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GENERAL MOTORS CORP  
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NEWS CORPORATION  
Moderator: Gary Ginsberg  
April 9, 2003/5:30 p.m. CDT

NEWS CORPORATION

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(Use of speaker-phone, overlapping voices, background noise  
made transcription difficult.)

Coordinator

Good evening, everyone, and thank you for holding.  
I'd like to turn the call over to Mr. Gary Ginsberg,  
Executive VP of Investor Relations and Corporate  
Communications. Sir, you may begin.

G. Ginsberg

Thank you. Good evening, or good morning for those  
of you in Australia, and thanks for joining us on  
such short notice. I hope everyone by now has had  
a chance to read our press release, announcing News  
Corporation's acquisition of a 34% interest in Hughes  
Electronics. For those of you who haven't, it's  
accessible via our Internet site.

Today, we'd like to briefly summarize the terms of the deal  
we just announced, explain the rationale behind it, and then  
leave the majority of the time for your questions. On today's  
call are Rupert Murdoch, Chairman and Chief Executive of  
News Corp.; Peter Chernin, President and COO; Lauchlan  
Murdoch, Deputy COO; Dave DeVoe, CFO; and Chase Carey,  
who upon completion of this transaction, will become  
President and CEO of Hughes Electronics.

Before I turn the call over to Rupert and then to Chase for  
their brief remarks, let me first say that today's call is, of  
course, governed by the Safe Harbor Provisions, and in  
addition, News, GM, and Hughes intend to file a proxy or  
consent solicitation statement and other materials with the  
SEC, in connection with the proposed transaction. Because it  
will contain important information, investors are urged to read  
these materials, which when filed, will become available free

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of charge at the SEC's Web Site, [www.sec.gov](http://www.sec.gov). Investors will also receive information on an appropriate time on how to obtain transaction related documents for free from News.

This call does not constitute an offer to sell or solicitation to buy in connection with the proposed transaction, which will only be made by means of an appropriate prospectus.

On this call, we make statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve known and unknown risks, uncertainties, and other factors, including those described in News' public filings with the SEC that could cause actual results to be materially different from those in the forward-looking statements.

With that, let me turn the call over to Rupert Murdoch.

R. Murdoch

Thank you, Gary. Good morning, ladies and gentlemen, and thank you. Sorry to keep you waiting. As Gary said, we're here to announce an extremely exciting event for News Corporation, the Fox Entertainment Group, and Hughes Electronics.

Today, after three years of patient negotiation, occasional frustration, but now great satisfaction, we've reached agreement with the Boards of General Motors and General Motors Hughes to acquire a significant 34% stake in Hughes Electronics. For all three of our companies, the benefits of this transaction are substantial. If it is rare to find a genuine win/win scenario in our crowded and competitive media landscape, it's truly exceptional to be able to create a win/win/win scenario as promising and powerful as the agreement we announced today. For the shareholders and customers of News Corporation, Fox, and GMH, today marks the start of a bright future.

Let me just briefly summarize the highlights of the definitive deal that we reached today, which is outlined in the handouts that you've received. Under our agreement, News Corporation will acquire GM's 19.9% stake in Hughes at a price of \$3.8 billion, or \$14 a share comprising \$3.07 billion in cash and \$34.3 million News Corporation preferred limited voting ordinary ADRs at a value of \$22.40 each.

News Corp. will also acquire an additional 14.1% of Hughes from public shareholders and GM's pension and other benefit plans at a price of \$14. share, which we'll be using 122.2 million News Corp. preferred ADRs, using as a base ADR price of \$22.40. All these figures, I should say, of course, are U.S. dollars.

Upon closing of the transaction, News Corporation's 34% ownership interest in Hughes will be transferred to the Fox Entertainment Group, our 80.6%-owned subsidiary in exchange for 74.2 million shares in Fox at \$27.99 per share, as well as two notes for a total of \$4.5 billion. This agreement is subject to regulatory approvals, but we expect the transaction to close by the end of calendar 2003.

At that point, I will become Chairman of Hughes. Chase

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Carey will become the Company Chief Executive Officer, and Eddy Hartenstein, currently the Chief Executive of DIRECTV, will be a Vice Chairman of the board. The board will consist of 11 members, including myself, Mr. Carey, Mr. Hartenstein, Mr. Chernin, the President and CEO of News Corp. and CEO of Fox, Dave DeVoe, the Chief Financial Officer of News Corp. and Fox, and six independent directors.

I know one of the first questions you may have is, why we're housing Hughes within the Fox Entertainment Group, and the reason is simple. It belongs there. It belongs there, first of all, because it maintains the logical structure of News Corporation. Fox was created to house News Corp.'s American content and distribution assets, and as a television distribution platform, DIRECTV obviously fits within that structure.

