

TWENTY-FIRST CENTURY FOX, INC.
Form 10-Q
November 04, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 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 001-32352

TWENTY-FIRST CENTURY FOX, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation or Organization)

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

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

10036
(Zip Code)

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

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

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

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

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

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

As of October 30, 2015, 1,170,751,942 shares of Class A Common Stock, par value \$0.01 per share, and 798,520,953 shares of Class B Common Stock, par value \$0.01 per share, were outstanding.

TWENTY-FIRST CENTURY FOX, INC.

FORM 10-Q

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TWENTY-FIRST CENTURY FOX, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

| | For the three months ended | |
|---|----------------------------|----------|
| | September 30, | |
| | 2015 | 2014 |
| Revenues | \$ 6,077 | \$ 7,887 |
| Operating expenses | (3,673) | (5,052) |
| Selling, general and administrative | (889) | (1,079) |
| Depreciation and amortization | (128) | (276) |
| Equity earnings of affiliates | 35 | 379 |
| Interest expense, net | (295) | (305) |
| Interest income | 9 | 14 |
| Other, net | (83) | 35 |
| Income from continuing operations before income tax expense | 1,053 | 1,603 |
| Income tax expense | (313) | (503) |
| Income from continuing operations | 740 | 1,100 |
| Loss from discontinued operations, net of tax | (3) | (7) |
| Net income | 737 | 1,093 |
| Less: Net income attributable to noncontrolling interests | (62) | (56) |
| Net income attributable to Twenty-First Century Fox, Inc. stockholders | \$ 675 | \$ 1,037 |
| Earnings per share data | | |
| Income from continuing operations attributable to Twenty-First Century Fox, Inc. stockholders - basic and diluted | \$ 678 | \$ 1,044 |
| Weighted average shares: | | |
| Basic | 2,009 | 2,191 |
| Diluted | 2,012 | 2,195 |
| Income from continuing operations attributable to Twenty-First Century Fox, Inc. stockholders per share - basic and diluted | \$ 0.34 | \$ 0.48 |
| Net income attributable to Twenty-First Century Fox, Inc. stockholders per share - basic and diluted | \$ 0.34 | \$ 0.47 |

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

TWENTY-FIRST CENTURY FOX, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(IN MILLIONS)

| | For the three months ended | |
|--|----------------------------|----------|
| | September 30, 2015 | 2014 |
| Net income | \$ 737 | \$ 1,093 |
| Other comprehensive loss, net of tax: | | |
| Foreign currency translation adjustments | (144) | (900) |
| Losses on interest rate swap contracts | (5) | - |
| Unrealized holding losses on securities | (4) | (10) |
| Benefit plan adjustments | 4 | 6 |
| Other comprehensive loss, net of tax | (149) | (904) |
| Comprehensive income | 588 | 189 |
| Less: Net income attributable to noncontrolling interests ^(a) | (62) | (56) |
| Less: Other comprehensive loss attributable to noncontrolling interests | - | 182 |
| Comprehensive income attributable to Twenty-First Century Fox, Inc. stockholders | \$ 526 | \$ 315 |

^(a) Net income attributable to noncontrolling interests includes \$28 million and \$24 million for the three months ended September 30, 2015 and 2014, respectively, relating to redeemable noncontrolling interests.

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

TWENTY-FIRST CENTURY FOX, INC.

CONSOLIDATED BALANCE SHEETS

(IN MILLIONS, EXCEPT SHARE AND PER SHARE AMOUNTS)

| | As of September 30, 2015 (unaudited) | As of June 30, 2015 (audited) |
|--|--|--|
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 5,830 | \$ 8,428 |
| Receivables, net | 6,034 | 5,912 |
| Inventories, net | 2,987 | 2,749 |
| Other | 342 | 287 |
| Total current assets | 15,193 | 17,376 |
| Non-current assets: | | |
| Receivables, net | 386 | 394 |
| Investments | 4,398 | 4,529 |
| Inventories, net | 6,818 | 6,411 |
| Property, plant and equipment, net | 1,667 | 1,722 |
| Intangible assets, net | 6,263 | 6,320 |
| Goodwill | 12,514 | 12,513 |
| Other non-current assets | 758 | 786 |
| Total assets | \$ 47,997 | \$ 50,051 |
| Liabilities and Equity: | | |
| Current liabilities: | | |
| Borrowings | \$ 244 | \$ 244 |
| Accounts payable, accrued expenses and other current liabilities | 3,529 | 3,937 |
| Participations, residuals and royalties payable | 1,650 | 1,632 |
| Program rights payable | 1,112 | 1,001 |
| Deferred revenue | 457 | 448 |
| Total current liabilities | 6,992 | 7,262 |
| Non-current liabilities: | | |
| Borrowings | 18,767 | 18,795 |
| Other liabilities | 3,089 | 3,105 |
| Deferred income taxes | 2,278 | 2,082 |

