2,142	\$ 13,438
Purchase obligations(b)	9,453	554	4,052	3,030	1,817
Operating lease obligations(c)	409	19	132	96	162
Capital lease obligations	902	24	186	179	513
Other long-term liabilities reflected on the Consolidated Balance Sheets under GAAP(d)	158	22	136		
Total	\$ 27,785	\$ 761	\$ 5,647	\$ 5,447	\$ 15,930

- (a) Long-term debt obligations include interest calculated based on the rates in effect at September 30, 2010, however, the obligations do not reflect potential prepayments that may be required under DIRECTV U.S.' senior secured credit facility, if any, or permitted under its indentures.
- (b) Purchase obligations consist primarily of broadcast programming commitments, regional professional team rights agreements, service contract commitments and satellite contracts. Broadcast programming commitments include guaranteed minimum contractual commitments that are typically based on a flat fee or a minimum number of required subscribers subscribing to the related programming. Actual payments may exceed the minimum payment requirements if the actual number of subscribers subscribing to the related programming exceeds the minimum amounts. Service contract commitments include minimum commitments for the purchase of services that have been outsourced to third parties, such as billing services, telemetry, tracking and control services and broadcast center services. In most cases, actual payments, which are typically based on volume, usually exceed these minimum amounts.
- (c) Certain of the operating leases contain escalation clauses and renewal or purchase options, which we do not consider in the amounts disclosed.
- (d) Payments due by period for other long-term liabilities reflected on the Consolidated Balance Sheet under GAAP do not include payments that could be made related to our net unrecognized tax benefits liability, which amounted to \$346 million as of September 30, 2010. The timing and amount of any future payments is not reasonably estimable, as such payments are dependent on the completion and resolution of examinations with tax authorities. We do not expect a significant payment related to these obligations within the next twelve months.

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.

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ACCOUNTING CHANGES

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

* * *

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk during the three months ended September 30, 2010. 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, 2009.

* * *

ITEM 4. CONTROLS AND PROCEDURES

We carried out an evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q under the supervision and with the participation of management, including our principal executive officer and our principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act). Based on the evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2010.

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 September 30, 2010, 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 September 30, 2010 or subsequent thereto, but before the filing of this report, are summarized below:

Intellectual Property Litigation. We are a defendant in several unrelated lawsuits claiming infringement of various patents relating to various aspects of our businesses. In certain of these cases other industry participants are also defendants, and also in certain of these cases we expect that any potential liability would be the responsibility of our equipment vendors pursuant to applicable contractual indemnification provisions. To the extent that the allegations in these lawsuits can be analyzed by us at this stage of their proceedings, we believe the claims are without merit and intend to defend the actions vigorously. The final disposition of these claims is not expected to have a material adverse effect on our consolidated financial position, but 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.

Liberty Media Corporation Litigation. As previously reported, a purported class action complaint was filed on February 9, 2010 and amended on April 23, 2010 in Delaware Chancery Court against certain past and present directors of Liberty Media Corporation alleging, among other things, that the defendants breached their fiduciary duties as Liberty board members in connection with the business terms and approval process by Liberty stockholders of the merger of Liberty Entertainment, Inc. with a subsidiary of DIRECTV as part of the Liberty Transaction. The plaintiff purports to represent approximately 85 former Liberty Media Corporation stockholders (other than the defendants) that allegedly held approximately 1.8 million Liberty Media Corporation shares prior to the consummation of the Liberty Transaction. The complaint alleges, among other things, that John Malone and certain other Liberty Media Corporation stockholders received disparate allocation of consideration in the Liberty Transaction. The complaint seeks equitable reallocation and disgorgement of the improper consideration received by the defendants and other relief. The defendants have requested indemnification and have tendered defense of this litigation to DIRECTV pursuant to agreements executed as part of the Liberty Transaction and DIRECTV has elected to take control of the defense.

Early Cancellation Fees. In 2008, a number of plaintiffs filed putative class action lawsuits in state and federal courts challenging the early cancellation fees we assess our customers when they do not fulfill their programming commitments. Several of these lawsuits are pending some in California state court purporting to represent statewide classes, and some in federal courts purporting to represent nationwide classes. The lawsuits seek both monetary and injunctive relief. While the theories of liability vary, the lawsuits generally challenge these fees under state consumer protection laws as both unfair and inadequately disclosed to customers. Each of the lawsuits is at an early stage. Where possible, we are moving to compel these cases to arbitration in accordance with our Customer Agreement, but in states such as California where the enforceability of the arbitration provision is limited, we intend to defend against these allegations in court. We believe that our early cancellation fees are adequately disclosed, and represent reasonable estimates of the costs we incur when customers cancel service before fulfilling their programming commitments.

