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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 10-Q**

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(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, 2015

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 001-35769

*News Corp*

**NEWS CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**46-2950970**  
(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) 416-3400**

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 (§232.405 of this chapter) 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 30, 2015, 381,545,045 shares of Class A Common Stock and 199,630,240 shares of Class B Common Stock were outstanding.

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# NEWS CORPORATION

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**NEWS CORPORATION**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited; millions, except per share amounts)

	Notes	For the three months ended September 30,	
		<u>2015</u>	<u>2014</u>
Revenues:			
Advertising		\$ 880	\$ 920
Circulation and Subscription		639	672
Consumer		392	390
Other		<u>103</u>	<u>126</u>
Total Revenues		2,014	2,108
Operating expenses		(1,199)	(1,282)
Selling, general and administrative		(650)	(632)
Depreciation and amortization		(121)	(124)
Impairment and restructuring charges	4	(17)	(4)
Equity earnings of affiliates	5	8	25
Interest, net		12	17
Other, net	14	<u>5</u>	<u>48</u>
Income from continuing operations before income tax benefit (expense)		52	156
Income tax benefit (expense)	12	<u>91</u>	<u>(47)</u>
Income from continuing operations		143	109
Income (loss) from discontinued operations, net of tax	3	<u>46</u>	<u>(21)</u>
Net income		189	88
Less: Net income attributable to noncontrolling interests		<u>(14)</u>	<u>(23)</u>
Net income attributable to News Corporation stockholders		<u>\$ 175</u>	<u>\$ 65</u>
Basic and diluted earnings (loss) per share:			
Income from continuing operations available to News Corporation stockholders per share		\$ 0.22	\$ 0.15
Income (loss) from discontinued operations available to News Corporation stockholders per share		<u>0.08</u>	<u>(0.04)</u>
Net income available to News Corporation stockholders per share		<u>\$ 0.30</u>	<u>\$ 0.11</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

**NEWS CORPORATION**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

(Unaudited; millions)

	For the three months ended September 30,	
	2015	2014
Net income	\$ 189	\$ 88
Other comprehensive loss:		
Foreign currency translation adjustments	(445)	(474)
Unrealized holding losses on securities <sup>(a)</sup>	(25)	(21)
Benefit plan adjustments <sup>(b)</sup>	15	16
Share of other comprehensive income from equity affiliates <sup>(c)</sup>	5	4
Other comprehensive loss	(450)	(475)
Comprehensive loss	(261)	(387)
Less: Net income attributable to noncontrolling interests	(14)	(23)
Less: Other comprehensive loss attributable to noncontrolling interests	7	17
Comprehensive loss attributable to News Corporation stockholders	\$(268)	\$(393)

(a) Net of income tax benefit of \$12 million and \$10 million for the three months ended September 30, 2015 and 2014, respectively.

(b) Net of income tax expense of \$4 million for the three months ended September 30, 2015 and 2014.

(c) Net of income tax expense of \$2 million for the three months ended September 30, 2015 and 2014.

The accompanying notes are an integral part of these unaudited consolidated financial statements.

**NEWS CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(Millions, except share and per share amounts)

	Notes	As of September 30, 2015 (unaudited)	As of June 30, 2015 (audited)
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents		\$ 1,898	\$ 1,951
Amounts due from 21st Century Fox		60	63
Receivables, net	14	1,301	1,283
Other current assets	14	630	717
Total current assets		<u>3,889</u>	<u>4,014</u>
Non-current assets:			
Investments	5	2,196	2,379
Property, plant and equipment, net		2,553	2,690
Intangible assets, net		2,143	2,203
Goodwill		3,012	3,063
Other non-current assets	14	963	686
Total assets		<u>\$14,756</u>	<u>\$15,035</u>
<b>Liabilities and Equity:</b>			
Current liabilities:			
Accounts payable		\$ 272	\$ 238
Accrued expenses		1,133	1,125
Deferred revenue		354	346
Other current liabilities	14	407	401
Total current liabilities		<u>2,166</u>	<u>2,110</u>
Non-current liabilities:			
Retirement benefit obligations	11	298	305
Deferred income taxes		171	166
Other non-current liabilities		320	318
Commitments and contingencies	10		
Redeemable preferred stock		20	20
Class A common stock <sup>(a)</sup>		4	4
Class B common stock <sup>(b)</sup>		2	2
Additional paid-in capital		12,431	12,433
Retained earnings		204	88
Accumulated other comprehensive loss		(1,025)	(582)
Total News Corporation stockholders' equity		11,616	11,945
Noncontrolling interests		165	171
Total equity	7	<u>11,781</u>	<u>12,116</u>
Total liabilities and equity		<u>\$14,756</u>	<u>\$15,035</u>

(a) **Class A common stock**, \$0.01 par value per share ("Class A Common Stock"), 1,500,000,000 shares authorized, 381,771,749 and 381,914,964 shares issued and outstanding, net of 27,368,413 treasury shares at par at September 30, 2015 and June 30, 2015, respectively.

(b) **Class B common stock**, \$0.01 par value per share ("Class B Common Stock"), 750,000,000 shares authorized, 199,630,240 shares issued and outstanding, net of 78,430,424 treasury shares at par at September 30, 2015 and June 30, 2015, respectively.

The accompanying notes are an integral part of these unaudited consolidated financial statements.

**NEWS CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited; millions)

	Notes	<b>For the three months ended September 30,</b>	
		<b>2015</b>	<b>2014</b>
<b>Operating activities:</b>			
Net income		\$ 189	\$ 88
Less: Income (loss) from discontinued operations, net of tax		46	(21)
Income from continuing operations:		143	109
Adjustments to reconcile income from continuing operations to cash provided by operating activities:			
Depreciation and amortization		121	124
Equity earnings of affiliates	5	(8)	(25)
Cash distributions received from affiliates		—	17
Other, net	14	(5)	(48)
Deferred income taxes and taxes payable	12	(109)	31
Change in operating assets and liabilities, net of acquisitions:			
Receivables and other assets		(94)	17
Inventories, net		30	41
Accounts payable and other liabilities		74	(40)
Pension and postretirement benefit plans		(11)	(6)
Net cash provided by operating activities from continuing operations		<u>141</u>	<u>220</u>
<b>Investing activities:</b>			
Capital expenditures		(63)	(94)
Acquisitions, net of cash acquired		(16)	(414)
Investments in equity affiliates and other		(14)	(115)
Proceeds from dispositions		2	114
Other		5	—
Net cash used in investing activities from continuing operations		<u>(86)</u>	<u>(509)</u>
<b>Financing activities:</b>			
Repurchase of shares		(15)	—
Dividends paid		(16)	(17)
Other, net		(6)	(9)
Net cash used in financing activities from continuing operations		<u>(37)</u>	<u>(26)</u>
Net increase (decrease) in cash and cash equivalents from continuing operations		18	(315)
Net decrease in cash and cash equivalents from discontinued operations		(35)	(57)
Cash and cash equivalents, beginning of period		1,951	3,145
Exchange movement on opening cash balance		(36)	(38)
Cash and cash equivalents, end of period		<u>\$1,898</u>	<u>\$2,735</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

**NEWS CORPORATION**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION**

News Corporation (together with its subsidiaries, “News Corporation,” “News Corp,” the “Company,” “we,” or “us”) is a global diversified media and information services company comprised of businesses across a range of media, including: news and information services, book publishing, digital real estate services, cable network programming in Australia and pay-TV distribution in Australia.

During the first quarter of fiscal 2016, management approved a plan to dispose of the Company’s digital education business. As a result of the plan and the discontinuation of further significant business activities in the Digital Education segment, the assets and liabilities of this segment were classified as held for sale and the results of operations have been classified as discontinued operations for all periods presented. Unless indicated otherwise, the information in the notes to the unaudited Consolidated Financial Statements relates to the Company’s continuing operations. (See Note 3—Discontinued Operations).

***Basis of Presentation***

The accompanying unaudited consolidated financial statements of the Company, which are referred to herein as the “Financial Statements,” have been prepared in accordance with generally accepted accounting principles in the United States of America (“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 Financial Statements. Operating results for the interim period presented are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2016. The preparation of the Company’s Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts that are reported in the Financial Statements and accompanying disclosures. Actual results could differ from those estimates.

Intracompany transactions and balances have been eliminated. Equity investments in which the Company exercises significant influence but does not exercise control and is not the primary beneficiary are accounted for using the equity method. Investments in which the Company is not able to exercise significant influence over the investee are designated as available-for-sale if readily determinable fair values are available. If an investment’s fair value is not readily determinable, the Company accounts for its investment under the cost method.

The consolidated statements of operations are referred to herein as the “Statements of Operations”. The consolidated balance sheets are referred to herein as the “Balance Sheets”. The consolidated statements of cash flows are referred to herein as the “Statements of Cash Flows”.

The accompanying 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, 2015 as filed with the Securities and Exchange Commission (“SEC”) on August 13, 2015 (the “2015 Form 10-K”).

Certain reclassifications have been made to the prior period financial statements to conform to the current year presentation. The financial results of the Digital Education segment have been recorded as discontinued operations for all periods presented (See Note 3—Discontinued Operations).

The Company’s fiscal year ends on the Sunday closest to June 30. Fiscal 2016 and fiscal 2015 include 53 and 52 weeks, respectively. All references to the three months ended September 30, 2015 and 2014 relate to the three months ended September 27, 2015 and September 28, 2014, respectively. For convenience purposes, the Company continues to date its financial statements as of September 30.

**NEWS CORPORATION**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

*Recently issued accounting pronouncements*

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”). ASU 2014-09 removes inconsistencies and differences in existing revenue requirements between GAAP and International Financial Reporting Standards (“IFRS”) and requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU 2014-09 will require companies to use more judgment and make more estimates, such as identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation, when determining the amount of revenue to recognize. On July 9, 2015, the FASB approved a one-year deferral of ASU 2014-09. ASU 2014-09 is effective for the Company for annual and interim periods beginning July 1, 2018. Once effective, ASU 2014-09 can be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initial adoption recognized at the date of initial application. The Company is currently evaluating the method of adoption to be utilized as well as the impact ASU 2014-09 will have on its Financial Statements.

In June 2014, the FASB issued ASU 2014-12, “Compensation—Stock Compensation (Topic 718)” (“ASU 2014-12”). ASU 2014-12 clarifies guidance and eliminates diversity in practice on how to account for share-based payments in which the terms of the award provide that a performance target that affects vesting could be achieved after the requisite service period. That is, the employee would be eligible to vest in the award regardless of whether the employee is rendering service on the date the performance target is achieved. ASU 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. ASU 2014-12 is effective for the Company for annual and interim periods beginning July 1, 2016, however, early adoption is permitted. The Company is currently evaluating the impact of ASU 2014-12, but does not expect the adoption to have a significant impact on its Financial Statements.

In August 2014, the FASB issued ASU 2014-15, “Presentation of Financial Statements—Going Concern (Subtopic 205-40)” (“ASU 2014-15”). ASU 2014-15 is intended to define management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. Specifically, ASU 2014-15 provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management’s plans and requires an express statement and other disclosures when substantial doubt is not alleviated. ASU 2014-15 is effective for the Company for annual and interim periods beginning July 1, 2016, however, early adoption is permitted. The Company does not expect the adoption of ASU 2014-15 to have a significant impact on its Financial Statements.

In February 2015, the FASB issued ASU 2015-02, “Consolidation (Topic 810): Amendments to the Consolidation Analysis” (“ASU 2015-02”). ASU 2015-02 is intended to address stakeholder concerns regarding the usefulness of financial statements where a reporting entity is required to consolidate a legal entity where the reporting entity’s contractual rights do not give it the ability to act primarily on its own behalf, the reporting entity does not hold a majority of the legal entity’s voting rights, or the reporting entity is not exposed to a majority of the legal entity’s economic benefits or obligations. ASU 2015-02 amends the accounting guidance around the consolidation of limited partnerships, the consideration surrounding the primary beneficiary determination and the consolidation of certain investment funds. ASU 2015-02 is effective for the Company for annual and interim periods beginning after December 16, 2015, however, early adoption is permitted. The Company does not expect the adoption of ASU 2015-02 to have a significant impact on its Financial Statements.



**NEWS CORPORATION**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

In April 2015, the FASB issued ASU 2015-05, “Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement” (“ASU 2015-05”). ASU 2015-05 clarifies guidance about whether a customer’s cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance will not change GAAP for customer’s accounting for service contracts. In addition, the guidance in this update supersedes paragraph 350-40-25-16. Consequently, all software licenses within the scope of Subtopic 350-40 will be accounted for consistent with other licenses of intangible assets. The amendment can either be adopted prospectively for all arrangements entered into or materially modified after the effective date or retrospectively. ASU 2015-05 is effective for the Company for annual and interim periods beginning July 1, 2016, however, early adoption is permitted. The Company does not expect the adoption of ASU 2015-05 to have a significant impact on its Financial Statements.

In April 2015, the FASB issued ASU 2015-04, “Compensation—Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer’s Defined Benefit Obligation and Plan Assets” (“ASU 2015-04”). ASU 2015-04 allows reporting entities with fiscal year-ends that do not coincide with a month-end to measure defined benefit plan assets and obligations using the month-end that is closest to the entity’s fiscal year-end and apply this practical expedient consistently from year to year. The practical expedient should be applied consistently to all plans if an entity has more than one plan. ASU 2015-04 is effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. ASU 2015-04 should be applied prospectively. The Company does not expect the adoption of ASU 2015-04 to have a significant impact on its Financial Statements.

In September 2015, the FASB issued ASU 2015-16, “Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments” (“ASU 2015-16”). ASU 2015-16 eliminates the requirement to retrospectively account for adjustments made to provisional amounts recognized in a business combination. Under the amendment, adjustments that are identified during the measurement period are recorded in the reporting period in which the adjustment amounts are determined. ASU 2015-16 requires an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. For public business entities, the amendments in ASU 2015-16 are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The Company does not expect the adoption of ASU 2015-16 to have a significant impact on its Financial Statements.

**NOTE 2. ACQUISITIONS, DISPOSALS AND OTHER TRANSACTIONS**

***Fiscal 2016***

*Checkout 51 Mobile Apps ULC*

In July 2015, the Company acquired Checkout 51 Mobile Apps ULC (“Checkout 51”) for approximately \$13 million in cash at closing and up to approximately \$28 million in future consideration related to payments contingent upon the achievement of certain performance objectives. Checkout 51 is a data-driven digital coupon company that provides News America Marketing with a leading receipt recognition mobile app that enables retailers to reach consumers with highly personalized marketing campaigns. Checkout 51’s results are included within the Company’s News and Information Services segment.

**NEWS CORPORATION**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

***Fiscal 2015***

*Harlequin Enterprises Limited*

In August 2014, the Company acquired Harlequin Enterprises Limited (“Harlequin”) from Torstar Corporation for \$414 million in cash, net of \$19 million of cash acquired. Harlequin is a leading publisher of women’s fiction and extends HarperCollins’ global platform, particularly in Europe and Asia Pacific. Harlequin is a subsidiary of HarperCollins, and its results are included within the Book Publishing segment. As a result of the acquisition, the Company recorded net tangible assets of approximately \$115 million, primarily consisting of accounts receivable, accounts payable, author advances, property, plant and equipment and inventory, at their estimated fair values at the date of acquisition. In addition, the Company recorded approximately \$165 million of intangible assets, comprised of approximately \$105 million of imprints which have an indefinite life and \$60 million related to finite lived intangible assets with a weighted average life of approximately 5 years, and recorded an associated deferred tax liability of approximately \$35 million. In accordance with ASC 350, “Intangibles—Goodwill and Other” (“ASC 350”), the excess of the purchase price over the fair values of the net tangible and intangible assets of approximately \$185 million was recorded as goodwill on the transaction.

*Move, Inc.*

In November 2014, the Company acquired all of the outstanding shares of Move, Inc. (“Move”), which was a publicly traded company, for \$21.00 per share in cash. Move is a leading provider of online real estate services, and the acquisition expanded the Company’s digital real estate services business into the U.S., one of the largest real estate markets. Move primarily operates realtor.com®, a premier real estate information and services marketplace. Move also offers a number of professional software and services products, including Top Producer®, TigerLead® and ListHub™. Move’s results of operations are included within the Digital Real Estate Services segment, and it is considered a separate reporting unit for purposes of the Company’s annual goodwill impairment review.

The aggregate cash payment at closing to acquire the outstanding shares of Move was approximately \$864 million, which was funded with cash on hand. The Company also assumed outstanding Move equity-based compensation awards with a fair value of \$67 million, consisting of vested and unvested stock options, restricted stock units (“RSUs”) and restricted stock awards. Of the total fair value of the assumed equity-based compensation awards, \$28 million was allocated to pre-combination services and included in total consideration transferred and \$39 million was allocated to future services and is being expensed over the weighted average remaining service period of 2.5 years. Refer to Note 8 for further details on the conversion of Move’s equity-based compensation awards. In addition, following the acquisition, the Company utilized approximately \$129 million of cash to settle all of Move’s outstanding indebtedness that was assumed as part of the transaction. The total transaction value for the Move acquisition is set forth below (in millions):

Cash paid for Move equity	\$ 864
Assumed equity-based compensation awards—pre-combination services	28
Total consideration transferred	\$ 892
Plus: Assumed debt	129
Plus: Assumed equity-based compensation awards—post-combination services	39
Less: Cash acquired	(108)
Total transaction value	<u>\$ 952</u>

REA Group Limited (“REA Group”), in which the Company holds a 61.6% interest, acquired a 20% interest in Move upon closing of the transaction. In connection with the acquisition, the Company granted REA Group a put option to require the Company to purchase REA Group’s interest in Move, which can be exercised at any time beginning two years from the date of acquisition at fair value.

**NEWS CORPORATION**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

Under the purchase method of accounting, the total consideration transferred is allocated to net tangible and intangible assets based upon the fair value as of the date of completion of the acquisition. The excess of the total consideration transferred over the fair value of the net tangible and intangible assets acquired was recorded as goodwill. The allocation is as follows (in millions):

Assets acquired:	
Cash	\$ 108
Other current assets	28
Intangible assets	216
Deferred income taxes	153
Goodwill	552
Other noncurrent assets	69
Total assets acquired	<u>\$1,126</u>
Liabilities assumed:	
Current liabilities	\$ 50
Deferred income taxes	52
Borrowings	129
Other noncurrent liabilities	3
Total liabilities assumed	<u>234</u>
Net assets acquired	<u>\$ 892</u>

The acquired intangible assets relate to the license of the realtor.com<sup>®</sup> trademark, which has a fair value of approximately \$116 million and an indefinite life, and customer relationships, other tradenames and certain multiple listing service agreements with an aggregate fair value of approximately \$100 million, which will be amortized over a weighted-average useful life of approximately 15 years. The Company also acquired technology, primarily associated with the realtor.com<sup>®</sup> website, that has a fair value of approximately \$39 million which will be amortized over 4 years. The acquired technology has been recorded in Property, Plant and Equipment, net in the Consolidated Balance Sheet at September 30, 2015.

Move had U.S. federal net operating loss carryforwards (“NOLs”) of \$947 million (\$332 million tax-effected) at the date of acquisition. These NOLs are subject to limitations under Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”) and subject to review by the Internal Revenue Service. The utilization of these NOLs is dependent on generating sufficient U.S. taxable income prior to expiration which begins in varying amounts starting in 2017. Valuation allowances and unrecognized tax benefits were recorded against these NOLs in the amount of \$484 million (\$170 million tax-effected) as part of the purchase price allocation. The deferred tax assets established for these NOLs, net of valuation allowance and unrecognized benefits, are included in Other non-current assets on the Balance Sheet. Based on this, the Company expected approximately \$463 million of the NOLs could be utilized, and accordingly, the Company had recorded a net deferred tax asset of \$162 million as part of the purchase price allocation. As a result of management’s plan to dispose of the digital education business, the Company increased its estimated utilization of the Move NOLs by \$167 million (\$58 million tax-effected) and released the valuation allowance equal to that amount. As of September 30, 2015, the expected utilization of the Move NOLs is \$630 million (\$220 million tax-effected).

**NOTE 3. DISCONTINUED OPERATIONS**

During the first quarter of fiscal 2016, management approved a plan to dispose of the Company’s digital education business. As a result of the plan and the discontinuation of further significant business activities in the

**NEWS CORPORATION**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

Digital Education segment, the assets and liabilities of this segment were classified as held for sale and the results of operations have been classified as discontinued operations for all periods presented in accordance with ASC 205-20, "Discontinued Operations".

In the first quarter of fiscal 2016, the Company recognized a pre-tax non-cash impairment charge of \$76 million reflecting a write down of the digital education business to its fair value less costs to sell. The impairment charge is included within Loss before income tax benefit in the table below. In addition, the Company recognized a tax benefit of \$151 million upon reclassification of the Digital Education segment to discontinued operations. On September 30, 2015, the Company sold the Amplify Insight and Amplify Learning businesses for no material gain or loss.

