

the pricing is. As these opportunities and new businesses emerge, and new technologies emerge, and new forms of content emerge, I think we'd look for opportunities to greet the markets there to pursue it. I think we've been conservative on our planning expectations, but certainly we'll be aggressive about developing opportunities to grow it.

Coordinator            Our next question comes from Peter Shorthouse. Your line is open.

P. Shorthouse        Good evening, a couple of questions on management as well, are you able to have any management influence in the interim before this deal closes, any opportunity to visit or look over in more detail, what they're doing? If the answer is no, I guess the risks relating to how Charlie Ergen might play his cards for the next nine months. When you get in or when the deal closes, if you can provide a bit more detail on the balance sheet of Hughes, because there's no doubt, you're going to need to spend money on set-top box upgrades, etc. I presume you may not want to own the satellites they've got. But can you give us an idea of how much cash you expect there's going to be, and just to get more confidence that Hughes does not need further external funding to cope with your plans?

(Overlapping voices, speakers hard to hear.)

R. Murdoch           ... plenty ... out of legacy boxes whatever, we'll certainly be introducing new generations of boxes. Those people who bought the early boxes, ten years ago or eight years ago, the experience is that they come back for a new box and they put the first box into the bedroom or somewhere else. Today, the average buyer, for instance, buys two boxes. Three years ago, it was one. So there's no need for us to go through and upgrade all the boxes, certainly not to subsidize that, so that we don't see any major expenditures there at all.

C. Carey           I guess, on the first question, you asked in the interim period, the rules are quite specific; and we can't manage the business between signing and closing. We certainly can spend time with the people there and get familiar with the business. The management there has been competing aggressively with Charlie. We will certainly have an opportunity to get up to speed in an array of areas, discuss an array of areas, but they're going to be managing the business. That is the way it works.

Though clearly, we can start to formulate many plans, have lead times to it, so we're quite comfortable with the management and their ability to compete effectively in this period, and us to effectively use this period to continue to position ourselves to drive this business forward.

- M In terms of their capital structure, they've got the better part of a billion and a half dollars in cash, and they've got resources of un-drawn on a revolver in excess of, I think, a billion, about a billion and half; so they have plenty of resources to fund the business.
- C. Carey They really, capex-wise, don't really have other than ordinary course. Spaceway was a big undertaking that's being concluded, so they don't have capex beyond the ordinary sort of course capex, as you look out forward.
- P. Shorthouse Just to conclude, you expect to hit the ground running as soon as the deal closes.
- C. Carey Yes, for sure. We will very much be very aggressive in terms of developing and preparing ourselves during this period.
- Coordinator Our next question comes from Tony Wilson. Mr. Wilson, your line is open.
- T. Wilson Tony Wilson, UBS Warburg. The way the deal reads, you can potentially fund this or purchase Hughes through cash only and issue potentially no

DPs. What is the likely balance between DP issuance and cash, and what are the outcomes that will determine what the balance will be?

M I think how we've announced it where the issue of \$3 billion of cash and \$3.5 billion of stock, that's probably, unless there's some other type of transaction which we're not contemplating, that's the level of stock that we would issue and the amount of cash and I think, probably the structure of the transaction, both for Fox and News for minimum dilution of all shareholders. In addition to that, be certain that we didn't affect our credit ratings or our financial capacity. My expectations would be exactly what the press release reads is what we probably will issue.

(Hard to hear speaker)

R. Murdoch ... deal that when our cash balance is well in excess of a billion dollars.

T. Wilson Doesn't it say in the press release that it's at your election?

(Overlapping voices)

R. Murdoch ...if we were going to turn around and pay cash for the whole lot, we'd have to raise our money, buy equity issues, and we don't intend to do that, unless the shares are up \$50 or something.

D. DeVoe Tony, does that answer your question?

- T. Wilson Yes, it's just that it does say at your election, cash or ADRs.
- D. DeVoe We do have the ability to do that and the decision would be made at the time of closing. It will be somewhat dependant on our operating performance, some other actions that we might take. But I think the market should expect that the level of equity that we're going to issue is as we disclosed it in the press release, and it may change, if circumstances change.
- Coordinator Our next question comes from Doug Mitchelson. Your line is open.
- D. Mitchelson Thank you. Doug Mitchelson from Deutsche Bank. Can you give us a sense of what kind of subscriber growth you're hoping for out of DIRECTV the next three to five years in relation to the purchase price you pay? Also, can we expect that Fox would have the opportunity at some point to refinance the \$2.5 billion term loan that's coming in at News Corp.'s average cost of debt?
- D. DeVoe I think with respect to that, it's going to be pretty difficult. I think, if you look at it overall with respect to Fox, what we tried to do again is try to optimize the capital structure of both companies, which is why we tried to

take as little equity as we could for News, because obviously you could get a better return on the equity. I think when you look at the effective borrowing cost of \$4.5 billion, it's pretty difficult to see how you can refinance that, get that significantly cheaper than that. Certainly, in the short run, the answer is probably not.

