On February 27, 2008 , Liberty Media Corporation ("Liberty") and Ne

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

Date: May 6, 2008

LIBERTY MEDIA CORPORATION

By: /s/ MARK E. BURTON

Name: Mark E. Burton
Title: Vice President

To the Board of Directors and Stockholders of The DIRECTV Group, Inc.
El Segundo, California

We have audited the accompanying consolidated balance sheets of The DIRECTV Group, Inc. (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of operations, changes in stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The DIRECTV Group, Inc. at December 31, 2007 and 2006, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 of the Notes to the Consolidated Financial Statements, effective January 1, 2007, the Company adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for* [illegible]

The DIRECTV Group, Inc., which we sometimes refer to as the company, we, or us, was incorporated in Delaware in 1977. We are a leading prohh

Defined Benefit Postretirement Plans. On December, assets, financial liabilities and firm commitments. Under this standard, unrealized gains and losses on items for which the fair value option is elected are reported in earnings at each subsequent reporting date. We do not expect the adoption of SFAS No. 159 on January 1, 2008 to have any effect on our consolidated results of operations or financial position.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, sets out a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements of assets and liabilities. SFAS No. 157 applies under other accounting pronouncements previously issued by the FASB that require or permit fair value measurements. We do not expect the adoption of SFAS No. 157 on January 1, 2008 to have any effect on our consolidated results of operations or financial position.

In September 2006, the Emerging Issues Task Force, or EITF, issued EITF No. 06-1, "Accounting for Consideration Given by a Service Provider to a Manufacturer or Reseller of Equipment Necessary for an End-Customer to Receive Service from the Service Provider." EITF No. 06-1 provides guidance to service providers regarding the proper reporting of consideration given to manufacturers or resellers of equipment necessary for an end-customer to receive its services. Depending on the circumstances, such consideration is reported as either an expense or a reduction of revenues. We do not expect the adoption of EITF No. 06-1 on January 1, 2008 to have any effect on our consolidated results of operations.

Acquisitions

Darlene Transaction

On January 30, 2007, we acquired Darlene's 14% equity interest in DLA LLC for $325 million in cash. We accounted for the acquisition of this interest using the purchase method of accounting. In the fourth quarter of 2007, we completed the valuation of acquired intangible assets and finalized the purchase accounting, which resulted in adjustments decreasing the preliminary allocation of the purchase price to the acquired intangible assets by $30 million, goodwill by $9 million and deferred tax liabilities by $39 million.

The following table set forth the final allocation of the excess purchase price over the book value of the minority interest acquired:

Goodwill	$ 187
Intangible assets	75
Total assets acquired	262
Net assets acquired	$ 262

Intangible assets that are included in "Intangible assets, net" in our Consolidated Balance Sheets include a subscriber related intangible asset to be amortized over six years and a trade name intangible asset to be amortized over 20 years from the Darlene Transaction.

Sky Transactions

During 2006 we completed the last in a series of transactions with News Corporation, Grupo Televisa, S.A., or Televisa, Globo Comunicacoes e Participacoes S.A., or Globo, and Liberty Media

A reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits, excluding accrued interest, is as follows (in millions):

Gross unrecognized tax benefits at January 1, 2007	$	159
Increases in tax positions for prior years		102
Increases in tax positions for current year		34
Settlements		(4)
Gross unrecognized tax benefits at December 31, 2007	$	291

As of December 31, 2007, our unrecognized tax benefits totaled $343 million, including accrued interest of $52 million. If our tax positions are ultimately sustained by the tax authorities in our favor, approximately $212 million would reduce the annual effective income tax rate.

We recorded $17 million of interest in "Income tax expense" in the Consolidated Statement of Operations during the year ended December 31, 2007 for unrecognized tax benefits.