The following table summarizes the results of operations from the discontinued segment:

	<b>For the three months ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(in millions)</b>	
Revenues	\$ 26	\$ 42
Loss before income tax benefit	(122)	(31)
Income tax benefit	<u>168</u>	<u>10</u>
Income (loss) from discontinued operations, net of tax	<u>\$ 46</u>	<u>\$(21)</u>

The following table summarizes the cash flows from discontinued operations:

	<b>For the three months ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(in millions)</b>	
Net cash used in operating activities	\$ (35)	\$ (37)
Net cash used in investing activities	—	(20)
Net cash used in financing activities	<u>—</u>	<u>—</u>
Net decrease in cash and cash equivalents	<u>\$ (35)</u>	<u>\$ (57)</u>

Assets and liabilities held for sale related to discontinued operations as of September 30, 2015 and June 30, 2015 are included in Other current assets in the Balance Sheets as follows:

	<b>As of September 30, 2015</b>	<b>As of June 30, 2015</b>
	<b>(in millions)</b>	
Current assets	\$61	\$ 54
Non-current assets	<u>17</u>	<u>100</u>
Total assets	<u>\$78</u>	<u>\$154</u>
Current Liabilities	60	46
Non-current liabilities	<u>13</u>	<u>16</u>
Total liabilities	<u>\$73</u>	<u>\$ 62</u>
Net assets held for sale	<u>\$ 5</u>	<u>\$ 92</u>

**NEWS CORPORATION**  
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**NOTE 4. RESTRUCTURING AND IMPAIRMENT**

During the three months ended September 30, 2015 and 2014, the Company recorded restructuring charges of \$17 million and \$4 million, respectively, of which \$12 million and \$4 million, respectively, related to the News and Information Services segment. The restructuring charges recorded in fiscal 2016 and 2015 were primarily for employee termination benefits.

Changes in restructuring program liabilities were as follows:

	For the three months ended September 30,				For the three months ended September 30,			
	2015				2014			
	One time employee termination benefits	Facility related costs	Other costs	Total	One time employee termination benefits	Facility related costs	Other costs	Total
	(in millions)							
Balance, beginning of period	\$ 47	\$ 5	\$ 6	\$ 58	\$ 21	\$ 7	\$ —	\$ 28
Additions	17	—	—	17	4	—	—	4
Payments	(26)	—	—	(26)	(11)	(1)	—	(12)
Other	(4)	—	—	(4)	—	—	—	—
Balance, end of period	<u>\$ 34</u>	<u>\$ 5</u>	<u>\$ 6</u>	<u>\$ 45</u>	<u>\$ 14</u>	<u>\$ 6</u>	<u>\$ —</u>	<u>\$ 20</u>

As of September 30, 2015, restructuring liabilities of approximately \$35 million were included in the Balance Sheet in Other current liabilities and \$10 million were included in Other non-current liabilities.

**NOTE 5. INVESTMENTS**

The Company's investments were comprised of the following:

	Ownership Percentage as of September 30, 2015	As of September 30, 2015	As of June 30, 2015
		(in millions)	
Equity method investments:			
Foxtel <sup>(a)</sup>	50%	\$1,371	\$1,476
Other equity method investments <sup>(b)</sup>	various	166	168
Loan receivable from Foxtel <sup>(c)</sup>	N/A	317	345
Available-for-sale securities	various	142	185
Cost method investments	various	200	205
Total Investments		<u>\$2,196</u>	<u>\$2,379</u>

- (a) The change in the Foxtel investment for the three months ended September 30, 2015 was primarily due to the impact of foreign currency fluctuations.
- (b) In July 2014, REA Group purchased a 17.22% interest in iProperty Group Limited (ASX:IPP) ("iProperty") for total cash consideration of approximately \$100 million. iProperty has online property advertising operations primarily in Malaysia, Indonesia, Hong Kong, Thailand and Singapore. In December 2014, REA Group sold Squarefoot, its Hong Kong based business, to iProperty in exchange for an additional 2.2% interest in iProperty. As of September 30, 2015, REA Group owned an approximate 22.7% interest in iProperty.
- (c) In May 2012, Foxtel purchased Austar United Communications Ltd. The transaction was funded by Foxtel bank debt and Foxtel's shareholders made pro rata capital contributions in the form of subordinated

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shareholder notes based on their respective ownership interests. The Company's share of the subordinated shareholder notes was approximately A\$451 million (\$317 million and \$345 million as of September 30, 2015 and June 30, 2015, respectively). The subordinated shareholder notes can be repaid beginning in July 2022 provided that Foxtel's senior debt has been repaid. The subordinated shareholder notes have a maturity date of July 15, 2027, with interest of 12% payable on June 30 each year and at maturity. Upon maturity, the principal advanced will be repayable.

The Company measures the fair market values of available-for-sale investments as Level 1 financial instruments under ASC 820, "Fair Value Measurement," as such investments have quoted prices in active markets. The cost basis, unrealized gains, unrealized losses and fair market value of available-for-sale investments are set forth below:

	<u>As of September 30, 2015</u>	<u>As of June 30, 2015</u>
	(in millions)	
Cost basis of available-for-sale investments	\$164	\$164
Accumulated gross unrealized gain	36	46
Accumulated gross unrealized loss	<u>(58)</u>	<u>(25)</u>
Fair value of available-for-sale investments	<u>\$142</u>	<u>\$185</u>
Net deferred tax asset (liability)	<u>\$ 3</u>	<u>\$ (11)</u>

**Equity Earnings of Affiliates**

The Company's share of the earnings of its equity affiliates was as follows:

	<u>For the three months ended</u> <u>September 30,</u>	
	<u>2015</u>	<u>2014</u>
	(in millions)	
Foxtel <sup>(a)</sup>	\$ 9	\$ 25
Other equity affiliates	<u>(1)</u>	<u>—</u>
Total Equity earnings of affiliates	<u>\$ 8</u>	<u>\$ 25</u>

- (a) In accordance with ASC 350, the Company amortized \$12 million and \$16 million, respectively, related to excess cost over the Company's proportionate share of its investment's underlying net assets allocated to finite-lived intangible assets during the three months ended September 30, 2015 and 2014. Such amortization is reflected in Equity earnings of affiliates in the Statements of Operations.

Summarized financial information for Foxtel, presented in accordance with U.S. GAAP, was as follows:

	<u>For the three months ended September 30,</u>	
	<u>2015</u>	<u>2014</u>
	(in millions)	
Revenues	\$587	\$728
Operating income <sup>(a)</sup>	85	137
Net income	42	81

- (a) Includes Depreciation and amortization of \$55 million and \$88 million for the three months ended September 30, 2015 and 2014, respectively. Operating income before depreciation and amortization was \$140 million and \$225 million for the three months ended September 30, 2015 and 2014, respectively.

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For the three months ended September 30, 2015, Foxtel's revenues decreased \$141 million, or 19%, as a result of the negative impact of foreign currency fluctuations, which more than offset higher revenues in local currency. Operating income decreased primarily due to increased programming costs, increased costs associated with higher sales volumes, the public launch of Triple Play as well as the negative impact of foreign currency fluctuations, which was partially offset by lower depreciation expense resulting from Foxtel's reassessment of the useful lives of cable and satellite installations due to lower subscriber churn. Net income decreased as a result of the lower operating income noted above, partially offset by lower income tax expense.

**NOTE 6. CREDIT FACILITY**

The Company's Credit Agreement (as amended, the "Credit Agreement") provides for an unsecured \$650 million revolving credit facility (the "Facility") that can be used for general corporate purposes. The Facility has a sublimit of \$100 million available for issuances of letters of credit. Under the Credit Agreement, the Company may request increases in the amount of the Facility up to a maximum amount of \$900 million. Subject to certain conditions stated in the Credit Agreement, the Company may borrow, prepay and reborrow amounts under the Facility during the term of the Credit Agreement.

In October 2015, the Company entered into an amendment to the Credit Agreement (the "Amendment") which, among other things, extended the original term of the Facility by two years and lowered the commitment fee payable by the Company. As a result of the Amendment, amounts under the Credit Agreement are now due on October 23, 2020, unless the commitments are terminated earlier either at the request of the Company or, if an event of default occurs, by the designated agent at the request or with the consent of the lenders (or automatically in the case of certain bankruptcy-related events). The Company may request that the commitments be extended under certain circumstances as set forth in the Credit Agreement for up to two additional one-year periods.

The Credit Agreement contains certain customary affirmative and negative covenants and events of default, with customary exceptions, including limitations on the ability of the Company and the Company's subsidiaries to engage in transactions with affiliates, incur liens, merge into or consolidate with any other entity, incur subsidiary debt or dispose of all or substantially all of its assets or all or substantially all of the stock of its subsidiaries taken as a whole. In addition, the Credit Agreement requires the Company to maintain an adjusted operating income leverage ratio of not more than 3.0 to 1.0 and an interest coverage ratio of not less than 3.0 to 1.0. If any of the events of default occur and are not cured within applicable grace periods or waived, any unpaid amounts under the Credit Agreement may be declared immediately due and payable. As of September 30, 2015, the Company was in compliance with all of the applicable debt covenants.

Interest on borrowings under the Facility is based on either (a) a Eurodollar Rate formula or (b) the Base Rate formula, each as set forth in the Credit Agreement. The applicable margin and the commitment fee are based on the pricing grid in the Credit Agreement, which varies based on the Company's adjusted operating income leverage ratio. As of September 30, 2015, the Company was paying a commitment fee of 0.25% on any undrawn balance and an applicable margin of 0.50% for a Base Rate borrowing and 1.50% for a Eurodollar Rate borrowing. As a result of the Amendment, as of October 23, 2015, the Company is paying a reduced commitment fee of 0.225% on any undrawn balance.

As of the date of this filing, the Company has not borrowed any funds under the Facility.

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**NOTE 7. EQUITY**

The following table summarizes changes in equity:

	For the three months ended September 30,					
	2015			2014		
	News Corporation stockholders	Noncontrolling Interests	Total Equity	News Corporation stockholders	Noncontrolling Interests	Total Equity
	(in millions)					
Balance, beginning of period	\$11,945	\$171	\$12,116	\$13,243	\$156	\$13,399
Net income	175	14	189	65	23	88
Other comprehensive (loss)	(443)	(7)	(450)	(458)	(17)	(475)
Dividends	(58)	(15)	(73)	—	(17)	(17)
Stock repurchases	(13)	—	(13)	—	—	—
Other	10	2	12	(9)	(4)	(13)
Balance, end of period	<u>\$11,616</u>	<u>\$165</u>	<u>\$11,781</u>	<u>\$12,841</u>	<u>\$141</u>	<u>\$12,982</u>

**Stock Repurchases**

In May 2013, the Board of Directors authorized the Company to repurchase up to an aggregate of \$500 million of its Class A Common Stock. On May 10, 2015, the Company announced it had begun repurchasing shares of Class A Common Stock under the stock repurchase program. Through October 30, 2015 the Company repurchased approximately 3.3 million shares of Class A Common Stock for an aggregate purchase price of approximately \$48 million. The remaining authorized amount under the stock repurchase program as of October 30, 2015 was approximately \$452 million. All decisions regarding any future stock repurchases are at the sole discretion of a duly appointed committee of the Company's Board of Directors (the "Board of Directors") and management. The committee's decisions regarding future stock repurchases will be evaluated from time to time in light of many factors, including the Company's financial condition, earnings, capital requirements and debt facility covenants, other contractual restrictions, as well as legal requirements, regulatory constraints, industry practice and other factors that the committee may deem relevant. The stock repurchase authorization may be modified, extended, suspended or discontinued at any time by the Board of Directors and the Board of Directors cannot provide any assurances that any additional shares will be repurchased.

**Dividends**

In August 2015, the Board of Directors declared a semi-annual cash dividend of \$0.10 per share of Class A Common Stock and Class B Common Stock. This dividend was paid on October 21, 2015 to stockholders of record at the close of business on September 16, 2015. The timing, declaration, amount and payment of future dividends to stockholders, if any, is within the discretion of the Board of Directors. The Board of Directors' decisions regarding the payment of future dividends will depend on many factors, including the Company's financial condition, earnings, capital requirements and debt facility covenants, other contractual restrictions, as well as legal requirements, regulatory constraints, industry practice and other factors that the Board of Directors deems relevant.

**NOTE 8. EQUITY BASED COMPENSATION**

Employees of the Company participate in the News Corporation 2013 Long-Term Incentive Plan (the "2013 LTIP") under which equity-based compensation, including stock options, performance stock units ("PSUs"), restricted stock awards, RSUs and other types of awards can be granted. The Company has the ability to award up to 30 million shares under the terms of the 2013 LTIP.



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In connection with the acquisition of Move, the Company assumed Move's equity incentive plans and substantially all of the awards outstanding under such plans. The stock options, RSUs and restricted stock awards that were assumed continue to have the same terms and conditions that applied to those awards immediately prior to the acquisition, except that such assumed awards were converted into awards with the right to be settled in, or by reference to, the Company's Class A Common Stock in accordance with the acquisition agreement, using a formula designed to preserve the value of the awards based on the price per share paid in the acquisition. The Company assumed and converted approximately 4.3 million stock options and approximately 2.5 million RSUs and restricted stock awards in connection with the transaction. During the three months ended September 30, 2015, approximately 0.2 million of the assumed options were exercised.

The Company recognized \$17 million and \$12 million of equity-based compensation expense for the three months ended September 30, 2015 and 2014, respectively.

**Performance Stock Units**

During the three months ended September 30, 2015 and 2014, the Company granted 3.7 million and 3.1 million PSUs, respectively, at target, of which 2.6 million and 2.0 million, respectively, will be settled in Class A Common Stock with the remaining, having been granted to executive directors and to employees in certain foreign locations, being settled in cash. Cash settled awards are marked-to-market each reporting period.

During the three months ended September 30, 2015 and 2014, approximately 1.2 million and 2.0 million PSUs, respectively, vested, of which approximately 1.0 million and 1.5 million, respectively, were settled in shares of Class A Common Stock before statutory tax withholdings. The remaining 0.2 million and 0.5 million PSUs, respectively, settled during the three months ended September 30, 2015 and 2014 were settled in cash for approximately \$3.3 million and \$8.2 million, respectively, before statutory tax withholdings.

**Restricted Stock Units**

During the three months ended September 30, 2015 and 2014, the Company granted 0.2 million and nil RSUs, respectively, all of which will be settled in Class A Common Stock.

During the three months ended September 30, 2015 and 2014, approximately 0.1 million and 0.4 million RSUs, respectively, vested, of which approximately 0.1 and 0.3 million, respectively, were settled in shares of Class A Common Stock before statutory tax withholdings. The remaining 0.1 million RSUs settled during the three months ended September 30, 2014 were settled in cash for approximately \$0.9 million before statutory tax withholdings.

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**NOTE 9. EARNINGS PER SHARE**

The following tables set forth the computation of basic and diluted earnings per share under ASC 260, “Earnings per Share”:

	<u>For the three months ended September 30,</u>	
	<u>2015</u>	<u>2014</u>
	(in millions, except per share amounts)	
Income from continuing operations	\$ 143	\$ 109
Less: Net income attributable to noncontrolling interests	<u>(14)</u>	<u>(23)</u>
Income from continuing operations available to News Corporation stockholders	129	86
Income (loss) from discontinued operations, net of tax, available to News Corporation stockholders	<u>46</u>	<u>(21)</u>
Net income available to News Corporation stockholders	<u>\$ 175</u>	<u>\$ 65</u>
Weighted-average number of shares of common stock outstanding—		
basic	581.0	579.5
Dilutive effect of equity awards	<u>1.7</u>	<u>0.4</u>
Weighted-average number of shares of common stock outstanding—		
diluted	<u>582.7</u>	<u>579.9</u>
Income from continuing operations available to News Corporation stockholders per share—basic and diluted	\$ 0.22	\$ 0.15
Income (loss) from discontinued operations available to News Corporation stockholders per share—basic and diluted	<u>\$ 0.08</u>	<u>\$(0.04)</u>
Net income available to News Corporation stockholders per share—		
basic and diluted	<u>\$ 0.30</u>	<u>\$ 0.11</u>

**NOTE 10. 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. Except as noted below, the Company’s commitments as of September 30, 2015 have not changed significantly from the disclosures included in the 2015 Form 10-K.

In August 2015, the Company entered into a sports programming rights agreement with the Australian Football League to license certain media rights for a six year period from 2017 to 2022 for approximately \$850 million (A\$1.2 billion).

***Contingencies***

The Company routinely is involved in various legal proceedings, claims and governmental inspections or investigations, including those discussed below. The outcome of these matters and claims is subject to significant uncertainty, and the Company often cannot predict what the eventual outcome of pending matters will be or the timing of the ultimate resolution of these matters. Fees, expenses, fines, penalties, judgments or settlement costs which might be incurred by the Company in connection with the various proceedings could adversely affect its results of operations and financial condition.

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The Company establishes an accrued liability for legal claims when it 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. Legal fees associated with litigation and similar proceedings are expensed as incurred. Except as otherwise provided below, for the contingencies disclosed for which there is at least a reasonable possibility that a loss may be incurred, the Company was unable to estimate the amount of loss or range of loss.

*U.K. Newspaper Matters and Related Investigations and Litigation*

On July 19, 2011, a purported class action lawsuit captioned *Wilder v. News Corp., et al.* was filed on behalf of all purchasers of 21st Century Fox's common stock between March 3, 2011 and July 11, 2011, in the U.S. District Court for the Southern District of New York (the "Wilder Litigation"). 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 alleged acts of voicemail interception at *The News of the World*. The suit named as defendants 21st Century Fox, Rupert Murdoch, James Murdoch and Rebekah Brooks, and sought compensatory damages, rescission for damages sustained and costs.

On June 5, 2012, the District Court issued an order appointing the Avon Pension Fund ("Avon") as lead plaintiff and Robbins Geller Rudman & Dowd as lead counsel. Avon filed an amended consolidated complaint on July 31, 2012, which among other things, added as defendants the Company's subsidiary, NI Group Limited (now known as News Corp UK & Ireland Limited), and Les Hinton, and expanded the class period to comprise February 15, 2011 to July 18, 2011. Defendants filed motions to dismiss the litigation, which were granted by the District Court on March 31, 2014. Plaintiffs were allowed to amend their complaint, and on April 30, 2014, plaintiffs filed a second amended consolidated complaint, which generally repeated the allegations of the amended consolidated complaint and also expanded the class period to comprise July 8, 2009 to July 18, 2011. Defendants moved to dismiss the second amended consolidated complaint, and on September 30, 2015, the District Court granted defendants' motions in their entirety and dismissed all of plaintiffs' claims. In its memorandum, opinion and order relating to the dismissal, the District Court gave plaintiffs until November 6, 2015 to file a motion for leave to amend their complaint. On October 21, 2015, plaintiffs filed a motion for reconsideration of the District Court's memorandum, opinion and order. The Company's management believes these claims are entirely without merit and intends to vigorously defend this action. As described below, the Company will be indemnified by 21st Century Fox for certain payments made by the Company that relate to, or arise from, the U.K. Newspaper Matters, including all payments in connection with the Wilder Litigation.

In addition, governmental authorities in the U.K. continue to conduct investigations initiated in 2011 relating to voicemail interception, illegal data access and inappropriate payments to public officials at the Company's former publication, *The News of the World*, and at *The Sun*, and related matters (the "U.K. Newspaper Matters"). The Company is cooperating with these investigations.

Civil claims have also been brought against the Company with respect to the U.K. Newspaper Matters. The Company has admitted liability in many civil cases and has settled a number of cases. The Company has also settled a number of claims through a private compensation scheme established by the Company under which parties could pursue claims against it. While additional civil lawsuits may be filed, no additional civil claims may be brought under the compensation scheme after April 8, 2013.

In connection with the Company's separation of its businesses (the "Separation") from 21st Century Fox on June 28, 2013 (the "Distribution Date"), the Company and 21st Century Fox agreed in the Separation and Distribution Agreement that 21st Century Fox will indemnify the Company for payments made after the Distribution Date arising out of civil claims and investigations relating to the U.K. Newspaper Matters as well as

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legal and professional fees and expenses paid in connection with the criminal matters, other than fees, expenses and costs relating to employees (i) who are not directors, officers or certain designated employees or (ii) with respect to civil matters, who are not co-defendants with the Company or 21st Century Fox. In addition, violations of law may result in criminal fines or penalties for which the Company will not be indemnified by 21st Century Fox. 21st Century Fox's indemnification obligations with respect to these matters will be settled on an after-tax basis.

The Company incurred gross legal and professional fees related to the U.K. Newspaper Matters and costs for civil settlements totaling approximately \$11 million and \$28 million for the three months ended September 30, 2015 and 2014, respectively. These costs are included in Selling, general and administrative expenses in the Company's Statements of Operations. With respect to the fees and costs incurred during the three months ended September 30, 2015 and 2014, the Company has been or will be indemnified by 21st Century Fox for \$6 million, net of tax, and \$14 million, net of tax, respectively, pursuant to the indemnification arrangements described above. Accordingly, the Company recorded a contra expense in Selling, general and administrative expenses for the after-tax costs that were or will be indemnified of \$6 million and \$14 million for three months ended September 30, 2015 and 2014, respectively, and recorded a corresponding receivable from 21st Century Fox. Therefore, the net impact on Selling, general and administrative expenses was \$5 million and \$14 million for the three months ended September 30, 2015 and 2014, respectively.

