

TWENTY-FIRST CENTURY FOX, INC.

Form 10-Q

November 02, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2016

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to

Commission file number 001-32352

TWENTY-FIRST CENTURY FOX, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware  
(State or Other Jurisdiction  
of Incorporation or Organization)

26-0075658  
(I.R.S. Employer  
Identification No.)

1211 Avenue of the Americas, New York, New York  
(Address of Principal Executive Offices)

10036  
(Zip Code)

Registrant's telephone number, including area code (212) 852-7000

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  
Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes No

As of October 28, 2016, 1,056,810,730 shares of Class A Common Stock, par value \$0.01 per share, and 798,520,953 shares of Class B Common Stock, par value \$0.01 per share, were outstanding.

TWENTY-FIRST CENTURY FOX, INC.

FORM 10-Q

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## TWENTY-FIRST CENTURY FOX, INC.

## UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	For the three months ended	
	September 30,	
	2016	2015
Revenues	\$ 6,506	\$ 6,077
Operating expenses	(3,864 )	(3,673 )
Selling, general and administrative	(866 )	(889 )
Depreciation and amortization	(135 )	(128 )
Equity earnings of affiliates	35	35
Interest expense, net	(300 )	(295 )
Interest income	9	9
Other, net	(148 )	(83 )
Income from continuing operations before income tax expense	1,237	1,053
Income tax expense	(343 )	(313 )
Income from continuing operations	894	740
Loss from discontinued operations, net of tax	(6 )	(3 )
Net income	888	737
Less: Net income attributable to noncontrolling interests	(67 )	(62 )
Net income attributable to Twenty-First Century Fox, Inc. stockholders	\$ 821	\$ 675
Earnings per share data		
Income from continuing operations attributable to Twenty-First Century Fox, Inc. stockholders - basic and diluted	\$ 827	\$ 678
Weighted average shares:		
Basic	1,861	2,009
Diluted	1,863	2,012
Income from continuing operations attributable to Twenty-First Century Fox, Inc. stockholders per share - basic and diluted	\$ 0.44	\$ 0.34
Net income attributable to Twenty-First Century Fox, Inc. stockholders per share - basic and diluted	\$ 0.44	\$ 0.34

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements.

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TWENTY-FIRST CENTURY FOX, INC.

## UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(IN MILLIONS)

	For the three months ended	
	September 30, 2016	2015
Net income	\$ 888	\$ 737
Other comprehensive loss, net of tax:		
Foreign currency translation adjustments	2	(66 )
Cash flow hedges	8	4
Unrealized holding losses on securities	-	(4 )
Benefit plan adjustments	9	4
Equity method investments	(59 )	(87 )
Other comprehensive loss, net of tax	(40 )	(149 )
Comprehensive income	848	588
Less: Net income attributable to noncontrolling interests <sup>(a)</sup>	(67 )	(62 )
Less: Other comprehensive income attributable to noncontrolling interests	(1 )	-
Comprehensive income attributable to Twenty-First Century Fox, Inc. stockholders	\$ 780	\$ 526

<sup>(a)</sup>Net income attributable to noncontrolling interests includes \$27 million and \$28 million for the three months ended September 30, 2016 and 2015, respectively, relating to redeemable noncontrolling interests.

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements.

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## TWENTY-FIRST CENTURY FOX, INC.

## CONSOLIDATED BALANCE SHEETS

(IN MILLIONS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	As of September 30, 2016 (unaudited)	As of June 30, 2016 (audited)
<b>Assets:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 4,681	\$ 4,424
Receivables, net	6,099	6,258
Inventories, net	3,300	3,291
Other	841	976
<b>Total current assets</b>	<b>14,921</b>	<b>14,949</b>
<b>Non-current assets:</b>		
Receivables, net	465	389
Investments	3,912	3,863
Inventories, net	7,396	7,041
Property, plant and equipment, net	1,669	1,692
Intangible assets, net	6,715	6,777
Goodwill	12,739	12,733
Other non-current assets	809	749
<b>Total assets</b>	<b>\$ 48,626</b>	<b>\$ 48,193</b>
<b>Liabilities and Equity:</b>		
<b>Current liabilities:</b>		
Borrowings	\$ 454	\$ 427
Accounts payable, accrued expenses and other current liabilities	3,438	3,181
Participations, residuals and royalties payable	1,573	1,672
Program rights payable	1,345	1,283
Deferred revenue	612	505
<b>Total current liabilities</b>	<b>7,422</b>	<b>7,068</b>
<b>Non-current liabilities:</b>		
Borrowings	19,034	19,126
Other liabilities	3,780	3,678
Deferred income taxes	2,782	2,888

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Redeemable noncontrolling interests	553	552
Commitments and contingencies		
Equity:		
Class A common stock <sup>(a)</sup>	11	11
Class B common stock <sup>(b)</sup>	8	8
Additional paid-in capital	12,232	12,211
Retained earnings	3,741	3,575
Accumulated other comprehensive loss	(2,185 )	(2,144 )
Total Twenty-First Century Fox, Inc. stockholders' equity	13,807	13,661
Noncontrolling interests	1,248	1,220
Total equity	15,055	14,881
Total liabilities and equity	\$ 48,626	\$ 48,193

<sup>(a)</sup>Class A common stock, \$0.01 par value per share, 6,000,000,000 shares authorized, 1,057,115,617 shares and 1,071,302,532 shares issued and outstanding, net of 123,687,371 treasury shares at par as of September 30, 2016 and June 30, 2016, respectively.

<sup>(b)</sup>Class B common stock, \$0.01 par value per share, 3,000,000,000 shares authorized, 798,520,953 shares issued and outstanding, net of 356,993,807 treasury shares at par as of September 30, 2016 and June 30, 2016.

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements.

## TWENTY-FIRST CENTURY FOX, INC.

## UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN MILLIONS)

	For the three months ended	
	September 30, 2016	2015
Operating activities:		
Net income	\$ 888	\$ 737
Less: Loss from discontinued operations, net of tax	(6 )	(3 )
Income from continuing operations	894	740
Adjustments to reconcile income from continuing operations to cash provided by (used in) operating activities:		
Depreciation and amortization	135	128
Amortization of cable distribution investments	15	20
Equity-based compensation	42	86
Equity earnings of affiliates	(35 )	(35 )
Cash distributions received from affiliates	2	6
Other, net	148	83
CLT20 contract termination costs <sup>(a)</sup>	-	(420 )
Deferred income taxes and other taxes	(12 )	175
Change in operating assets and liabilities, net of acquisitions and dispositions:		
Receivables	86	(144 )
Inventories net of program rights payable	(343 )	(516 )
Accounts payable and accrued expenses	(51 )	(332 )
Other changes, net	99	(96 )
Net cash provided by (used in) operating activities from continuing operations	980	(305 )
Investing activities:		
Property, plant and equipment	(53 )	(34 )
Investments in equity affiliates	(6 )	(86 )
Other investments	(63 )	(163 )
Net cash used in investing activities from continuing operations	(122 )	(283 )
Financing activities:		
Borrowings	37	91
Repayment of borrowings	(105 )	(119 )
Repurchase of shares	(467 )	(1,889 )
Dividends paid and distributions	(54 )	(56 )
Other financing activities, net	(19 )	8

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Net cash used in financing activities from continuing operations	(608 )	(1,965 )
Net decrease in cash and cash equivalents from discontinued operations	(6 )	(7 )
Net increase (decrease) in cash and cash equivalents	244	(2,560 )
Cash and cash equivalents, beginning of year	4,424	8,428
Exchange movement on cash balances	13	(38 )
Cash and cash equivalents, end of period	\$ 4,681	\$ 5,830

<sup>(a)</sup> See Note 5 – Restructuring Programs under the heading “Fiscal 2016” in the 2016 Form 10-K as defined in Note 1 – Basis of Presentation.

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements.

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

Twenty-First Century Fox, Inc., a Delaware corporation, and its subsidiaries (together, “Twenty-First Century Fox” or the “Company”) is a diversified global media and entertainment company, which currently manages and reports its businesses in the following four segments: Cable Network Programming, Television, Filmed Entertainment and Other, Corporate and Eliminations.

The accompanying Unaudited Consolidated Financial Statements of the Company have been prepared in accordance with United States (“U.S.”) generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments consisting only of normal recurring adjustments necessary for a fair presentation have been reflected in these Unaudited Consolidated Financial Statements. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2017.

These interim Unaudited Consolidated Financial Statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2016 as filed with the Securities and Exchange Commission (“SEC”) on August 11, 2016 (the “2016 Form 10-K”).

The Unaudited Consolidated Financial Statements include the accounts of Twenty-First Century Fox. All significant intercompany accounts and transactions have been eliminated in consolidation, including the intercompany portion of transactions with equity method investees. Investments in and advances to entities or joint ventures in which the Company has significant influence, but less than a controlling voting interest, are accounted for using the equity method. Investments in which the Company has no significant influence are designated as available-for-sale investments if readily determinable market values are available. If an investment’s fair value is not readily determinable, the Company accounts for its investment at cost.

The preparation of the Company’s consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts that are reported in the consolidated financial statements and accompanying disclosures. Actual results may differ from those estimates.

Certain fiscal 2016 amounts have been reclassified to conform to the fiscal 2017 presentation. Unless indicated otherwise, the information in the notes to the Unaudited Consolidated Financial Statements relates to the Company’s continuing operations.

Recently Adopted and Recently Issued Accounting Guidance

Adopted

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-03, “Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”). To simplify the presentation of debt issuance costs, ASU 2015-03 requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. On July 1, 2016, the Company adopted ASU 2015-03 on a retrospective basis (See Note 6 – Borrowings).

Issued

In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments” (“ASU 2016-15”). ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for the Company for annual and interim reporting periods beginning July 1, 2018. The Company is currently evaluating the impact ASU 2016-15 will have on its consolidated financial statements.

## NOTE 2. ACQUISITIONS, DISPOSALS AND OTHER TRANSACTIONS

The Company’s acquisitions support the Company’s strategic priority of increasing its brand presence and reach in key domestic and international markets and acquiring greater control of investments that complement its portfolio of businesses.

For recent acquisitions, the accounting for the business combination, including consideration transferred, is based on provisional amounts and the allocation of the excess purchase price is not final. The amounts allocated to intangibles and goodwill, the estimates of useful lives and the related amortization expense are subject to changes pending the completion of the final valuations of certain assets and liabilities. A change in the purchase price allocations and any estimates of useful lives could result in a change in the value allocated to the intangible assets that could impact future amortization expense.

## TWENTY-FIRST CENTURY FOX, INC.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## Fiscal 2016

See Note 3 – Acquisitions, Disposals and Other Transactions in the 2016 Form 10-K under the heading “Fiscal 2016”. The accounting for the National Geographic Partners and MAA Television Network transactions in Fiscal 2016 continue to be based on provisional amounts and the allocation of the excess purchase price is not final.

## NOTE 3. INVENTORIES, NET

The Company’s inventories were comprised of the following:

	As of September 30, 2016 (in millions)	As of June 30, 2016
Programming rights and other <sup>(a)</sup>	\$6,601	\$6,359
Filmed entertainment costs:		
Films:		
Released or completed	1,562	1,569
In production	789	825
In development or preproduction	236	196
	-	
	2,587	2,590
Television productions:		
Released	931	1,067
In production, development or preproduction	577	316
	1,508	1,383
Total filmed entertainment costs, less accumulated amortization <sup>(b)</sup>	4,095	3,973
Total inventories, net	10,696	10,332
Less: current portion of inventories, net <sup>(c)</sup>	(3,300 )	(3,291 )
Total non-current inventories, net	\$7,396	\$7,041

<sup>(a)</sup>Other includes DVDs, Blu-rays and other merchandise.

- (b) Does not include \$265 million and \$273 million of net intangible film library costs as of September 30, 2016 and June 30, 2016, respectively, which were included in intangible assets subject to amortization in the Consolidated Balance Sheets.
- (c) Current portion of inventories, net as of September 30, 2016 and June 30, 2016 was comprised of programming rights (\$3,198 million and \$3,212 million, respectively), DVDs, Blu-rays and other merchandise.

NOTE 4. INVESTMENTS

The Company's investments were comprised of the following:

		Ownership		
		percentage		
		as of	As of	As of
		September	September	June
		30,	30,	30,
		2016	2016	2016
			(in millions)	
Sky <sup>(a)(b)</sup>	European direct broadcast satellite operator	39%	\$3,024	\$2,972
Endemol Shine Group <sup>(b)</sup>	Global multi-platform content provider	50%	414	445
Other investments		various	474	446
Total investments			\$3,912	\$3,863

(a) The Company's investment in Sky plc ("Sky") had a market value of \$7.8 billion as of September 30, 2016 determined using its quoted market price on the London Stock Exchange (a Level 1 measurement as defined in Note 5 – Fair Value).