We file numerous consolidated and separate income tax returns in the U.S. federal jurisdiction and in many state and foreign jurisdictions. For U.S. federal tax purposes, the tax years 2001 through 2007 remain open to examination. The California tax years 1994 through 2007 remain open to examination and the income tax returns in the other state and foreign tax jurisdictions in which we have operations are generally subject to examination for a period of 3 to 5 years after filing of the respective return.

We anticipate that the examination of the federal income tax returns for 2001 through 2003 will conclude in 2008 and the statute of limitations will be closing in a foreign jurisdiction in the next twelve months resulting in an estimated reduction in our unrecognized tax benefits of approximately $45 million, $28 million of which relates to discontinued operations. We do not anticipate that other changes to the total unrecognized tax benefits in the next twelve months will have a significant effect on our results of operations or financial position.

Most of our employees are eligible to participate in our funded non-contributory defined benefit pension plan, which provides defined benefits based on either years of service and final average salary, or eligible compensation while employed by the company. Additionally, we maintain a funded contributory defined benefit plan for employees who elected to participate prior to 1991, and an unfunded, nonqualified pension plan for certain eligible employees. For participants in the contributory pension plan, we also maintain a postretirement benefit plan for those eligible retirees to participate in health care and life insurance benefits generally until they reach age 65. Participants may become eligible for these health care and life insurance benefits if they retire from our company between the ages of 55 and 65. The health care plan is contributory with participants' contributions subject to adjustment annually; the life insurance plan is non-contributory.

On December 31, 2007, we adopted the measurement date provision of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)." This provision requires the measurement of plan assets and benefit obligations as of the date of our fiscal year end. This required a change in our measurement date, which was previously November 30. See Note 2 for additional information.

We estimate that the following amounts will be amortized from accumulated other comprehensive income into net periodic benefit cost during the year ending December 31, 2008:

Expense resulting from changes in plan experience and actuarial assumptions	$ 2	—
Expense (benefit) resulting from changes in plan provisions	1	$ (1)

The accumulated benefit obligation for all pension plans was $396 million as of December 31, 2007 and $430 million as of December 31, 2006.

Information for pension plans with an accumulated benefit obligation in excess of plan assets at December 31:

Accumulated benefit obligation		

Components of net periodic benefit cost for the years ended December 31:

Benefits earned during the year	$ 18	$ 14	$ 18	$ [illegible]	—	$ —
Interest accrued on benefits earned in prior years	28	27	28	[illegible]	2	2
Expected return on plan assets	(33)	(29)	(28)	—	—	—
Amortization components						
Amount resulting from changes in plan provisions	1	1	2	(1)	(1)	(1)
Net amount resulting from changes in plan experience and actuarial assumptions	6	5	[illegible]	—	—	—
Subtotal	20	18	26	—	1	1
Curtailment costs	—	—	—	[illegible]	—	—
Special termination benefits	—	—	8	—	—	—
Settlement costs	—	—	15	—	—	—
Net periodic benefit cost	$ 20	$ 18	$ 49	$ —	$ 1	$ 1
Increase in minimum liability included in other comprehensive income (loss), net of taxes	$ —	$ 24	$ 7	$ —	$ —	$ —

Net periodic pension benefit costs for 2007 includes one month of expense, that was recorded as an adjustment to "Accumulated deficit" in the Consolidated Balance Sheets ($1 million after tax) related to the adoption of the measurement date pro[illegible]

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:

Discount rate—Qualified Plan	5.67%	5.78%	6.00%	5.43%	5.46%	5.75%
Discount rate—Non-Qualified Plans	5.69%	5.74%	6.00%	—	—	—
Expected long-term return on plan assets	8.75%	8.75%	9.00%	—	—	—
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

We base our expected long-term return on plan assets assumption on a periodic review and modeling of the plans' asset allocation and liability structure over a long-term horizon. Expectations of returns for each asset class are the most important of the assumptions used in the review and modeling and are based on comprehensive reviews of historical data and economic/financial market theory.