Refer to the table below for the net impact of the U.K. Newspaper Matters on Selling, general and administrative expenses recorded in the Statements of Operations:

	For the three months ended September 30,	
	2015	2014
	(in millions)	
Gross legal and professional fees related to the U.K. Newspaper Matters	\$11	\$ 28
Indemnification from 21st Century Fox	<u>(6)</u>	<u>(14)</u>
Net impact on Selling, general and administrative expenses	<u>\$ 5</u>	<u>\$ 14</u>

As of September 30, 2015, the Company has provided for its best estimate of the liability for the claims that have been filed and costs incurred, including liabilities associated with employment taxes, and has accrued approximately \$119 million, of which approximately \$60 million will be indemnified by 21st Century Fox, and a corresponding receivable was recorded in Amounts due from 21st Century Fox on the Balance Sheet as of September 30, 2015. It is not possible to estimate the liability or corresponding receivable for any additional claims that may be filed given the information that is currently available to the Company. If more claims are filed and additional information becomes available, the Company will update the liability provision and corresponding receivable for such matters.

The Company is not able to predict the ultimate outcome or cost of the civil claims or criminal matters. It is possible that these proceedings and any adverse resolution thereof, including any fines or other penalties associated with any plea, judgment or similar result for which the Company will not be indemnified, could damage its reputation, impair its ability to conduct its business and adversely affect its results of operations and financial condition.

*HarperCollins*

In 2011 and 2012, various civil lawsuits and governmental investigations were commenced against certain publishers, including the Company's subsidiary, HarperCollins Publishers L.L.C. ("HarperCollins"), relating to alleged violations of antitrust and unfair competition laws arising out of the decisions by those publishers to sell their e-books pursuant to an agency relationship.

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The publishers, including HarperCollins, entered into various settlement agreements to resolve these matters. These included a settlement with the DOJ, which, among other things, required that HarperCollins terminate its agreements with certain e-book retailers and placed certain restrictions on any agreements subsequently entered into with such retailers. Additional information about this settlement can be found on the DOJ's website. The publishers, including HarperCollins, also entered into substantially similar settlements with the European Commission and the Canadian Competition Bureau ("CCB"). The settlements with the DOJ and the European Commission received final approval in September and December 2012, respectively. The consent agreement with respect to the settlement with the CCB was registered with the Competition Tribunal on February 7, 2014. However, on February 21, 2014, Kobo Inc. ("Kobo") filed an application to rescind or vary the consent agreement with the Competition Tribunal, and, on March 18, 2014, the Competition Tribunal issued an order staying the registration of the consent agreement. The stay will remain in effect pending further order of the Competition Tribunal or final disposition of Kobo's application.

The Company is not able to predict the ultimate outcome or cost of the unresolved HarperCollins matter described above. The legal and professional fees and settlement costs incurred in connection with the other settlements referred to above were not material.

*News America Marketing*

*In-Store Marketing and FSI Purchasers*

On April 8, 2014, in connection with a pending action in the United States District Court for the Southern District of New York in which The Dial Corporation, Henkel Consumer Goods, Inc., H.J. Heinz Company, H.J. Heinz Company, L.P., Foster Poultry Farms, Smithfield Foods, Inc., HP Hood LLC and BEF Foods, Inc. (collectively, the "Named Plaintiffs") allege various claims under federal and state antitrust law against News Corporation, News America Incorporated ("NAI"), News America Marketing FSI L.L.C. ("NAM FSI"), and News America Marketing In-Store Services L.L.C. ("NAM In-Store Services" and, together with News Corporation, NAI and NAM FSI, the "NAM Group"), the Named Plaintiffs filed a fourth amended complaint on consent of the parties. The fourth amended complaint asserts federal and state antitrust claims both individually and on behalf of two putative classes in connection with the purchase of in-store marketing services and free-standing insert coupons. The complaint seeks treble damages, injunctive relief and attorneys' fees. The NAM Group answered the fourth amended complaint and asserted counterclaims against The Dial Corporation, H.J. Heinz Company, H.J. Heinz Company, L.P., and Foster Poultry Farms on April 21, 2014, and discovery is substantially complete.

On August 11, 2014, the Named Plaintiffs filed a motion seeking certification of a class of all persons residing in the United States who purchased in-store marketing services on or after April 5, 2008, and have not purchased those services pursuant to contracts with mandatory arbitration clauses. The Named Plaintiffs did not, however, move to certify a class of purchasers of free-standing insert coupons. On June 18, 2015, the District Court granted the Named Plaintiffs' motion for class certification, and on July 2, 2015, the NAM Group filed a petition for leave to appeal the District Court's decision to the United States Court of Appeals for the Second Circuit, which the Named Plaintiffs have opposed.

On September 10, 2015, the District Court granted a stipulation dismissing with prejudice the Named Plaintiffs' claims relating to free-standing insert coupons, and on September 30, 2015, the NAM Group moved for summary judgment on all remaining claims in the fourth amended complaint. Oral argument on that motion is scheduled for November 24, 2015.

While it is not possible at this time to predict with any degree of certainty the ultimate outcome of this action, the NAM Group believes it has been compliant with applicable antitrust laws and intends to defend itself vigorously.

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*Valassis Communications, Inc.*

On November 8, 2013, Valassis Communications, Inc. (“Valassis”) initiated legal proceedings against certain of the Company’s subsidiaries alleging violations of various antitrust laws. These proceedings are described in further detail below.

- Valassis previously initiated an action against NAI, NAM FSI and NAM In-Store Services (collectively, the “NAM Parties”), captioned Valassis Communications, Inc. v. News America Incorporated, et al., No. 2:06-cv-10240 (E.D. Mich.), alleging violations of federal antitrust laws, which was settled in February 2010. On November 8, 2013, Valassis filed a motion for expedited discovery in the previously settled case based on its belief that defendants had engaged in activities prohibited under an order issued by the District Court in connection with the parties’ settlement.

On February 4, 2014, the magistrate judge granted Valassis’s motion for expedited discovery. The NAM Parties objected to the magistrate judge’s ruling before the District Court and filed a motion to enforce the parties’ settlement agreement that sought an order that certain of Valassis’s claims, if they are allowed to proceed, must be considered by a panel of antitrust experts. On May 20, 2014, the District Court overruled the NAM Parties’ objections to the magistrate judge’s ruling and terminated the motion to enforce the parties’ settlement agreement as the issues raised in the motion would be addressed in connection with the NAM Group’s motion to dismiss Valassis’s newly filed complaint, described below.

On October 7, 2014, the NAM Group filed a motion for an order requiring Valassis to show cause why its allegations that the NAM Group engaged in unlawful bundling and tying of in-store marketing services and free-standing insert coupons should not be referred to a panel of antitrust experts for resolution pursuant to the parties’ settlement. On November 19, 2014, the magistrate judge denied the NAM Group’s motion for an order to show cause. The NAM Group objected to the magistrate judge’s order, and Valassis opposed those objections. On January 20, 2015, the NAM Parties filed a motion for expedited discovery in the previously settled case, which was granted by the magistrate judge on April 14, 2015.

On February 3, 2015, Valassis filed a Notice of Violation of an order issued by the District Court in the previously settled case. The Notice contains allegations that are substantially similar to the allegations Valassis made in the new complaint, described below, and seeks treble damages, injunctive relief and attorneys’ fees. The Notice also re-asserts claims of unlawful bundling and tying which the magistrate judge had previously recommended be dismissed from the action described below on the grounds that such claims could only be brought before the panel of antitrust experts. On March 2, 2015, the NAM Group filed a motion to refer the Notice to the panel of antitrust experts or, in the alternative, strike the Notice, which Valassis has opposed.

- On November 8, 2013, Valassis also filed a new complaint in the District Court for the Eastern District of Michigan against the NAM Group alleging violations of federal and state antitrust laws and common law business torts. The complaint seeks treble damages, injunctive relief and attorneys’ fees and costs. On December 19, 2013, the NAM Group filed a motion to dismiss the newly filed complaint.

The District Court referred the NAM Group’s motion to dismiss to the magistrate judge for determination, and on July 16, 2014, the magistrate judge recommended that the District Court grant the NAM Group’s motion in part with respect to certain claims and stay the remainder of the action. Valassis has objected to the magistrate judge’s recommendation that the action be stayed.

While it is not possible at this time to predict with any degree of certainty the ultimate outcome of these actions, the NAM Group believes it has been compliant with applicable laws and intends to defend itself vigorously in both actions.

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*Other*

The Company's operations are subject to tax in various domestic and international jurisdictions and as a matter of course, it 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 financial condition, future results of operations or liquidity. As subsidiaries of 21st Century Fox prior to the Separation, the Company and each of its domestic subsidiaries have joint and several liability with 21st Century Fox for the consolidated U.S. federal income taxes of the 21st Century Fox consolidated group relating to any taxable periods during which the Company or any of the Company's domestic subsidiaries were a member of the 21st Century Fox consolidated group. Consequently, the Company could be liable in the event any such liability is incurred, and not discharged, by any other member of the 21st Century Fox consolidated group. In conjunction with the Separation, the Company entered into the Tax Sharing and Indemnification Agreement with 21st Century Fox, which requires 21st Century Fox to indemnify the Company for any such liability. Disputes or assessments could arise during future audits by the IRS or other taxing authorities in amounts that the Company cannot quantify.

**NOTE 11. PENSION AND OTHER POSTRETIREMENT BENEFITS**

The Company provides pension, postretirement health care, defined contribution and medical benefits primarily in the U.S., U.K. and Australia to the Company's eligible employees and retirees. The Company funds amounts, at a minimum, in accordance with statutory requirements for all plans. Plan assets consist principally of common stocks, marketable bonds and government securities.

The amortization of amounts related to unrecognized prior service (credits) and deferred losses were reclassified out of other comprehensive income as a component of net periodic benefit costs. The components of net periodic benefits costs were as follows:

	<u>Pension benefits</u>				<u>Postretirement benefits</u>	
	<u>Domestic</u>		<u>Foreign</u>		<u>benefits</u>	
	<u>For the three months ended September 30,</u>					
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	(in millions)					
Service cost benefits earned during the period	\$ —	\$ —	\$ 2	\$ 3	\$ —	\$ —
Interest costs on projected benefit obligations	4	4	11	13	1	1
Expected return on plan assets	(5)	(5)	(16)	(19)	—	—
Amortization of deferred losses	1	1	4	3	—	—
Amortization of prior service (credits)	—	—	—	—	(1)	(3)
Settlements, curtailments and other	—	—	(1)	—	—	—
Net periodic benefits costs	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (2)</u>

During the three months ended September 30, 2015 and 2014, the Company contributed approximately \$11 million and \$4 million, respectively, to its various pension and postretirement plans.

**NOTE 12. INCOME TAXES**

At the end of each interim period, the Company estimates the annual effective income tax rate and applies that rate to its ordinary quarterly earnings. The tax expense or benefit related to significant, unusual or extraordinary items that will be separately reported or reported net of their related tax effect and are individually computed are recognized in the interim period in which those items occur. In addition, the effects of changes in enacted tax laws or rates or tax status are recognized in the interim period in which the change occurs.

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The Company's effective tax rate for the three months ended September 30, 2015 was lower than the U.S. statutory tax rate primarily due to a tax benefit of approximately \$106 million related to the release of previously established valuation allowances related to certain U.S. federal net operating losses and state deferred tax assets. This benefit was recognized in conjunction with management's plan to dispose of the Company's digital education business as the Company now expects to generate sufficient U.S. taxable income to utilize these deferred tax assets prior to expiration. In addition, the Company recognized a tax benefit of approximately \$151 million upon reclassification of the Digital Education segment to discontinued operations in Income (loss) from discontinued operations, net of tax, in the Statement of Operations for the three months ended September 30, 2015.

The Company's effective income tax rate for the three months ended September 30, 2014 was lower than the U.S. statutory tax rate, primarily due to the impact from foreign operations which are subject to lower tax rates, partially offset by the impact of nondeductible items.

The Company's tax returns are subject to on-going review and examination by various tax authorities. Tax authorities may not agree with the treatment of items reported in its tax returns, and therefore the outcome of tax reviews and examinations can be unpredictable. The Company believes it has appropriately accrued for the expected outcome of uncertain tax matters and believes such liabilities represent a reasonable provision for taxes ultimately expected to be paid, however, these liabilities may need to be adjusted as new information becomes known and as tax examinations continue to progress.

The Company paid gross income taxes of \$19 million during the three months ended September 30, 2015 and 2014, and received income tax refunds of \$1 million and \$3 million, respectively.

**NOTE 13. SEGMENT INFORMATION**

The Company manages and reports its businesses in the following five segments:

- **News and Information Services**—The News and Information Services segment includes the global print and digital product offerings of *The Wall Street Journal* and *Barron's* publications, Marketwatch, and the Company's suite of professional information products, including Factiva, Dow Jones Risk & Compliance, Dow Jones Newswires, Dow Jones Private Markets and DJX.

The Company also owns, among other publications, *The Australian*, *The Daily Telegraph*, *Herald Sun* and *The Courier Mail* in Australia, *The Times*, *The Sunday Times*, *The Sun* and *The Sun on Sunday* in the U.K. and the *New York Post* in the U.S. This segment also includes News America Marketing, a leading provider of free-standing inserts, in-store marketing products and services and digital marketing solutions. News America Marketing's customers include many of the largest consumer packaged goods advertisers in the U.S. and Canada.

- **Book Publishing**—The Book Publishing segment consists of HarperCollins, the second largest consumer book publisher in the world, with operations in 18 countries and particular strengths in general fiction, nonfiction, children's and religious publishing. HarperCollins includes over 120 branded publishing imprints, including Avon, Harper, HarperCollins Children's Books, William Morrow, Harlequin and Christian publishers Zondervan and Thomas Nelson, and publishes works by well-known authors such as Harper Lee, Mitch Albom, Veronica Roth, Rick Warren and Agatha Christie and popular titles such as *The Hobbit*, *Goodnight Moon*, *To Kill a Mockingbird* and the *Divergent* series.
- **Digital Real Estate Services**—The Digital Real Estate Services segment consists of the Company's interests in REA Group and Move. REA Group is a publicly traded company listed on the ASX (ASX: REA) that is a leading multinational digital advertising business specializing in property. REA Group



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operates Australia's leading residential and commercial property websites, realestate.com.au and realcommercial.com.au, as well as property sites in Europe and Asia. The Company holds a 61.6% interest in REA Group.

Move, acquired in November 2014, is a leading provider of online real estate services in the U.S. and primarily operates realtor.com®, a premier real estate information and services marketplace. Move also offers a number of professional software and services products, including Top Producer®, TigerLead® and ListHub™. The Company owns an 80% interest in Move, with the remaining 20% being held by REA Group.

- **Cable Network Programming**—The Cable Network Programming segment consists of FOX SPORTS Australia, the leading sports programming provider in Australia, with seven high definition television channels distributed via cable, satellite and IP, several interactive viewing applications and broadcast rights to live sporting events in Australia including: National Rugby League, the domestic football league, English Premier League, international cricket and Australian Rugby Union.
- **Other**—The Other segment consists primarily of general corporate overhead expenses, the corporate Strategy and Creative Group, and costs related to the U.K. Newspaper Matters. The Company's corporate Strategy and Creative Group was formed to identify new products and services across its businesses to increase revenues and profitability and to target and assess potential acquisitions and investments.

The Company has determined its operating segments in accordance with its internal management structure, which is organized based on operating activities, and has aggregated its newspaper and information services business with its integrated marketing services business into one reportable segment due to their similarities. The Company evaluates performance based upon several factors, of which the primary financial measure is Segment EBITDA.

Segment EBITDA is defined as revenues less operating expenses and selling, general and administrative expenses. Segment EBITDA does not include: Depreciation and amortization; impairment and restructuring charges; equity earnings of affiliates; interest, net; other, net; income tax (expense) benefit and net income attributable to noncontrolling interests. The Company believes that information about Segment EBITDA assists all users of its 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 (loss), thus providing insight into both operations and the other factors that affect reported results.

Total Segment EBITDA is 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 and restructuring charges, which are significant components in assessing the Company's financial performance.

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Management believes that Segment EBITDA is an appropriate measure for evaluating the operating performance of the Company's business. Segment EBITDA provides management, investors and equity analysts with a measure to analyze operating performance of the Company's business and its enterprise value against historical data and competitors' data, although historical results, including Segment EBITDA, may not be indicative of future results (as operating performance is highly contingent on many factors, including customer tastes and preferences). The following table reconciles Total Segment EBITDA to Income from continuing operations.

	<b>For the three months ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(in millions)</b>	
Revenues:		
News and Information Services	\$1,290	\$1,451
Book Publishing	409	406
Digital Real Estate Services	191	112
Cable Network Programming	124	139
Other	—	—
Total Revenues	<u>2,014</u>	<u>2,108</u>
Segment EBITDA:		
News and Information Services	\$ 83	\$ 105
Book Publishing	42	55
Digital Real Estate Services	57	57
Cable Network Programming	28	32
Other	(45)	(55)
Total Segment EBITDA	<u>165</u>	<u>194</u>
Depreciation and amortization	(121)	(124)
Impairment and restructuring charges	(17)	(4)
Equity earnings of affiliates	8	25
Interest, net	12	17
Other, net	5	48
Income from continuing operations before income tax benefit (expense)	<u>52</u>	<u>156</u>
Income tax benefit (expense)	91	(47)
Income from continuing operations	<u>\$ 143</u>	<u>\$ 109</u>

	<b>As of September 30, 2015</b>	<b>As of June 30, 2015</b>
	<b>(in millions)</b>	
Total assets:		
News and Information Services	\$ 6,686	\$ 6,749
Book Publishing	2,033	2,022
Digital Real Estate Services	1,253	1,278
Cable Network Programming	1,051	1,163
Other	1,532	1,352
Investments	2,196	2,379
Assets held for sale	5	92
Total assets	<u>\$14,756</u>	<u>\$15,035</u>

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	As of September 30, 2015	As of June 30, 2015
	(in millions)	
Goodwill and intangible assets, net:		
News and Information Services	\$2,599	\$2,593
Book Publishing	863	896
Digital Real Estate Services	833	835
Cable Network Programming	856	938
Other	4	4
Total goodwill and intangible assets, net	\$5,155	\$5,266

**NOTE 14. ADDITIONAL FINANCIAL INFORMATION**

***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. In determining the allowance for returns, management analyzes historical returns, current economic trends and changes in customer demand and acceptance of the Company's products. Based on this information, management reserves a certain portion of revenues that provide the customer with the right of return. The allowance for doubtful accounts is estimated based on historical experience, receivable aging, current economic trends and specific identification of certain receivables that are at risk of not being collected.

Receivables, net consist of:

	As of September 30, 2015	As of June 30, 2015
	(in millions)	
Receivables	\$1,517	\$1,503
Allowances for returns and doubtful accounts	(216)	(220)
Receivables, net	\$1,301	\$1,283

The Company's receivables did not contain significant concentrations of credit risk as of September 30, 2015 or June 30, 2015 due to the wide variety of customers, markets and geographic areas to which the Company's products and services are sold.

***Other Current Assets***

The following table sets forth the components of Other current assets:

	As of September 30, 2015	As of June 30, 2015
	(in millions)	
Inventory <sup>(a)</sup>	\$293	\$299
Deferred tax assets	67	63
Assets held for sale	5	92
Prepayments and other current assets	265	263
Total Other current assets	\$630	\$717

<sup>(a)</sup> Inventory at September 30, 2015 and June 30, 2015 was primarily comprised of books, newsprint, printing ink, plate material and programming rights.

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***Other Non-Current Assets***

The following table sets forth the components of Other non-current assets:

	<u>As of</u> <u>September 30, 2015</u>	<u>As of</u> <u>June 30, 2015</u>
	(in millions)	
Royalty advances to authors	\$302	\$304
Notes receivable <sup>(a)</sup>	36	39
Deferred tax assets	496	219
Other	<u>129</u>	<u>124</u>
Total Other non-current assets	<u>\$963</u>	<u>\$686</u>

(a) Notes receivable relates to the Company's sale of its former U.K. newspaper division headquarters.

***Other Current Liabilities***

The following table sets forth the components of Other current liabilities:

	<u>As of</u> <u>September 30, 2015</u>	<u>As of</u> <u>June 30, 2015</u>
	(in millions)	
Current tax payable	\$ 20	\$ 27
Royalties and commissions payable	211	163
Other	<u>176</u>	<u>211</u>
Total Other current liabilities	<u>\$407</u>	<u>\$401</u>

***Other, net***

The following table sets forth the components of Other, net:

	<u>For the three months ended</u> <u>September 30,</u>	
	<u>2015</u>	<u>2014</u>
	(in millions)	
Gain on sale of marketable securities <sup>(a)</sup>	\$ —	\$29
Dividends received from cost method investments	—	17
Other, net	<u>5</u>	<u>2</u>
Total Other, net	<u>\$ 5</u>	<u>\$48</u>

(a) In August 2014, REA Group completed the sale of a minority interest held in marketable securities for total cash consideration of \$104 million. As a result of the sale, REA Group recognized a pre-tax gain of \$29 million, which was reclassified out of accumulated other comprehensive income and included in Other, net in the Statement of Operations.

**NOTE 15. SUBSEQUENT EVENTS**

***Unruly Holdings Limited***

On September 30, 2015, the Company acquired Unruly Holdings Limited (“Unruly”) for approximately \$90 million in cash at closing, subject to certain adjustments, and up to \$86 million in future consideration primarily

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related to payments contingent upon the achievement of certain performance objectives. Unruly is a leading global video distribution platform that is focused on delivering branded video advertising across websites and mobile devices. Unruly will be considered a separate reporting unit, and its results will be included within the Company's News and Information Services segment. The Company is currently in the process of evaluating the purchase accounting implications, and as a result, disclosures required under ASC 805-10-50-2(h) cannot be made at this time.