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| | | |
|---|-----------|-----------|
| Redeemable noncontrolling interests | 616 | 621 |
| Commitments and contingencies | | |
| Equity: | | |
| Class A common stock ^(a) | 12 | 12 |
| Class B common stock ^(b) | 8 | 8 |
| Additional paid-in capital | 12,798 | 13,427 |
| Retained earnings | 4,182 | 5,343 |
| Accumulated other comprehensive loss | (1,719) | (1,570) |
| Total Twenty-First Century Fox, Inc. stockholders' equity | 15,281 | 17,220 |
| Noncontrolling interests | 974 | 966 |
| Total equity | 16,255 | 18,186 |
| Total liabilities and equity | \$ 47,997 | \$ 50,051 |

^(a) Class A common stock, \$0.01 par value per share, 6,000,000,000 shares authorized, 1,177,531,042 shares and 1,239,971,838 shares issued and outstanding, net of 123,687,371 treasury shares at par as of September 30, 2015 and June 30, 2015, respectively.

^(b) Class B common stock, \$0.01 par value per share, 3,000,000,000 shares authorized, 798,520,953 shares issued and outstanding, net of 356,993,807 treasury shares at par as of September 30, 2015 and June 30, 2015.

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

TWENTY-FIRST CENTURY FOX, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN MILLIONS)

| | For the three months ended | |
|--|----------------------------|----------|
| | September 30, | 2014 |
| | 2015 | 2014 |
| Operating activities: | | |
| Net income | \$ 737 | \$ 1,093 |
| Less: Loss from discontinued operations, net of tax | (3) | (7) |
| Income from continuing operations | 740 | 1,100 |
| Adjustments to reconcile income from continuing operations to cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 128 | 276 |
| Amortization of cable distribution investments | 20 | 23 |
| Equity-based compensation | 86 | 53 |
| Equity earnings of affiliates | (35) | (379) |
| Cash distributions received from affiliates | 6 | 3 |
| Other, net | 83 | (35) |
| CLT20 contract termination costs ^(a) | (420) | - |
| Deferred income taxes and other taxes | 175 | 91 |
| Change in operating assets and liabilities, net of acquisitions and dispositions: | | |
| Receivables and other assets | (201) | 26 |
| Inventories net of program rights payable | (516) | (590) |
| Accounts payable and other liabilities | (371) | (111) |
| Net cash (used in) provided by operating activities from continuing operations | (305) | 457 |
| Investing activities: | | |
| Property, plant and equipment | (34) | (127) |
| Investments in equity affiliates | (86) | (950) |
| Other investments | (163) | (13) |
| Proceeds from dispositions, net | - | 69 |
| Net cash used in investing activities from continuing operations | (283) | (1,021) |
| Financing activities: | | |
| Borrowings | 91 | 1,289 |
| Repayment of borrowings | (119) | (114) |
| Excess tax benefit from equity-based compensation | 11 | 48 |
| Repurchase of shares | (1,889) | (1,273) |
| Dividends paid and distributions | (56) | (82) |
| Purchase of subsidiary shares from noncontrolling interests | (3) | - |

| | | |
|--|----------|----------|
| Net cash used in financing activities from continuing operations | (1,965) | (132) |
| Net decrease in cash and cash equivalents from discontinued operations | (7) | (17) |
| Net decrease in cash and cash equivalents | (2,560) | (713) |
| Cash and cash equivalents, beginning of year | 8,428 | 5,415 |
| Exchange movement on cash balances | (38) | (46) |
| Cash and cash equivalents, end of period | \$ 5,830 | \$ 4,656 |

^(a) See Note 12 – Additional Financial Information.

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

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

In addition, the Direct Broadcast Satellite Television (“DBS”) segment consisted of the distribution of programming services via satellite, cable and broadband directly to subscribers in Italy, Germany and Austria. The DBS segment consisted entirely of the operations of Sky Italia and Sky Deutschland AG (“Sky Deutschland”) (collectively the “DBS businesses”). On November 12, 2014, Twenty-First Century Fox completed the sale of Sky Italia and its 57% interest in Sky Deutschland to Sky plc (“Sky”). Sky is a pan-European digital television provider, which operates in Italy, Germany, Austria, the United Kingdom and Ireland. Following the sale of the DBS businesses, the Company continues to report in five segments for comparative purposes, and there is no current activity in the DBS segment.

The accompanying Unaudited Consolidated Financial Statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments consisting only of normal recurring adjustments necessary for a fair presentation have been reflected in these Unaudited Consolidated Financial Statements. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2016.

These interim Unaudited Consolidated Financial Statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2015 as filed with the Securities and Exchange Commission (“SEC”) on August 13, 2015 (the “2015 Form 10-K”).