A hypothetical 0.25% decrease in our discount rate would have had the effect of increasing our 2007 pension expense by approximately $1 million and our projected benefit obligation by approximately $13 million. A hypothetical 0.25% decrease in our expected return on plan assets would have had the effect of increasing our 2007 pension expense by approximately $1 million.

The following table provides assumed health care costs trend rates:

Health care cost trend rate assumed for next year	8.00%	9.00%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)	5.00%	5.00%
Year that trend rate reaches the ultimate trend rate	2011	2011

A one-percentage-point change in assumed health care cost trend rates would have the following effects:

Effect on total of service and interest cost components	—	—
Effect on postretirement benefit obligation	$ 2	$ (1)

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Accumulated Other Comprehensive Loss

The following represent the components of "Accumulated other comprehensive loss" in our Consolidated Balance Sheets as of December 31:

Unamortized net amount resulting from changes in defined benefit plan experience and actuarial assumptions, net of taxes	$	(37)	$	(53)
Unamortized amount resulting from changes in defined benefit plan provisions, net of taxes		(4)		(4)
Accumulated unrealized gains on securities, net of taxes		21		9
Accumulated foreign currency translation adjustments		(1)		—
Total accumulated other comprehensive loss	$	(21)	$	(48)

We compute Basic Earnings Per Common Share, or EPS, by dividing net income by the weighted average number of common shares outstanding for the period.

Diluted EPS considers the effect of common equivalent shares, which consist entirely of common stock options and unvested 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 common stock options excluded from the computation of diluted EPS because the options' exercise prices were greater than the average market price of our common stock during the years presented:

Common stock options excluded	34	48	66

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

Common shares outstanding at January 1	1,226	1,391	1,386
Decrease for common shares repurchased and retired	(86)	(184)	—
Increase for stock options exercised and restricted stock units vested and distributed	8	19	5
Common shares outstanding at December 31	1,148	1,226	1,391
Weighted average number of common shares outstanding	1,195	1,262	1,388

Treasury yield curve in effect at the time of grant. The expected option life is based on historical exercise behavior and other factors.

Estimated fair value per option granted	$	8.27
Average exercise price per option granted		22®ỵera

In the ordinary course of our operations, we enter into transactions with related parties. News Corporation and its affiliates are considered related parties because News Corporation owns approximately 41% of our outstanding common stock. Companies in which we hold equity method investments are also considered related parties, which include Sky Mexico from the acquisition on February 16, 2006. We have the following types of contractual arrangements with our related parties: purchase of programming, products and advertising; license of certain intellectual property, including patents; purchase of system access products, set-top receiver software and support services; sale of advertising space; purchase of employee services; and use of facilities. The majority of payments under contractual arrangements with News Corporation entities relate to multi-year programming contracts. Payments under these contracts are typically subject to annual rate increases and are based on the number of subscribers receiving the related programming.

The following table summarizes sales and purchase transactions with related parties:

Sales	$ 24	$ [illegible]	[illegible]
Purchases	1,124	832	[illegible]

The following table sets forth the amount of assets and liabilities resulting from transactions with related parties as of December 31:

Our two business segments, DIRECTV U.S. and DIRECTV Latin America, acquire, promote, sell and distribute digital entertainment programming via satellite to residential and commercial subscribers. Through April 22, 2005, we also operated the Network Systems segment, a provider of satellite-based private business networks and broadband Internet access. As a result of the SkyTerra transactions described in Note 3, after April 22, 2005, we no longer consolidate HNS, which formerly comprised the Network Systems segment. Corporate and Other includes the corporate office, eliminations and other entities.