*iProperty Group Limited*

On November 2, 2015, REA Group announced a proposed transaction to acquire all of the outstanding shares of iProperty it does not already own for A\$4.00 per share in cash or iProperty shareholders can elect to receive A\$1.20 cash and 0.7 shares in a newly-formed company, subject to a maximum 20% indirect equity interest in iProperty. The aggregate consideration for the transaction is expected to be approximately A\$500 million (approximately US\$350 million) and will be funded primarily from new debt facilities at REA Group totaling A\$480 million, with the remainder from REA Group's existing cash. The transaction is subject to a number of standard conditions, including iProperty shareholder and court approval, no material adverse change and no prescribed occurrences, and is expected to be completed during the first quarter of calendar 2016. The acquisition of iProperty extends REA Group's market leading business in Australia to attractive markets throughout Southeast Asia.

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

*This document, including the following discussion and analysis, 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. All statements that are not statements of historical fact are forward-looking statements. 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 discussion and analysis and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things, trends affecting the Company's financial condition or results of operations and the outcome of contingencies such as litigation and investigations. Readers 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 important factors that could cause actual results to differ materially from those in the forward-looking statements is set forth under the heading "Risk Factors" in Part II, Item 1A in this Quarterly Report on Form 10-Q. The Company 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 the Company with the Securities and Exchange Commission (the "SEC"). This section should be read together with the unaudited Consolidated Financial Statements of News Corporation and related notes set forth elsewhere herein and News Corporation's Annual Report on Form 10-K for the fiscal year ended June 30, 2015 as filed with the SEC on August 13, 2015 (the "2015 Form 10-K").*

### INTRODUCTION

News Corporation (together with its subsidiaries, "News Corporation," "News Corp," the "Company," "we," or "us") is a global diversified media and information services company comprised of businesses across a range of media, including: news and information services, book publishing, digital real estate services, cable network programming in Australia and pay-TV distribution in Australia.

During the first quarter of fiscal 2016, management approved a plan to dispose of the Company's digital education business. As a result of the plan and the discontinuation of further significant business activities in the Digital Education segment, the assets and liabilities of this segment were classified as held for sale and the results of operations have been classified as discontinued operations for all periods presented. Unless indicated otherwise, the information in the notes to the unaudited Consolidated Financial Statements relates to the Company's continuing operations. (See Note 3—Discontinued Operations in the accompanying unaudited Consolidated Financial Statements).

The consolidated financial statements are referred to herein as the "Financial Statements". The consolidated statements of operations are referred to herein as the "Statements of Operations". The consolidated balance sheets are referred to herein as the "Balance Sheets". The consolidated statements of cash flows are referred to herein as the "Statements of Cash Flows". The Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP").

Management's discussion and analysis of financial condition and results of operations is intended to help provide an understanding of the Company's financial condition, changes in financial condition and results of operations. This discussion is organized as follows:

- **Overview of the Company's Business**—This section provides a general description of the Company's businesses, as well as developments that occurred to date during fiscal 2016 and in the three months ended September 30, 2014 that the Company believes are important in understanding its financial condition and results of operations or to disclose known trends.

- **Results of Operations**—This section provides an analysis of the Company’s results of operations for the three months ended September 30, 2015 and 2014. This analysis is presented on both a consolidated basis and a segment basis. In addition, a brief description is provided of significant transactions and events that have an impact on 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, 2015 and 2014 as well as a discussion of the Company’s financial arrangements and outstanding commitments, both firm and contingent, that existed during fiscal 2016.

## OVERVIEW OF THE COMPANY’S BUSINESSES

The Company manages and reports its businesses in the following five segments:

- **News and Information Services**—The News and Information Services segment includes the global print and digital product offerings of *The Wall Street Journal* and *Barron’s* publications, Marketwatch, and the Company’s suite of professional information products, including Factiva, Dow Jones Risk & Compliance, Dow Jones Newswires, Dow Jones Private Markets and DJX.

The Company also owns, among other publications, *The Australian*, *The Daily Telegraph*, *Herald Sun* and *The Courier Mail* in Australia, *The Times*, *The Sunday Times*, *The Sun* and *The Sun on Sunday* in the U.K. and the *New York Post* in the U.S. This segment also includes News America Marketing, a leading provider of free-standing inserts, in-store marketing products and services and digital marketing solutions. News America Marketing’s customers include many of the largest consumer packaged goods advertisers in the U.S. and Canada.

- **Book Publishing**—The Book Publishing segment consists of HarperCollins, the second largest consumer book publisher in the world, with operations in 18 countries and particular strengths in general fiction, nonfiction, children’s and religious publishing. HarperCollins includes over 120 branded publishing imprints, including Avon, Harper, HarperCollins Children’s Books, William Morrow, Harlequin and Christian publishers Zondervan and Thomas Nelson, and publishes works by well-known authors such as Harper Lee, Mitch Albom, Veronica Roth, Rick Warren and Agatha Christie and popular titles such as *The Hobbit*, *Goodnight Moon*, *To Kill a Mockingbird* and the *Divergent* series.
- **Digital Real Estate Services**—The Digital Real Estate Services segment consists of the Company’s interests in REA Group Limited (“REA Group”) and Move, Inc. (“Move”). REA Group is a publicly traded company listed on the ASX (ASX: REA) that is a leading multinational digital advertising business specializing in property. REA Group operates Australia’s leading residential and commercial property websites, realestate.com.au and realcommercial.com.au, as well as property sites in Europe and Asia. The Company holds a 61.6% interest in REA Group.

Move, acquired in November 2014, is a leading provider of online real estate services in the U.S. and primarily operates realtor.com®, a premier real estate information and services marketplace. Move also offers a number of professional software and services products, including Top Producer®, TigerLead® and ListHub™. The Company owns an 80% interest in Move, with the remaining 20% being held by REA Group.

- **Cable Network Programming**—The Cable Network Programming segment consists of FOX SPORTS Australia, the leading sports programming provider in Australia, with seven high definition television channels distributed via cable, satellite and IP, several interactive viewing applications and broadcast rights to live sporting events in Australia including: National Rugby League, the domestic football league, English Premier League, international cricket and Australian Rugby Union.
- **Other**—The Other segment consists primarily of general corporate overhead expenses, the corporate Strategy and Creative Group, and costs related to the U.K. Newspaper Matters (as defined in “Item 1A. Risk Factors”). The Company’s corporate Strategy and Creative Group was formed to identify new products and services across its businesses to increase revenues and profitability and to target and assess potential acquisitions and investments.

## **News and Information Services**

Revenue at the News and Information Services segment is derived from the sale of advertising, circulation and subscriptions, as well as licensing. Adverse changes in general market conditions for advertising continue to affect revenues. Advertising revenues at the News and Information Services segment are also subject to seasonality, with revenues typically being highest in the Company's second fiscal quarter due to the end-of-year holiday season in its main operating geographies. Circulation and subscription revenues can be greatly affected by changes in the prices of the Company's and/or competitors' products, as well as by promotional activities.

Operating expenses include costs related to paper, production, distribution, third party printing, editorial and commissions. Selling, general and administrative expenses include promotional expenses, salaries, employee benefits, rent and other routine overhead.

The News and Information Services segment's advertising volume, circulation and the price of paper are the key variables whose fluctuations can have a material effect on the Company's operating results and cash flow. The Company has to anticipate the level of advertising volume, circulation and paper prices in managing its businesses to maximize operating profit during expanding and contracting economic cycles. The Company continues to be exposed to risks associated with paper used for printing. Paper is a basic commodity and its price is sensitive to the balance of supply and demand. The Company's expenses are affected by the cyclical increases and decreases in the price of paper. The News and Information Services segment's products compete for readership and advertising with local and national competitors and also compete with other media alternatives in their respective markets. Competition for circulation and subscriptions is based on the content of the products provided, pricing and, from time to time, various promotions. The success of these products also depends upon advertisers' judgments as to the most effective use of their advertising budgets. Competition for advertising is based upon the reach of the products, advertising rates and advertiser results. Such judgments are based on factors such as cost, availability of alternative media, distribution and quality of readership demographics.

Like other newspaper groups, the Company faces challenges to its traditional print business model from new media formats and shifting consumer preferences. The Company is also exposed to the impact of long-term structural movements in advertising spending, in particular, the move in classified advertising from print to digital. These new media formats could impact the Company's overall performance, positively or negatively.

As a multi-platform news provider, the Company recognizes the importance of maximizing revenues from new media, both in terms of paid-for content and in new advertising models, and continues to invest in its digital products. Technologies such as smartphones, tablets and similar devices and their related applications provides continued opportunities for the Company to make its journalism available to a new audience of readers, introduce new or different pricing schemes, develop its products to continue to attract advertisers and/or affect the relationship between publisher and consumer. The Company continues to develop and implement strategies to exploit its content in new media channels, including the implementation of digital subscriptions.

## **Book Publishing**

The Book Publishing segment derives revenues from the sale of general fiction, nonfiction, children's and religious books in the U.S. and internationally. The revenues and operating results of the Book Publishing segment are significantly affected by the timing of releases and the number of its books in the marketplace. The book publishing marketplace is subject to increased periods of demand during the end-of-year holiday season in its main operating geographies. This marketplace continues to change due to technical innovations, electronic book devices and other factors. Each book is a separate and distinct product, and its financial success depends upon many factors, including public acceptance.

Major new title releases represent a significant portion of the Book Publishing segment's sales throughout the fiscal year. Print-based consumer books are generally sold on a fully returnable basis, resulting in the return of unsold books. In the domestic and international markets, the Book Publishing segment is subject to global trends and local economic conditions.



Operating expenses for the Book Publishing segment include costs related to paper, printing, authors' royalties, editorial, promotional, art and design expenses. Selling, general and administrative expenses include salaries, employee benefits, rent and other routine overhead.

### **Digital Real Estate Services**

The Digital Real Estate Services segment sells online advertising services on its residential real estate and commercial property sites and also licenses certain professional software products on a subscription basis. Significant expenses associated with these sites and software solutions include development costs, advertising and promotional expenses, hosting and support services, salaries, employee benefits and other routine overhead expenses.

Consumers are increasingly turning to the Internet and mobile devices for real estate information. The Digital Real Estate Services segment's success depends on its continued innovation to provide products and services that make its websites and mobile applications useful for consumers and real estate and mortgage professionals and attractive to its advertisers.

### **Cable Network Programming**

The Cable Network Programming segment consists of FOX SPORTS Australia, which offers the following seven channels in high definition: FOX SPORTS 1, FOX SPORTS 2, FOX SPORTS 3, FOX SPORTS 4, FOX SPORTS 5, FOX FOOTY and FOX SPORTS NEWS. Revenue is primarily derived from monthly affiliate fees received from pay-tv providers (mainly Foxtel) based on the number of subscribers.

FOX SPORTS Australia competes primarily with ESPN, beIN SPORTS, the Free-To-Air ("FTA") channels and certain telecommunications companies in Australia.

The most significant operating expenses of the Cable Network Programming segment are the acquisition and production expenses related to programming and the expenses related to operating the technical facilities of the broadcast operations. The expenses associated with licensing programming rights are recognized during the applicable season or event, which can cause results at the Cable Network Programming Segment to fluctuate based on the timing and mix of the Company's local and international sports programming. Other expenses include marketing and promotional expenses related to improving the market visibility and awareness of the channels and their programming. Additional expenses include salaries, employee benefits, rent and other routine overhead expenses.

### **Other**

The Other segment primarily consists of general corporate overhead expenses, the corporate Strategy and Creative Group and costs related to the U.K. Newspaper Matters. The Company's corporate Strategy and Creative Group was formed to identify new products and services across the Company's businesses to increase revenues and profitability and to target and assess potential acquisitions and investments.

## **OTHER BUSINESS DEVELOPMENTS**

On November 2, 2015, REA Group announced a proposed transaction to acquire all of the outstanding shares of iProperty Group Limited (ASX:IPP) ("iProperty") it does not already own for A\$4.00 per share in cash or iProperty shareholders can elect to receive A\$1.20 cash and 0.7 shares in a newly-formed company, subject to a maximum 20% indirect equity interest in iProperty. The aggregate consideration for the transaction is expected to be approximately A\$500 million (approximately US\$350 million) and will be funded primarily from new debt facilities at REA Group totaling A\$480 million, with the remainder from REA Group's existing cash. The transaction is subject to a number of standard conditions, including iProperty shareholder and court approval, no

material adverse change and no prescribed occurrences, and is expected to be completed during the first quarter of calendar 2016. iProperty has online property advertising operations primarily in Malaysia, Indonesia, Hong Kong, Thailand and Singapore. The acquisition of iProperty extends REA Group’s market leading business in Australia to attractive markets throughout Southeast Asia. Additionally, in July 2014, REA Group had purchased a 17.22% interest in iProperty for total cash consideration of approximately \$100 million. In December 2014, REA Group sold Squarefoot, its Hong Kong based business, to iProperty in exchange for an additional 2.2% interest in iProperty. As of September 30, 2015, REA Group owned an approximate 22.7% interest in iProperty.

On September 30, 2015, the Company acquired Unruly Holdings Limited (“Unruly”) for approximately \$90 million in cash at closing, subject to certain adjustments, and up to \$86 million in future consideration primarily related to payments contingent upon the achievement of certain performance objectives. Unruly is a leading global video distribution platform that is focused on delivering branded video advertising across websites and mobile devices. Unruly will be considered a separate reporting unit, and its results will be included within the Company’s News and Information Services segment.

In July 2015, the Company acquired Checkout 51 Mobile Apps ULC (“Checkout 51”) for approximately \$13 million in cash at closing and up to approximately \$28 million in future consideration related to payments contingent upon the achievement of certain performance objectives. Checkout 51 is a data-driven digital coupon company that provides News America Marketing with a leading receipt recognition mobile app that enables retailers to reach consumers with highly personalized marketing campaigns. Checkout 51’s results are included within the Company’s News and Information Services segment.

In November 2014, the Company completed its acquisition of Move, a leading provider of online real estate services. The acquisition expanded the Company’s digital real estate services business into the U.S., one of the largest real estate markets. The aggregate cash payment at closing to acquire the outstanding shares of Move was approximately \$864 million, which was funded with cash on hand. The Company also assumed equity-based compensation awards with a fair value of \$67 million, of which \$28 million was allocated to pre-combination services and included in total consideration transferred for Move. The remaining \$39 million was allocated to future services and is being expensed over the weighted average remaining service period of 2.5 years. In addition, the Company assumed Move’s outstanding indebtedness of approximately \$129 million, which the Company settled following the acquisition, and acquired approximately \$108 million of cash.

The total transaction value for the Move acquisition is set forth below (in millions):

Cash paid for Move equity	\$ 864
Assumed equity-based compensation awards—pre-combination services	28
Total consideration transferred	<u>\$ 892</u>
Plus: Assumed debt	129
Plus: Assumed equity-based compensation awards—post-combination services	39
Less: Cash acquired	<u>(108)</u>
Total transaction value	<u><u>\$ 952</u></u>

In August 2014, the Company acquired Harlequin Enterprises Limited (“Harlequin”) from Torstar Corporation for \$414 million in cash, net of \$19 million of cash acquired. Harlequin is a leading publisher of women’s fiction and extends HarperCollins’ global platform, particularly in Europe and Asia Pacific. Harlequin is a subsidiary of HarperCollins, and its results are included within the Book Publishing segment.

## RESULTS OF OPERATIONS

### *Results of Operations—For the three months ended September 30, 2015 versus the three months ended September 30, 2014*

The following table sets forth the Company's operating results for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014.

	For the three months ended September 30,			
	2015	2014	Change	% Change
	Better/(Worse)			
(in millions, except %)				
Revenues:				
Advertising	\$ 880	\$ 920	\$ (40)	(4)%
Circulation and Subscription	639	672	(33)	(5)%
Consumer	392	390	2	1 %
Other	103	126	(23)	(18)%
Total Revenues	2,014	2,108	(94)	(4)%
Operating expenses	(1,199)	(1,282)	83	6 %
Selling, general and administrative	(650)	(632)	(18)	(3)%
Depreciation and amortization	(121)	(124)	3	2 %
Impairment and restructuring charges	(17)	(4)	(13)	**
Equity earnings of affiliates	8	25	(17)	(68)%
Interest, net	12	17	(5)	(29)%
Other, net	5	48	(43)	(90)%
<b>Income from continuing operations before income tax benefit (expense)</b>	<b>52</b>	<b>156</b>	<b>(104)</b>	<b>(67)%</b>
Income tax benefit (expense)	91	(47)	138	**
Income from continuing operations	143	109	34	31 %
Income (loss) from discontinued operations, net of tax	46	(21)	67	**
Net income	189	88	101	**
Less: Net income attributable to noncontrolling interests	(14)	(23)	9	39 %
<b>Net income attributable to News Corporation</b>	<b>\$ 175</b>	<b>\$ 65</b>	<b>\$ 110</b>	<b>**</b>

\*\* not meaningful

**Revenues**—Revenues decreased \$94 million, or 4%, for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015. The revenue decrease for the three months ended September 30, 2015 was mainly due to a decrease in revenues at the News and Information Services segment of \$161 million, primarily resulting from the negative impact of foreign currency fluctuations and weakness in the print advertising market in Australia. This decrease was offset in part by increased revenues at the Digital Real Estate Services segment of \$79 million, primarily as a result of the acquisition of Move in November 2014.

**Operating Expenses**—Operating expenses decreased \$83 million, or 6%, for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015. The decrease in Operating expenses for the three months ended September 30, 2015 was mainly due to a decrease in operating expenses at the News and Information Services segment of \$113 million, primarily as a result of the positive impact of foreign currency fluctuations, lower production and distribution costs resulting from reduced sales and the impact of cost savings initiatives. The decrease in Operating expenses was partially offset by higher operating expenses at the Digital Real Estate Services segment due to the acquisition of Move and at the Book Publishing segment as a

result of the acquisition of Harlequin in August 2014. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in an Operating expense decrease of \$87 million for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015.

**Selling, general and administrative expenses**—Selling, general and administrative expenses increased \$18 million, or 3%, for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015. The increase in Selling, general and administrative expenses for the three months ended September 30, 2015 was primarily due to higher expenses at the Digital Real Estate Services segment as a result of the acquisition of Move, as well as increased promotion and marketing expenses in the News and Information Services segment. These increases were partially offset by the positive impact of foreign currency fluctuations. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Selling, general and administrative expense decrease of \$72 million for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015.

**Depreciation and amortization**—Depreciation and amortization expense decreased 2% for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015 due to lower depreciation and amortization expense at the News and Information Services segment, primarily resulting from the positive impact of foreign currency fluctuations, partially offset by increased depreciation at the Digital Real Estate Services segment due to the acquisition of Move. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a depreciation and amortization expense decrease of \$12 million for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015.

**Impairment and restructuring charges**— During the three months ended September 30, 2015 and 2014, the Company recorded restructuring charges of \$17 million and \$4 million, respectively, of which \$12 million and \$4 million, respectively, related to the News and Information Services segment. The restructuring charges recorded in the three months ended September 30, 2015 and 2014 were primarily for employee termination benefits.

**Equity earnings of affiliates**—Equity earnings of affiliates decreased \$17 million for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015, as a result of lower net income at Foxtel, primarily due to increased programming costs, increased costs associated with higher sales volumes, the public launch of Triple Play, as well as the negative impact of foreign currency fluctuations, partially offset by lower depreciation expense resulting from Foxtel’s reassessment of the useful lives of cable and satellite installations due to lower subscriber churn and lower tax expense.

	For the three months ended September 30,			
	2015	2014	Change	% Change
(in millions, except %)				Better/(Worse)
Foxtel <sup>(a)</sup>	\$ 9	\$ 25	\$(16)	(64)%
Other equity affiliates	(1)	—	(1)	**
Total Equity earnings of affiliates	<u>\$ 8</u>	<u>\$ 25</u>	<u>\$(17)</u>	<u>(68)%</u>

\*\* not meaningful

<sup>(a)</sup> In accordance with ASC 350, the Company amortized \$12 million related to excess cost over the Company’s proportionate share of its investment’s underlying net assets allocated to finite-lived intangible assets during the three months ended September 30, 2015 as compared to \$16 million in the three months ended September 30, 2014. Such amortization is reflected in Equity earnings of affiliates in the Statements of Operations.

**Interest, net**—Interest, net decreased \$5 million for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015, primarily due to the negative impact of foreign currency fluctuations.

## ***Other, net***

(in millions)	For the three months ended September 30,	
	2015	2014
Gain on sale of marketable securities <sup>(a)</sup>	\$ —	\$29
Dividends received from cost method investments	—	17
Other, net	5	2
Total Other, net	<u>\$ 5</u>	<u>\$48</u>

- (a) In August 2014, REA Group completed the sale of a minority interest held in marketable securities for total cash consideration of \$104 million. As a result of the sale, REA Group recognized a pre-tax gain of \$29 million, which was reclassified out of accumulated other comprehensive income and included in Other, net in the Statement of Operations.

***Income tax benefit (expense)***—The Company's effective tax rate for the three months ended September 30, 2015 was lower than the U.S. statutory tax rate primarily due to a tax benefit of approximately \$106 million related to the release of previously established valuation allowances related to certain U.S. federal net operating losses and state deferred tax assets. This benefit was recognized in conjunction with management's plan to dispose of the Company's digital education business as the Company expects to generate sufficient U.S. taxable income to utilize these deferred tax assets prior to expiration.

