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BY EMAIL ONLY

Sheldon Mills
Director, Mergers
Office of Fair Trading
Fleetbank House
2-6 Salisbury Square
London
EC4Y 8JX

Allen & Overy LLP
One Bishops Square
London E1 6AD United Kingdom

Tel +44 (0)20 3088 0000
Fax +44 (0)20 3088 0088
Direct 

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22 February 2011

Dear Sheldon

News Corporation/BSkyB merger UILs

I refer to your letter to News Corporation (News) of 21 February 2011 in which you set out further questions on the updated draft UILs submitted by News on 16 February.

Please find attached News' response to the questions raised, together with a revised draft of the UIL showing proposed changes marked against the version submitted on 16 February 2011.

Should you have any questions, we look forward to discussing these with you at your earliest convenience.

Yours sincerely



Antonio Bavasso
Partner

cc:

Steve Unger - Ofcom; Jeff Palker and Andrea Appella - News Corporation; Cerry Darbon and Dominic Long
- Allen & Overy LLP

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consistent with the business plan. News notes, in any event, that given News' response to question 9, the lease agreement will in any event be subject to the approval of the Secretary of State.

Section 5.2(a) is a nuance to the automatically increasing cost structure (linked to CPI) so that certain costs will reflect Newco's actual demand for the service where demand can vary rather than being a single fixed overall price. In relation to broadcast operations and creative services for example, Newco may choose to source some or all of its needs elsewhere and it is sensible for costs to reflect demand. The same applies for aspects of the other agreements where demand is variable for example where Newco may instead choose to hire its own staff or alternatively to increase the amount of support it requires from News (such as IT support).

Interim action

13. *Please confirm whether News would be prepared to agree the following changes to paragraph 8.1 of the UIL:*

(a) *8.1(iii) to become 'the Sky News business is maintained and preserved and is run in the ordinary course'; and*

(b) *8.1(iv) to become 'the nature, description, range and standard of news gathering ...'.*

News is prepared to agree these changes. Please see section 8.1 of the Second Revised Draft UIL.

Removal or variation

14. *Please explain why News believes this provision is required given that the Enterprise Act 2002 already provides a scheme for variation of UIL in the event of a change of circumstances.*

News believes that the inclusion of this provision provides greater clarity and is unclear why the OFT would object to the inclusion of such a provision.

Definition of material transaction

15. *Please explain how the definition of 'Material Transaction' has been derived and why differential treatment has been given to transactions with values of £12.5 million.*

The definition of material transaction is based on that currently adopted by Sky which has a similar two-tier structure but with higher monetary limits applying.

In Sky's existing corporate governance structure, related party transactions involving the payment or receipt of £10 million or more require audit committee approval and related party transactions involving the payment or receipt of £25 million or more require additional board approvals.

News accepts however that the definition which has been provided of Material Transactions is confusing (and redundant given the wording of section 3.1(iv) of the First (and Second) Revised Draft UIL) and it has provided a revised definition in the Second Revised Draft UIL.

Other

As mentioned in response to question 2.7 of the Second OFT Response News intends to include Sky's independent directors when considering candidates for the board of Newco. We have therefore clarified the definition of Independent Directors to ensure that Sky's independent directors are not excluded.

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Allen & Overy LLP on behalf of News Corporation

22 February 2011

PROPOSED ACQUISITION BY NEWS CORPORATION OF UP TO 60.9 PER CENT OF BRITISH SKY BROADCASTING GROUP PLC

UNDERTAKINGS GIVEN BY NEWS CORPORATION PURSUANT TO PARAGRAPH 3 OF SCHEDULE 2 OF ENTERPRISE ACT (PROTECTION OF LEGITIMATE INTERESTS) ORDER 2003

WHEREAS:

- (a) News Corporation proposes to acquire the shares in British Sky Broadcasting Group plc that it does not already own.
- (b) On 4 November 2010 the Secretary of State for Business, Innovation and Skills issued a European Intervention Notice under section 67(2) of the Act and the Order in connection with the Transaction.
- (c) On 31 December 2010, Ofcom provided its report to the Secretary of State on issues of media plurality (as provided for in Article 4A of the Order) and on 30 December 2010 the OFT provided its report to the Secretary of State on the creation of a European relevant merger situation pursuant to Article 4(4) of the Order.
- (d) The Secretary of State considers that the conditions for referring the Transaction to the CC under Article 5 of the Order are met and, absent any offer of undertakings from News, he would be minded to refer the Transaction to the CC.
- (e) The Secretary of State has a discretion to accept undertakings in lieu of reference from News under paragraph 3 of Schedule 2 of the Order:

"The Secretary of State may, instead of making such a reference and for the purpose of remedying, mitigating or preventing any of the effects adverse to the public interest which have or may have resulted, or which may be expected to result, from the creation of the European relevant merger situation concerned accept from such of the parties concerned as [he] considers appropriate undertakings to take such action as [he] considers appropriate."

- (f) The Secretary of State considers that the undertakings given below by News are appropriate to remedy, mitigate or prevent the effects adverse to the public interest which may be expected to result from the creation of the European relevant merger situation.

NOW THEREFORE News hereby gives to the Secretary of State the following undertakings for the purpose of remedying, mitigating or preventing the effects adverse to the public interest which may be expected to result from the Transaction.

REDACTED

Comprising 9 pages