(b) Equity method investment.



## TWENTY-FIRST CENTURY FOX, INC.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## Hulu

In August 2016, Hulu, LLC (“Hulu”) issued a 10% equity interest to a new investor thereby diluting the Company’s ownership to 30%. For a period of up to 36 months, under certain limited circumstances, including those arising from regulatory review, the new investor may put its shares to Hulu or Hulu may call the shares from the new investor. If Hulu is required to fund the repurchase of shares from the new investor, the Company has agreed to make an additional capital contribution of up to approximately \$300 million to Hulu. As a result of these conditions, the Company will record a gain on the dilution of its ownership interest upon resolution of the contingency. The Company will continue to account for its interest in Hulu as an equity method investment.

## NOTE 5. FAIR VALUE

In accordance with ASC 820, “Fair Value Measurement,” fair value measurements are required to be disclosed using a three-tiered fair value hierarchy which distinguishes market participant assumptions into the following categories: (i) inputs that are quoted prices in active markets (“Level 1”); (ii) inputs other than quoted prices included within Level 1 that are observable, including quoted prices for similar assets or liabilities (“Level 2”); and (iii) inputs that require the entity to use its own assumptions about market participant assumptions (“Level 3”).

The tables below present information about financial assets and liabilities carried at fair value on a recurring basis. As of September 30, 2016 and June 30, 2016, there were no assets or liabilities in the Level 1 category.

Description	Fair value measurements As of September 30, 2016		
	Total	Level 2	Level 3
	(in millions)		
<b>Assets</b>			
Derivatives <sup>(a)</sup>	\$ 3	\$ 3	\$ -
<b>Liabilities</b>			
Derivatives <sup>(a)</sup>	(35 )	(35 )	-
Contingent consideration <sup>(b)</sup>	(3 )	-	(3 )
Redeemable noncontrolling interests <sup>(c)</sup>	(553 )	-	(553 )
<b>Total</b>	<b>\$ (588 )</b>	<b>\$ (32 )</b>	<b>\$ (556 )</b>

Description	As of June 30, 2016 Total
-------------	------------------------------

		Level 2	Level 3
	(in millions)		
<b>Assets</b>			
Derivatives <sup>(a)</sup>	\$6	\$6	\$-
<b>Liabilities</b>			
Derivatives <sup>(a)</sup>	(50 )	(50 )	-
Contingent consideration <sup>(b)</sup>	(36 )	-	(36 )
Redeemable noncontrolling interests <sup>(c)</sup>	(552)	-	(552)
<b>Total</b>	<b>\$(632)</b>	<b>\$(44 )</b>	<b>\$(588)</b>

<sup>(a)</sup>Represents derivatives associated with the Company's foreign currency forward contracts and interest rate swap contracts.

<sup>(b)</sup>Represents contingent consideration related to past acquisitions.

<sup>(c)</sup>The Company accounts for redeemable noncontrolling interests in accordance with ASC 480-10-S99-3A, "Distinguishing Liabilities from Equity" ("ASC 480-10-S99-3A"), because their exercise is outside the control of the Company. The redeemable noncontrolling interests recorded at fair value are put arrangements held by the noncontrolling interests in certain of the Company's majority-owned sports networks. The Company utilizes the market, income or cost approaches or a combination of these valuation techniques for its Level 3 fair value measures, using observable inputs such as market data obtained from independent sources. To the extent observable inputs are not available, the Company utilizes unobservable inputs based upon the assumptions market participants would use in valuing the asset (liability). As of September 30, 2016, one minority shareholder's put right will become exercisable in March 2017 and one minority shareholder's put right will become exercisable in July 2017. The remaining redeemable noncontrolling interests are currently not exercisable.

## TWENTY-FIRST CENTURY FOX, INC.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## Financial Instruments

The carrying value of the Company's financial instruments, such as cash and cash equivalents, receivables, payables and cost method investments, approximates fair value.

	As of September 30, 2016 (in millions)	As of June 30, 2016 (in millions)
<b>Borrowings</b>		
Fair value	\$23,977	\$23,986
Carrying value	\$19,488	\$19,553

Fair value is generally determined by reference to market values resulting from trading on a national securities exchange or in an over-the-counter market (a Level 1 measurement).

## Foreign Currency Forward Contracts

The Company uses foreign currency forward contracts primarily to hedge certain exposures to foreign currency exchange rate risks associated with revenues and the cost of producing or acquiring films and television programming.

	As of September 30, 2016 (in millions)	As of June 30, 2016 (in millions)
<b>Cash flow hedges</b>		
Notional amount	\$280	\$409
Fair value	\$(19)	\$(25)

For foreign currency forward contracts designated as cash flow hedges, the Company expects to reclassify the cumulative changes in fair values, included in Accumulated other comprehensive loss, within the next three years.

	As of	As of
	September	June
	30,	30,
	2016	2016
	(in	(in
	millions)	millions)
<b>Economic hedges</b>		
Notional amount	\$ 84	\$ 44
Fair value	\$ -	\$ -

### Interest Rate Swap Contracts

The Company uses interest rate swap contracts to hedge certain exposures to interest rate risks associated with certain borrowings.

	As of	As of
	September	June
	30,	30,
	2016	2016
	(in millions)	(in millions)
<b>Cash flow hedges</b>		
Notional amount	\$ 695	\$ 701
Fair value	\$(13 )	\$(19 )

For interest rate swap contracts designated as cash flow hedges, the Company expects to reclassify the cumulative changes in fair values, included in Accumulated other comprehensive loss, within the next three years.

## TWENTY-FIRST CENTURY FOX, INC.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## Concentrations of Credit Risk

Cash and cash equivalents are maintained with several financial institutions. The Company has deposits held with banks that exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and, therefore, bear minimal credit risk.

The Company's receivables did not represent significant concentrations of credit risk as of September 30, 2016 or June 30, 2016 due to the wide variety of customers, markets and geographic areas to which the Company's products and services are sold.

The Company monitors its positions with, and the credit quality of, the financial institutions which are counterparties to its financial instruments. The Company is exposed to credit loss in the event of nonperformance by the counterparties to the agreements. As of September 30, 2016, the Company did not anticipate nonperformance by any of the counterparties.

## NOTE 6. BORROWINGS

Description	As of	
	September 30, 2016	As of June 30, 2016
	(in millions)	
Bank loans	\$1,378	\$1,446
Public debt		
- Predecessor indentures	10,579	10,579
- Senior notes issued under August 2009 indenture	7,700	7,700
Total public debt	18,279	18,279
Total principal amount	19,657	19,725
Less: unamortized discount and debt issuance costs <sup>(a)</sup>	(169 )	(172 )
Total borrowings	19,488	19,553
Less: current borrowings	(454 )	(427 )
Non-current borrowings	\$19,034	\$19,126

<sup>(a)</sup>The adoption of ASU 2015-03 resulted in a \$172 million decrease in Other non-current assets and Non-current Borrowings in the Consolidated Balance Sheet as of June 30, 2016.

Current Borrowings

Included in Borrowings within Current liabilities as of September 30, 2016 was \$400 million of 8.00% Senior Notes which were retired in October 2016 and principal payments on the Yankees Entertainment and Sports Network term loan facility of \$54 million that are due in the next 12 months.

## TWENTY-FIRST CENTURY FOX, INC.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 7. STOCKHOLDERS' EQUITY

The following table summarizes changes in stockholders' equity:

	For the three months ended September 30, 2016			2015		
	Twenty-First Century Fox stockholders' (in millions)	Noncontrolling interests	Total equity	Twenty-First Century Fox stockholders' (in millions)	Noncontrolling interests	Total equity
Balance, beginning of period	\$ 13,661	\$ 1,220	\$ 14,881	\$ 17,220	\$ 966	\$ 18,186
Net income	821	40	(a) 861	675	34	(a) 709
Other comprehensive (loss) income	(41 )	1	(40 )	(149 )	-	(149 )
Cancellation of shares, net	(390 )	-	(390 )	(1,826 )	-	(1,826 )
Dividends declared	(335 )	-	(335 )	(299 )	-	(299 )
Other	91	(13 )	(b) 78	(340 )	(26 )	(b) (366 )
Balance, end of period	\$ 13,807	\$ 1,248	\$ 15,055	\$ 15,281	\$ 974	\$ 16,255

(a) Net income attributable to noncontrolling interests excludes \$27 million and \$28 million for the three months ended September 30, 2016 and 2015, respectively, relating to redeemable noncontrolling interests which are reflected in temporary equity.

(b) Other activity attributable to noncontrolling interests excludes \$(26) million and \$(33) million for the three months ended September 30, 2016 and 2015, respectively, relating to redeemable noncontrolling interests.

## Comprehensive Income

Comprehensive income is reported in the Unaudited Consolidated Statements of Comprehensive Income and consists of Net income and Other comprehensive income (loss), including foreign currency translation adjustments, losses and gains on cash flow hedges, unrealized holding gains and losses on securities, benefit plan adjustments and the Company's share of other comprehensive income of equity method investees, which affect stockholders' equity, and under GAAP, are excluded from Net income.

## TWENTY-FIRST CENTURY FOX, INC.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes the activity within Other comprehensive income (loss):

	For the three months ended September 30,					
	2016			2015		
	Tax			Tax		
	(provision)			(provision)		
	Before tax	benefit	Net of tax	Before tax	benefit	Net of tax
	(in millions)					
<b>Foreign currency translation adjustments</b>						
Unrealized gains (losses)	\$2	\$ -	\$ 2	\$(67 )	\$ 1	\$ (66 )
Other comprehensive income (loss)	\$2	\$ -	\$ 2	\$(67 )	\$ 1	\$ (66 )
<b>Cash flow hedges</b>						
Unrealized gains	\$11	\$ (4 )	\$ 7	\$1	\$ -	\$ 1
Amount reclassified on hedging activity <sup>(a)</sup>	2	(1 )	1	3	-	3
Other comprehensive income	\$13	\$ (5 )	\$ 8	\$4	\$ -	\$ 4
<b>Losses on securities</b>						
Amount reclassified on sale of securities <sup>(b)</sup>	\$-	\$ -	\$ -	\$(7 )	\$ 3	\$ (4 )
Other comprehensive loss	\$-	\$ -	\$ -	\$(7 )	\$ 3	\$ (4 )
<b>Benefit plan adjustments</b>						
Unrealized losses	\$-	\$ -	\$ -	\$(2 )	\$ -	\$ (2 )
Reclassification adjustments realized in net income <sup>(c)</sup>	14	(5 )	9	9	(3 )	6
Other comprehensive income	\$14	\$ (5 )	\$ 9	\$7	\$ (3 )	\$ 4
<b>Equity method investments</b>						
Unrealized losses and reclassifications	\$(67)	\$ 8	\$ (59 )	\$(102)	\$ 15	\$ (87 )
Other comprehensive loss	\$(67)	\$ 8	\$ (59 )	\$(102)	\$ 15	\$ (87 )

<sup>(a)</sup> Reclassifications of amounts related to hedging activity are included in Revenues, Operating expenses, Selling, general and administrative expenses, Interest expense, net or Other, net, as appropriate, in the Unaudited Consolidated Statements of Operations for the three months ended September 30, 2016 and 2015 (See Note 5 – Fair Value for additional information regarding hedging activity).

<sup>(b)</sup> Reclassifications of amounts related to gains and losses on securities are included in Other, net in the Unaudited Consolidated Statements of Operations for the three months ended September 30, 2016 and 2015.

<sup>(c)</sup> Reclassifications of amounts related to benefit plan adjustments are included in Selling, general and administrative expenses in the Unaudited Consolidated Statements of Operations for the three months ended September 30, 2016 and 2015.

Earnings Per Share Data



The following table sets forth the Company's computation of Income from continuing operations attributable to Twenty-First Century Fox stockholders:

	For the three months ended	
	September 30, 2016	2015
	(in millions)	
Income from continuing operations	\$ 894	\$ 740
Less: Net income attributable to noncontrolling interests	(67 )	(62 )
Income from continuing operations attributable to Twenty-First Century Fox stockholders	\$ 827	\$ 678

#### Stock Repurchase Program

The Company's Board of Directors (the "Board") has authorized a stock repurchase program, under which the Company is authorized to acquire Class A Common Stock. In August 2016, the Board authorized the repurchase of an additional \$3 billion of Class A Common Stock, excluding commissions. The Company does not have a timeframe over which this buyback authorization is expected to be completed. The program may be modified, extended, suspended or discontinued at any time.