Second of all, the company's position within Fox will facilitate the mutually beneficial relationship we look forward to forging between Hughes and Fox. To Hughes, this deal offers the opportunity to work in close collaboration with Fox, to provide its DIRECTV platform with an increasingly rich array of content, programming, and technological services. For Fox, a DTH platform capable of delivering our content to American satellite TV viewers represents an invaluable outlet for our television products. In a landscape of increasing choice, but also increasing consolidation, such an outlet is essential if we are to ensure that our existing content and the content that we will create in the future continues to reach consumers.

We have built assets of immense value at Fox, assets like our cable channels, for instance, whose long-term viability will be greatly enhanced by the presence of assisted distribution platform, the definite advantage we do not plan to abuse. As stronger players, we plan to be in the multi-channel television industry. We have every intention of being a fair player as well. Both News Corporation and DIRECTV have committed to be bound by FCC program access regulations and of which we will make our content readily available to all satellite television providers, as well as cable and other competing platforms.

Our creative strength as a company will increase the vitality of the American television market, as a whole, enabling the sort of fair and fierce competition that our company was built on, and that quite frankly, we thrive on. In the case of DIRECTV, we will thrive by taking what I feel is one of America's great television assets and substantially improving it. The beneficiaries of these improvements will be shareholders of News Corporation, Fox, and Hughes alike. All of them will be able to watch their asset grow faster and fundamentally stronger than was ever possible before. Certainly, we have considerable strength to build on. DIRECTV is an outstanding company with a very strong brand and a large customer base. Furthermore, I must tell you that Hughes' management has done a magnificent job running their business and controlling costs in their uncertain circumstances of the past two or three years.

Over the next few years, we plan to take the value of this asset and grow it dramatically, by employing not only the content we have created at Fox, but the talents, the programming, the

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experience, the technology, and the expertise we have developed at our leading television platforms around the world. We are fully confident that by doing so, we will create greater choice and a greater viewing experience for all Americans.

In the process, our efforts to invigorate the multi-channel industry and help make satellite TV a viable competitor to cable, more programming options, greater efficiencies, richer content, better customer service, and compelling new technologies will give satellite television its first chance to break cable's still dominant hold on viewers.

The person who will oversee our efforts, as I mentioned, is Chase Carey, who will be President and Chief Executive Officer of GMH. Now, I will be very happy to pass it over to Chase, to give you a better sense of some of the strategies and improvements that we've planned. Thank you very much.

C. Carey

Thank you, Rupert. Before I get into our plans for Hughes, I want to emphasize something Rupert mentioned earlier, and that's the truly impressive job the management of Hughes has done over the past few years. It's not easy running a company under any circumstances, and it's a lot harder when the future of the company is in flux. We're highly supportive of this management and we want them to be as successful as possible.

As we look at Hughes, and the cornerstone of Hughes, of course, is DIRECTV, which has successfully established itself as the market leader in U.S. satellite television. Today, it is second only to Comcast in the number of multi-channel subscription homes it reaches in the U.S. DIRECTV has created a fabulous brand and unique strength in key areas, like customer service, programming, and distribution. DIRECTV has also taken a number of steps in the past year to further strengthen its business by addressing its issues, like cost reduction. Our goal will be to bring the expertise of News Corp. to bear as we enhance and expand on DIRECTV's plans. We have a proven track record in building businesses, like the Fox Network and Fox News, as well as first hand experience in creating and operating successful satellite distribution platforms, businesses like BSkyB, which is considered the premiere satellite television platform in the world.

That expertise will be employed across the board at DIRECTV. In the cost area as DIRECTV's management has acknowledged, there's considerable work still to do. We plan to enhance those managers' efforts, by attacking cost from programming to marketing, churn, set-top box costs, and other areas. We'll also work with DIRECTV management on a plan to maximize the platform's growth potential. DIRECTV already provides a great consumer experience and we plan to make it even better. Initiatives in areas like customer service, marketing, onscreen guides, program packaging, and choice will all be critical, as we work to further increase the excellence of DIRECTV's offerings to consumers. Technology, too, will be a crucial component of our plans to grow the success of DIRECTV. As technological innovations, like high-definition, personal video recorders, and interactivity become market realities, we're confident that DIRECTV will build on its leading ability to bring the most

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advanced experience and most rewarding experience to consumers.

While DIRECTV is the cornerstone, we also must focus on key issues across the rest of Hughes. HNS, already the worldwide leader in the enterprise business, has the opportunity to take that business to a higher level with the launch of Spaceway, a satellite system that requires an entirely new generation of capability.

In other businesses, like Latin America, there are significant challenges to address; and we'll work with Hughes' management to determine the best course in these and other issues in a decisive, expeditious, yet thoughtful manner. One of the greatest strengths we'll bring to the company is the decisiveness that will enable Hughes to address both problem areas, like Latin America and areas of opportunity, like the launch of interactivity and other technological innovations.