From time to time, we receive investigative inquiries or subpoenas from state and federal authorities with respect to alleged violations of state and federal statutes. These inquiries may lead to legal proceedings in some cases. Currently, DIRECTV U.S. is the subject of an investigation by a multistate group of state attorneys general regarding alleged violations of their respective state

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consumer protection statutes. The state of Washington, originally a part of the multistate group, filed an action in Washington state court in December 2009 seeking injunctive relief and civil penalties of up to \$2,000 per violation of Washington's Consumer Protection Act. The multistate investigation and the Washington lawsuit allege a variety of purported violations of the statutes, but primarily allege that we do not adequately disclose the terms and conditions of consumer offers, including subscriber commitments and early cancellation fees. In addition, DIRECTV U.S. has received a request for information from the Federal Trade Commission, or FTC, on similar issues. We are cooperating with the FTC by providing information about our sales and marketing practices and customer complaints.

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

(b) No previously reported legal proceedings were terminated during the third quarter ended September 30, 2010.

ITEM 1A. RISK FACTORS

The risk factors included in our Annual Report on Form 10-K/A for the year ended December 31, 2009 have not materially changed. See Part I Item 2 of this Quarterly Report related to "forward-looking statements" which we incorporate by reference.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS*Share Repurchase Program*

During 2010, our Board of Directors approved up to \$5.5 billion to repurchase our DIRECTV Class A common stock. The authorizations allow us to repurchase our common stock from time to time through open market purchases and negotiated transactions, subject to market conditions. The repurchases may be suspended, discontinued or accelerated at any time. The sources of funds for the purchases under the remaining authorization are our existing cash on hand and cash from operations. Repurchased shares are retired, but remain authorized for registration and issuance in the future.

A summary of the repurchase activity for the three months ended September 30, 2010 is as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs
(Amounts in Millions, Except Per Share Amounts)				
July 1 31, 2010	12	\$ 35.86	12	\$ 801
August 1 31, 2010	12	38.17	12	2,324
September 1 30, 2010	11	40.75	11	1,862
Total	35	38.24	35	1,862

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ITEM 6. EXHIBITS

Exhibit Number	Exhibit Name
*1.1	Underwriting Agreement, dated as of August 10, 2010, by and among DIRECTV Holdings LLC, DIRECTV Financing Co., Inc., the Guarantors signatory thereto and Citigroup Global Markets Inc., J.P. Morgan Securities Inc., Credit Suisse Securities (USA) LLC and Goldman, Sachs & Co. as representatives of the several underwriters signatory thereto (incorporated by reference to Exhibit 1.1 of the Form 8-K of DIRECTV Holdings LLC filed on August 23, 2010 (SEC File No. 333-106529).
*4.1	Indenture, dated as of August 17, 2010, by and among DIRECTV Holdings LLC, DIRECTV Financing Co., Inc., the Guarantors signatory thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.1 of the Form 8-K of DIRECTV Holdings LLC filed on August 23, 2010 (SEC File No. 333-106529).
*4.2	First Supplemental Indenture, dated as of August 17, 2010, by and among DIRECTV Holdings LLC, DIRECTV Financing Co., Inc., the Guarantors signatory thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.2 of the Form 8-K of DIRECTV Holdings LLC filed on August 23, 2010 (SEC File No. 333-106529).
****10.1	Amendment dated August 27, 2010 to Exchange Rights Agreement dated as of October 8, 2004 among Globo, The News Corporation Limited and The DIRECTV Group, Inc.
**31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
**31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
**32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
**32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
***101.INS	XBRL Instance Document
***101.SCH	XBRL Taxonomy Extension Schema Document
***101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
***101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
***101.LAB	XBRL Taxonomy Extension Label Linkbase Document
***101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

*
Incorporated by reference.

**
Furnished, not filed.

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

Filed herewith.

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SIGNATURES

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

Date: November 4, 2010

DIRECTV
(Registrant)
By:

/s/ PATRICK T. DOYLE

Patrick T. Doyle
*(Duly Authorized Officer and Executive Vice President
and Chief Financial Officer)*