## TWENTY-FIRST CENTURY FOX, INC.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2016, the Company's remaining buyback authorization was approximately \$3.2 billion representing approximately \$240 million under the fiscal 2016 authorization and \$3 billion under the fiscal 2017 authorization.

## Dividends

The following table summarizes the dividends declared per share on both the Company's Class A Common Stock and the Class B Common Stock:

	For the three months ended	
	September 30,	
	2016	2015
Cash dividend per share	\$ 0.180	\$ 0.150

The Company declared a dividend of \$0.180 per share on both the Class A Common Stock and Class B Common Stock in the three months ended September 30, 2016, which was paid in October 2016 to stockholders of record on September 14, 2016.

## Elimination of Suspension of Voting Rights Affecting Non-U.S. Stockholders

The Company owns broadcast station licensees in connection with its ownership and operation of U.S. television stations. Under U.S. law, no broadcast station licensee may be owned by a corporation if more than 25% of its stock is owned or voted by non-U.S. persons, their representatives, or by any other corporation organized under the laws of a foreign country. In order to maintain compliance with U.S. law, the Company had suspended 10% of the voting rights of the Class B Common Stock held by non-U.S. stockholders. In August 2016, the Company eliminated the suspension of voting rights of shares of Class B Common Stock and remains in compliance with applicable U.S. law. On April 18, 2012, the Murdoch Family Trust and K. Rupert Murdoch (together the "Murdoch Family Interests") entered into an agreement with the Company, whereby the Murdoch Family Interests agreed to limit their voting rights during the voting rights suspension period. As a result of the elimination of the suspension, and unless a suspension of voting rights of the Class B Common Stock is reinstated, the voting rights of the Murdoch Family Interests will no longer be limited in accordance with the agreement. The Company will continue to monitor the Company's foreign ownership based on its assessment of the information reasonably available to it.

## NOTE 8. EQUITY-BASED COMPENSATION

The following table summarizes the Company's equity-based compensation activity:

For the three months ended

	September 30,	
	2016	2015
	(in millions)	
Equity-based compensation	\$ 42	\$ 90
Intrinsic value of all settled equity-based awards	\$ 69	\$ 190
Tax benefit on vested equity-based awards	\$ 25	\$ 69

As of September 30, 2016, the Company's total estimated compensation cost related to equity-based awards, not yet recognized, was approximately \$200 million, and is expected to be recognized over a weighted average period between one and two years. Compensation expense on all equity-based awards is generally recognized on a straight-line basis over the vesting period of the entire award.

#### Performance Stock Units

The Company's stock based awards are granted in Class A Common Stock. During the three months ended September 30, 2016, approximately 6.1 million performance stock units ("PSUs") were granted and approximately 2.6 million PSUs vested.

During the three months ended September 30, 2015, approximately 6.1 million PSUs were granted and approximately 5.9 million PSUs vested.

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. COMMITMENTS AND CONTINGENCIES

Commitments

The Company has commitments under certain firm contractual arrangements (“firm commitments”) to make future payments. These firm commitments secure the future rights to various assets and services to be used in the normal course of operations. The total firm commitments and future debt payments as of September 30, 2016 have not changed significantly from disclosures included in the 2016 Form 10-K.

Contingent Guarantees

The Company’s contingent guarantees as of September 30, 2016 have not changed significantly from disclosures included in the 2016 Form 10-K. In addition, the Company is party to a capital funding agreement related to Hulu (See Note 4 – Investments under the heading “Hulu”).

Contingencies

Shareholder Litigation

Southern District of New York

On July 19, 2011, a purported class action lawsuit captioned Wilder v. News Corp., et al. (“Wilder Litigation”), was filed on behalf of all purchasers of the Company’s common stock between March 3, 2011 and July 11, 2011, in the United States District Court for the Southern District of New York. The plaintiff brought claims under Section 10(b) and Section 20(a) of the Securities Exchange Act, alleging that false and misleading statements were issued regarding the alleged acts of voicemail interception at The News of the World. The suit names as defendants the Company, Rupert Murdoch, James Murdoch and Rebekah Brooks, and seeks compensatory damages, rescission for damages sustained, and costs. On June 5, 2012, the court issued an order appointing the Avon Pension Fund (“Avon”) as lead plaintiff and Robbins Geller Rudman & Dowd as lead counsel. Thereafter, on July 3, 2012, the court issued an order providing that an amended consolidated complaint shall be filed by July 31, 2012. Avon filed an amended consolidated complaint on July 31, 2012, which among other things, added as defendants NI Group Limited (now known as News Corp UK & Ireland Limited) and Les Hinton, and expanded the class period to include February 15, 2011 to July 18, 2011. The defendants filed motions to dismiss the litigation, which were granted by the court on March 31, 2014. On April 30, 2014, plaintiffs filed a second amended consolidated complaint, which generally repeats the allegations of the amended consolidated complaint and also expands the class period to July 8, 2009 to July 18, 2011. Defendants moved to dismiss the second amended consolidated complaint, and on September 30, 2015, the court granted defendants’ motions in their entirety and dismissed all of the plaintiffs’ claims. On October 21, 2015, plaintiffs filed a motion for reconsideration of the court’s memorandum, opinion and order, which defendants have opposed. On September 21, 2016, the court denied the motion for reconsideration and on October 21, 2016, plaintiffs’ time to appeal expired and the case was closed.

Other

Equity purchase arrangements that are exercisable by the counter-party to the agreement, and that are outside the sole control of the Company, are accounted for in accordance with ASC 480-10-S99-3A and are classified as Redeemable noncontrolling interests in the Consolidated Balance Sheets. Other than the arrangements classified as Redeemable noncontrolling interests, the Company is also a party to several other purchase and sale arrangements which become

exercisable at various points in time. However, these arrangements are currently either not exercisable in the next twelve months or are not material.

The Company establishes an accrued liability for legal claims when the Company determines that a loss is both probable and the amount of the loss can be reasonably estimated. Once established, accruals are adjusted from time to time, as appropriate, in light of additional information. The amount of any loss ultimately incurred in relation to matters for which an accrual has been established may be higher or lower than the amounts accrued for such matters. Any fees, expenses, fines, penalties, judgments or settlements which might be incurred by the Company in connection with the various proceedings could affect the Company's results of operations and financial condition.

The Company's operations are subject to tax in various domestic and international jurisdictions and as a matter of course, the Company is regularly audited by federal, state and foreign tax authorities. The Company believes it has appropriately accrued for the expected outcome of all pending tax matters and does not currently anticipate that the ultimate resolution of pending tax matters will have a material adverse effect on its consolidated financial condition, future results of operations or liquidity.

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. SEGMENT INFORMATION

The Company is a diversified global media and entertainment company, which manages and reports its businesses in the following four segments:

• **Cable Network Programming**, which principally consists of the production and licensing of programming distributed primarily through cable television systems, direct broadcast satellite operators, telecommunication companies and online video distributors in the U.S. and internationally.

• **Television**, which principally consists of the broadcasting of network programming in the U.S. and the operation of 28 full power broadcast television stations, including 11 duopolies, in the U.S. (of these stations, 17 are affiliated with the FOX Broadcasting Company (“FOX”), 9 are affiliated with Master Distribution Service, Inc. (“MyNetworkTV”), one is affiliated with both The CW Television Network and MyNetworkTV and one is an independent station).

• **Filmed Entertainment**, which principally consists of the production and acquisition of live-action and animated motion pictures for distribution and licensing in all formats in all entertainment media worldwide, and the production and licensing of television programming worldwide.

• **Other, Corporate and Eliminations**, which principally consists of corporate overhead and eliminations and other businesses.

The Company’s operating segments have been determined in accordance with the Company’s internal management structure, which is organized based on operating activities. The Company evaluates performance based upon several factors, of which the primary financial measure is Segment OIBDA. Due to the integrated nature of these operating segments, estimates and judgments are made in allocating certain assets, revenues and expenses.

Segment OIBDA is defined as Revenues less Operating expenses and Selling, general and administrative expenses. Segment OIBDA does not include: Amortization of cable distribution investments, Depreciation and amortization, Equity earnings of affiliates, Interest expense, net, Interest income, Other, net, Income tax expense, Loss from discontinued operations, net of tax and Net income attributable to noncontrolling interests. Management believes that Segment OIBDA is an appropriate measure for evaluating the operating performance of the Company’s business segments because it is the primary measure used by the Company’s chief operating decision maker to evaluate the performance of and allocate resources to the Company’s businesses.

Management believes that information about Total Segment OIBDA assists all users of the Company’s Unaudited Consolidated Financial Statements by allowing them to evaluate changes in the operating results of the Company’s portfolio of businesses separate from non-operational factors that affect net income, thus providing insight into both operations and the other factors that affect reported results. Total Segment OIBDA provides management, investors and equity analysts a measure to analyze the operating performance of the Company’s business and its enterprise value against historical data and competitors’ data, although historical results, including Segment OIBDA and Total Segment OIBDA, may not be indicative of future results (as operating performance is highly contingent on many factors, including customer tastes and preferences).

## TWENTY-FIRST CENTURY FOX, INC.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Total Segment OIBDA may be considered a non-GAAP measure and should be considered in addition to, not as a substitute for, net income, cash flow and other measures of financial performance reported in accordance with GAAP. In addition, this measure does not reflect cash available to fund requirements and excludes items, such as depreciation and amortization and impairment charges, which are significant components in assessing the Company's financial performance.

	For the three months ended	
	September 30, 2016	2015
	(in millions)	
<b>Revenues:</b>		
Cable Network Programming	\$ 3,810	\$ 3,464
Television	1,038	1,049
Filmed Entertainment	1,907	1,785
Other, Corporate and Eliminations	(249 )	(221 )
<b>Total revenues</b>	<b>\$ 6,506</b>	<b>\$ 6,077</b>
<b>Segment OIBDA:</b>		
Cable Network Programming	\$ 1,384	\$ 1,306
Television	191	196
Filmed Entertainment	311	149
Other, Corporate and Eliminations	(95 )	(116 )
<b>Total Segment OIBDA</b>	<b>\$ 1,791</b>	<b>\$ 1,535</b>
Amortization of cable distribution investments	(15 )	(20 )
Depreciation and amortization	(135 )	(128 )
Equity earnings of affiliates	35	35
Interest expense, net	(300 )	(295 )
Interest income	9	9
Other, net	(148 )	(83 )
<b>Income from continuing operations before income tax expense</b>	<b>1,237</b>	<b>1,053</b>
<b>Income tax expense</b>	<b>(343 )</b>	<b>(313 )</b>
<b>Income from continuing operations</b>	<b>894</b>	<b>740</b>
<b>Loss from discontinued operations, net of tax</b>	<b>(6 )</b>	<b>(3 )</b>
<b>Net income</b>	<b>888</b>	<b>737</b>
<b>Less: Net income attributable to noncontrolling interests</b>	<b>(67 )</b>	<b>(62 )</b>
<b>Net income attributable to Twenty-First Century Fox stockholders</b>	<b>\$ 821</b>	<b>\$ 675</b>

Intersegment revenues, generated by the Filmed Entertainment segment, of \$233 million and \$170 million for the three months ended September 30, 2016 and 2015, respectively, have been eliminated within the Other, Corporate and Eliminations segment.

	For the three months ended	
	September 30, 2016	2015
	(in millions)	
Depreciation and amortization:		
Cable Network Programming	\$ 82	\$ 74
Television	29	30
Filmed Entertainment	20	20
Other, Corporate and Eliminations	4	4
Total depreciation and amortization	\$ 135	\$ 128



## TWENTY-FIRST CENTURY FOX, INC.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Depreciation and amortization includes the amortization of definite lived intangible assets of \$66 million and \$59 million for the three months ended September 30, 2016 and 2015, respectively.

	As of September 30,	As of June 30,
	2016	2016
	(in millions)	
<b>Assets:</b>		
Cable Network Programming	\$24,995	\$24,974
Television	7,249	6,959
Filmed Entertainment	9,826	9,579
Other, Corporate and Eliminations	2,644	2,818
Investments	3,912	3,863
<b>Total assets</b>	<b>\$48,626</b>	<b>\$48,193</b>

## Revenues by Component

	For the three months ended	
	September 30,	September 30,
	2016	2015
	(in millions)	
<b>Revenues:</b>		
Affiliate fees	\$ 2,923	\$ 2,686
Advertising	1,591	1,599
Content	1,869	1,725
Other	123	67
<b>Total revenues</b>	<b>\$ 6,506</b>	<b>\$ 6,077</b>

## NOTE 11. ADDITIONAL FINANCIAL INFORMATION

Other, net

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For the three months ended September 30, 2016, the Company recorded a loss of \$148 million in Other, net, comprised of approximately \$110 million of costs in connection with management and employee transitions and restructuring at several of the Company's business units and approximately \$35 million of costs related to settlements of pending and potential litigations following the July 2016 resignation of the Chairman and CEO of Fox News Channel after a public complaint was filed containing allegations of sexual harassment.