The Company's effective tax rate for the three months ended September 30, 2014 was lower than the U.S. statutory tax rate primarily due to the impact from foreign operations which are subject to lower tax rates partially offset by the impact of nondeductible items.

***Income (loss) from discontinued operations, net of tax***—For the three months ended September 30, 2015, the Company recorded income from discontinued operations, net of tax, of \$46 million, as compared to a loss of \$21 million in the corresponding period of fiscal 2015. The change was primarily due to the impact of a \$151 million tax benefit recognized upon reclassification of the Digital Education segment to discontinued operations, which more than offset the pre-tax non-cash impairment charge and operating losses recorded in the first quarter of fiscal 2016. (See Note 3—Discontinued Operations in the accompanying Unaudited Consolidated Financial Statements).

***Net income***—Net income increased \$101 million for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015, primarily due to the tax benefit and income from discontinued operations noted above, partially offset by lower Total Segment EBITDA, lower contribution from Other, net and lower equity earnings from Foxtel.

***Net income attributable to noncontrolling interests***—Net income attributable to noncontrolling interests decreased \$9 million for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015, due to the negative impact of foreign currency fluctuations.

## ***Segment Analysis***

Segment EBITDA is defined as revenues less operating expenses and selling, general and administrative expenses. Segment EBITDA does not include: Depreciation and amortization, impairment and restructuring charges, equity earnings of affiliates, interest, net, other, net, income tax (expense) benefit and net income attributable to noncontrolling interests. Management believes that Segment EBITDA 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

within the Company's businesses. Segment EBITDA provides management, investors and equity analysts with a measure to analyze operating performance of each of the Company's business segments and its enterprise value against historical data and competitors' data, although historical results may not be indicative of future results (as operating performance is highly contingent on many factors, including customer tastes and preferences).

Total Segment EBITDA is a non-GAAP measure and should be considered in addition to, not as a substitute for, net income (loss), 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 and restructuring charges, which are significant components in assessing the Company's financial performance. The following table reconciles Total Segment EBITDA to Income from continuing operations.

	<b>For the three months ended September 30,</b>			
	<b>2015</b>	<b>2014</b>	<b>Change</b>	<b>% Change</b>
	<b>Better/(Worse)</b>			
(in millions, except %)				
Revenues	\$ 2,014	\$ 2,108	\$ (94)	(4)%
Operating expenses	(1,199)	(1,282)	83	6 %
Selling, general and administrative expenses	(650)	(632)	(18)	(3)%
Total Segment EBITDA	165	194	(29)	(15)%
Depreciation and amortization	(121)	(124)	3	2 %
Impairment and restructuring charges	(17)	(4)	(13)	**
Equity earnings of affiliates	8	25	(17)	(68)%
Interest, net	12	17	(5)	(29)%
Other, net	5	48	(43)	(90)%
Income from continuing operations before income tax benefit (expense)	52	156	(104)	(67)%
Income tax benefit (expense)	91	(47)	138	**
Income from continuing operations	<u>\$ 143</u>	<u>\$ 109</u>	<u>\$ 34</u>	<u>31 %</u>

\*\* not meaningful

	<b>For the three months ended September 30,</b>			
	<b>2015</b>		<b>2014</b>	
	<b>Revenues</b>	<b>Segment EBITDA</b>	<b>Revenues</b>	<b>Segment EBITDA</b>
(in millions)				
News and Information Services	\$1,290	\$ 83	\$1,451	\$105
Book Publishing	409	42	406	55
Digital Real Estate Services	191	57	112	57
Cable Network Programming	124	28	139	32
Other	—	(45)	—	(55)
Total	<u>\$2,014</u>	<u>\$165</u>	<u>\$2,108</u>	<u>\$194</u>

*News and Information Services* (64% and 69% of the Company's consolidated revenues in the three months ended September 30, 2015 and 2014, respectively)

	For the three months ended September 30,			
	2015	2014	Change	% Change
	Better/(Worse)			
(in millions, except %)				
Revenues:				
Advertising	\$ 681	\$ 783	\$(102)	(13)%
Circulation and Subscription	524	559	(35)	(6)%
Other	85	109	(24)	(22)%
<b>Total Revenues</b>	<b>1,290</b>	<b>1,451</b>	<b>(161)</b>	<b>(11)%</b>
Operating expenses	(795)	(908)	113	12 %
Selling, general and administrative	(412)	(438)	26	6 %
<b>Segment EBITDA</b>	<b>\$ 83</b>	<b>\$ 105</b>	<b>\$ (22)</b>	<b>(21)%</b>

Revenues at the News and Information Services segment decreased \$161 million, or 11%, for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015. The revenue decrease for the three months ended September 30, 2015 was primarily due to lower advertising revenues of \$102 million as compared to the corresponding period of fiscal 2015, primarily resulting from the negative impact of foreign currency fluctuations. Circulation and subscription revenues for the three months ended September 30, 2015 decreased \$35 million as compared to the corresponding period of fiscal 2015, primarily as a result of lower circulation and subscription revenues at the U.K. newspapers and Australian newspapers, principally due to the negative impact of foreign currency fluctuations. Other revenues decreased \$24 million, primarily due to lower other revenues at the U.K. newspapers and Australian newspapers.

Segment EBITDA at the News and Information Services segment decreased \$22 million, or 21%, for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015. The decrease was primarily due to a decrease of \$24 million at the Australian newspapers, primarily as a result of lower advertising revenues and a decrease at News America Marketing of \$7 million, primarily due to increased legal expenses of \$5 million, as decreased advertising revenues were partially offset by lower operating costs. These decreases were offset by an increase at the U.K. newspapers of \$6 million, primarily due to dual rent costs which did not recur in the three months ended September 30, 2015, as lower advertising revenues were offset by the impact of cost savings initiatives, and an increase at Dow Jones of \$5 million due to higher revenues and the impact of cost savings initiatives.

#### *News Corp Australia*

Revenues at the Australian newspapers for the three months ended September 30, 2015 decreased 26% compared to the corresponding period of fiscal 2015, with the impact of foreign currency fluctuations of the U.S. dollar against the Australian dollar resulting in a revenue decrease of \$87 million, or 20%. Advertising revenues decreased \$84 million, primarily as a result of the negative impact of foreign currency fluctuations and weakness in the print advertising market in Australia. Circulation and subscription revenues decreased \$21 million due to the negative impact of foreign currency fluctuations, as price increases and digital subscriber growth offset print volume declines. Other revenues decreased \$6 million due to the negative impact of foreign currency fluctuations.

#### *News UK*

For the three months ended September 30, 2015, revenues at the U.K. newspapers decreased 11% as compared to the corresponding period of fiscal 2015. Circulation and subscription revenues decreased \$15 million, primarily due to the negative impact of foreign currency fluctuations, as print and digital price increases and subscriber

growth offset single-copy volume declines. Other revenues decreased \$15 million due a reduction in newsprint sales to third parties, offset in large part by lower operating expenses. Advertising revenues decreased \$11 million, primarily due to the negative impact of foreign currency fluctuations as well as print market declines. The impact of foreign currency fluctuations of the U.S. dollar against the British pound resulted in a revenue decrease of \$26 million, or 7%, for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015.

#### *Dow Jones*

Revenues at Dow Jones increased marginally for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015, as modest growth in advertising, circulation and professional information business revenues more than offset the negative impact of foreign currency fluctuations. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of \$5 million, or 1%, for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015.

#### *News America Marketing*

Revenues at News America Marketing decreased 5% for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015, primarily due to decreased revenues for free-standing insert products of \$9 million.

**Book Publishing** (20% and 19% of the Company's consolidated revenues in the three months ended September 30, 2015 and 2014, respectively)

	<b>For the three months ended September 30,</b>			
	<b>2015</b>	<b>2014</b>	<b>Change</b>	<b>% Change</b>
	<b>Better/(Worse)</b>			
(in millions, except %)				
Revenues:				
Consumer	\$ 392	\$ 390	\$ 2	1 %
Other	17	16	1	6 %
<b>Total Revenues</b>	<b>409</b>	<b>406</b>	<b>3</b>	<b>1 %</b>
Operating expenses	(290)	(271)	(19)	(7)%
Selling, general and administrative	(77)	(80)	3	4 %
<b>Segment EBITDA</b>	<b>\$ 42</b>	<b>\$ 55</b>	<b>\$(13)</b>	<b>(24)%</b>

Revenues at the Book Publishing segment increased \$3 million, or 1%, for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015. The increase was the result of higher print book sales, primarily related to sales of *Go Set a Watchman* by Harper Lee, and the impact of the acquisition of Harlequin in August 2014 of \$23 million. These increases were partially offset by lower revenues from the *Divergent* series by Veronica Roth of \$23 million, an industry-wide decline in e-book sales and the negative impact of foreign currency fluctuations. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of \$15 million, or 3%, for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015. Digital sales, which consist of revenues generated through the sale of e-books and digital audio books, represented 20% of Consumer revenues during the three months ended September 30, 2015. Digital sales decreased 12% as compared to the corresponding period of fiscal 2015 due to the lower contribution from the *Divergent* series and an industry-wide decline in e-book sales.

Segment EBITDA at the Book Publishing segment decreased \$13 million, or 24%, for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015. The decrease was primarily due to lower contribution from the *Divergent* series, the mix of titles sold and an industry-wide decline in e-book sales, partially offset by the acquisition of Harlequin in August 2014 and related transaction costs which did not recur in the three months ended September 30, 2015.



**Digital Real Estate Services** (10% and 5% of the Company's consolidated revenues in the three months ended September 30, 2015 and 2014, respectively)

	For the three months ended September 30,			
	2015	2014	Change	% Change
	Better/(Worse)			
(in millions, except %)				
Revenues:				
Advertising	\$ 176	\$112	\$ 64	57%
Circulation and Subscription	15	—	15	**
<b>Total Revenues</b>	<b>191</b>	<b>112</b>	<b>79</b>	<b>71%</b>
Operating expenses	(23)	—	(23)	**
Selling, general and administrative	(111)	(55)	(56)	**
<b>Segment EBITDA</b>	<b>\$ 57</b>	<b>\$ 57</b>	<b>\$ —</b>	<b>—</b>

\*\* not meaningful

Revenues at the Digital Real Estate Services segment increased \$79 million, or 71%, for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015, primarily due to the acquisition of Move in November 2014, which contributed \$85 million in revenues during the quarter. This increase was partially offset by the negative impact of foreign currency fluctuations which more than offset higher revenues resulting from greater residential listing depth product penetration and improved listing volumes in Australia. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of \$28 million, or 25%, for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015.

Segment EBITDA at the Digital Real Estate Services segment was flat for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015, as the negative impact of foreign currency fluctuations and a \$4 million loss related to the acquisition of Move more than offset the higher revenues from greater residential listing depth product penetration and improved listing volumes in Australia noted above. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Segment EBITDA decrease of \$16 million, or 28%, for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015.

**Cable Network Programming** (6% and 7% of the Company's consolidated revenues in the three months ended September 30, 2015 and 2014, respectively)

	For the three months ended September 30,			
	2015	2014	Change	% Change
	Better/(Worse)			
(in millions, except %)				
Revenues:				
Advertising	\$ 23	\$ 25	\$ (2)	(8)%
Circulation and Subscription	100	113	(13)	(12)%
Other	1	1	—	—
<b>Total Revenues</b>	<b>124</b>	<b>139</b>	<b>(15)</b>	<b>(11)%</b>
Operating expenses	(90)	(101)	11	11%
Selling, general and administrative	(6)	(6)	—	—
<b>Segment EBITDA</b>	<b>\$ 28</b>	<b>\$ 32</b>	<b>\$ (4)</b>	<b>(13)%</b>

For the three months ended September 30, 2015, revenues and Segment EBITDA at the Cable Network Programming segment decreased \$15 million, or 11%, and \$4 million, or 13%, respectively, as compared to the corresponding period of fiscal 2015. The revenue decrease was due to the negative impact of foreign currency

fluctuations, which more than offset higher affiliate and advertising revenues. The decrease in Segment EBITDA was primarily the result of increased programming costs related to the Rugby World Cup and the negative impact of foreign currency fluctuations, which more than offset the higher affiliate and advertising revenues noted above. The impact of foreign currency fluctuations of the U.S. dollar against the Australian dollar resulted in a revenue decrease of \$29 million, or 21%, and a Segment EBITDA decrease of \$7 million, or 22%, for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015.

*Other* (0% and 0% of the Company's consolidated revenues in the three months ended September 30, 2015 and 2014, respectively)

	For the three months ended September 30,			
	2015	2014	Change	% Change
(in millions, except %)				
Revenues	\$ —	\$ —	\$ —	—
Operating expenses	(1)	(2)	1	50%
Selling, general and administrative	(44)	(53)	9	17%
<b>Segment EBITDA</b>	<b>\$ (45)</b>	<b>\$ (55)</b>	<b>\$ 10</b>	<b>18%</b>

\*\* not meaningful

Segment EBITDA at the Other segment increased \$10 million, or 18%, for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015. Segment EBITDA increased primarily due to lower costs associated with the U.K. Newspaper Matters. The net expense related to the U.K. Newspaper Matters included in Selling, general and administrative expenses was \$5 million for the three months ended September 30, 2015 as compared to \$14 million in the corresponding period of fiscal 2015.

## LIQUIDITY AND CAPITAL RESOURCES

### *Current Financial Condition*

The Company's principal source of liquidity is internally generated funds and cash and cash equivalents on hand. In October 2013, the Company established a revolving credit facility of \$650 million. Under the credit agreement, the Company may request increases in the amount of the facility up to a maximum amount of \$900 million. In addition, the Company expects to have access to the worldwide capital markets, subject to market conditions, in order to issue debt if needed or desired. Although the Company believes that its future cash from operations, together with its access to the capital markets, will provide adequate resources to fund its operating and financing needs, its access to, and the availability of, financing on acceptable terms in the future will be affected by many factors, including: (i) the Company's performance, (ii) its credit rating or absence of a credit rating, (iii) the liquidity of the overall capital markets and (iv) the current state of the economy. There can be no assurances that the Company will continue to have access to the capital markets on acceptable terms. See Part II, "Item 1A. Risk Factors" for a further discussion.

As of September 30, 2015, the Company's consolidated assets included \$672 million in cash and cash equivalents that was held by its foreign subsidiaries. \$41 million of this amount is cash not readily accessible by the Company as it is held by REA Group, a majority owned but separately listed public company. REA Group must declare a dividend in order for the Company to have access to its share of REA Group's cash balance. The Company earns income outside the U.S., which is deemed to be permanently reinvested in certain foreign jurisdictions. The Company does not currently intend to repatriate these funds. Should the Company require more capital in the U.S. than is generated by and/or available to its domestic operations, the Company could elect to transfer funds held in foreign jurisdictions. The transfer of funds from foreign jurisdictions may be cumbersome due to local regulations, foreign exchange control and withholding taxes. Additionally, the transfer of funds from foreign jurisdictions may result in higher effective tax rates and higher cash paid for income taxes for the Company.

The principal uses of cash that affect the Company's liquidity position include the following: operational expenditures including employee costs; paper purchases; capital expenditures; income tax payments; investments in associated entities and acquisitions. In addition to the acquisitions and sales 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 issuance of the Company's securities or the assumption of indebtedness.

### ***Issuer Purchases of Equity Securities***

In May 2013, the Board of Directors authorized the Company to repurchase up to an aggregate of \$500 million of its Class A Common Stock. On May 10, 2015, the Company announced it had begun repurchasing shares of Class A Common Stock under the stock repurchase program. Through October 30, 2015, the Company repurchased approximately 3.3 million shares of Class A Common Stock for an aggregate purchase price of approximately \$48 million. The remaining authorized amount under the stock repurchase program as of October 30, 2015 was approximately \$452 million. All decisions regarding any future stock repurchases are at the sole discretion of a duly appointed committee of the Board of Directors and management. The committee's decisions regarding future stock repurchases will be evaluated from time to time in light of many factors, including the Company's financial condition, earnings, capital requirements and debt facility covenants, other contractual restrictions, as well as legal requirements, regulatory constraints, industry practice and other factors that the committee may deem relevant. The stock repurchase authorization may be modified, extended, suspended or discontinued at any time by the Board of Directors and the Board of Directors cannot provide any assurances that any additional shares will be repurchased.

### ***Dividends***

In August 2015, the Board of Directors declared a semi-annual cash dividend of \$0.10 per share of Class A Common Stock and Class B Common Stock. This dividend was paid on October 21, 2015 to stockholders of record at the close of business on September 16, 2015.

### ***Sources and Uses of Cash—For the three months ended September 30, 2015 versus the three months ended September 30, 2014***

Net cash provided by operating activities for the three months ended September 30, 2015 and 2014 was as follows (in millions):

<u>For the three months ended September 30,</u>	<u>2015</u>	<u>2014</u>
Net cash provided by operating activities from continuing operations	\$141	\$220

Net cash provided by operating activities decreased \$79 million for the three months ended September 30, 2015 as compared to the corresponding period of fiscal 2015. The decrease was primarily due to lower Total Segment EBITDA, the absence of a special dividend received from a cost method investment of \$17 million during the three months ended September 30, 2014, as well as higher restructuring payments of \$14 million. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in an operating cash flow decrease of approximately \$29 million, or 13%.

Net cash used in investing activities for the three months ended September 30, 2015 and 2014 was as follows (in millions):

<u>For the three months ended September 30,</u>	<u>2015</u>	<u>2014</u>
Net cash used in investing activities from continuing operations	\$(86)	\$(509)

The Company had net cash used in investing activities of \$86 million for three months ended September 30, 2015 as compared to net cash used in investing activities of \$509 million for the corresponding period of fiscal 2015.

During the three months ended September 30, 2015, the Company had capital expenditures of \$63 million and used \$16 million of cash for acquisitions, primarily for the acquisition of Checkout 51.

During the three months ended September 30, 2014, the Company used \$414 million of cash for acquisitions, primarily for the acquisition of Harlequin and used \$115 million of cash to purchase certain available-for-sale and cost method investments, primarily iProperty in Australia. The Company also had capital expenditures of \$94 million which included \$36 million related to the relocation of the Company's operations to a new site in London. The net cash used in investing activities for the three months ended September 30, 2014 was partially offset by proceeds from dispositions of \$114 million primarily resulting from the sale of marketable securities.

Net cash used in financing activities for the three months ended September 30, 2015 and 2014 was as follows (in millions):

<u>For the three months ended September 30,</u>	<u>2015</u>	<u>2014</u>
Net cash used in financing activities from continuing operations	\$(37)	\$(26)

The change in net cash used in financing activities for the three months ended September 30, 2015 as compared to the net cash used in financing activities in the corresponding period of fiscal 2015 was primarily due to the repurchase of Company stock for \$15 million during the three months ended September 30, 2015.

#### ***Reconciliation of Free Cash Flow Available to News Corporation***

Free cash flow available to News Corporation is a non-GAAP financial measure defined as net cash provided by operating activities from continuing operations, less capital expenditures and REA Group free cash flow, plus cash dividends received from REA Group. Free cash flow available to News Corporation excludes cash flows from discontinued operations.

The Company considers free cash flow available to News Corporation to provide useful information to management and investors about the amount of cash generated by the business after capital expenditures which can then be used for strategic opportunities including, among others, investing in the Company's business, strategic acquisitions, strengthening the Company's balance sheet, dividend payouts and repurchasing stock. A limitation of free cash flow available to News Corporation is that it does not represent the total increase or decrease in the cash balance for the period. Management compensates for the limitation of free cash flow available to News Corporation by also relying on the net change in cash and cash equivalents as presented in the Statements of Cash Flows prepared in accordance with GAAP which incorporate all cash movements during the period.

The following table presents a reconciliation of net cash provided by continuing operating activities to free cash flow available to News Corporation:

	<u>For the three months ended September 30,</u>	
	<u>2015</u>	<u>2014</u>
	(in millions)	
Net cash provided by continuing operating activities	\$141	\$220
Less: Capital expenditures	<u>(63)</u>	<u>(94)</u>
	78	126
Less: REA Group free cash flow	(35)	(22)
Plus: Cash dividends received from REA Group	<u>24</u>	<u>26</u>
Free cash flow available to News Corporation	<u>\$ 67</u>	<u>\$130</u>

Free cash flow available to News Corporation decreased \$63 million in the three months ended September 30, 2015 to \$67 million from \$130 million in the corresponding period of fiscal 2015, primarily due to lower cash provided by operating activities as discussed above, partially offset by lower capital expenditures due to the absence of costs associated with the relocation of the Company's operations to a new site in London in fiscal 2015. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a decrease of free cash flow available to News Corporation of approximately \$17 million, or 13% for the three months ended September 30, 2015.

### ***Revolving Credit Agreement***

The Company's Credit Agreement (as amended, the "Credit Agreement") provides for an unsecured \$650 million revolving credit facility (the "Facility") that can be used for general corporate purposes. The Facility has a sublimit of \$100 million available for issuances of letters of credit. Under the Credit Agreement, the Company may request increases in the amount of the Facility up to a maximum amount of \$900 million. Subject to certain conditions stated in the Credit Agreement, the Company may borrow, prepay and reborrow amounts under the Facility during the term of the Credit Agreement.