Hughes is clearly and understandably been handicapped in executing such plans by their For Sale status over the past few years. The clarity that comes from the end of that process, combined with the expertise we bring to the business, should enable us to energize the decision-making that is critical to the business's growth improvements from here.

We look forward to meeting all these challenges. We bring to this opportunity, the talent, the experience, and I say the excitement that we've developed in television markets all over the world. I think there's no greater multi-channel television business than DIRECTV; and I think there's no greater opportunity for New Corp., Fox, and Hughes' shareholders and customers, than this chance to make DIRECTV the strongest distribution platform in the world.

- G. Ginsberg Operator, we will now be ready to take questions. I'd ask that you'd please limit it to one question on the call, so we can get through as many questions as possible.
- Coordinator First question comes from Brendon Lyons. Sir, your line is open.
- B. Lyons Yes, Brendon Lyons from J.B. Weir. Just based on the announcement, it looks like the number of DPs you'll be issuing to GMH seems set, but in terms of the number DPs that will be issued to other Hughes shareholders, can you clarify that number and whether you will offer them any cash at all?
- D. DeVoe No, Brendon, what the deal is, is that we are giving GM roughly \$3 billion in cash, and we're issuing a total of 156.5 million ADRs, of which GM is getting 34.3 million shares. The amount of shares we issued is a 20% collar and at \$22.40, which is the center of the collar, the exchange ratio is 0.625 News Corp. shares. That exchange ratio can vary, dependent on News Corp.'s stock price. It can go as high as 0.781 to as low as 0.521.
- B. Lyons Can I ask a quick second question? Are you prepared to put a number on the synergies you expect from this deal at this early stage or, perhaps, give some idea of what you expect the EPS impact will be in the first full year, both pre and post those

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synergies.

- D. DeVoe                   What we expect, and this is really in fiscal 2005, which is really the first full year that we will operate and own the company, we're expecting the transaction to close sometime in either late 2003, early 2004. We would expect for both News Corporation and Fox, in the first full year that we operate it, for the transaction to be marginally dilutive or slightly accretive, to both Fox and to News Corporation. As we get into 2006, the transaction becomes accretive to both companies.
- B. Lyon                    That would be dilutive, perhaps before synergies and accretive after synergies. Is that right?
- D. DeVoe                   It's hard to say what it is, but our numbers and our estimates, obviously, are based on the way that we will operate the business after we acquire it.
- Coordinator               The next question comes from Anthony Noto. Sir, your line is open.
- A. Noto                    Thank you very much. I'm sort of dovetailing off on the last question. As you think about the impact on dilution and accretion in the first full year, how should we think about the PanAmSat business and whether there's any strategic opportunity to sell that to a strategic group. Then as you think about the churn rates currently at DIRECTV and in Latin America, what opportunity have you quantified there, based on your experience in endeavors similar to this? Thanks.
- C. Chase                   PanAmSat at this point, our plans are to operate that business and drive it to its full potential. We recognize there are parties that have talked about it, but at this point in time, our plan is to continue to own that business and operate it.
- In terms of churn, it's an important area. DIRECTV, actually, in the last quarter, they report it did achieve some reduction in the churn, but it's clearly an area we'll focus on. When you look at the level we've driven churn down to in the U.K., where we're under 10%, I think it speaks to the potential we think we bring to improve the churn numbers here. I know DIRECTV is focused on it, but we do think we'll bring a level of expertise and insight that will enable us to make real headway on the churn issues in the U.S.
- The Latin American business is probably a larger question. DIRECT Latin American business is in Chapter 11 at this point, so there are probably larger issues about where that business goes, than the churn. Currently, they have to work through and we have to work through with them the Chapter 11 process, but clearly, Latin America is a market that is challenging. The economies down there are challenging and we certainly are committed to and believe we can find a path to make the Latin American business one that makes sense for all parties here.
- Coordinator               The next question comes from George Coleman. Your line is open.
- G. Coleman                Good evening. Could you give any indication, as to how the structure of the coupon on the promissory note between News and Fox

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will be set?

D. DeVoe There are two components of the loan. There is a \$2.5 billion term loan, which would bear interest at News Corporation's cost of funds that cross over long-term debt, which is about 8%. There will a \$2 billion revolver, which will be set, based on News Corporation's borrowing rate under our revolver, which is LIBOR plus one. If you factored it today, looking at today's rates, that rate is about 2.3%. An effective rate on the \$4.5 billion is slightly more than 5% initially.

Coordinator The next question comes from Oliver Ansted. Your line is open.

O. Ansted Just a quick question on the structure of the deal, the 14% that you're proposing to buy from the public shareholders, what were the main rationale for that? Was that mainly to get the economic interest to a higher level from just the 20% GMH?