For the three months ended September 30, 2015, the Company recorded a loss of \$83 million in Other, net primarily due to the revision of a contingency estimate related to a past acquisition.

Receivables, net

Receivables are presented net of an allowance for returns and doubtful accounts, which is an estimate of amounts that may not be collectible. Allowances for returns and doubtful accounts as of September 30, 2016 and June 30, 2016 were \$499 million and \$576 million, respectively.

Supplemental Cash Flows Information

	For the three months ended	
	September 30, 2016	2015
	(in millions)	
Supplemental cash flows information:		
Cash paid for income taxes	\$ (95 )	\$ (89 )
Cash paid for interest	\$ (292 )	\$ (292 )

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. SUPPLEMENTAL GUARANTOR INFORMATION

In May 2015, 21st Century Fox America, Inc. (“21CFA”) entered into a credit agreement (the “Credit Agreement”), among 21CFA as Borrower, the Company as Parent Guarantor and other parties. The Credit Agreement provides a \$1.4 billion unsecured revolving credit facility with a sub-limit of \$250 million (or its equivalent in Euros) available for the issuance of letters of credit and a maturity date of May 2020.

The Parent Guarantor presently guarantees the senior public indebtedness of 21CFA and the guarantee is full and unconditional. The supplemental condensed consolidating financial information of the Parent Guarantor should be read in conjunction with these Unaudited Consolidated Financial Statements.

In accordance with rules and regulations of the SEC, the Company uses the equity method to account for the results of all of the non-guarantor subsidiaries, representing substantially all of the Company’s consolidated results of operations, excluding certain intercompany eliminations.

The following condensed consolidating financial statements present the results of operations, financial position and cash flows of 21CFA, the Company and the subsidiaries of the Company and the eliminations and reclassifications necessary to arrive at the information for the Company on a consolidated basis.

## TWENTY-FIRST CENTURY FOX, INC.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## Supplemental Condensed Consolidating Statement of Operations

For the three months ended September 30, 2016

(in millions)

	21st Century Fox America, Inc.		Twenty-First Century Fox		Reclassification and Eliminations	Twenty-First Century Fox and Subsidiaries
Revenues	\$ -	\$ -	\$ 6,506	\$ -	\$ -	\$ 6,506
Expenses	(89 )	-	(4,776 )	-	(4,865 )	(4,865 )
Equity (losses) earnings of affiliates	(1 )	-	36	-	35	35
Interest expense, net	(412 )	(188 )	(19 )	319	(300 )	(300 )
Interest income	1	-	327	(319 )	9	9
Earnings from subsidiary entities	1,615	1,015	-	(2,630 )	-	-
Other, net	(74 )	-	(74 )	-	(148 )	(148 )
Income from continuing operations before income tax expense	1,040	827	2,000	(2,630 )	1,237	1,237
Income tax expense	(288 )	-	(554 )	499	(343 )	(343 )
Income from continuing operations	752	827	1,446	(2,131 )	894	894
Loss from discontinued operations, net of tax	-	(6 )	-	-	(6 )	(6 )
Net income	752	821	1,446	(2,131 )	888	888
Less: Net income attributable to noncontrolling interests	-	-	(67 )	-	(67 )	(67 )
Net income attributable to Twenty-First Century Fox stockholders	\$ 752	\$ 821	\$ 1,379	\$ (2,131 )	\$ 821	\$ 821
Comprehensive income attributable to Twenty-First Century Fox stockholders	\$ 668	\$ 780	\$ 1,360	\$ (2,028 )	\$ 780	\$ 780

See notes to supplemental guarantor information

## TWENTY-FIRST CENTURY FOX, INC.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## Supplemental Condensed Consolidating Statement of Operations

For the three months ended September 30, 2015

(in millions)

	21st Century Fox America, Inc.		Twenty-First Century Fox Non-Guaranteed		Reclassification and Eliminations	Twenty-First Century Fox and Subsidiaries
Revenues	\$ -	\$ -	\$ 6,077	\$ -	\$ -	\$ 6,077
Expenses	(106 )	-	(4,584 )	-	-	(4,690 )
Equity (losses) earnings of affiliates	(1 )	-	36	-	-	35
Interest expense, net	(398 )	(176 )	(20 )	299	-	(295 )
Interest income	-	2	306	(299 )	-	9
Earnings from subsidiary entities	1,452	852	-	(2,304 )	-	-
Other, net	13	-	(96 )	-	-	(83 )
Income from continuing operations before income tax expense	960	678	1,719	(2,304 )	-	1,053
Income tax expense	(285 )	-	(511 )	483	-	(313 )
Income from continuing operations	675	678	1,208	(1,821 )	-	740
Loss from discontinued operations, net of tax	-	(3 )	-	-	-	(3 )
Net income	675	675	1,208	(1,821 )	-	737
Less: Net income attributable to noncontrolling interests	-	-	(62 )	-	-	(62 )
Net income attributable to Twenty-First Century Fox stockholders	\$ 675	\$ 675	\$ 1,146	\$ (1,821 )	-	\$ 675
Comprehensive income attributable to Twenty-First Century Fox stockholders	\$ 485	\$ 526	\$ 887	\$ (1,372 )	-	\$ 526

See notes to supplemental guarantor information

## TWENTY-FIRST CENTURY FOX, INC.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## Supplemental Condensed Consolidating Balance Sheet

As of September 30, 2016

(in millions)

	21st Century Fox America, Inc.		Twenty-First Century Fox	Non-Guarantor Eliminations	Reclassifications and	Century Fox and Subsidiaries
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 510	\$ 2,240	\$ 1,931	\$ -		\$ 4,681
Receivables, net	23	-	6,077	(1	)	6,099
Inventories, net	-	-	3,300	-		3,300
Other	45	-	796	-		841
<b>Total current assets</b>	<b>578</b>	<b>2,240</b>	<b>12,104</b>	<b>(1</b>	<b>)</b>	<b>14,921</b>
Non-current assets:						
Receivables, net	15	-	450	-		465
Inventories, net	-	-	7,396	-		7,396
Property, plant and equipment, net	212	-	1,457	-		1,669
Intangible assets, net	-	-	6,715	-		6,715
Goodwill	-	-	12,739	-		12,739
Other non-current assets	239	-	570	-		809
Investments:						
Investments in associated companies and other investments	165	37	3,710	-		3,912
Intragroup investments	100,584	56,936	-	(157,520	)	-
<b>Total investments</b>	<b>100,749</b>	<b>56,973</b>	<b>3,710</b>	<b>(157,520</b>	<b>)</b>	<b>3,912</b>
<b>TOTAL ASSETS</b>	<b>\$ 101,793</b>	<b>\$ 59,213</b>	<b>\$ 45,141</b>	<b>\$ (157,521</b>	<b>)</b>	<b>\$ 48,626</b>
<b>LIABILITIES AND EQUITY</b>						
Current liabilities:						
Borrowings	\$ 400	\$ -	\$ 54	\$ -		\$ 454
Other current liabilities	482	426	6,061	(1	)	6,968



Total current liabilities	882	426	6,115	(1 )	7,422
Non-current liabilities:					
Borrowings	17,715	-	1,319	-	19,034
Other non-current liabilities	619	-	5,943	-	6,562
Intercompany	38,350	44,980	(83,330 )	-	-
Redeemable noncontrolling interests	-	-	553	-	553
Total equity	44,227	13,807	114,541	(157,520 )	15,055
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 101,793</b>	<b>\$ 59,213</b>	<b>\$ 45,141</b>	<b>\$ (157,521 )</b>	<b>\$ 48,626</b>

See notes to supplemental guarantor information

## TWENTY-FIRST CENTURY FOX, INC.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## Supplemental Condensed Consolidating Balance Sheet

As of June 30, 2016

(in millions)

	21st Century Fox America, Inc.		Twenty-First Century Fox	Non-Guarantor Eliminations	Reclassifications and	Century Fox and Subsidiaries
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 661	\$ 2,019	\$ 1,744	\$ -		\$ 4,424
Receivables, net	20	-	6,239	(1	)	6,258
Inventories, net	-	-	3,291	-		3,291
Other	13	-	963	-		976
Total current assets	694	2,019	12,237	(1	)	14,949
Non-current assets:						
Receivables, net	15	-	374	-		389
Inventories, net	-	-	7,041	-		7,041
Property, plant and equipment, net	213	-	1,479	-		1,692
Intangible assets, net	-	-	6,777	-		6,777
Goodwill	-	-	12,733	-		12,733
Other non-current assets	235	-	514	-		749
Investments:						
Investments in associated companies and other investments	137	37	3,689	-		3,863
Intragroup investments	98,965	55,895	-	(154,860	)	-
Total investments	99,102	55,932	3,689	(154,860	)	3,863
<b>TOTAL ASSETS</b>	<b>\$ 100,259</b>	<b>\$ 57,951</b>	<b>\$ 44,844</b>	<b>\$ (154,861</b>	<b>)</b>	<b>\$ 48,193</b>
<b>LIABILITIES AND EQUITY</b>						
Current liabilities:						
Borrowings	\$ 400	\$ -	\$ 27	\$ -		\$ 427
Other current liabilities	489	144	6,009	(1	)	6,641

Total current liabilities	889	144	6,036	(1 )	7,068
Non-current liabilities:					
Borrowings	17,712	-	1,414	-	19,126
Other non-current liabilities	605	-	5,961	-	6,566
Intercompany	37,838	44,146	(81,984 )	-	-
Redeemable noncontrolling interests	-	-	552	-	552
Total equity	43,215	13,661	112,865	(154,860 )	14,881
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 100,259</b>	<b>\$ 57,951</b>	<b>\$ 44,844</b>	<b>\$ (154,861 )</b>	<b>\$ 48,193</b>

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## Supplemental Condensed Consolidating Statement of Cash Flows

For the three months ended September 30, 2016

(in millions)

	21st Century Fox America, Inc.		Twenty-First Century Fox	Non-Guaranteed Eliminations	Reclassification and Eliminations	Century Fox and Subsidiaries
<b>Operating activities:</b>						
Net cash (used in) provided by operating activities from continuing operations	\$ (114 )	\$ 708	\$ 386	\$ -	\$ -	\$ 980
<b>Investing activities:</b>						
Property, plant and equipment	(3 )	-	(50 )	-	-	(53 )
Investments	(28 )	-	(41 )	-	-	(69 )
Net cash used in investing activities from continuing operations	(31 )	-	(91 )	-	-	(122 )
<b>Financing activities:</b>						
Borrowings	-	-	37	-	-	37
Repayment of borrowings	-	-	(105 )	-	-	(105 )
Repurchase of shares	-	(467 )	-	-	-	(467 )
Dividends paid and distributions	-	-	(54 )	-	-	(54 )
Other financing activities, net	-	(20 )	1	-	-	(19 )
Net cash used in financing activities from continuing operations	-	(487 )	(121 )	-	-	(608 )
<b>Discontinued operations:</b>						
Net decrease in cash and cash equivalents from discontinued operations	(6 )	-	-	-	-	(6 )
Net (decrease) increase in cash and cash equivalents	(151 )	221	174	-	-	244
Cash and cash equivalents, beginning of year	661	2,019	1,744	-	-	4,424
Exchange movement on cash balances	-	-	13	-	-	13

Cash and cash equivalents, end of period	\$ 510	\$ 2,240	\$ 1,931	\$ -	\$ 4,681
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See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## Supplemental Condensed Consolidating Statement of Cash Flows

For the three months ended September 30, 2015

(in millions)

	21st Century Fox America, Inc.		Twenty-First Century Fox	Non-Guaranto	Reclassification and Eliminations	Twenty-First Century Fox and Subsidiaries
<b>Operating activities:</b>						
Net cash provided by (used in) operating activities from continuing operations	\$ 162	\$ (202 )	\$ (265 )	\$ -	\$ (305 )	
<b>Investing activities:</b>						
Property, plant and equipment	(2 )	-	(32 )	-	(34 )	
Investments	(156 )	(2 )	(91 )	-	(249 )	
Net cash used in investing activities from continuing operations	(158 )	(2 )	(123 )	-	(283 )	
<b>Financing activities:</b>						
Borrowings	-	-	91	-	91	
Repayment of borrowings	-	-	(119 )	-	(119 )	
Repurchase of shares	-	(1,889 )	-	-	(1,889 )	
Dividends paid and distributions	-	-	(56 )	-	(56 )	
Other financing activities, net	-	11	(3 )	-	8	
Net cash used in financing activities from continuing operations	-	(1,878 )	(87 )	-	(1,965 )	
<b>Discontinued operations:</b>						
Net decrease in cash and cash equivalents from discontinued operations	(7 )	-	-	-	(7 )	
Net decrease in cash and cash equivalents	(3 )	(2,082 )	(475 )	-	(2,560 )	
Cash and cash equivalents, beginning of year	767	5,913	1,748	-	8,428	
Exchange movement on cash balances	-	-	(38 )	-	(38 )	

Cash and cash equivalents, end of period	\$ 764	\$ 3,831	\$ 1,235	\$ -	\$ 5,830
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See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Notes to Supplemental Guarantor Information

- (1) Investments in the Company's subsidiaries, for purposes of the supplemental consolidating presentation, are accounted for by their parent companies under the equity method of accounting whereby earnings of subsidiaries are reflected in the respective parent company's investment account and earnings.
- (2) The guarantees of 21CFA's senior public indebtedness constitute senior indebtedness of the Company, and rank pari passu with all present and future senior indebtedness of the Company. Because the factual basis underlying the obligations created pursuant to the various facilities and other obligations constituting senior indebtedness of the Company differ, it is not possible to predict how a court in bankruptcy would accord priorities among the obligations of the Company.



## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This document contains statements that constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the Securities Act of 1933, as amended. The words "expect," "estimate," "anticipate," "predict," "believe" and similar expressions and variations thereof are intended to identify forward-looking statements. These statements appear in a number of places in this document and include statements regarding the intent, belief or current expectations of Twenty-First Century Fox, Inc., its directors or its officers with respect to, among other things, trends affecting Twenty-First Century Fox, Inc.'s financial condition or results of operations. The readers of this document are cautioned that any forward-looking statements are not guarantees of future performance and involve risks and uncertainties. More information regarding these risks, uncertainties and other factors is set forth under the heading Part II "Other Information," Item 1A "Risk Factors" in this report. Twenty-First Century Fox, Inc. does not ordinarily make projections of its future operating results and undertakes no obligation (and expressly disclaims any obligation) to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Readers should carefully review this document and the other documents filed by Twenty-First Century Fox, Inc. with the Securities and Exchange Commission (the "SEC"). This section should be read together with the Unaudited Consolidated Financial Statements of Twenty-First Century Fox, Inc. and related notes set forth elsewhere herein and Twenty-First Century Fox, Inc.'s Annual Report on Form 10-K for the fiscal year ended June 30, 2016 as filed with the SEC on August 11, 2016 (the "2016 Form 10-K").

### INTRODUCTION

Management's discussion and analysis of financial condition and results of operations is intended to help provide an understanding of Twenty-First Century Fox, Inc. and its subsidiaries' (together, "Twenty-First Century Fox" or the "Company") financial condition, changes in financial condition and results of operations. This discussion is organized as follows:

**Results of Operations** - This section provides an analysis of the Company's results of operations for the three months ended September 30, 2016 and 2015. This analysis is presented on both a consolidated and a segment basis. In addition, a brief description is provided of significant transactions and events that impact the comparability of the results being analyzed.

**Liquidity and Capital Resources** - This section provides an analysis of the Company's cash flows for the three months ended September 30, 2016 and 2015, as well as a discussion of the Company's outstanding debt and commitments, both firm and contingent, that existed as of September 30, 2016. Included in the discussion of outstanding debt is a discussion of the amount of financial capacity available to fund the Company's future commitments and obligations, as well as a discussion of other financing arrangements.

## RESULTS OF OPERATIONS

Results of Operations—For the three months ended September 30, 2016 versus the three months ended September 30, 2015

The following table sets forth the Company's operating results for the three months ended September 30, 2016, as compared to the three months ended September 30, 2015.

	For the three months ended September 30, 2016    2015    % Change (in millions, except %)			
<b>Revenues:</b>				
Affiliate fees	\$2,923	\$2,686	9	%
Advertising	1,591	1,599	(1)	%
Content	1,869	1,725	8	%
Other	123	67	84	%
<b>Total revenues</b>	<b>6,506</b>	<b>6,077</b>	<b>7</b>	<b>%</b>
<b>Operating expenses</b>				
Selling, general and administrative	(866 )	(889 )	(3)	%
Depreciation and amortization	(135 )	(128 )	5	%
Equity earnings of affiliates	35	35	-	
Interest expense, net	(300 )	(295 )	2	%
Interest income	9	9	-	
Other, net	(148 )	(83 )	(78)	%
<b>Income from continuing operations before income tax expense</b>	<b>1,237</b>	<b>1,053</b>	<b>17</b>	<b>%</b>
<b>Income tax expense</b>	<b>(343 )</b>	<b>(313 )</b>	<b>10</b>	<b>%</b>
<b>Income from continuing operations</b>	<b>894</b>	<b>740</b>	<b>21</b>	<b>%</b>
<b>Loss from discontinued operations, net of tax</b>	<b>(6 )</b>	<b>(3 )</b>	<b>100</b>	<b>%</b>
<b>Net income</b>	<b>888</b>	<b>737</b>	<b>20</b>	<b>%</b>
<b>Less: Net income attributable to noncontrolling interests</b>	<b>(67 )</b>	<b>(62 )</b>	<b>8</b>	<b>%</b>
<b>Net income attributable to Twenty-First Century Fox stockholders</b>	<b>\$821</b>	<b>\$675</b>	<b>22</b>	<b>%</b>

Overview – The Company's revenues increased 7% for the three months ended September 30, 2016, as compared to the corresponding period of fiscal 2016, primarily due to higher affiliate fee and content revenues. The increase in affiliate fee revenue was primarily attributable to higher average rates per subscriber across most channels, and the increase in content revenue was led by higher subscription video-on-demand ("SVOD") revenue from television productions. The strengthening of the U.S. dollar against local currencies resulted in a revenue decrease of approximately \$80 million for the three months ended September 30, 2016, as compared to the corresponding period of fiscal 2016.

Operating expenses increased 5% for the three months ended September 30, 2016, as compared to the corresponding period of fiscal 2016, primarily due to higher operating expenses at the Cable Network Programming segment as a result of the acquisition of the publishing, travel and certain other businesses (the "NGS Media Business") in November

2015 from the National Geographic Society (See Note 3 – Acquisitions, Disposals and Other Transactions in the 2016 Form 10-K under the heading “National Geographic Partners”) and higher sports programming rights amortization.

Selling, general and administrative expenses decreased 3% for the three months ended September 30, 2016, as compared to the corresponding period of fiscal 2016, primarily due to lower compensation expense.

Equity earnings of affiliates – Equity earnings of affiliates remained constant for the three months ended September 30, 2016, as compared to the corresponding period of fiscal 2016, as improved results at Endemol Shine Group and Tata Sky Limited were offset by lower equity earnings for Sky plc (“Sky”) and higher losses at Hulu, LLC (“Hulu”). The decrease in equity earnings from Sky was a result of the strengthening of the U.S. dollar against the Pound Sterling.

	For the three months ended September 30,		
	2016	2015	% Change
	(in millions, except %)		
Sky	\$ 97	\$ 110	(12 ) %
Other equity affiliates	(62 )	(75 )	17 %
Equity earnings of affiliates	\$ 35	\$ 35	-

Other, net – See Note 11 – Additional Financial Information to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century Fox under the heading “Other, net”.

Income tax expense – The Company’s effective income tax rate for the three months ended September 30, 2016 was 28%, which was lower than the statutory rate of 35% primarily due to a 4% benefit related to the Company’s foreign operations and a 3% benefit from domestic production activities and other items.

The Company’s effective income tax rate for the three months ended September 30, 2015 was 30%, which was lower than the statutory rate of 35% primarily due to a 2% benefit from foreign tax credits related to the Company’s foreign operations and permanent items.

Net income – Net income increased for the three months ended September 30, 2016, as compared to the corresponding period of fiscal 2016, primarily due to higher operating results partially offset by an increase in restructuring costs related to management and employee transitions at several of the Company’s business units (See Note 11 – Additional Financial Information to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century Fox under the heading “Other, net”).

## Segment Analysis

The Company’s operating segments have been determined in accordance with the Company’s internal management structure, which is organized based on operating activities. The Company evaluates performance based upon several factors, of which the primary financial measure is Segment OIBDA. Due to the integrated nature of these operating segments, estimates and judgments are made in allocating certain assets, revenues and expenses.

Segment OIBDA is defined as Revenues less Operating expenses and Selling, general and administrative expenses. Segment OIBDA does not include: Amortization of cable distribution investments, Depreciation and amortization, Equity earnings of affiliates, Interest expense, net, Interest income, Other, net, Income tax expense, Loss from discontinued operations, net of tax and Net income attributable to noncontrolling interests. Management believes that Segment OIBDA is an appropriate measure for evaluating the operating performance of the Company’s business segments because it is the primary measure used by the Company’s chief operating decision maker to evaluate the

performance of and allocate resources to the Company's businesses.

Management believes that information about Total Segment OIBDA assists all users of the Company's Unaudited Consolidated Financial Statements by allowing them to evaluate changes in the operating results of the Company's portfolio of businesses separate from non-operational factors that affect net income, thus providing insight into both operations and the other factors that affect reported results. Total Segment OIBDA provides management, investors and equity analysts a measure to analyze the operating performance of the Company's business and its enterprise value against historical data and competitors' data, although historical results, including Segment OIBDA and Total Segment OIBDA, may not be indicative of future results (as operating performance is highly contingent on many factors, including customer tastes and preferences).

Total Segment OIBDA may be considered a non-GAAP measure and should be considered in addition to, not as a substitute for, net income, cash flow and other measures of financial performance reported in accordance with U.S. generally accepted accounting principles ("GAAP"). In addition, this measure does not reflect cash available to fund requirements and excludes items, such as depreciation and amortization and impairment charges, which are significant components in assessing the Company's financial performance.

The following table reconciles Total Segment OIBDA to Income from continuing operations before income tax expense for the three months ended September 30, 2016, as compared to the three months ended September 30, 2015.

	For the three months ended September 30,		
	2016	2015	% Change
	(in millions, except %)		
Revenues	\$6,506	\$6,077	7 %
Operating expenses	(3,864)	(3,673)	5 %
Selling, general and administrative	(866 )	(889 )	(3 ) %
Amortization of cable distribution investments	15	20	(25 ) %
Total Segment OIBDA	1,791	1,535	17 %
Amortization of cable distribution investments	(15 )	(20 )	(25 ) %
Depreciation and amortization	(135 )	(128 )	5 %
Equity earnings of affiliates	35	35	-
Interest expense, net	(300 )	(295 )	2 %
Interest income	9	9	-
Other, net	(148 )	(83 )	(78 ) %

Income from continuing operations before income tax expense \$1,237 \$1,053 17 %

The following tables set forth the Company's Revenues and Segment OIBDA for the three months ended September 30, 2016, as compared to the three months ended September 30, 2015.

	For the three months ended September 30,		
	2016	2015	% Change
	(in millions, except %)		
Revenues:			
Cable Network Programming	\$3,810	\$3,464	10 %
Television	1,038	1,049	(1 ) %
Filmed Entertainment	1,907	1,785	7 %
Other, Corporate and Eliminations	(249 )	(221 )	(13) %
Total revenues	\$6,506	\$6,077	7 %

	For the three months ended September 30,		
	2016	2015	% Change
	(in millions, except %)		

Segment OIBDA:				
Cable Network Programming	\$1,384	\$1,306	6	%
Television	191	196	(3)	%
Filmed Entertainment	311	149	**	
Other, Corporate and Eliminations	(95 )	(116 )	18	%
 Total Segment OIBDA	 \$1,791	 \$1,535	 17	 %

\*\*not meaningful

Cable Network Programming (59% and 57% of the Company's consolidated revenues in the first three months of fiscal 2017 and 2016, respectively)

For the three months ended September 30, 2016, revenues at the Cable Network Programming segment increased \$346 million, or 10%, as compared to the corresponding period of fiscal 2016, primarily due to higher affiliate fee, advertising and content and other revenues as shown below:

For the three months ended  
September 30, 2016

% Increase

	Domestic		International		Total Segment	
		%		%		%
Affiliate fees	8	%	8	%	8	%
Advertising	6	%	6	%	6	%
Content and other	63	%	29	%	52	%
Total revenue	10	%	9	%	10	%

These revenue increases are net of a decrease of approximately \$65 million due to the strengthening of the U.S. dollar against local currencies, primarily in Latin America, for the three months ended September 30, 2016, as compared to the corresponding period of fiscal 2016.