In October 2015, the Company entered into an amendment to the Credit Agreement (the "Amendment") which, among other things, extended the original term of the Facility by two years and lowered the commitment fee payable by the Company. As a result of the Amendment, amounts under the Credit Agreement are now due on October 23, 2020, unless the commitments are terminated earlier either at the request of the Company or, if an event of default occurs, by the designated agent at the request or with the consent of the lenders (or automatically in the case of certain bankruptcy-related events). The Company may request that the commitments be extended under certain circumstances as set forth in the Credit Agreement for up to two additional one-year periods.

The Credit Agreement contains certain customary affirmative and negative covenants and events of default, with customary exceptions, including limitations on the ability of the Company and the Company's subsidiaries to engage in transactions with affiliates, incur liens, merge into or consolidate with any other entity, incur subsidiary debt or dispose of all or substantially all of its assets or all or substantially all of the stock of its subsidiaries taken as a whole. In addition, the Credit Agreement requires the Company to maintain an adjusted operating income leverage ratio of not more than 3.0 to 1.0 and an interest coverage ratio of not less than 3.0 to 1.0. If any of the events of default occur and are not cured within applicable grace periods or waived, any unpaid amounts under the Credit Agreement may be declared immediately due and payable. As of September 30, 2015, the Company was in compliance with all of the applicable debt covenants.

Interest on borrowings under the Facility is based on either (a) a Eurodollar Rate formula or (b) the Base Rate formula, each as set forth in the Credit Agreement. The applicable margin and the commitment fee are based on the pricing grid in the Credit Agreement, which varies based on the Company's adjusted operating income leverage ratio. As of September 30, 2015, the Company was paying a commitment fee of 0.25% on any undrawn balance and an applicable margin of 0.50% for a Base Rate borrowing and 1.50% for a Eurodollar Rate borrowing. As a result of the Amendment, as of October 23, 2015, the Company is paying a reduced commitment fee of 0.225% on any undrawn balance.

As of the date of this filing, the Company has not borrowed any funds under the Facility.

### ***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. Except as noted below, the Company's commitments as of September 30, 2015 have not changed significantly from the disclosures included in the 2015 Form 10-K.

In August 2015, the Company entered into a sports programming rights agreement with the Australian Football League to license certain media rights for a six year period from 2017 to 2022 for approximately \$850 million (A\$1.2 billion).

### *Contingencies*

As disclosed in the notes to the Financial Statements, governmental authorities in the U.K. continue to conduct investigations initiated in 2011 with respect to the U.K. Newspaper Matters. The Company is cooperating with these investigations.

Civil claims have also been brought against the Company with respect to the U.K. Newspaper Matters. The Company has admitted liability in many civil cases and has settled a number of cases. The Company has also settled a number of claims through a private compensation scheme established by the Company under which parties could pursue claims against it. While additional civil lawsuits may be filed, no additional civil claims may be brought under the compensation scheme after April 8, 2013.

In connection with the Company's separation of its businesses (the "Separation") from 21st Century Fox on June 28, 2013 (the "Distribution Date"), the Company and 21st Century Fox agreed in the Separation and Distribution Agreement (the "Separation and Distribution Agreement") that 21st Century Fox will indemnify the Company for payments made after the Distribution Date arising out of civil claims and investigations relating to the U.K. Newspaper Matters as well as legal and professional fees and expenses paid in connection with the criminal matters, other than fees, expenses and costs relating to employees (i) who are not directors, officers or certain designated employees or (ii) with respect to civil matters, who are not co-defendants with the Company or 21st Century Fox. In addition, violations of law may result in criminal fines or penalties for which the Company will not be indemnified by 21st Century Fox. 21st Century Fox's indemnification obligations with respect to these matters will be settled on an after-tax basis.

As of September 30, 2015, the Company has provided for its best estimate of the liability for the claims that have been filed and costs incurred, including liabilities associated with employment taxes, and has accrued approximately \$119 million, of which approximately \$60 million will be indemnified by 21st Century Fox, and a corresponding receivable was recorded in Amounts due from 21st Century Fox on the Balance Sheet as of September 30, 2015. It is not possible to estimate the liability or corresponding receivable for any additional claims that may be filed given the information that is currently available to the Company. If more claims are filed and additional information becomes available, the Company will update the liability provision and corresponding receivable for such matters. The Company is not able to predict the ultimate outcome or cost of the civil claims or criminal matters. It is possible that these proceedings and any adverse resolution thereof, including any fines or other penalties associated with any plea, judgment or similar result for which the Company will not be indemnified, could damage its reputation, impair its ability to conduct its business and adversely affect its 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, it 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 financial condition, future results of operations or liquidity. As subsidiaries of 21st Century Fox prior to the Separation, the Company and each of its domestic subsidiaries have joint and several liability with 21st Century Fox for the consolidated U.S. federal income taxes of the 21st Century Fox consolidated group relating to any taxable periods during which the Company or any of the Company's domestic subsidiaries are or were a member of the 21st Century Fox consolidated group. Consequently, the Company could be liable in the event any such liability is incurred, and not discharged, by any other member of the 21st Century Fox consolidated group. In conjunction with the Separation, the Company entered into the Tax Sharing and Indemnification Agreement with 21st Century Fox (the "Tax Sharing and Indemnification Agreement"), which requires 21st Century Fox to indemnify the Company for any such liability. Disputes or assessments could arise during future audits by the IRS or other taxing authorities in amounts that the Company cannot quantify.

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

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

The following sections provide quantitative information on the Company's exposure to foreign currency rate risk, stock price risk and credit 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 Rates

The Company conducts operations in three principal currencies: the U.S. dollar; the Australian dollar; and the British pound sterling. These currencies operate primarily as the functional currency for the Company's U.S., Australian and U.K. operations, respectively. Cash is managed centrally within each of the three regions with net earnings reinvested locally and working capital requirements met from existing liquid funds. To the extent such funds are not sufficient to meet working capital requirements, funding in the appropriate local currencies is made available from intercompany capital. The Company does not hedge its investments in the net assets of its Australian and U.K. foreign operations.

Because of fluctuations in exchange rates, the Company is subject to currency translation exposure on the results of its operations. Foreign currency translation risk is the risk that exchange rate gains or losses arise from translating foreign entities' statements of earnings and balance sheets from functional currency to the Company's reporting currency (the U.S. dollar) for consolidation purposes. The Company does not hedge translation risk because it generally generates positive cash flows from its international operations that are typically reinvested locally. Exchange rates with the most significant impact to its translation include the Australian dollar and British pound sterling. As exchange rates fluctuate, translation of its Statements of Operations into U.S. dollars affects the comparability of revenues and operating expenses between years.

The table below details the percentage of revenues and expenses by the three principal currencies for the fiscal year ended June 30, 2015:

	<u>U.S. Dollars</u>	<u>Australian Dollars</u>	<u>British Pound Sterling</u>
<b>Fiscal year ended June 30, 2015</b>			
Revenues	44%	30%	21%
Operating and Selling, general, and administrative expenses	48%	28%	24%

Based on the year ended June 30, 2015, a one cent change in each of the U.S. dollar/Australian dollar and the U.S. dollar/British pound sterling exchange rates would have impacted revenues by approximately \$31 million and \$12 million, respectively, for each currency on an annual basis, and would have impacted Total Segment EBITDA by approximately \$6 million and \$0.2 million, respectively, on an annual basis.

#### Stock Prices

The Company has common stock investments in publicly traded companies that are subject to market price volatility. These investments had an aggregate fair value of approximately \$142 million as of September 30, 2015. A hypothetical decrease in the market price of these investments of 10% would result in a decrease in comprehensive income of approximately \$14 million before tax. Any changes in fair value of the Company's common stock investments are not recognized unless deemed other-than-temporary.

#### Credit Risk

Cash and cash equivalents are maintained with several financial institutions. Deposits held with banks may 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, 2015 or June 30, 2015 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, 2015 and June 30, 2015, the Company did not anticipate nonperformance by any of the counterparties.

#### **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 15(d)-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 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 15(d)-15(f) under the Exchange Act) during the Company's first quarter of fiscal 2016 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

The Company routinely is involved in various legal proceedings, claims and governmental inspections or investigations, including those discussed below.

#### U.K. Newspaper Matters and Related Investigations and Litigation

On July 19, 2011, a purported class action lawsuit captioned *Wilder v. News Corp., et al.* was filed on behalf of all purchasers of 21st Century Fox's common stock between March 3, 2011 and July 11, 2011, in the U.S. District Court for the Southern District of New York (the "Wilder Litigation"). The plaintiff brought claims under Section 10(b) and Section 20(a) of the Exchange Act, alleging that false and misleading statements were issued regarding alleged acts of voicemail interception at *The News of the World*. The suit named as defendants 21st Century Fox, Rupert Murdoch, James Murdoch and Rebekah Brooks, and sought compensatory damages, rescission for damages sustained and costs.

On June 5, 2012, the District Court issued an order appointing the Avon Pension Fund ("Avon") as lead plaintiff and Robbins Geller Rudman & Dowd as lead counsel. Avon filed an amended consolidated complaint on July 31, 2012, which among other things, added as defendants the Company's subsidiary, NI Group Limited (now known as News Corp UK & Ireland Limited), and Les Hinton, and expanded the class period to comprise February 15, 2011 to July 18, 2011. Defendants filed motions to dismiss the litigation, which were granted by the District Court on March 31, 2014. Plaintiffs were allowed to amend their complaint, and on April 30, 2014, plaintiffs filed a second amended consolidated complaint, which generally repeated the allegations of the amended consolidated complaint and also expanded the class period to comprise July 8, 2009 to July 18, 2011. Defendants moved to dismiss the second amended consolidated complaint, and on September 30, 2015, the District Court granted defendants' motions in their entirety and dismissed all of plaintiffs' claims. In its memorandum, opinion and order relating to the dismissal, the District Court gave plaintiffs until November 6, 2015 to file a motion for leave to amend their complaint. On October 21, 2015, plaintiffs filed a motion for reconsideration of the District Court's memorandum, opinion and order. The Company's management believes these claims are entirely without merit and intends to vigorously defend this action. As described below, the Company will be indemnified by 21st Century Fox for certain payments made by the Company that relate to, or arise from, the U.K. Newspaper Matters, including all payments in connection with the Wilder Litigation.

In addition, governmental authorities in the U.K. continue to conduct investigations initiated in 2011 with respect to the U.K. Newspaper Matters. The Company is cooperating with these investigations.

Civil claims have also been brought against the Company with respect to the U.K. Newspaper Matters. The Company has admitted liability in many civil cases and has settled a number of cases. The Company has also settled a number of claims through a private compensation scheme established by the Company under which parties could pursue claims against it. While additional civil lawsuits may be filed, no additional civil claims may be brought under the compensation scheme after April 8, 2013.

In connection with the Separation, the Company and 21st Century Fox agreed in the Separation and Distribution Agreement that 21st Century Fox will indemnify the Company for payments made after the Distribution Date arising out of civil claims and investigations relating to the U.K. Newspaper Matters as well as legal and professional fees and expenses paid in connection with the criminal matters, other than fees, expenses and costs relating to employees (i) who are not directors, officers or certain designated employees or (ii) with respect to civil matters, who are not co-defendants with the Company or 21st Century Fox. In addition, violations of law may result in criminal fines or penalties for which the Company will not be indemnified by 21st Century Fox. 21st Century Fox's indemnification obligations with respect to these matters will be settled on an after-tax basis.

The Company incurred gross legal and professional fees related to the U.K. Newspaper Matters and costs for civil settlements totaling approximately \$11 million and \$28 million for the three months ended September 30, 2015 and 2014, respectively. With respect to the fees and costs incurred during the three months ended September 30, 2015 and 2014, the Company has been or will be indemnified by 21st Century Fox for \$6 million, net of tax, and \$14 million, net of tax, respectively, pursuant to the indemnification arrangements described above.

As of September 30, 2015, the Company has provided for its best estimate of the liability for the claims that have been filed and costs incurred, including liabilities associated with employment taxes, and has accrued approximately \$119 million, of which approximately \$60 million will be indemnified by 21st Century Fox, and a corresponding receivable was recorded in Amounts due from 21st Century Fox on the Balance Sheet as of September 30, 2015. It is not possible to estimate the liability or corresponding receivable for any additional claims that may be filed given the information that is currently available to the Company. If more claims are filed and additional information becomes available, the Company will update the liability provision and corresponding receivable for such matters. The Company is not able to predict the ultimate outcome or cost of the civil claims or criminal matters. It is possible that these proceedings and any adverse resolution thereof, including any fines or other penalties associated with any plea, judgment or similar result for which the Company will not be indemnified, could damage its reputation, impair its ability to conduct its business and adversely affect its results of operations and financial condition.

### **HarperCollins**

In 2011 and 2012, various civil lawsuits and governmental investigations were commenced against certain publishers, including the Company's subsidiary, HarperCollins, relating to alleged violations of antitrust and unfair competition laws arising out of the decisions by those publishers to sell their e-books pursuant to an agency relationship.

The publishers, including HarperCollins, entered into various settlement agreements to resolve these matters. These included a settlement with the DOJ, which, among other things, required that HarperCollins terminate its agreements with certain e-book retailers and placed certain restrictions on any agreements subsequently entered into with such retailers. Additional information about this settlement can be found on the DOJ's website. The publishers, including HarperCollins, also entered into substantially similar settlements with the European Commission and the Canadian Competition Bureau ("CCB"). The settlements with the DOJ and the European Commission received final approval in September and December 2012, respectively. The consent agreement with respect to the settlement with the CCB was registered with the Competition Tribunal on February 7, 2014. However, on February 21, 2014, Kobo Inc. ("Kobo") filed an application to rescind or vary the consent agreement with the Competition Tribunal, and, on March 18, 2014, the Competition Tribunal issued an order staying the registration of the consent agreement. The stay will remain in effect pending further order of the Competition Tribunal or final disposition of Kobo's application.

The Company is not able to predict the ultimate outcome or cost of the unresolved HarperCollins matter described above. The legal and professional fees and settlement costs incurred in connection with the other settlements referred to above were not material.

### **News America Marketing**

#### *In-Store Marketing and FSI Purchasers*

On April 8, 2014, in connection with a pending action in the United States District Court for the Southern District of New York in which The Dial Corporation, Henkel Consumer Goods, Inc., H.J. Heinz Company, H.J. Heinz Company, L.P., Foster Poultry Farms, Smithfield Foods, Inc., HP Hood LLC and BEF Foods, Inc. (collectively,

the “Named Plaintiffs”) allege various claims under federal and state antitrust law against News Corporation, News America Incorporated (“NAI”), News America Marketing FSI L.L.C. (“NAM FSI”), and News America Marketing In-Store Services L.L.C. (“NAM In-Store Services” and, together with News Corporation, NAI and NAM FSI, the “NAM Group”), the Named Plaintiffs filed a fourth amended complaint on consent of the parties. The fourth amended complaint asserts federal and state antitrust claims both individually and on behalf of two putative classes in connection with the purchase of in-store marketing services and free-standing insert coupons. The complaint seeks treble damages, injunctive relief and attorneys’ fees. The NAM Group answered the fourth amended complaint and asserted counterclaims against The Dial Corporation, H.J. Heinz Company, H.J. Heinz Company, L.P., and Foster Poultry Farms on April 21, 2014, and discovery is substantially complete.

On August 11, 2014, the Named Plaintiffs filed a motion seeking certification of a class of all persons residing in the United States who purchased in-store marketing services on or after April 5, 2008, and have not purchased those services pursuant to contracts with mandatory arbitration clauses. The Named Plaintiffs did not, however, move to certify a class of purchasers of free-standing insert coupons. On June 18, 2015, the District Court granted the Named Plaintiffs’ motion for class certification, and on July 2, 2015, the NAM Group filed a petition for leave to appeal the District Court’s decision to the United States Court of Appeals for the Second Circuit, which the Named Plaintiffs have opposed.

On September 10, 2015, the District Court granted a stipulation dismissing with prejudice the Named Plaintiffs’ claims relating to free-standing insert coupons, and on September 30, 2015, the NAM Group moved for summary judgment on all remaining claims in the fourth amended complaint. Oral argument on that motion is scheduled for November 24, 2015.

While it is not possible at this time to predict with any degree of certainty the ultimate outcome of this action, the NAM Group believes it has been compliant with applicable antitrust laws and intends to defend itself vigorously.

#### *Valassis Communications, Inc.*

On November 8, 2013, Valassis Communications, Inc. (“Valassis”) initiated legal proceedings against certain of the Company’s subsidiaries alleging violations of various antitrust laws. These proceedings are described in further detail below.

- Valassis previously initiated an action against NAI, NAM FSI and NAM In-Store Services (collectively, the “NAM Parties”), captioned *Valassis Communications, Inc. v. News America Incorporated, et al.*, No. 2:06-cv-10240 (E.D. Mich.), alleging violations of federal antitrust laws, which was settled in February 2010. On November 8, 2013, Valassis filed a motion for expedited discovery in the previously settled case based on its belief that defendants had engaged in activities prohibited under an order issued by the District Court in connection with the parties’ settlement.

On February 4, 2014, the magistrate judge granted Valassis’s motion for expedited discovery. The NAM Parties objected to the magistrate judge’s ruling before the District Court and filed a motion to enforce the parties’ settlement agreement that sought an order that certain of Valassis’s claims, if they are allowed to proceed, must be considered by a panel of antitrust experts. On May 20, 2014, the District Court overruled the NAM Parties’ objections to the magistrate judge’s ruling and terminated the motion to enforce the parties’ settlement agreement as the issues raised in the motion would be addressed in connection with the NAM Group’s motion to dismiss Valassis’s newly filed complaint, described below.

On October 7, 2014, the NAM Group filed a motion for an order requiring Valassis to show cause why its allegations that the NAM Group engaged in unlawful bundling and tying of in-store marketing services and free-standing insert coupons should not be referred to a panel of antitrust experts for resolution pursuant to the parties’ settlement. On November 19, 2014, the magistrate judge denied the

NAM Group's motion for an order to show cause. The NAM Group objected to the magistrate judge's order, and Valassis opposed those objections. On January 20, 2015, the NAM Parties filed a motion for expedited discovery in the previously settled case, which was granted by the magistrate judge on April 14, 2015.

On February 3, 2015, Valassis filed a Notice of Violation of an order issued by the District Court in the previously settled case. The Notice contains allegations that are substantially similar to the allegations Valassis made in the new complaint, described below, and seeks treble damages, injunctive relief and attorneys' fees. The Notice also re-asserts claims of unlawful bundling and tying which the magistrate judge had previously recommended be dismissed from the action described below on the grounds that such claims could only be brought before the panel of antitrust experts. On March 2, 2015, the NAM Group filed a motion to refer the Notice to the panel of antitrust experts or, in the alternative, strike the Notice, which Valassis has opposed.

- On November 8, 2013, Valassis also filed a new complaint in the United States District Court for the Eastern District of Michigan against the NAM Group alleging violations of federal and state antitrust laws and common law business torts. The complaint seeks treble damages, injunctive relief and attorneys' fees and costs. On December 19, 2013, the NAM Group filed a motion to dismiss the newly filed complaint.

The District Court referred the NAM Group's motion to dismiss to the magistrate judge for determination, and on July 16, 2014, the magistrate judge recommended that the District Court grant the NAM Group's motion in part with respect to certain claims and stay the remainder of the action. Valassis has objected to the magistrate judge's recommendation that the action be stayed.

While it is not possible at this time to predict with any degree of certainty the ultimate outcome of these actions, the NAM Group believes it has been compliant with applicable laws and intends to defend itself vigorously in both actions.

#### **Other**

In addition, 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**

*You should carefully consider the following risks and other information in this Quarterly Report on Form 10-Q in evaluating the Company and its common stock. Any of the following risks could materially and adversely affect the Company's business, results of operations or financial condition, and could, in turn, impact the trading price of the Company's common stock. The risk factors generally have been separated into three groups: risks related to the Company's business, risks related to the Company's Separation from 21st Century Fox and risks related to the Company's common stock.*

#### **Risks Related to the Company's Business**

*A Decline in Customer Advertising Expenditures in the Company's Newspaper and Other Businesses Could Cause its 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 through its newspapers, integrated marketing services and digital media properties. The Company and its affiliates also derive revenues from the sale of advertising on their cable channels and pay-TV programming. Expenditures by advertisers tend to be

cyclical, reflecting overall economic conditions, as well as budgeting and buying patterns. National and local economic conditions, particularly in major metropolitan markets, affect the levels of retail, national and classified newspaper advertising revenue. Changes in gross domestic product, consumer spending, housing sales, auto sales, unemployment rates and job creation all impact demand for advertising. A decline in the economic prospects of advertisers or the economy in general could alter current or prospective advertisers' spending priorities or result in consolidation or closures across various industries, which may also reduce the Company's overall advertising revenue.

The Company's ability to generate advertising revenue is also dependent on demand for the Company's products and services, demographics of the customer base, advertising rates and results observed by advertisers. For example, circulation levels for the Company's newspapers and ratings points for its cable channels are among the factors that are weighed by advertisers when determining the amount of advertising to purchase from the Company as well as advertising rates. For the Company's digital media properties, advertisers use various metrics to evaluate demand such as the number of visits, number of users, user engagement and, for digital real estate services, the number and quality of leads provided. Demand for the Company's products and services depends in turn upon the Company's ability to differentiate and distinguish those products and services and anticipate and adapt to changes in consumer tastes and behaviors in a timely manner. For example, the Company's newspapers, cable channels and pay-TV programming must continue to provide high-quality content that is interesting and relevant to users in order to retain and grow their audiences. Similarly, the success of the Company's digital real estate services business depends in part on providing more comprehensive, current and accurate real estate listing data than its competitors, which the Company generally obtains through short-term arrangements with MLSs, real estate brokers, real estate agents and other third parties that may not be renewed and/or may be terminated with limited or no notice.