R. Murdoch                   That adds to the growth rate. I think you could say that they gave a somewhat lower forecast this year. It will continue in the foreseeable future, but that's three, four, or five years, to grow by a million a year. If you get the churn rate down, I think this year as they announce their quarterly numbers, you'll see a very healthy growth rate.

Coordinator                 The next question comes from Alastair MacLeod. Your line is open.

A. MacLeod                 Just a quick question on the bid prices. Did this end up being a competitive process, or was it just News Corp. was the only bidder?

R. Murdoch                 There were actually people trying to bid until a couple of weeks ago, and then a lot of noise from another one last week, which we didn't think was real. He meant it, but he couldn't put it together. No, I think in the last few days, we were the only ones left standing.

Coordinator           The next question comes from Richard Greenfield. Your line is open.

R. Greenfield           Yes, a couple of questions, first, Rupert, you made the comment that you would like to leave PanAmSat outstanding. Could you discuss the logic or the process of which you'll decide, whether or not to buy in the remaining 19% of SPOT to have it all housed within News Corp., so you can better leverage it? Two, could you discuss the opportunities to leverage News Corp.'s global cable network programming onto DIRECTV and how that may be a spark to subscriber growth going forward? Then, just a housekeeping point, is this going into associate companies? I assume you're going to equity account for this, not consolidate it.

M                       Equity accounts for our 34% interest in Hughes.

R. Murdoch           As for our proprietary channels in other parts of the world, the answers are very limited, yes. Our big channels there in Britain, for instance, are Sport. We have an minority interest some other channels. We have our movie channels, but we only have rights for the British Isles there. I don't know, we have 40 channels in eight different languages in Asia. I can't imagine them being a big deal here.

Although, I might take that back, there are, in fact, large Asian minorities in this country, who will pay a premium for a package of channels in their local languages; and that's something actually that Charlie Ergen has done. I don't want to be critical of Hughes, but they've seemed to let that opportunity pass; and he's put together a large number of packages, whether it be in Chinese or Indian or Russian, particularly. I think he's got over half a million subscribers.

M Well over. It's a very profit business for him. ...

(Overlapping voices)

R. Murdoch Pays very little for the channels and charges a lot.

R. Greenfield Then on SPOT, PanAmSat?

R. Murdoch We just want to carry it through and see if we believe it can go. It's got potential to make more money and to grow; and at this time, our intention is to keep it.

M We don't have any plans at this time to buy the minority.

Coordinator Our next question comes from Mike Gallant. Your line is open.

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M. Gallant                    Can you expand on what you meant by the governance benefits of owning more than a third? Could you also comment if there's going to be any lockup on News Corp. shares that GM will get, and also if there are any regulatory challenges, I guess, in the U.S. or Latin America that you anticipate?

C. Carey                      I don't think there's a magic about the third. There were rights that we got as a result of negotiation in buying a significant shareholding from Hughes, and whether or not that should have been 30% or 36% or 34%. As a result of acquiring the 34%, we believe that we've acquired effective control of the company; and that was a requirement for us to go forward and to do the transaction.

With regard to the lockup on the stock that we've issued to GM and the other shareholders, it's a traditional type lockup, but there's no extended lockup period on the stock. I forgot your third question.

M. Gallant                    On the regulatory side, U.S. and Latin America.

R. Murdoch           No, we don't see any challenges with any legal merit. No doubt, there will be a few professional people, who come from the FCC, who object to every transaction, but we don't see anything substantial.

C. Carey             In Latin America, there are probably some regulatory things, but they will not affect the closing of the parent transaction.

Coordinator         Next question comes from Michael Mangan. Your line is open.

M. Mangan           Mike Mangan from Deutsche Bank. I came in late, so I might have missed it, but I was just wondering what your plans are for Latin America. I was just wondering if this transaction included any shares in the GM pension fund, and what's likely to happen with those shares, if it isn't included in this transaction.

(Hard to hear speaker)

R. Murdoch           Our offer ... from the ... GM shareholders, and that will include the pension fund holdings.

C. Carey             In terms of Latin America, clearly, it's a challenging place to do business and the economies there have created challenges. It's, I guess, exemplified by the fact that DIRECT is in Chapter 11. We'll look at both

businesses we have, business they have, and determine for each, what is the way to build the most successful business for all parties concerned.

M. Mangan                    There's been no decision about vending one into the other.

C. Carey                    No, at this point they'll operate at an arms length basis, but we'll address them to choose a path that creates the greatest value for everybody.

M. Mangan                    Presumably, the GM pension fund after this transaction will still earn shares in the company.

D. DeVoe                    Yes, about 20% of the company GM pension fund ...

M. Mangan                    That will be after this transaction, or that is how much they earn now.

D. DeVoe                    That's after the transaction.

Coordinator                    The next question comes from William Drewry.