For the three months ended September 30, 2016, Segment OIBDA at the Cable Network Programming segment increased \$78 million, or 6%, as compared to the corresponding period of fiscal 2016, primarily due to the revenue increases noted above partially offset by increased expenses of \$268 million, or 12%. The strengthening of the U.S. dollar against local currencies resulted in a Segment OIBDA decrease of approximately \$30 million for the three months ended September 30, 2016, as compared to the corresponding period of fiscal 2016. For the three months ended September 30, 2016, revenues and expenses related to the NGS Media Business were approximately \$85 million.

#### Domestic Channels

For the three months ended September 30, 2016, domestic affiliate fee revenue increased primarily due to higher average rates per subscriber led by the Regional Sports Networks (“RSNs”), FX Networks and Fox News Channel (“Fox News”) partially offset by lower average subscribers. Also contributing to the increase was Fox Sports 1 (“FS1”) due to higher average rates per subscriber and higher average subscribers. For the three months ended September 30, 2016, domestic advertising revenue increased primarily due to higher pricing and ratings at Fox News. The increase in domestic content and other revenues for the three months ended September 30, 2016, as compared to the corresponding period of fiscal 2016, was primarily due to the effect of the acquisition of the NGS Media Business.

Domestic channels OIBDA increased 9%, as compared to the corresponding period of fiscal 2016, primarily due to the revenue increases noted above partially offset by higher expenses. Operating expenses increased by approximately \$130 million, for the three months ended September 30, 2016, as compared to the corresponding period of fiscal 2016, primarily due to the acquisition of the NGS Media Business and higher programming costs, including increased Major League Baseball (“MLB”) rights amortization at the RSNs and higher entertainment programming amortization at FX Networks.

#### International Channels

For the three months ended September 30, 2016, international affiliate fee revenue increased as a result of 16% local currency growth, led by additional subscribers, higher rates and new channels in Latin America and Europe at Fox Networks Group International (“FNGI”) and increases at STAR India (“STAR”), partially offset by the adverse impact of the strengthening of the U.S. dollar against local currencies. For the three months ended September 30, 2016, international advertising revenue increased as a result of 11% local currency growth, led by the broadcast of the Rio Olympics in fiscal 2017 at FNGI and STAR and higher volume and pricing at STAR’s general entertainment and sports channels, partially offset by the adverse impact of the strengthening of the U.S. dollar against local currencies. The increase in international content and other revenues for the three months ended September 30, 2016, as compared to the corresponding period of fiscal 2016, was primarily due to higher network and syndication sales in Latin America and Europe at FNGI.

International channels OIBDA decreased 7%, as compared to the corresponding period of fiscal 2016, primarily due to the local currency revenue increases noted above being more than offset by higher expenses and the adverse impact of the strengthening of the U.S. dollar against local currencies. Operating expenses increased by approximately \$110 million, for the three months ended September 30, 2016, as compared to the corresponding period of fiscal 2016, primarily due to the broadcast of the Rio Olympics in fiscal 2017 and increased sports programming rights



amortization, including soccer rights at FNGI and cricket rights at STAR.

Television (16% and 17% of the Company's consolidated revenues in the first three months of fiscal 2017 and 2016, respectively)

For the three months ended September 30, 2016, revenues at the Television segment remained relatively constant, as compared to the corresponding period of fiscal 2016, primarily due to higher affiliate fee and content revenues offset by lower advertising revenue. Affiliate fee revenue increased 18% for the three months ended September 30, 2016, as compared to the corresponding period of fiscal 2016, as a result of higher retransmission consent rates, and content and other revenues increased 55% for the three months ended September 30, 2016, as compared to the corresponding period of fiscal 2016, primarily as a result of higher SVOD revenue at FOX. Advertising revenue decreased 11% for the three months ended September 30, 2016, as compared to the corresponding period of fiscal 2016, primarily due to lower local advertising resulting from the broadcast of the Rio Olympics on a competitor network, the absence of the Emmy Awards and the Fédération Internationale de Football Association ("FIFA") Women's World Cup events and lower general entertainment ratings at FOX. Partially offsetting these decreases was higher political advertising revenue primarily related to the 2016 presidential election.

For the three months ended September 30, 2016, Segment OIBDA and expenses at the Television segment remained relatively constant, as compared to the corresponding period of fiscal 2016. Operating expenses remained relatively constant primarily due to the absence of the broadcast of the Emmy Awards and lower advertising and promotion costs for new and returning series offset by higher sports programming rights amortization at FOX, including the National Football League (“NFL”) and MLB rights.

Filmed Entertainment (29% of the Company’s consolidated revenues in the first three months of fiscal 2017 and 2016)

For the three months ended September 30, 2016, revenues at the Filmed Entertainment segment increased \$122 million, or 7%, as compared to the corresponding period of fiscal 2016, primarily due to higher SVOD revenue from television productions, led by the licensing of Homeland to Hulu, and higher worldwide theatrical revenue partially offset by lower home entertainment revenue from motion picture productions. For the three months ended September 30, 2016, revenues included the worldwide theatrical performance of Ice Age: Collision Course and Independence Day: Resurgence, as compared to the corresponding period of fiscal 2016, which included the worldwide theatrical releases of Maze Runner: The Scorch Trials and Fantastic Four and the home entertainment release of Home.

For the three months ended September 30, 2016, Segment OIBDA at the Filmed Entertainment segment increased \$162 million due to the revenue increases noted above and lower expenses of \$40 million, or 2%, as compared to the corresponding period of fiscal 2016. Operating expenses decreased by approximately \$20 million for the three months ended September 30, 2016, as compared to the corresponding period of fiscal 2016, primarily due to lower marketing costs due to the mix of theatrical and home entertainment releases in the current quarter compared to the prior year partially offset by higher production amortization and participation costs related to television productions.

## LIQUIDITY AND CAPITAL RESOURCES

### Current Financial Condition

The Company’s principal source of liquidity is internally generated funds. The Company also has an unused \$1.4 billion revolving credit facility, which expires in May 2020, and has access to various film co-financing alternatives to supplement its cash flows. In addition, the Company has access to the worldwide capital markets, subject to market conditions. As of September 30, 2016, the Company was in compliance with all of the covenants under the revolving credit facility, and it does not anticipate any violation of such covenants. The Company’s internally generated funds are highly dependent upon the state of the advertising markets and public acceptance of its film and television productions.

The principal uses of cash that affect the Company’s liquidity position include the following: investments in the production and distribution of new motion pictures and television programs; the acquisition of rights and related payments for entertainment and sports programming; operational expenditures including employee costs; capital expenditures; interest expenses; income tax payments; investments in associated entities; dividends; acquisitions; debt repayments; and stock repurchases.

In addition to the acquisitions, sales and possible acquisitions disclosed elsewhere, the Company has evaluated, and expects to continue to evaluate, possible acquisitions and dispositions of certain businesses. Such transactions may be material and may involve cash, the Company's securities or the assumption of additional indebtedness.

Sources and Uses of Cash

Net cash provided by (used in) operating activities for the three months ended September 30, 2016 and 2015 was as follows (in millions):

For the three months ended September 30,	2016	2015
Net cash provided by (used in) operating activities from continuing operations	\$980	\$(305)

The change in net cash provided by (used in) operating activities during the three months ended September 30, 2016, as compared to the corresponding period of fiscal 2016, primarily reflects the absence of the CLT20 contract termination costs (See Note 5 – Restructuring Programs in the 2016 Form 10-K under the heading “Fiscal 2016”), higher worldwide theatrical receipts at the Filmed Entertainment segment and lower sports rights payments at the Cable Network Programming segment.

Net cash used in investing activities for the three months ended September 30, 2016 and 2015 was as follows (in millions):

For the three months ended September 30,	2016	2015
Net cash used in investing activities from continuing operations	\$ (122)	\$ (283)

The decrease in net cash used in investing activities during the three months ended September 30, 2016, as compared to the corresponding period of fiscal 2016, was primarily due to lower cash used for investments.

Net cash used in financing activities for the three months ended September 30, 2016 and 2015 was as follows (in millions):

For the three months ended September 30,	2016	2015
Net cash used in financing activities from continuing operations	\$ (608)	\$ (1,965)

The decrease in net cash used in financing activities during the three months ended September 30, 2016, as compared to the corresponding period of fiscal 2016, was primarily due to less cash used for share repurchases.

#### Stock Repurchase Program

See Note 7 – Stockholders’ Equity to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century Fox under the heading “Stock Repurchase Program”.

#### Debt Instruments

The following table summarizes cash from borrowings and cash used in repayment of borrowings for the three months ended September 30, 2016 and 2015.

	For the three months ended	
	September 30,	
	2016	2015
	(in millions)	
<b>Borrowings:</b>		
Bank loans <sup>(a)</sup>	\$ 37	\$ 91
<b>Total borrowings</b>	<b>\$ 37</b>	<b>\$ 91</b>
<b>Repayment of borrowings:</b>		
Bank loans <sup>(a)</sup>	\$ (105 )	\$ (119 )

-

Total repayment of borrowings \$ (105 ) \$ (119 )

<sup>(a)</sup>The fiscal 2017 borrowings and repayments were related to the Yankees Entertainment and Sports Network (the “YES Network”) secured revolving credit facility. The fiscal 2016 activity includes \$91 million in borrowings and \$108 million in repayments under the YES Network secured revolving credit facility.

Senior Notes Retired

See Note 6 – Borrowings to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century Fox under the heading “Current Borrowings”.

Ratings of the public debt

The table below summarizes the Company’s credit ratings as of September 30, 2016.

Rating Agency	Senior Debt	Outlook
Moody's	Baa1	Stable
Standard & Poor's	BBB+	Stable

Revolving Credit Agreement

See Note 11 – Borrowings in the 2016 Form 10-K under the heading “Revolving Credit Agreement”.

Commitments, Contingent Guarantees and Contingencies

See Note 9 – Commitments and Contingencies to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century Fox under the headings “Commitments”, “Contingent Guarantees” and “Contingencies”.

Recent Accounting Pronouncements

See Note 1 – Basis of Presentation to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century Fox under the heading “Recently Adopted and Recently Issued Accounting Guidance”.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has exposure to several types of market risk: changes in foreign currency exchange rates, interest rates and stock prices. The Company neither holds nor issues financial instruments for trading purposes.

The following sections provide quantitative and qualitative information on the Company's exposure to foreign currency exchange rate risk, interest rate risk and stock price risk. The Company makes use of sensitivity analyses that are inherently limited in estimating actual losses in fair value that can occur from changes in market conditions.

## Foreign Currency Exchange Rates

The U.S. dollar is the functional currency of the Company's U.S. operations and continues to be the principal currency in which the Company conducts its operations. For operations outside the U.S., the respective local currency is generally the functional currency. In most regions where the Company operates, the net earnings of wholly owned subsidiaries are reinvested locally and working capital requirements are met from existing liquid funds. To the extent such funds are not sufficient to meet working capital requirements, draw downs in the appropriate local currency are available from intercompany borrowings. The Company uses foreign currency forward contracts, primarily denominated in Brazilian Reals, Euros and Pounds Sterling, to hedge certain exposures to foreign currency exchange rate risks associated with revenues, the cost of producing or acquiring films and television programming as well as its investment in certain equity method investments. Information on the derivative financial instruments with exposure to foreign currency exchange rate risk is presented below:

	As of	As of
	September	June
	30,	30,
	2016	2016
	(in millions)	
<b>Notional Amount (Foreign currency purchases and sales)</b>		
Foreign currency purchases	\$171	\$152
Foreign currency sales	193	301
<b>Aggregate notional amount</b>	<b>\$364</b>	<b>\$453</b>
<b>Notional Amount (Hedge type)</b>		
Cash flow hedges	\$280	\$409
Economic hedges	84	44
<b>Aggregate notional amount</b>	<b>\$364</b>	<b>\$453</b>
<b>Fair Value</b>		
Total fair value of financial instruments with foreign currency exchange rate risk: liability	\$(19)	\$(25)
<b>Sensitivity Analysis</b>		
Potential change in fair values resulting from a 10% adverse change in quoted foreign currency exchange rates: loss	\$(2)	\$(15)

Interest Rates

The Company's current financing arrangements and facilities include approximately \$18.3 billion of outstanding fixed-rate debt and, at the Yankees Entertainment and Sports Network, approximately \$1.4 billion of outstanding variable-rate bank debt, before adjustments for unamortized discount and debt issuance costs. As of September 30, 2016, the notional amount of interest rate swap contracts outstanding was \$695 million and the fair value of the interest rate swap contracts outstanding was a liability of \$13 million.