In addition, streaming and downloading capabilities via the Internet and other devices and technologies, as well as higher consumer engagement with other forms of digital media such as online and mobile social networking, are increasing the number of media choices and formats available to audiences, resulting in audience fragmentation and increased competition for advertising. New delivery platforms may also lead to loss of distribution and pricing control and loss of a direct relationship with consumers. These technological and other developments may also cause changes in consumer behavior that could affect the attractiveness of the Company's offerings to advertisers. Furthermore, the range of advertising choices across digital products and platforms and the large inventory of available digital advertising space have historically resulted in significantly lower rates for digital advertising than for print advertising. Digital advertising networks and exchanges, real-time bidding and other programmatic buying channels that allow advertisers to buy audiences at scale are also playing a more significant role in the advertising marketplace and may cause further downward pricing pressure. Evolving standards for the delivery of digital advertising, such as viewability, could also adversely affect digital advertising revenues. Consequently, the Company's digital advertising revenue may not be able to replace print advertising revenue lost as a result of the shift to digital consumption. A decrease in advertising expenditures by the Company's customers, reduced demand for the Company's offerings or a surplus of advertising inventory could lead to a reduction in pricing and advertising spending, which could have an adverse effect on the Company's businesses and assets.

*The Company's Businesses Face Significant Competition from Other Sources of News, Information and Entertainment Content.*

The Company's businesses face significant competition from other sources of news, information and entertainment content, including both traditional and new content providers. This competition has intensified as a result of the continued development of new digital and other technologies and platforms, and the Company may be adversely affected if consumers migrate to other media alternatives. For example, advertising and circulation revenues in the Company's News and Information Services segment may continue to decline, reflecting general trends in the newspaper industry, including declining newspaper buying by younger audiences and consumers' increasing reliance on the Internet for the delivery of news and information, often without charge. In recent years, Internet sites devoted to recruitment, automobile sales and real estate services have become significant

competitors of the Company's newspapers and websites for classified advertising sales. In addition, due to innovations in content distribution platforms, consumers are now more readily able to watch Internet-delivered content on television sets and mobile devices, in some cases also without charge, which could reduce consumer demand for the Company and its affiliates' television programming and pay-TV services and adversely affect both its subscription revenue and advertisers' willingness to purchase television advertising from the Company. The Company's ability to compete effectively depends on many factors both within and beyond its control, including audience acceptance of its high-quality journalism, book titles, television programming and other products. If the Company is unable to compete successfully against existing or future competitors, its business, results of operations and financial condition could be adversely affected.

*The Company Must Respond to New Technologies and Changes in Consumer Behavior and Continue to Innovate and Provide Useful Products in Order to Remain Competitive.*

Technology continues to evolve rapidly, and the resulting changes in consumer behavior and preferences create constant opportunities for new and existing competitors that can quickly render our products and services less valuable. For example, alternative methods for the delivery and storage of digital content, including the distribution of news and other content through social networking tools and on mobile and other devices, digital distribution models for books and Internet and mobile distribution of video content via streaming and downloading, 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, often without charge, and innovations in distribution platforms have enabled consumers to view such Internet-delivered content on portable devices and televisions. Enhanced Internet capabilities and other new media may reduce the demand for newspapers and television viewership, which could negatively affect the Company's revenues.

New digital platforms and technologies, such as user-generated sites and self-publishing tools, have also reduced the effort and expense of producing and distributing content on a wide scale, allowing digital content providers, customers, suppliers and other third parties to compete with us, often at a lower cost. This trend may drive down the price consumers are willing to spend on the Company's products disproportionately to the costs associated with generating content and result in relatively low barriers to entry for competing Internet-based products and services. In addition, new digital distribution channels, such as the Internet and online retailers, may present both challenges and opportunities to the Company's businesses, including its traditional book publishing model, which could affect both sales volume and pricing.

In order to succeed, the Company must continue to innovate to ensure that its products and services remain relevant and useful for consumers and customers. The Company may be required to incur significant capital expenditures in order to respond to new technologies, new and enhanced offerings from its competitors, and changes in consumer behavior, and there is a risk that its responses and strategies to remain competitive, including distribution of its content on a "pay" basis, may not be adopted by consumers. The Company's failure to protect and exploit the value of its content, while responding to and developing new technologies, products, services and business models to take advantage of advancements in technology and the latest consumer preferences could cause its customer, audience and/or user base to decline, in some cases precipitously, and could have a significant adverse effect on its businesses, asset values and results of operations.

*The Inability to Renew Sports Programming Rights Could Cause the Revenue of Certain of the Company's Australian Operating Businesses to Decline Significantly in any Given Period.*

The sports rights contracts between certain of the Company's Australian operating businesses, 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 could adversely affect its revenues. Upon renewal, the Company's results could be adversely affected if escalations in sports programming rights costs are unmatched by increases in subscriber and carriage fees and advertising rates.

*Fluctuations in Foreign Currency 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 its operations are conducted in foreign currencies, primarily the Australian dollar and the British pound sterling. Since the Company's financial statements are denominated in U.S. dollars, changes in foreign currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, a currency translation impact on the Company's earnings, which could, in turn, have an adverse effect on its results of operations in a given period or in specific markets.

*Weak Domestic and Global Economic Conditions and Volatility and Disruption in the Financial and Other Markets May Adversely Affect the Company's Business.*

The U.S. and global economies have undergone economic uncertainty in the past, which resulted in, among other things, a general tightening in the credit markets, limited access to the credit markets, lower levels of liquidity, increases in the rates of default and bankruptcy, lower consumer and business spending, lower consumer net worth and a dramatic decline in the real estate market. The resulting pressure on the labor and retail markets and the downturn in consumer confidence weakened the economic climate in certain markets in which the Company does business and had an adverse effect on its business, results of operations, financial condition and liquidity, including advertising revenues. Any continued or recurring economic weakness could further impact the Company's business, reduce its advertising and other revenues and negatively impact the performance of its newspapers, books, digital real estate services business, television operations and other consumer products and services. In addition, further volatility and disruption in the financial markets could make it more difficult and expensive for the Company to obtain financing. These conditions could also impair the ability of those with whom the Company does business to satisfy their obligations to the Company, including as a result of their inability to obtain capital on acceptable terms. The Company is particularly exposed to certain Australian business risks, including specific Australian legal and regulatory risks, consumer preferences and competition, because it holds a substantial amount of Australian assets. As a result, the Company's results of operations may be adversely affected by negative developments in the Australian market. Although the Company believes that its capitalization, operating cash flow and current access to credit markets, including the Company's revolving credit facility, will give it the ability to meet its financial needs for the foreseeable future, there can be no assurance that any further volatility and disruption in domestic and global capital and credit markets will not impair the Company's liquidity or increase its cost of borrowing.

*The Company Has Made and May Continue to Make Strategic Acquisitions That Introduce Significant Risks and Uncertainties.*

In order to position its business to take advantage of growth opportunities, the Company has made and may continue to make strategic acquisitions that involve significant risks and uncertainties. These risks and uncertainties include, among others: (1) the difficulty in integrating newly acquired businesses and operations in an efficient and effective manner, (2) the challenges in achieving strategic objectives, cost savings and other anticipated benefits, (3) the potential loss of key employees of the acquired businesses, (4) the risk of diverting the attention of the Company's senior management from the Company's operations, (5) the risks associated with integrating financial reporting and internal control systems, (6) the difficulties in expanding information technology systems and other business processes to accommodate the acquired businesses, (7) potential future impairments of goodwill associated with the acquired business and (8) in some cases, increased regulation.

If any acquired business fails to operate as anticipated or cannot be successfully integrated with the Company's existing business, the Company's business, results of operations and financial condition could be adversely affected, and the Company may be required to record non-cash impairment charges for the write-down of certain acquired assets.

*The Company Does Not Have the Right to Manage Foxtel, Which Means It is Not Able to Cause Foxtel to Operate or Make Corporate Decisions in a Manner that is Favorable to the Company.*

The Company does not have the right to manage the business or affairs of Foxtel. While the Company's rights include the right to appoint one-half of the board of directors of Foxtel, the Company is not able to cause management or the board of directors to take any specific actions on its behalf, including with regards to declaring and paying dividends.

*The Company Relies on Network and Information Systems and Other Technology Whose Failure or Misuse Could Cause a Disruption of Services or Loss 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, 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, equipment failure, natural disasters (including extreme weather), terrorist activities or human error that may affect such systems, could result in disruption of the Company's services and/or loss 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 cyberattacks on companies' 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 have been material to the Company to date.

A significant failure, compromise, breach or interruption of the Company's systems could result in a disruption of its operations, customer or advertiser dissatisfaction, damage to its reputation or brands, regulatory investigations, lawsuits, a loss of customers or revenues and other financial losses. If any such failure, interruption or similar event results in the improper disclosure of information maintained in the Company's information systems and networks or those of its vendors, including financial, personal, credit card, confidential and proprietary information relating to personnel, customers, vendors and the Company's business, including its intellectual property, the Company could also be subject to liability under relevant contractual obligations and laws and regulations protecting personal data and privacy. Efforts by the Company and its vendors to develop, implement and maintain security measures may not be successful in preventing these events from occurring, particularly given that techniques used to access, disable or degrade service, or sabotage systems change frequently, and any network and information systems-related events could require the Company to expend significant resources to remedy such event. Moreover, 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.

*The Company Faces Investigations Regarding Allegations of Voicemail Interception, Illegal Data Access and Inappropriate Payments to Public Officials and Other Related Matters and Related Civil Lawsuits.*

Governmental authorities in the U.K. are conducting investigations relating to voicemail interception, illegal data access and inappropriate payments to public officials at the Company's former publication, *The News of the World*, and at *The Sun*, and related matters, which are referred to as the U.K. Newspaper Matters. The Company is cooperating with these investigations. Civil claims have also been brought against the Company with respect to the U.K. Newspaper Matters. The Company has admitted liability in many civil cases and has settled a number of



cases. The Company has also settled a number of claims through a private compensation scheme established by the Company under which parties could pursue claims against it. While additional civil lawsuits may be filed, no additional civil claims may be brought under the compensation scheme after April 8, 2013.

In connection with the Separation, the Company and 21st Century Fox agreed in the Separation and Distribution Agreement that 21st Century Fox will indemnify the Company for payments made after the Distribution Date arising out of civil claims and investigations relating to the U.K. Newspaper Matters as well as legal and professional fees and expenses paid in connection with the criminal matters, other than fees, expenses and costs relating to employees (1) who are not directors, officers or certain designated employees or (2) with respect to civil matters, who are not co-defendants with the Company or 21st Century Fox. In addition, violations of law may result in criminal fines or penalties for which the Company will not be indemnified by 21st Century Fox. 21st Century Fox's indemnification obligations with respect to these matters will be settled on an after-tax basis.

From July 1, 2010 through September 30, 2015, the Company incurred aggregate fees, costs and expenses related to the U.K. Newspaper Matters of \$525 million, net of costs that have been or will be indemnified by 21st Century Fox, which includes \$39 million paid to claimants for civil settlements. As of September 30, 2015, the Company accrued \$119 million, representing its best estimate of the liability for the claims that have been filed, including liabilities associated with employment taxes, as well as incurred but unpaid legal and professional fees. Certain liabilities recorded by the Company as of September 30, 2015 related to matters that will be indemnified by 21st Century Fox as described above. Amounts due from 21st Century Fox relating to indemnified costs were approximately \$60 million as of September 30, 2015.

The Company is not able to predict the ultimate outcome or cost of the civil claims or criminal matters. It is possible that these proceedings and any adverse resolution thereof, including any fines or other penalties associated with any plea, judgment or similar result for which the Company will not be indemnified, could damage its reputation, impair the Company's ability to conduct its business and adversely affect its results of operations and financial condition. See Part II, "Item 1. Legal Proceedings" and Note 10 to the Financial Statements for additional information.

#### *The Company Could Suffer Losses Due to Asset Impairment and Restructuring Charges.*

As a result of adverse developments in the Company's industry and challenging economic and market conditions, the Company may recognize impairment charges for write-downs of goodwill and intangible assets, as well as restructuring charges relating to the reorganization of its businesses, which negatively impact the Company's financial results. When the Company acquires a business, it records goodwill in an amount equal to the excess of the fair value of the acquired business over the fair value of the identifiable assets and liabilities, including intangible assets, as of the acquisition date. The Company's management must regularly evaluate goodwill and other acquired intangible assets expected to contribute indefinitely to the Company's cash flows in order to determine whether, based on projected discounted future cash flows, the carrying value for such assets exceeds current fair value and the Company should recognize an impairment. In accordance with GAAP, the Company performs an annual impairment assessment of its recorded goodwill and indefinite-lived intangible assets, including newspaper mastheads and distribution networks, during the fourth quarter of each fiscal year. The Company also continually evaluates whether current factors or indicators, such as prevailing conditions in the capital markets or the economy generally, require the performance of an interim impairment assessment of those assets, as well as other investments and other long-lived assets, or require the Company to engage in any additional business restructurings to address these conditions. 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. Any downward revisions in the fair value of a reporting unit, indefinite-lived intangible assets, investments or long-lived assets could result in additional impairments for which non-cash charges would be required. Any such charge could be material to the Company's reported results of operations. In the fourth quarter of fiscal 2015, as part of its long-range planning process the Company changed its strategy and related outlook with respect to its Amplify reporting unit,

which resulted in a reduction in expected future cash flows. Consequently, the Company determined that the fair value of the Amplify reporting unit had declined below its carrying value and recorded an impairment charge of \$371 million in the fiscal year ended June 30, 2015. The Company may also incur additional restructuring charges in the future if it is required to further realign its resources in response to significant shortfalls in revenue or other adverse trends.

*The Company's Business Could Be Adversely Impacted by Changes in Governmental Policy and Regulation.*

Various aspects of the Company's activities are subject to regulation in numerous jurisdictions around the world, and the introduction of new laws and regulations in countries where the Company's products and services are produced or distributed (and changes in the enforcement of existing laws and regulations in those countries) could have a negative impact on its interests.

For example, the Company's Australian operating businesses may be adversely affected by changes in government policy, regulation or legislation, or the application or enforcement thereof, applying to companies in the Australian media industry or to Australian companies in general. This includes:

- anti-siphoning legislation which currently prevents pay-TV providers such as Foxtel from acquiring rights to televise certain listed events (for example, the Olympic Games and certain Australian Rules football and cricket matches) unless:
  - national and commercial television broadcasters have not obtained these rights 12 weeks before the start of the event;
  - the rights to televise are also held by commercial television licensees who have rights to televise the event to more than 50% of the Australian population; or
  - the rights to televise are also held by one of Australia's two major government-funded broadcasters; and
- other parts of the Broadcasting Services Act that regulate ownership interests and control of Australian media organizations. Such legislation may have an impact on the Company's ownership structure and operations and may restrict its ability to take advantage of acquisition or investment opportunities. For example, current media diversity rules would prevent the Company from exercising control of a commercial television broadcasting license, a commercial radio license and a newspaper in the same license area.

In addition, the Company's newspaper businesses in the U.K. are subject to greater regulation and oversight as a result of the implementation of recommendations of the Leveson inquiry into the U.K. press, which was established by Prime Minister David Cameron in mid-2011. The inquiry was triggered by allegations of illegal voicemail interception at the Company's former publication, *The News of the World*. Lord Justice Leveson, Chairman of the Inquiry, concluded the first part of the inquiry and published a report in late November 2012 containing various recommendations for greater regulation and oversight of the U.K. press. The U.K. Government subsequently published a Royal Charter on Self-Regulation of the Press which established a Recognition Panel responsible for approving and monitoring a new press self-regulatory body. No such regulator has yet been approved by the Recognition Panel. However, a majority of the U.K. press has established an alternative regulator, the Independent Press Standards Organisation, or IPSO, which began operating in September 2014. IPSO, which has indicated that it does not intend to seek approval by the Recognition Panel, has powers to impose burdens on the print media in the U.K., including the Company's U.K.-based newspaper businesses. These powers, which include the ability to impose significant fines for breaches of IPSO's Code of Conduct, may result in competitive disadvantages versus other forms of media and may increase the costs of compliance.

The Company's business activities are also subject to laws and regulations governing the collection, use, sharing, protection and retention of personal data, which continue to evolve in light of changes in information technology and analytics techniques that have implications for how such data is managed. See "Governmental

Regulation—Data Privacy and Security” in the Company’s Annual Report on Form 10-K for more information. These laws and regulations could be costly to comply with, subject the Company to claims and other remedies and limit or restrict aspects of the Company’s business, including, for example, by restricting the use of personal and profiling data to deliver targeted advertisements.

*Adverse Results from Litigation or Other Proceedings Could Impact the Company’s Business Practices and Operating Results.*

From time to time, the Company is party to litigation, as well as to regulatory and other proceedings with governmental authorities and administrative agencies. For example, certain competitors and customers of the Company’s NAM business have filed lawsuits against NAM alleging antitrust violations and seeking treble damages, injunctive relief and attorneys’ fees. On June 18, 2015, class action certification was granted in the action brought by customers of the NAM business, and on July 2, 2015, NAM petitioned for leave to appeal, which plaintiffs have opposed. The outcome of litigation or other proceedings is subject to significant uncertainty, and it is possible that an adverse resolution of one or more such proceedings could result in reputational harm and/or significant monetary damages or injunctive relief that could adversely affect the Company’s results of operations or financial condition as well as the Company’s ability to conduct its business as it is presently being conducted. In addition, regardless of merit or outcome, such proceedings can have an adverse impact on the Company as a result of legal costs, diversion of management and other personnel, and other factors. See Part II, “Item 1. Legal Proceedings” and Note 10 to the Financial Statements for more information.

*Newsprint Prices May Continue to Be Volatile and Difficult to Predict and Control.*

Newsprint is one of the largest expenses of the Company’s newspaper publishing units. During the three months ended September 30, 2015, the Company’s average cost per ton of newsprint was approximately 16% lower than its historical average annual cost per ton over the past five fiscal years on a constant currency basis. The price of newsprint has historically been volatile and the consolidation of newsprint mills over the years has reduced the number of suppliers, which has led to increases in newsprint prices. Failure to maintain the Company’s current consumption levels, further supplier consolidation or the inability to maintain the Company’s existing relationships with its newsprint suppliers could adversely impact newsprint prices in the future.

*The Company’s International Operations Expose it to Additional Risks that Could Adversely Affect its Business, Operating Results and Financial Condition.*

In its fiscal year ended June 30, 2015, approximately 56% of the Company’s revenues were derived outside the U.S., and the Company is focused on expanding the international scope of its operations. There are risks inherent in doing business internationally, including (1) issues related to managing international operations; (2) economic uncertainty and volatility in local markets and political or social instability; (3) potentially adverse changes in tax laws and regulations; (4) complying with international laws and regulations, including foreign ownership restrictions; (5) complying with anti-corruption laws and regulations such as the Foreign Corrupt Practices Act and the UK Bribery Act; (6) restrictions on repatriation of funds and foreign currency exchange; and (7) complying with local labor laws and regulations. Events or developments related to these and other risks associated with the Company’s international operations could result in reputational harm and have an adverse impact on the Company’s business, financial condition, operating results and prospects. Challenges associated with operating globally may increase as the Company continues to expand into geographic areas that it believes represent the highest growth opportunities.

*There Can Be No Assurance That the Company Will Have Access to the Capital Markets on Terms Acceptable to It.*

From time to time the Company may need or desire to access the long-term and short-term capital markets to obtain financing. Although the Company believes that the sources of capital currently in place, including the Company’s revolving credit facility, will permit the Company to finance its operations for the foreseeable future

on acceptable terms and conditions, the Company's access to, and the availability of, financing on acceptable terms and conditions in the future will be impacted by many factors, including, but not limited to: (1) the Company's financial performance, (2) the Company's credit ratings or absence of a credit rating, (3) the liquidity of the overall capital markets and (4) the state of the economy. There can be no assurance, particularly as a company that currently has no credit rating, that the Company will continue to have access to the capital markets on terms acceptable to it.

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

The Company seeks to limit the threat of content piracy; however, policing unauthorized use of its products and services and related intellectual property is often difficult and the steps taken by the Company may not in every case prevent infringement by unauthorized third parties. Developments in technology increase the threat of content piracy by making it easier to duplicate and widely distribute pirated material. The Company has taken, and will continue to take, a variety of actions to combat piracy, 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 its rights as defined by applicable laws in the U.S. 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 its intellectual property may decrease, or the cost of obtaining and maintaining 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.

*The Company's Business Relies on Certain Intellectual Property and Brands.*

The Company's businesses rely on a combination of trademarks, trade names, copyrights, patents and other proprietary rights, as well as contractual arrangements, including licenses, to establish and protect their intellectual property and brand names. The Company believes its proprietary trademarks, trade names, copyrights, patents and other intellectual property rights are important to its continued success and its competitive position. However, the Company cannot ensure that these intellectual property rights will be upheld if challenged or that these rights will protect the Company against infringement claims by third parties. Any failure by the Company to effectively protect its intellectual property or brands could adversely impact the Company's results of operations or financial condition. In addition, the Company may be contractually required to indemnify other parties against liabilities arising out of any third party infringement claims.

