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From: [REDACTED]  
Date: 15 December 2016 at 12:51  
Subject: 21st Century Fox Announcement  
To: [REDACTED]  
Cc: [REDACTED]

Dear Secretary of State,

You will have seen the announcement that the Board of 21st Century Fox and the Independent Committee of Sky have reached agreement on the terms of a recommended pre-conditional cash offer by 21st Century Fox for the remaining shares in Sky and its affiliates that it does not already own. A copy of the announcement is attached to this email for your reference. This announcement follows the previous statement, released on 9<sup>th</sup> December 2016, noting that the Board of 21st Century Fox and the Independent Committee of Sky had reached an agreement in principle.

I wanted to write to you to outline the rationale for the proposed transaction, to provide reassurance about the future direction of Sky, and to explain why we believe that the proposed transaction will strengthen the UK's creative industries.

As the founding shareholder of Sky, 21st Century Fox is proud to have participated in its growth and development. The strategic rationale for this combination is clear. It creates a global leader in content creation and distribution, enhances our sports and entertainment scale, and gives us unique and leading direct-to-consumer capabilities and technologies. It adds the strength of the Sky brand to our portfolio, including the Fox, National Geographic and Star brands.

Sky is a creative, commercial, and consumer powerhouse delivering its own content to customers across all platforms. Sky is the #1 PayTV provider in all its key markets, with an exciting growth runway in each. The enhanced capabilities of the combined company will be underpinned by a more geographically diverse and stable revenue base. It will also create an improved balance between subscription, affiliate fees, advertising and content revenues. This combination creates an agile organization that is equipped to better succeed in a global market.

Moreover, the proposed transaction affirms our long-held belief in the UK's creative industries and in the world-leading production hub that the UK has developed. Many of the incredibly talented people in this sector are employed at or partner with Sky — and we see Sky as a hub for content generation and technological innovation.

Such is 21st Century Fox's belief in the potential for Sky's business, it is making the following specific statements of intent with regard to the UK:

- To maintain Sky's UK HQ at the re-developed campus at Osterley and complete the \$1bn investment programme at the site.
- To continue to support Sky's development of Leeds as its technology hub and its Software Engineering Academy scheme, which offers technology apprenticeships and graduate opportunities to young people across the north of England. This is reflective of our intention to continue investment in employees across all of the UK.
- The UK will be kept as the creative hub of Sky programming, and we intend to continue to invest in the creative community in the UK. In aggregate, 21st Century Fox and Sky invested around £700m last year in TV and film production in the UK alone and we intend to continue at least that level of investment.

- To this end, we fully expect to build on Sky's already outstanding original content pipeline, which has 1,000 hours of original programmes and 80 series in development.
- We intend to maintain Sky's standard of excellence in respect of its investment in business and community initiatives including the company's role in Sky's Bigger Picture programme.

Additionally, we are proud of the journalistic tradition of Sky News, which has been one of the innovators. We will continue to broadcast news under the Sky brand, maintaining its excellent record of compliance with the Ofcom Broadcasting Code.

We have tremendous respect for Sky's management team and employees, and note the important role Sky plays in its markets and communities.

We are of course aware that you have the power to intervene in certain transactions in the media sector on the basis of public interest considerations to decide whether a transaction will result in an insufficient level of plurality for news audiences in the UK. In our view, the proposed transaction does not raise public interest issues that require your intervention because it would not result in an insufficient level of media plurality in the UK. We will work closely with your Department and other relevant authorities to enable you to reach an informed decision in this respect. We plan to notify the European Commission for review under the EU Merger Regulation. Counsel has already been in contact with your officials and we will continue to co-operate throughout the process.

We are confident that the company will continue to thrive as a fully integrated part of 21st Century Fox. If you would like further information, please do let me know.

Yours sincerely,

[REDACTED]

Executive Vice President  
Global Public Affairs and Policy  
21st Century Fox

[REDACTED]

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