Selected information for our operating segments is reported as follows:

Revenues	$ 15,527	$ 1,719	$ —	$ —	$ 17,246
Operating profit (loss)	$ 2,402	$ 159	$ —	$ (75)	$ 2,486
Add: Depreciation and amortization expense	1,448	235	—	1	1,684
Operating profit (loss) before depreciation and amortization (1)	$ 3,850	$ 394	$ —	$ (74)	$ 4,170
Segment assets	$ 12,297	$ 2,456	$ —	$ 310	$ 15,063
Capital expenditures (2)	2,330	336	—	30	2,696
Revenues	$ 13,744	$ 1,013	$ —	$ (2)	$ 14,755
Operating profit (loss)	$ 2,348	$ 79	$ —	$ (70)	$ 2,357
Add: Depreciation and amortization expense	873	165	—	(4)	1,034
Operating profit (loss) before depreciation and amortization (1)	$ 3,221	$ 244	$ —	$ (74)	$ 3,391
Segment assets	$ 11,687	$ 2,001	$ —	$ 1,453	$ 15,141
Capital expenditures (2)	1,809	178	—	—	1,987
Revenues	$ 12,216	$ 742	$ 211	$ (5)	$ 13,164
Operating profit (loss)	$ 802	$ (19)	$ (61)	$ (89)	$ 633
Add: Depreciation and amortization expense	698	160	—	(5)	853
Operating profit (loss) before depreciation and amortization (1)	$ 1,500	$ 141	$ (61)	$ (94)	$ 1,486
Segment assets	$ 10,525	$ 1,148	$ —	$ 3,957	$ 15,630
Capital expenditures (2)	782	90	18	34	924

(1) Operating profit (loss) before depreciation and amortization, which is a financial measure that is not determined in accordance with accounting principles generally accepted in the United States of America, or GAAP, can be calculated by adding amounts under the caption "Depreciation and amortization expense" to "Operating profit (loss)." This measure should be used in conjunction with GAAP financial measures and is not presented as an alternative measure of operating results,

Other

As of December 31, 2007, included in "Investments and other assets" in the Consolidated Balance Sheets is a receivable for $34 million of the $57 million rebate that we can earn from Thomson by purchasing at least $4 billion of set-top receivers through June 2010. We have accrued this receivable based on our assessment that achievement of the minimum purchase requirement is both probable and reasonably estimable. On a quarterly basis [illegible]

Revenue	$ 9,423	215	—	9,638
Cost of sales	(4,921)	—	—	(4,921)
Operating expenses	(1,843)	(161)	—	(2,004)
Selling, general and administrative expenses	(1,023)	(16)	—	(1,039)
Depreciation and amortization	(675)	(2)	(10)(5)	(687)
Impairment of long-lived assets	(223)	—	—	(223)
Operating income	738	36	(10)	764
Interest expense	(641)	—	—	(641)
Dividend and interest income	321	—	(57)(6)	264
Share of earnings of affiliates, net	22	486	(158)(7)	350
Gains on dispositions of assets, net	646	—	—	646
Other income, net	1,235	(4)	—	1,231
Earnings from continuing operations before income taxes and minority interest	2,321	518	(225)	2,614
Income tax expense	(321)	(207)	90 (8)	(438)
Minority interests in earnings of subsidiaries	(35)	—	—	(35)
Earnings from continuing operations	$ 1,965	311	(135)	2,141
Earnings from continuing operations:				
Liberty Capital common stock	$ 1,524			1,700
Liberty Interactive common stock	441			441
	$ 1,965			2,141
Basic earnings from continuing operations per common share:				
Series A and Series B Liberty Capital common stock	$ 11.55			$ 12.88
Series A and Series B Liberty Interactive common stock	$ .70			$ .70
Diluted earnings from continuing operations per common share:				
Series A and Series B Liberty Capital common stock	$ 11.46			$ 12.78
Series A and Series B Liberty Interactive common stock	$ .70			$ .70
Basic weighted average outstanding common shares (in millions):				
Liberty Capital common stock	132			132
Liberty Interactive common stock	634			634
Fully diluted weighted average outstanding common shares (in millions):				
Liberty Capital common stock	133			133
Liberty Interactive common stock	634			634

(1) Represents the elimination of Liberty's other comprehensive earnings and deferred tax liability related to the unrealized holding gain on its inyshe† e el †