*The Company's Relationship with NAR is an Important Part of its Digital Real Estate Services Business in the U.S. and this Business Could be Harmed if it were to Lose the Benefits of this Relationship*

Move, the Company's digital real estate services business in the U.S., licenses the realtor.com<sup>®</sup> trademark and website address, as well as the REALTOR<sup>®</sup> trademark, from NAR pursuant to a trademark license agreement (the "NAR License"). Move also operates the realtor.com<sup>®</sup> website under an agreement with NAR that is perpetual in duration. However, NAR may terminate the operating agreement for certain contractually-specified reasons upon expiration of applicable cure periods. If the operating agreement with NAR is terminated, the NAR License would also terminate, and Move would be required to transfer a copy of the software that operates the realtor.com<sup>®</sup> website to NAR and provide NAR with copies of its agreements with advertisers and data content providers. NAR would then be able to operate a realtor.com<sup>®</sup> website, either by itself or with another third party.

In addition to the contractual limitations and risks described above, any adverse developments in Move's business relationship with NAR as a result of existing or new areas of conflict or potential conflict between Move's interests and NAR's interests, changes in the real estate industry or other causes could also adversely affect Move's business, particularly as many of its customers and data providers are members of, have interests that are closely aligned with, or are otherwise influenced by, NAR.

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

In a variety of the Company's businesses, it engages the services of employees who are subject to collective bargaining agreements. If the Company is 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.

### **Risks Related to the Company's Separation from 21st Century Fox**

*If the Separation, Together with Certain Related Transactions, Were Ultimately Determined to be Taxable Transactions for U.S. Federal and/or Other Jurisdictions' Income Tax Purposes, then the Company, 21st Century Fox and Its Stockholders Could Be Subject to Significant Tax Liability, and the Company may be Required to Indemnify 21st Century Fox for Tax-Related Liabilities Incurred by 21st Century Fox.*

In connection with the Separation, 21st Century Fox received a private letter ruling from the IRS to the effect that, among other things, the distribution of the Company's Class A Common Stock and Class B Common Stock qualified as tax-free under Sections 368 and 355 of the Code except for cash received in lieu of fractional shares. In addition, 21st Century Fox received an opinion from its tax counsel confirming the tax-free status of the Separation for U.S. federal income tax purposes, including the satisfaction of the requirements under Sections 368 and 355 of the Code not specifically addressed in the IRS private letter ruling. The opinion of 21st Century Fox's tax counsel is not binding on the IRS or the courts, and there is no assurance that the IRS or a court will not take a contrary position.

The private letter ruling and the opinion relied on certain facts and assumptions, and certain representations from the Company and 21st Century Fox regarding the past and future conduct of their respective businesses and other matters. Notwithstanding the receipt of the private letter ruling and the opinion, the IRS and/or other tax authorities could determine on audit that the distribution or the related internal reorganization transactions should be treated as taxable transactions if any of these facts, assumptions, representations or undertakings is not correct or has been violated, or that the distribution or the internal transactions should be taxable for other reasons. If the distribution ultimately is determined to be taxable, the distribution could be treated as a taxable dividend or capital gain for U.S. federal income tax purposes, and U.S. stockholders and certain non-U.S. stockholders could incur significant U.S. federal income tax liabilities. In addition, if the internal reorganization and/or the distribution is ultimately determined to be taxable, 21st Century Fox and/or the Company would recognize gains on the internal reorganization and 21st Century Fox would recognize gain in an amount equal to the excess of the fair market value of shares of the Company's common stock distributed to 21st Century Fox's stockholders on the Distribution Date over 21st Century Fox's tax basis in such shares. As described below, the Company may in certain circumstances be required to indemnify 21st Century Fox for liabilities arising out of the foregoing.

Under the terms of the Tax Sharing and Indemnification Agreement that the Company and 21st Century Fox entered into in connection with the Separation, the Company will, in certain circumstances, be responsible for all taxes, including interest and penalties, and tax-related liabilities incurred by 21st Century Fox as a result of actions taken by the Company or any of its subsidiaries after the Separation. Specifically, in the event that the distribution or the internal transactions intended not to be subject to tax were determined to be subject to tax and such determination was the result of certain actions taken, or omitted to be taken, after the Separation by the Company or any of its subsidiaries and such actions (1) were inconsistent with any representation or covenant made in connection with the private letter ruling or opinion of 21st Century Fox's tax counsel, (2) violated any representation or covenant made in the Tax Sharing and Indemnification Agreement, or (3) the Company or any of its subsidiaries knew or reasonably should have expected, after consultation with its advisors, could result in any such determination, the Company will be responsible for any tax-related liabilities incurred by 21st Century Fox as a result of such determination.

*The Company Could Be Liable for Income Taxes Owed by 21st Century Fox.*

Each member of the 21st Century Fox consolidated group, which, prior to the Separation, included 21st Century Fox, the Company and 21st Century Fox's other subsidiaries, is jointly and severally liable for the U.S. federal income tax liability of each other member of the consolidated group for periods prior to and including the Separation. Consequently, the Company could be liable in the event any such liability is incurred, and not discharged, by any member of 21st Century Fox's consolidated group. The Tax Sharing and Indemnification Agreement requires 21st Century Fox to indemnify the Company for any such liability. Disputes or assessments could arise during future audits by the IRS in amounts that the Company cannot quantify.

*The Separation and Distribution Agreement May Restrict the Company From Acquiring or Owning Certain Types of Assets in the U.S.*

The Federal Communications Commission ("FCC") has promulgated certain rules and regulations that limit the ownership of radio and television broadcast stations, television broadcast networks and newspapers (the "Broadcast Ownership Rules") and place commercial restrictions on a cable network programmer in which a cable television operator holds an ownership interest (the "Program Access Rules"). Under the FCC's rules for determining ownership of the media assets described above, the Murdoch Family Trust's ownership interest in both the Company and 21st Century Fox following the Separation would generally result in each company's businesses and assets being attributable to the Murdoch Family Trust for purposes of determining compliance with the Broadcast Ownership Rules and the Program Access Rules. Consequently, the Company's future conduct, including its acquisition of any newspapers in the same local markets in which 21st Century Fox owns or operates television stations or the Company's acquisition of an ownership interest in a cable operator, may affect 21st Century Fox's ability to own and operate its television stations or otherwise comply with the Broadcast Ownership Rules, or may subject 21st Century Fox to the Program Access Rules. Therefore, the Company and 21st Century Fox agreed in the Separation and Distribution Agreement that if the Company acquires, after the Distribution Date, newspapers, radio or television broadcast stations or television broadcast networks in the U.S. and such acquisition would impede or be reasonably likely to impede 21st Century Fox's business, then the Company will be required to take certain actions, including divesting assets, in order to permit 21st Century Fox to hold its media interests and to comply with such rules. In addition, the Company will be prohibited from acquiring an interest in a multichannel video programming distributor, including a cable television operator, if such acquisition would subject 21st Century Fox to the Program Access Rules to which it is not then subject. This agreement effectively limits the activities or strategic business alternatives available to the Company if such activities or strategic business alternatives implicate the Broadcast Ownership Rules or Program Access Rules and would impede or be reasonably likely to impede 21st Century Fox's business.

*The Indemnification Arrangements the Company Entered Into With 21st Century Fox in Connection With the Separation May Require the Company to Divert Cash to Satisfy Indemnification Obligations to 21st Century Fox.*

Pursuant to the Separation and Distribution Agreement and certain other related agreements, 21st Century Fox agreed to indemnify the Company for certain liabilities, and the Company agreed to indemnify 21st Century Fox for certain liabilities. As a result, the Company could be required, under certain circumstances, to indemnify 21st Century Fox and its affiliates against certain liabilities to the extent such liabilities result from an action the Company or its affiliates take or from any breach of the Company or its affiliates' representations, covenants or obligations under the Separation and Distribution Agreement, Tax Sharing and Indemnification Agreement or any other agreement the Company entered into in connection with the Separation. The diversion of cash that may occur if the Company is required to indemnify 21st Century Fox under these agreements could limit the Company's ability to grow its businesses or capitalize on acquisition opportunities.

*Certain Agreements That the Company Entered Into With 21st Century Fox in Connection With the Separation May Limit Its Ability to Take Certain Actions With Respect to the Civil U.K. Newspaper Matters.*

Under the terms of the Separation and Distribution Agreement, in consideration for 21st Century Fox's agreement to certain indemnification arrangements, the Company agreed that 21st Century Fox would have the

right to control the Company's defense of civil claims relating to the U.K. Newspaper Matters. In exercising its rights to control the defense of the civil claims relating to the U.K. Newspaper Matters, 21st Century Fox may be guided by interests that are different than or adverse to the Company's interests and the interests of its stockholders and advocate strategies that the Company's management would not otherwise adopt. Furthermore, if the Company fails to comply with these control arrangements or does not consent to settlements with respect to such matters proposed by 21st Century Fox, the Company has agreed with 21st Century Fox that it will, at 21st Century Fox's discretion, forego any indemnification with regard to such or all of these matters. The Company's inability to take actions with respect to these civil matters without 21st Century Fox's consent or the Company's adoption of strategies advocated by 21st Century Fox could damage the Company's reputation or impair the Company's ability to conduct its business while the taking of any such action by the Company without 21st Century Fox's consent in breach of the Company's agreements could increase its liability exposure with regard to such matters and adversely affect the Company's results of operations and financial condition. See Part II, "Item 1. Legal Proceedings" and Note 10 to the Financial Statements for additional information.

*The Company Has a Limited Operating History as an Independent, Publicly-Traded Company, and Its Historical Financial Statements for Certain Reporting Periods Are Not Necessarily Representative of the Results It Would Have Achieved as an Independent, Publicly-Traded Company, Do Not Reflect Any Subsequent Changes in Its Cost Structure and May Not Be Reliable Indicators of Its Future Results.*

Certain of the Company's historical financial statements do not necessarily reflect the results of operations, cash flows and financial condition that it would have achieved as an independent, publicly-traded company during the applicable period or those that it will achieve in the future. Prior to the Separation, the Company's business was operated by 21st Century Fox as part of its broader corporate organization, rather than as an independent company. During those periods, 21st Century Fox performed various corporate functions for the Company, including, but not limited to, tax administration, treasury activities, accounting, legal, ethics and compliance program administration, investor and public relations, certain governance functions (including internal audit) and external reporting. Certain of the Company's historical financial statements reflect allocations of corporate expenses from 21st Century Fox for these and similar functions. However, these allocations may be more or less than the comparable expenses that the Company would have incurred had it operated as an independent, publicly traded company during those periods. In addition, changes have occurred and may continue to occur in the Company's cost structure, management, financing, business operations, personnel needs, tax and structure as a result of its operation as a public company separate from 21st Century Fox, including the incurrence of costs for compliance with requirements of the Sarbanes-Oxley Act, SEC regulations and NASDAQ and ASX listing rules and potential increased costs associated with reduced economies of scale. Prior to the Separation, the Company benefited from 21st Century Fox's operating diversity, size, purchasing power and access to capital for investments, and it may not continue to realize such benefits in the future. As a result, there is a risk that the Company may be more susceptible to market fluctuations and other adverse events than it would have otherwise been while it was still a part of 21st Century Fox. Additionally, in connection with the Separation, the Company entered into certain transactions with 21st Century Fox that did not exist prior to the Separation.

*Certain of the Company's Directors and Officers May Have Actual or Potential Conflicts of Interest Because of Their Equity Ownership in 21st Century Fox, and Certain of the Company's 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 21st Century Fox, Which May Result in the Diversion of Corporate Opportunities to 21st Century Fox.*

Certain of the Company's directors and executive officers own shares of 21st Century Fox's common stock, and the individual holdings may be significant for some of these individuals compared to their total assets. In addition, certain of the Company's officers and directors also serve as officers and/or as directors of 21st Century Fox, including K. Rupert Murdoch, who serves as the Company's Executive Chairman and Executive Chairman of 21st Century Fox, and Lachlan K. Murdoch, who serves as the Company's Co-Chairman and Executive Chairman of 21st Century Fox. 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 the Company and 21st Century Fox. For example, potential conflicts of interest could

arise in connection with the resolution of any dispute that may arise between the Company and 21st Century Fox regarding the terms of the agreements governing the internal reorganization, the Separation and the relationship thereafter between the companies, including with respect to the indemnification of certain matters. In addition to any other arrangements that the Company and 21st Century Fox may agree to implement, the Company and 21st Century Fox have 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.

The Company's Restated Certificate of Incorporation acknowledges that the Company's directors and officers, as well as certain of its stockholders, including K. Rupert Murdoch, certain members of his family and certain family trusts (so long as such persons continue to own, in the aggregate, 10% or more of the voting stock of each of the Company and 21st Century Fox), each of which is referred to as a covered stockholder, are or may become stockholders, directors, officers, employees or agents of 21st Century Fox and certain of its affiliates. The Company's Restated Certificate of Incorporation provides that any such overlapping person will not be liable to the Company, or to any of its stockholders, for breach of any fiduciary duty that would otherwise exist because such individual directs a corporate opportunity (other than certain limited types of restricted business opportunities set forth in the Company's Restated Certificate of Incorporation) to 21st Century Fox instead of the Company. As 21st Century Fox does not have a similar provision regarding corporate opportunities in its certificate of incorporation, the provisions in the Company's Restated Certificate of Incorporation could result in an overlapping person submitting any corporate opportunities other than restricted business opportunities to 21st Century Fox instead of the Company.

### **Risks Related to the Company's Common Stock**

#### *The Market Price of the Company's Stock May Fluctuate Significantly*

The Company cannot predict the prices at which its common stock may trade. The market price of the Company's common stock may fluctuate significantly, depending upon many factors, some of which may be beyond its control, including: (1) the Company's quarterly or annual earnings, or those of other companies in its industry; (2) actual or anticipated fluctuations in the Company's operating results; (3) success or failure of the Company's business strategy; (4) the Company's ability to obtain financing as needed; (5) changes in accounting standards, policies, guidance, interpretations or principles; (6) changes in laws and regulations affecting the Company's business; (7) announcements by the Company or its competitors of significant new business developments or customers; (8) announcements by the Company or its competitors of significant acquisitions or dispositions; (9) changes in earnings estimates by securities analysts or the Company's ability to meet its earnings guidance, if any; (10) the operating and stock price performance of other comparable companies; (11) results from material litigation or governmental investigations; (12) changes in capital gains taxes and taxes on dividends affecting stockholders; and (13) overall market fluctuations and general economic conditions.

*Certain Provisions of the Company's Restated Certificate of Incorporation, Amended and Restated By-laws, Tax Sharing and Indemnification Agreement, Separation and Distribution Agreement and Delaware Law, the Company's Second Amended and Restated Stockholder Rights Agreement and the Ownership of the Company's Common Stock by the Murdoch Family Trust May Discourage Takeovers and the Concentration of Ownership Will Affect the Voting Results of Matters Submitted for Stockholder Approval.*

The Company's Restated Certificate of Incorporation and Amended and Restated By-laws contain certain anti-takeover provisions that may make more difficult or expensive a tender offer, change in control, or takeover attempt that is opposed by the Company's Board of Directors or certain stockholders holding a significant percentage of the voting power of the Company's outstanding voting stock. In particular, the Company's Restated Certificate of Incorporation and Amended and Restated By-laws provide for, among other things:

- a dual class common equity capital structure;
- stockholders to remove directors only for cause;
- a prohibition on stockholders taking any action by written consent without a meeting;



- special stockholders' meeting to be called only by the Chief Executive Officer, the Board of Directors, or the holders of not less than 20% of the voting power of the Company's outstanding voting stock;
- the requirement that stockholders give the Company advance notice to nominate candidates for election to the Board of Directors or to make stockholder proposals at a stockholders' meeting;
- the requirement of an affirmative vote of at least 65% of the voting power of the Company's outstanding voting stock to amend or repeal its by-laws;
- certain restrictions on the transfer of the Company's shares; and
- the Board of Directors to issue, without stockholder approval, Preferred Stock and Series Common Stock with such terms as the Board of Directors may determine.

These provisions could discourage potential acquisition proposals and could delay or prevent a change in control of the Company, even in the case where a majority of the stockholders may consider such proposals, if effective, desirable.

In addition, in connection with the Separation, the Company's Board of Directors adopted a stockholder rights agreement, which it extended in June 2014 and again in June 2015. Pursuant to the second amended and restated stockholder rights agreement, each outstanding share of the Company's common stock has attached to it a right entitling its holder to purchase from the Company additional shares of its Class A Common Stock and Class B Common Stock in the event that a person or group acquires beneficial ownership of 15% or more of the then-outstanding Class B Common Stock without approval of the Company's Board of Directors, subject to exceptions for persons beneficially owning 15% or more of the Company's Class B Common Stock immediately following the Separation. The stockholder rights agreement could make it more difficult for a third-party to acquire the Company's voting common stock without the approval of its Board of Directors. The rights expire on June 18, 2018, except as otherwise provided in the rights agreement. Further, as a result of his ability to appoint certain members of the board of directors of the corporate trustee of the Murdoch Family Trust, which beneficially owns less than one percent of the Company's outstanding Class A Common Stock and approximately 38.4% of the Company's Class B Common Stock as of October 30, 2015, K. Rupert Murdoch may be deemed to be a beneficial owner of the shares beneficially owned by the Murdoch Family Trust. K. Rupert Murdoch, however, disclaims any beneficial ownership of these shares. Also, K. Rupert Murdoch beneficially owns or may be deemed to beneficially own an additional one percent of the Company's Class B Common Stock and less than one percent of the Company's Class A Common Stock as of October 30, 2015. Thus, K. Rupert Murdoch may be deemed to beneficially own in the aggregate less than one percent of the Company's Class A Common Stock and approximately 39.4% of the Company's Class B Common Stock as of October 30, 2015. This concentration of voting power could discourage third parties from making proposals involving an acquisition of the Company. Additionally, the ownership concentration of Class B Common Stock by the Murdoch Family Trust increases the likelihood that proposals submitted for stockholder approval that are supported by the Murdoch Family Trust will be adopted and proposals that the Murdoch Family Trust does not support will not be adopted, whether or not such proposals to stockholders are also supported by the other holders of Class B Common Stock. Furthermore, the adoption of the second amended and restated stockholder rights agreement will prevent, unless the Company's Board of Directors otherwise determines at the time, other potential stockholders from acquiring a similar ownership position in the Company's Class B Common Stock and, accordingly, could prevent a meaningful challenge to the Murdoch Family Trust's influence over matters submitted for stockholder approval.

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

The Company's Board of Directors has authorized the Company to repurchase up to an aggregate of \$500 million of its Class A Common Stock. Through October 30, 2015 the Company repurchased approximately 3.3 million shares of its Class A Common Stock for an aggregate purchase price of approximately \$48 million. The remaining authorized amount under the stock repurchase program as of October 30, 2015 was approximately \$452 million. All decisions regarding any future stock repurchases are at the sole discretion of a duly appointed

committee of the Board of Directors and management. The committee's decisions regarding future stock repurchases will be evaluated from time to time in light of many factors, including the Company's financial condition, earnings, capital requirements and debt facility covenants, other contractual restrictions, as well as legal requirements, regulatory constraints, industry practice and other factors that the committee may deem relevant. The stock repurchase authorization may be modified, extended, suspended or discontinued at any time by the Board of Directors, and the Board of Directors cannot provide any assurances that any additional shares will be repurchased.

The following table is a summary of the Company's purchases of its Class A Common Stock during the three months ended September 30, 2015.

	<u>Total Number of Shares Repurchased</u>	<u>Average Price per Share</u>	<u>Total Cost of Purchase</u>
	(in thousands, except per share amounts)		
Q1 Fiscal 2016 repurchases:			
July	891	\$14.44	\$12,864
<b>Total Q1 Fiscal 2016</b>	<b><u>891</u></b>	<b><u>\$14.44</u></b>	<b><u>\$12,864</u></b>

### 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.

- 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, 2015 formatted in eXTensible Business Reporting Language: (i) Consolidated Statements of Operations for the three months ended September 30, 2015 and 2014 (unaudited); (ii) Consolidated Statements of Comprehensive Loss for the three months ended September 30, 2015 and 2014 (unaudited); (iii) Consolidated Balance Sheets at September 30, 2015 (unaudited) and June 30, 2015 (audited); (iv) Consolidated Statements of Cash Flows for the three months ended September 30, 2015 and 2014 (unaudited); 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.

NEWS CORPORATION  
(Registrant)

By: /s/ Bedi Ajay Singh

Bedi Ajay Singh  
Chief Financial Officer

Date: November 6, 2015

**Chief Executive Officer Certification**

**Required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended**

I, Robert J. Thomson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of News Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 6, 2015

By: /s/ Robert J. Thomson

Robert J. Thomson  
Chief Executive Officer and Director

**Chief Financial Officer Certification**

**Required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended**

I, Bedi Ajay Singh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of News Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 6, 2015

By: /s/ Bedi Ajay Singh

Bedi Ajay Singh  
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of News Corporation on Form 10-Q for the fiscal quarter ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, the undersigned officers of News Corporation, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of News Corporation.

November 6, 2015

By: /s/ Robert J. Thomson

Robert J. Thomson  
Chief Executive Officer and Director

By: /s/ Bedi Ajay Singh

Bedi Ajay Singh  
Chief Financial Officer