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

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

Certain fiscal 2015 amounts have been reclassified to conform to the fiscal 2016 presentation. Unless indicated otherwise, the information in the notes to the Unaudited Consolidated Financial Statements relate to the Company’s continuing operations.

Recently Adopted and Recently Issued Accounting Guidance

Adopted

In April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-08, “Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360)” (“ASU 2014-08”). The amendments in ASU 2014-08 provide guidance for the recognition of discontinued operations, change the requirements for reporting discontinued operations in Accounting Standards Codification (“ASC”) 205-20, “Discontinued Operations” (“ASC 205-20”) and require additional disclosures about discontinued operations. ASU 2014-08 is effective on a prospective basis for the Company for interim reporting periods beginning July 1, 2015. Certain disposals that occurred in the past were not reported as discontinued operations as they did not meet the criteria under the superseded accounting guidance. Such disposals would have met the criteria to be reported as discontinued operations in accordance with ASU 2014-08.

Issued

In September 2015, the FASB issued ASU 2015-16, “Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments (“ASU 2015-16”). The amendments in ASU 2015-16 require that an acquirer recognize adjustments to provisional amounts, that are identified during the measurement period, in the reporting period in which the adjustment amounts are determined. ASU 2015-16 is effective for the Company for the interim reporting periods beginning July 1, 2016. The Company is currently evaluating the impact ASU 2015-16 will have on its consolidated financial statements.

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. ACQUISITIONS, DISPOSALS AND OTHER TRANSACTIONS

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

Fiscal 2016

Acquisitions

National Geographic Partners

In September 2015, the Company, through 21st Century Fox America, Inc. ("21CFA"), a wholly-owned subsidiary of the Company, and the National Geographic Society ("NGS"), agreed to form NGC Group Holdings, LLC ("National Geographic Partners"), to which the Company will contribute \$625 million in cash and the Company and NGS will contribute their existing interests in NGC Network US, LLC, NGC Network International, LLC and NGC Network Latin America, LLC (collectively "NGC Networks"). The Company currently holds a controlling interest in NGC Networks, a consolidated subsidiary. NGS will also contribute its publishing, travel and certain other businesses to National Geographic Partners for approximately \$625 million in cash. Upon completion of the proposed transaction, the Company will hold a 73% controlling interest in National Geographic Partners. The transaction is subject to customary closing conditions, including regulatory approvals, and is expected to close before December 31, 2015.

MAA Television Network

In February 2015, the Company entered into an agreement to acquire the broadcast business of MAA Television Network Limited ("MAA TV"), an entity in India that broadcasts and operates Telugu language entertainment channels, for approximately \$375 million in cash. The acquisition is subject to customary closing conditions, including regulatory approvals. The transaction is expected to close before December 31, 2015.

Fiscal 2015

Acquisitions

trueX media inc.

In February 2015, the Company acquired trueX media inc. ("true[X]"), a video advertising company specializing in consumer engagement and on-demand marketing campaigns, for an estimated total purchase price of approximately \$175 million in cash including deferred payments which are subject to the achievement of service and performance conditions. The excess purchase price of approximately \$125 million has been preliminarily allocated, based on a provisional valuation of true[X], as follows: approximately \$30 million to intangible assets and the balance of the excess representing the goodwill on the transaction and other net assets. The goodwill reflects the synergies and increased market penetration expected from combining the operations of true[X] and the Company.

As the accounting for the business combination is based on provisional amounts and the allocation of the excess purchase price is not final, the amounts allocated to intangibles and goodwill, the estimates of useful lives and the related amortization expense are subject to changes pending the completion of the final valuation of certain assets and liabilities. A change in the purchase price allocation and any estimates of useful lives could result in a change in the

value allocated to the intangible assets that could impact future amortization expense.

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. 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.

Receivables, net consist of:

| | As of | As of |
|--|---------------|---------|
| | September | June |
| | 30, | 30, |
| | 2015 | 2015 |
| | (in millions) | |
| Total receivables | \$6,910 | \$6,812 |
| Allowances for returns and doubtful accounts | (490) | (506) |
| Total receivables, net | 6,420 | 6,306 |
| Less: current receivables, net | (6,034) | (5,912) |
| Non-current receivables, net | \$386 | \$394 |

NOTE 4. INVENTORIES, NET

The Company's inventories were comprised of the following:

| | As of | As of |
|--------------------------------------|---------------|---------|
| | September | June |
| | 30, | 30, |
| | 2015 | 2015 |
| | (in millions) | |
| Programming rights | \$5,831 | \$5,496 |
| DVDs, Blu-rays and other merchandise | 71 | 67 |
| Filmed entertainment costs: | | |
| Films: | | |
| Released | 1,260 | 1,094 |
| Completed, not released | 56 | 27 |
| In production | 1,018 | 1,170 |