Fixed and variable-rate debts are impacted differently by changes in interest rates. A change in the interest rate or yield of fixed-rate debt will only impact the fair market value of such debt, while a change in the interest rate of variable-rate debt will impact interest expense, as well as the amount of cash required to service such debt. As of September 30, 2016, all of the Company's financial instruments with exposure to interest rate risk were denominated in U.S. dollars. Information on financial instruments with exposure to interest rate risk is presented below:

	As of September 30, 2016 (in millions)	As of June 30, 2016 (in millions)
<b>Fair Value</b>		
Total fair value of financial instruments with exposure to interest rate risk: liability	\$(23,990)	\$(24,005)
<b>Sensitivity Analysis</b>		
Potential change in fair values resulting from a 10% adverse change in quoted interest rates: loss	\$(793 )	\$(805 )
Stock Prices		

The Company has common stock investments in publicly traded companies that are subject to market price volatility. These investments principally represent the Company's equity method affiliates. Information on the Company's investments with exposure to stock price risk is presented below:

	As of September 30, 2016 (in millions)	As of June 30, 2016 (in millions)
<b>Fair Value</b>		
Total fair value of common stock investments	\$7,804	\$7,596
<b>Sensitivity Analysis</b>		
Potential change in fair values resulting from a 10% adverse change in quoted market prices: loss <sup>(a)</sup>	\$(780 )	\$(760 )

<sup>(a)</sup> A hypothetical decrease would not result in a material before tax adjustment recognized in the Unaudited Consolidated Statements of Operations, as any changes in fair value of the Company's equity method affiliates are not recognized unless the fair value declines below the investment's carrying value and the decline is deemed other-than-temporary.

Concentrations of Credit Risk

See Note 5 – Fair Value to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century Fox under the heading “Concentrations of Credit Risk”.

#### ITEM 4. CONTROLS AND PROCEDURES

##### (a) Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this quarterly report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective in recording, processing, summarizing and reporting on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and were effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

##### (b) Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's first quarter of fiscal 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II

### ITEM 1. LEGAL PROCEEDINGS

#### Shareholder Litigation

##### Southern District of New York

On July 19, 2011, a purported class action lawsuit captioned *Wilder v. News Corp., et al.* (“Wilder Litigation”), was filed on behalf of all purchasers of the Company’s common stock between March 3, 2011 and July 11, 2011, in the United States District Court for the Southern District of New York. The plaintiff brought claims under Section 10(b) and Section 20(a) of the Securities Exchange Act, alleging that false and misleading statements were issued regarding the alleged acts of voicemail interception at The News of the World. The suit names as defendants the Company, Rupert Murdoch, James Murdoch and Rebekah Brooks, and seeks compensatory damages, rescission for damages sustained, and costs. On June 5, 2012, the court issued an order appointing the Avon Pension Fund (“Avon”) as lead plaintiff and Robbins Geller Rudman & Dowd as lead counsel. Thereafter, on July 3, 2012, the court issued an order providing that an amended consolidated complaint shall be filed by July 31, 2012. Avon filed an amended consolidated complaint on July 31, 2012, which among other things, added as defendants NI Group Limited (now known as News Corp UK & Ireland Limited) and Les Hinton, and expanded the class period to include February 15, 2011 to July 18, 2011. The defendants filed motions to dismiss the litigation, which were granted by the court on March 31, 2014. On April 30, 2014, plaintiffs filed a second amended consolidated complaint, which generally repeats the allegations of the amended consolidated complaint and also expands the class period to July 8, 2009 to July 18, 2011. Defendants moved to dismiss the second amended consolidated complaint, and on September 30, 2015, the court granted defendants’ motions in their entirety and dismissed all of the plaintiffs’ claims. On October 21, 2015, plaintiffs filed a motion for reconsideration of the court’s memorandum, opinion and order, which defendants have opposed. On September 21, 2016, the court denied the motion for reconsideration and on October 21, 2016, plaintiffs’ time to appeal expired and the case was closed.

##### Other

The Company’s operations are subject to tax in various domestic and international jurisdictions and as a matter of course, the Company is regularly audited by federal, state and foreign tax authorities. The Company believes it has appropriately accrued for the expected outcome of all pending tax matters and does not currently anticipate that the ultimate resolution of pending tax matters will have a material adverse effect on its consolidated financial condition, future results of operations or liquidity.

## ITEM 1A. RISK FACTORS

Prospective investors should consider carefully the risk factors set forth below before making an investment in the Company's securities.

**The Company Must Respond to Changes in Consumer Behavior as a Result of New Technologies in Order to Remain Competitive.**

Technology, particularly digital technology used in the entertainment industry, continues to evolve rapidly, leading to alternative methods for the delivery and storage of digital content. These technological advancements have driven changes in consumer behavior and have empowered consumers to seek more control over when, where and how they consume digital content. Content owners are increasingly delivering their content directly to consumers over the Internet and innovations in distribution platforms have enabled consumers to view such Internet-delivered content on televisions and portable devices. The growth of direct to consumer video offerings, including video-on-demand offerings, as well as offerings by cable providers of smaller packages of programming to customers at price points lower than traditional cable distribution offerings could adversely affect demand for our cable channels. There is a risk that the Company's responses to these changes and strategies to remain competitive, or failure to effectively anticipate or adapt to new market changes, could adversely affect our business. In addition, enhanced Internet capabilities and other new media may reduce television viewership, the demand for DVDs and Blu-rays and the desire to see motion pictures in theaters, which could negatively affect the Company's revenues. The Company's failure to protect and exploit the value of its content, while responding to and developing new technology and business models to take advantage of advancements in technology and the latest consumer preferences, could have a significant adverse effect on the Company's businesses, asset values and results of operations.

**Acceptance of the Company's Films and Television Programming by the Public is Difficult to Predict, Which Could Lead to Fluctuations in Revenues.**

Feature film and television production and distribution are speculative businesses since the revenues derived from the production and distribution of a feature film or television series depend primarily upon its acceptance by the public, which is difficult to predict. The commercial success of a feature film or television series also depends upon the quality and acceptance of other competing films and television series released into the marketplace at or near the same time, the availability of a growing number of alternative forms of entertainment and leisure time activities, general economic conditions and their effects on consumer spending and other tangible and intangible factors, all of which can change and cannot be predicted with certainty. Further, the theatrical success of a feature film and the audience ratings for a television series are generally key factors in generating revenues from other distribution channels, such as home entertainment and premium pay television, with respect to feature films, and syndication, with respect to television series.

**The Inability to Renew Sports Programming Rights Could Cause the Company's Affiliate and Advertising Revenue to Decline Significantly in any Given Period or in Specific Markets.**

The sports rights contracts between the Company, on the one hand, and various professional sports leagues and teams, on the other, have varying duration and renewal terms. As these contracts expire, renewals on favorable terms may be sought; however, third parties may outbid the current rights holders for the rights contracts. In addition, professional sports leagues or teams may create their own networks or the renewal costs could substantially exceed the original contract cost. The loss of rights could impact the extent of the sports coverage offered by the Company and its affiliates, as it relates to FOX, and could adversely affect the Company's advertising and affiliate revenues. Upon renewal, the Company's results could be adversely affected if escalations in sports programming rights costs are unmatched by increases in advertising rates and, in the case of cable networks, subscriber fees.

**A Decline in Advertising Expenditures Could Cause the Company's Revenues and Operating Results to Decline Significantly in any Given Period or in Specific Markets.**

The Company derives substantial revenues from the sale of advertising on or in its television stations and broadcast and cable networks. Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions, as well as budgeting and buying patterns. A decline in the economic prospects of advertisers or the economy in general could alter current or prospective advertisers' spending priorities. Demand for the Company's products is also a factor in determining advertising rates. For example, ratings points for the Company's television stations and broadcast and cable networks are factors that are weighed when determining advertising rates, and with respect to the Company's television stations and broadcast and television networks, when determining the affiliate rates received by the Company. In addition, newer technologies, including new video formats, streaming and downloading capabilities via the Internet, video-on-demand, personal video recorders and other devices and technologies are increasing the number of media and entertainment choices available to audiences. Some of these devices and technologies allow users to view television or motion pictures from a remote location or on a time-delayed basis and provide users the ability to fast-forward, rewind, pause and skip programming and advertisements. These technological developments which are increasing the number of media and entertainment choices available to audiences could negatively impact not only consumer demand for our content and services but also could affect the attractiveness of the Company's offerings to viewers, advertisers and/or distributors. Failure to effectively anticipate or adapt to emerging technologies

or changes in consumer behavior could have an adverse effect on our business. Further, a decrease in advertising expenditures, reduced demand for the Company's offerings or the inability to obtain market ratings that adequately measure demand for the Company's content on personal video recorders and mobile devices could lead to a reduction in pricing and advertising spending, which could have an adverse effect on the Company's businesses and assets.

#### The Loss of Carriage Agreements Could Cause the Company's Revenue and Operating Results to Decline Significantly in any Given Period or in Specific Markets.

The Company's broadcast stations and cable networks maintain affiliation and carriage arrangements that enable them to reach a large percentage of cable and direct broadcast satellite households across the United States. The loss of a significant number of these arrangements or the loss of carriage on basic programming tiers could reduce the distribution of the Company's broadcast stations and cable networks, which may adversely affect those networks' revenues from affiliate fees and their ability to sell national and local advertising time. The Company is dependent upon the maintenance of affiliation agreements with third party owned television stations and there can be no assurance that these affiliation agreements will be renewed in the future on terms acceptable to the Company. The loss of a significant number of these affiliation arrangements could reduce the distribution of FOX and MyNetworkTV and adversely affect the Company's ability to sell national advertising time.

#### The Company Relies on Network and Information Systems and Other Technology Whose Failure or Misuse, Could Cause a Disruption of Services or Improper Disclosure of Personal Data, Business Information, Including Intellectual Property, or Other Confidential Information, Resulting in Increased Costs or Loss of Revenue.

Network and information systems and other technologies, including those related to the Company's network management, are important to its business activities. Network and information systems-related events, such as computer hackings, theft, computer viruses, worms or other destructive or disruptive software, process breakdowns, denial of service attacks, malicious social engineering or other malicious activities, or any combination of the foregoing, as well as power outages, natural disasters (including extreme weather), terrorist activities or human error that may affect such systems, could result in disruption of our services or improper disclosure of personal data, business information, including intellectual property, or other confidential information. In recent years, there has been a rise in the number of sophisticated cyber attacks on network and information systems, and as a result, the risks associated with such an event continue to increase. The Company has experienced, and expects to continue to be subject to, cybersecurity threats and incidents, none of which has been material to the Company to date. While we continue to develop, implement and maintain security measures seeking to prevent unauthorized access to or misuse of our network and information systems, such efforts may not be successful in preventing these events from occurring given that the techniques used to access, disable or degrade service, or sabotage systems change frequently. The development and maintenance of these measures is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. Significant security breaches, such as misappropriation, misuse, leakage, falsification, accidental release, or otherwise improper disclosure of information maintained in the Company's information systems and networks or those of our vendors, including financial, personal, confidential and proprietary information relating to personnel, customers, vendors and our business, including our intellectual property, could result in a disruption of our operations, customer or advertiser dissatisfaction, damage to our reputation or brands, regulatory investigations, lawsuits or loss of customers or revenue. In addition, the Company may be subject to liability under relevant contractual obligations and laws and regulations protecting personal data and privacy, and may require us to expend significant resources to remedy any such security breach.

#### Technological Developments May Increase the Threat of Content Piracy and Signal Theft and Limit the Company's Ability to Protect Its Intellectual Property Rights.

Content piracy and signal theft present a threat to the Company's revenues from products and services, including, but not limited to, films, television shows, cable and other programming. The Company seeks to limit the threat of content piracy and direct broadcast satellite programming signal theft; however, policing unauthorized use of the Company's products and services and related intellectual property is often difficult and the steps taken by the Company may not in every case prevent the infringement by unauthorized third parties. Developments in technology, including digital copying, file compressing and the growing penetration of high-bandwidth Internet connections, increase the threat of content piracy by making it easier to duplicate and widely distribute high-quality pirated material. In addition, developments in software or devices that circumvent encryption technology and the falling prices of devices incorporating such technologies increase the threat of unauthorized use and distribution of direct broadcast satellite programming signals and the proliferation of user-generated content sites and live and stored video streaming sites, which deliver unauthorized copies of copyrighted content, including those emanating from other countries in various languages, may adversely impact the Company's businesses. The proliferation of unauthorized distribution and use of the Company's content could have an adverse effect on the Company's businesses and profitability because it reduces the revenue that the Company could potentially receive from the legitimate sale and distribution of its products and services.