W. Drewry                    Back to Rupert's comment of one million incremental subscribers gained per year going forward, would that market share come out of satellite or

cable; and could you just talk about where the focus is on market share gains going forward?

Just to be clear, with set-top box upgrades coming, probably there still won't be a material step-up in the capex at Hughes; is that right?

R. Murdoch

First of all, there's no reason to believe that the growth will stop. Both EchoStar and Hughes have been growing by approximately a million a year for a number of years now; and there's no sign of that slowing down. I think, maybe the last months of last year there were, but there certainly haven't been in recent months. Cable has been losing a smaller number than that. We're confident with the growth, and with what we can do to market and promote this that we can at the very least, keep that rate of growth going for a number of years.

As for the set-top boxes, yes and no, there may be generations of boxes. There may be two levels of boxes. For instance, if you have a PVR in it, we'll probably be charging a premium for that. But your basic box with quite an amount of interactivity in it, as we get into more and more mass production, and maybe join forces with Sky and Sky ... and others, the prices are coming down all the time on boxes. We can do a basic box

now, it's called a Whirl box in Latin America, I think the price is coming down towards \$80 and it was \$150 a couple of years ago.

C. Carey

I think if you look at sub-growth potential and I think it is important to recognize, there are a number of initiatives that are really bringing new growth to the market, local into local. This year, DIRECTV is launching a whole set of local stations in new markets. They're also getting on top of the multi-set ... issue in television homes; so if they tackle those and take advantage of some of the enhancements, like interactivity they can bring, we think there's real growth in the subscriber arena, going forward.

Coordinator

Our next question comes from David Miller.

D. Miller

Dave Miller with Sanders Morris Harris. A few questions, I was wondering if you guys could comment on the occupation of just call it prominent real estate that's probably going to be given to some Fox owned cable networks, Fox News, FX, SPEED Vision, National Geographic. Do you guys plan on putting that at the bottom of the DIRECTV band, channel eight, 10, 20, etc.; and then I have a couple of other follow-ups.

- C. Carey                    No, we are not going to give preferential treatment in that manner to Fox.  
  
We're going to treat all the players we deal with fairly. It's really the only appropriate we can manage DIRECTV to maximize its potential.  
  
Obviously, Fox will get a port sister relationship. We look forward to ways to work with Fox; but certainly, in dealing with programmers, we're going to deal with them all fairly.
- D. Miller                    You laugh, but it's happened before, especially with AOL Time Warner and I'll cease my commentary there. The other question I have is, how were you able to essentially negotiate no change in Fitch or Moody's ratings by having a debt go from, what I calculate to be, \$2.3 billion to \$6.8 billion, if you add on the note?
- D. DeVoe                    Are you referring to this at Fox or at News?
- D. Miller                    This is just a purely Fox question.
- D. DeVoe                    I think what we did is, we looked at the appropriate level of Fox's capacity, and based upon Fox's outlook and cash flows, that rating would certainly be appropriate.

- D. Miller                    That is correct. The Fox portion to debt there will be \$6.8 billion?
- D. DeVoe                    No, no, not at all. It's \$6.6 billion dollars purchase price, \$2 billion is in equity, and \$4.5 billion is debt at Fox. If Fox does have some existing debt as of the end of the year, which brings it to something north of \$5+ billion, but Fox has also generated significant cash flow ... the time of the transaction is closed.
- D. Miller                    I'll just assume around \$5 billion by the end of 2003 for Fox. My audio faded out on one of my colleague's questions with regard to how you are going to account for this. You'll just use the equity method, I assume?
- D. DeVoe                    That's correct, yes.
- G. Ginsberg                Operator, we have time for one more question. For those who have additional questions, we'll be holding another call with investors tomorrow morning at 8:30. I think the call-in number should be on the Media Advisory that we sent out tonight.
- We'll take our final question now.

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- Coordinator Thank you. Our final question comes from Andy Baker.
- A. Baker Thank you. I'm glad I snuck in there under the wire, a couple of quick questions. First, what's going to be the proportion of independent directors on the GMH board, post-transaction?
- R. Murdoch A majority of independent directors.
- A. Baker A majority. The press release makes reference to a potential \$150 million break fee if the transaction is terminated, if News Corp. ADR is dropped below a certain point. Is there a set price in the agreement?
- D. DeVoe Yes, if News Corp. ADRS were to drop below \$14.08, General Motors has a right to terminate. If they would elect to terminate, we have a right to cure, by agreeing to issue more stock to bring the value of the GMH interest to \$11 a share. To the extent that we didn't elect to do that, we would have to pay a termination fee to them of \$150 million.
- A. Baker You said \$14.08?
- D. DeVoe Fourteen dollars and eight cents.

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G. Ginsberg

Thank you very much, everybody.