(Background noise, can't hear speaker.)

R. Murdoch There's considerable governance...

O. Ansted I beg your pardon. I didn't catch that.

R. Murdoch It's a legal answer really, but there are governance benefits in having more than a third.

(Background noise.)

O. Ansted Just a quick second question, the... promissory note that's going to be issued, does that affect the debt rating for News Corp. in any way?

R. Murdoch No, both Moody's and S&P have given us the all clear for both Fox and News.

D. DeVoe Yes, they both confirmed their ratings.

R. Murdoch They're... but they confirmed their current ratings.

O. Ansted In terms of the cash requirements or the operating status for DIRECTV, is that going to require any additional funding arrangement to be put in place for the first few years?

(Overlapping voices)

R. Murdoch No, we already have more than that now in cash. We'll be using... and cash resources.

D. DeVoe I think your question was is DIRECTV or Hughes going to be looking to News for any further funding. Was that your question?

O. Ansted Sort of, yes.

(Overlapping voices)

C. Chase The answer is no. The Hughes business has a fully funded business plan. They've got their own resources. They've got their own agreements...

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O. Ansted                                 Despite the growth intentions for the business, is it pretty much fully funded on an operating basis?

(Background noise.)

D. DeVoe                                 It is fully funded now... due to cash break-even.

Coordinator                             Our next question comes from Jessica Reif-Cohen.

J. Reif-Cohen                           I got cut off for awhile, so I hope that nobody asked this; but why is there no collar on Fox and there's a collar on News Corp? So Fox is higher when the deal closes, potentially Fox could wind up paying more for DIRECTV than News Corp. would, like happened with Chris-Craft? Do you have any intention of selling back down to 80%?

D. DeVoe                                 On the latter question, no. To the extent that we could have done it with News, we would have preferred to issue and have a fixed exchange ratio deal. We couldn't do that; it's not what General Motors wanted. I think anytime you make an acquisition of this size, what you like to do is, you want to be certain that you understand what the purchase price is. But with respect to Fox, we didn't think that it was right that Fox should take the risk with respect to the fluctuation in News Corp. share price. That's why it's done in the way it's done.

J. Reif-Cohen                           Does PanAmSat go into Fox, also?

D. DeVoe                                 PanAmSat is in Hughes.

R. Murdoch                               Yes, in the whole of Hughes. The answer is yes.

J. Reif-Cohen                           I just have one other question that is completely different. It sounds like you're going to put more functionality in the set-top boxes, interactivity, PVR functionality. Can you just discuss how aggressive you're going to be on the DTH or DBS side, and how do you think it's going to affect your basic broadcast operations?

R. Murdoch                               I didn't get the last part?

J. Reif-Cohen                           The question is, on PVR functionality, how aggressive will you be on putting it into the set-top boxes for DIRECTV. At the same time, how do you expect that to affect your broadcast businesses, your Fox network and Fox stations?

P. Chernin                               This is Peter. I think, on the first question, I think we'll be as aggressive as we think the marketplace calls for. We'll try and offer the best technology and the best functionality and see what the consumer demanded. I think to the degree it affects the broadcast operation, it's going to affect it anyway. So if PVRs come to affect broadcasting, we're certainly not going to put our head in the sand with DIRECTV and say, we're going to offer a weaker service because we want to protect a different side of the business. The broadcasting operation has to compete in the real world. We'll try and build what we think is the best consumer service; and we'll try and build such compelling broadcasting shows. PVRs are going to be a fact of life in the broadcasting business, and we're thinking a lot about what the implications of that are for programming already.



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- C. Carey I think a lot of the technologic innovations will be timing. I do think these are going to be real important and positive in part of DIRECTV's business in its opportunity to really create a unique consumer experience. I think we just have to be intelligent about the marketing, and when is the market mature enough to launch it in the right way.
- J. Reif-Cohen You've said in the past that your goal would be to increase ARPU. I didn't hear that on this call or on the previous call. Is that still the plan, not to decrease pricing, but to try to move up ARPU?
- C. Carey Competitively, we're going to compete on the consumer experience. We want to create a fabulous consumer experience in terms of service, choice, quality of picture, breadth of offerings, technological innovations, really make it a great value. That is how we compete. Certainly, we'd like to increase revenue. It's a competitive marketplace. We'll have to see where 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

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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.

D. DeVoe 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 ADRs. What is the likely balance between ADR issuance and cash, and what are the outcomes that will determine what the balance will be?

D. DeVoe 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?

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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

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this going into associate companies? I assume you're going to equity account for this, not consolidate it.

- D. DeVoe 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 a 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.
- C. Carey Well over. It's a very profitable 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.
- D. DeVoe 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.
- 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

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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 own 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

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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?

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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.

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.

G. Ginsberg Thank you very much, everybody.

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