The Company has taken, and will continue to take, a variety of actions to combat piracy and signal theft, both individually and, in some instances, together with industry associations. However, protection of the Company's intellectual property rights is dependent on the scope and duration of the Company's rights as defined by applicable laws in the United States and abroad and the manner in which those laws are construed. If those laws are drafted or interpreted in ways that limit the extent or duration of the Company's rights, or if existing laws are changed, the Company's ability to generate revenue from intellectual property may decrease, or the cost of obtaining and enforcing our rights may increase. There can be no assurance that the Company's efforts to enforce its rights and protect its products, services and intellectual property will be successful in preventing content piracy or signal theft. Further, while piracy and technology tools continue to escalate, if any U.S. or international laws intended to combat piracy and protect intellectual property are repealed or weakened or not adequately enforced, or if the legal system fails to evolve and adapt to new technologies that facilitate piracy, we may be unable to effectively protect our rights and the value of our intellectual property may be negatively impacted and our costs of enforcing our rights could increase.

#### Fluctuations in Foreign Exchange Rates Could Have an Adverse Effect on the Company's Results of Operations.

The Company has significant operations in a number of foreign jurisdictions and certain of the Company operations are conducted in foreign currencies. The value of these currencies fluctuates relative to the U.S. dollar. For example, in fiscal 2016, the U.S. dollar appreciated in relation to the Euro, the Canadian dollar, the Mexican Peso, the Brazilian Real, the Indian Rupee and the Pound Sterling. As a result, the Company is exposed to exchange rate fluctuations, which could have an adverse effect on its results of operations in a given period or in specific markets. Even though the Company uses foreign currency derivative instruments to hedge certain exposures to foreign currency exchange rate risks, the use of such derivative instruments may not be effective in reducing the adverse financial effects of unfavorable movements in foreign exchange rates. In addition, countries where we have operations, including in Latin America, may be determined in the future to be highly inflationary economies, requiring special accounting and financial reporting treatment for such operations.

#### Labor Disputes May Have an Adverse Effect on the Company's Business.

In a variety of the Company's businesses, the Company and its partners engage the services of writers, directors, actors and other talent, trade employees and others who are subject to collective bargaining agreements, including employees of the Company's film and television studio operations. If the Company or its partners are unable to renew expiring collective bargaining agreements, it is possible that the affected unions could take action in the form of strikes or work stoppages. Such actions, as well as higher costs in connection with these collective bargaining agreements or a significant labor dispute, could have an adverse effect on the Company's business by causing delays in production or by reducing profit margins.

#### Changes in U.S. or Foreign Regulations May Have an Adverse Effect on the Company's Business.

The Company is subject to a variety of U.S. and foreign regulations in the jurisdictions in which its businesses operate. In general, the television broadcasting and multichannel video programming and distribution industries in the United States are highly regulated by federal laws and regulations issued and administered by various federal agencies, including the Federal Communications Commission (the "FCC"). The FCC generally regulates, among other things, the ownership of media, broadcast and multichannel video programming and technical operations of broadcast licensees. Our program services and online properties are subject to a variety of laws and regulations, including those relating to issues such as content regulation, user privacy and data protection, and consumer protection, among others. Further, the United States Congress, the FCC and state legislatures currently have under consideration, and may in the future adopt, new laws, regulations and policies regarding a wide variety of matters, including technological changes and measures relating to privacy and data security, which could, directly or indirectly, affect the operations and ownership of the Company's U.S. media properties. Similarly, new laws or regulations or changes in interpretations of

law or in regulations imposed by governments in other jurisdictions in which the Company, or entities in which the Company has an interest, operate could require changes in the operations or ownership of our media properties. In addition, laws in non-U.S. jurisdictions which regulate, among other things, licensing arrangements, local content requirements, carriage requirements regarding pricing and distribution, and limitations on advertising time, may impact the operations and results of our international businesses.

In addition, changes in laws, regulations or the interpretations thereof in the U.S. and other jurisdictions in which the Company has operations could affect the Company's results of operations.

#### U.S. Citizenship Requirements May Limit Common Stock Ownership and Voting Rights.

The Company owns broadcast station licensees in connection with its ownership and operation of U.S. television stations. Under U.S. law, no broadcast station licensee may be owned by a corporation if more than 25% of its stock is owned or voted by non-U.S. persons, their representatives, or by any other corporation organized under the laws of a foreign country. The Company's Restated Certificate of Incorporation authorizes the Board of Directors to prevent, cure or mitigate the effect of stock ownership above the applicable foreign ownership threshold by taking any action including: refusing to permit any transfer of common stock to or ownership of common stock by a non-U.S. stockholder; voiding a transfer of common stock to a non-U.S. stockholder; suspending

rights of stock ownership if held by a non-U.S. stockholder; or redeeming common stock held by a non-U.S. stockholder. In order to maintain compliance with U.S. law, the Company had suspended 10% of the voting rights of the Class B Common Stock held by non-U.S. stockholders. In August 2016, the Company eliminated the suspension of voting rights of shares of Class B Common Stock and remains in compliance with applicable U.S. law. The Company continues to monitor its foreign ownership based on its assessment of the information reasonably available to it, but it is not able to predict whether it will need to reinstate the suspension or whether additional action pursuant to its Restated Certificate of Incorporation may be necessary. The FCC could review the Company's compliance with applicable U.S. law in connection with its consideration of the Company's renewal applications for licenses to operate the broadcast stations the Company owns.

#### The Company Could Be Subject to Significant Additional Tax Liabilities.

We are subject to taxation in U.S. federal, state and local jurisdictions and many non-U.S. jurisdictions. Changes in tax laws, regulations, practices or the interpretations thereof could affect the Company's results of operations. Judgment is required in evaluating and estimating our provision and accruals for taxes. In addition, transactions occur during the ordinary course of business or otherwise for which the ultimate tax determination is uncertain.

Our tax returns are routinely audited, tax-related litigation or settlements may occur, and U.S. or foreign jurisdictions may assess additional income tax liabilities against us. The final outcomes of tax audits, investigations, and any related litigation could result in materially different tax recognition from our historical tax provisions and accruals. These outcomes could conflict with private letter rulings, opinions of counsel or other interpretations provided to the Company. If these matters are adversely resolved, we may be required to recognize additional charges to our tax provisions and pay significant additional amounts with respect to current or prior periods or our taxes in the future could increase, which could affect our operating results and financial condition.

In connection with the Separation, the Company received a private letter ruling from the IRS and an opinion from Hogan Lovells US LLP confirming the tax-free status of the distribution and related internal transactions for U.S. federal income tax purposes. Notwithstanding the private letter ruling and the opinion, the IRS could determine on audit that the distribution or the internal transactions should be treated as taxable transactions if it determines that any of these facts, assumptions or representations relied upon for the private letter ruling is not correct or has been violated. If these transactions are determined to be taxable, the Company would recognize gains on the internal reorganization and/or recognize gain in an amount equal to the excess of the fair market value of shares of the News Corp common stock distributed to our stockholders on the distribution date over our tax basis in such shares of our common stock. In addition, other tax authorities could determine on audit that the distribution or the related internal reorganizations should be treated as taxable transactions.

In addition, under the terms of a tax sharing and indemnification agreement that we entered into in connection with the Separation, we are required to indemnify News Corp against U.S. consolidated and combined tax liabilities attributable to all tax periods or portions thereof prior to June 29, 2013. Disputes or assessments could arise during future audits by the IRS that could give rise to indemnification obligations under this agreement in amounts that we cannot quantify.

#### The Company is Exposed to Risks Associated with Weak Domestic and Global Economic Conditions and Increased Volatility and Disruption in the Financial Markets.

The Company's businesses, financial condition and results of operations may be adversely affected by weak domestic and global economic conditions. Factors that affect economic conditions include the rate of unemployment, the level of consumer confidence and changes in consumer spending habits. The Company also faces risks, including currency volatility and the stability of global local economies, associated with the impact of weak domestic and global

economic conditions on advertisers, affiliates, suppliers, wholesale distributors, retailers, insurers, theater operators and others with which it does business.

Increased volatility and disruptions in the financial markets could make it more difficult and more expensive for the Company to refinance outstanding indebtedness and obtain new financing. Disruptions in the financial markets can also adversely affect the Company's lenders, insurers, customers and counterparties, including vendors, retailers and film co-financing partners. For instance, the inability of the Company's counterparties to obtain capital on acceptable terms could impair their ability to perform under their agreements with the Company and lead to negative effects on the Company, including business disruptions, decreased revenues and increases in bad debt expenses.

The Company Could Suffer Losses Due to Asset Impairment Charges for Goodwill, Intangible Assets and Programming.

In accordance with applicable generally accepted accounting principles, the Company performs an annual impairment assessment of its recorded goodwill and indefinite-lived intangible assets, including FCC licenses. The Company also continually evaluates whether current factors or indicators, such as the prevailing conditions in the capital markets, require the performance of an interim impairment assessment of those assets, as well as other investments and other long-lived assets. Any significant shortfall, now

or in the future, in advertising revenue and/or the expected popularity of the programming for which the Company has acquired rights could lead to a downward revision in the fair value of certain reporting units. A downward revision in the fair value of a reporting unit, indefinite-lived intangible assets, investments or long-lived assets could result in an impairment and a non-cash charge would be required. Any such charge could be material to the Company's reported net earnings.

**Certain of Our Directors and Officers May Have Actual or Potential Conflicts of Interest Because of Their Equity Ownership in News Corp, and Certain of Our Officers and Directors May Have Actual or Potential Conflicts of Interest Because They Also Serve as Officers and/or on the Board of Directors of News Corp.**

Certain of our directors and executive officers own shares of News Corp's common stock, and the individual holdings may be significant for some of these individuals compared to their total assets. In addition, certain of our officers and directors also serve as officers and/or as directors of News Corp, including our Executive Chairmen K. Rupert Murdoch, who serves as News Corp's Executive Chairman, and Lachlan K. Murdoch, who serves as News Corp's Co-Chairman. This ownership or service to both companies may create, or may create the appearance of, conflicts of interest when these directors and officers are faced with decisions that could have different implications for News Corp and us. In addition to any other arrangements that the Company and News Corp may agree to implement, the Company and News Corp agreed that officers and directors who serve at both companies will recuse themselves from decisions where conflicts arise due to their positions at both companies.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The Company's Board of Directors (the "Board") has authorized a stock repurchase program, under which the Company is authorized to acquire Class A Common Stock. In August 2016, the Board authorized the repurchase of an additional \$3 billion of Class A Common Stock, excluding commissions. The Company does not have a timeframe over which this buyback authorization is expected to be completed. The program may be modified, extended, suspended or discontinued at any time.

As of September 30, 2016, the Company's remaining buyback authorization was approximately \$3.2 billion representing approximately \$240 million under the fiscal 2016 authorization and \$3 billion under the fiscal 2017 authorization.

Below is a summary of the Company's repurchases of its Class A Common Stock during the three months ended September 30, 2016:

	Total number of shares repurchased	Average price per share	Total cost of repurchase (in millions)
July	7,295,334	\$ 27.41	\$ 200
August	4,774,508	25.55	122
September	3,648,680	24.12	88
Total	15,718,522		\$ 410

The Company did not repurchase any of its Class B Common Stock during the three months ended September 30, 2016.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

Not applicable.



ITEM 6. EXHIBITS

(a) Exhibits.

- 12.1 Ratio of Earnings to Fixed Charges.\*
- 31.1 Chief Executive Officer Certification required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended.\*
- 31.2 Chief Financial Officer Certification required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended.\*
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes Oxley Act of 2002.\*\*
- 101 The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 formatted in eXtensible Business Reporting Language: (i) Unaudited Consolidated Statements of Operations for the three months ended September 30, 2016 and 2015; (ii) Unaudited Consolidated Statements of Comprehensive Income for the three months ended September 30, 2016 and 2015; (iii) Consolidated Balance Sheets as of September 30, 2016 (unaudited) and June 30, 2016 (audited); (iv) Unaudited Consolidated Statements of Cash Flows for the three months ended September 30, 2016 and 2015; and (v) Notes to the Unaudited Consolidated Financial Statements.\*

\* Filed herewith.

\*\* Furnished herewith.



SIGNATURE

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

TWENTY-FIRST CENTURY FOX, INC.  
(Registrant)

By: /s/ John P. Nallen  
John P. Nallen  
Senior Executive Vice President and  
Chief Financial Officer

Date: November 2, 2016