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| | | |
|--|---------|---------|
| In development or preproduction | 206 | 185 |
| | 2,540 | 2,476 |
| Television productions: | | |
| Released | 828 | 868 |
| In production | 535 | 252 |
| In development or preproduction | - | 1 |
| | 1,363 | 1,121 |
| Total filmed entertainment costs, less accumulated amortization ^(a) | 3,903 | 3,597 |
| Total inventories, net | 9,805 | 9,160 |
| Less: current portion of inventories, net ^(b) | (2,987) | (2,749) |
| Total non-current inventories, net | \$6,818 | \$6,411 |

^(a) Does not include \$296 million and \$304 million of net intangible film library costs as of September 30, 2015 and June 30, 2015, respectively, which were included in intangible assets subject to amortization in the Consolidated Balance Sheets.

^(b) Current portion of inventories, net as of September 30, 2015 and June 30, 2015 was comprised of programming rights (\$2,916 million and \$2,682 million, respectively), DVDs, Blu-rays and other merchandise.

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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) | |
| Sky ^{(a)(b)} | European DBS operator | 39% | \$3,183 | \$3,382 |
| Endemol Shine Group ^(b) | Global multi-platform content provider | 50% | 670 | 706 |
| Other investments | | various | 545 | 441 |
| Total investments | | | \$4,398 | \$4,529 |

^(a)The Company's investment in Sky had a market value of \$10.6 billion as of September 30, 2015 determined using its quoted market price on the London Stock Exchange (a Level 1 measurement as defined in Note 6 – Fair Value).

^(b)Equity method investment.

Sky

In July 2014, Sky sold a portion of its investment in ITV plc, and as a result, the Company's pro rata portion of the gain on this transaction, of approximately \$280 million, is included in Equity earnings of affiliates in the Unaudited Consolidated Statement of Operations for the three months ended September 30, 2014.

Other

In July 2015, the Company invested approximately \$150 million in cash for a minority equity interest in DraftKings, Inc. ("DraftKings"), a leading operator of online fantasy games and contests. The Company accounts for this investment at cost. Contemporaneous with the Company's investment, DraftKings, as part of their wider media program, committed to spend a minimum of \$250 million for media placements on the Company's properties through December 2017.

NOTE 6. FAIR VALUE

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

that require the entity to use its own assumptions about market participant assumptions (“Level 3”).

The tables below present information about financial assets and liabilities carried at fair value on a recurring basis:

| Description | Fair value measurements | | | |
|--|--------------------------|------------------|-----------------|------------------|
| | As of September 30, 2015 | | | |
| | Total | Quoted prices in | Significant | |
| | | active markets | other | Significant |
| | for identical | observable | unobservable | |
| | instruments | inputs | inputs | |
| | (Level 1) | (Level 2) | (Level 3) | |
| | (in millions) | | | |
| Assets | | | | |
| Derivatives ^(a) | \$17 | \$ - | \$ 17 | \$ - |
| Liabilities | | | | |
| Derivatives ^(a) | (29) | - | (29) | - |
| Contingent consideration ^(b) | (117) | - | - | (117) |
| Redeemable noncontrolling interests ^(c) | (616) | - | - | (616) |
| Total | \$ (745) | \$ - | \$ (12) | \$ (733) |

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

| Description | As of June 30, 2015 | | | |
|--|---------------------|--|--|---------------------------------------|
| | Total | Quoted prices in active markets for identical instruments | Significant other observable inputs | Significant unobservable inputs |
| | (in millions) | (Level 1) | (Level 2) | (Level 3) |
| Assets | | | | |
| Investments ^(d) | \$18 | \$ 18 | \$ - | \$ - |
| Derivatives ^(a) | 4 | - | 4 | - |
| Liabilities | | | | |
| Derivatives ^(a) | (34) | - | (34) | - |
| Contingent consideration ^(b) | (114) | - | - | (114) |
| Redeemable noncontrolling interests ^(c) | (621) | - | - | (621) |
| Total | \$(747) | \$ 18 | \$ (30) | \$ (735) |

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

^(b)Represents contingent consideration related to the acquisitions of Eredivisie Media & Marketing and SportsTime Ohio in fiscal 2013.

^(c)The Company accounts for redeemable noncontrolling interests in accordance with ASC 480-10-S99-3A, "Distinguishing Liabilities from Equity" ("ASC 480-10-S99-3A"), because their exercise is outside the control of the Company. The redeemable noncontrolling interests recorded at fair value are put arrangements held by the noncontrolling interests in certain of the Company's majority-owned sports networks. The Company utilizes the market, income or cost approaches or a combination of these valuation techniques for its Level 3 fair value measures, using observable inputs such as market data obtained from independent sources. To the extent observable inputs are not available, the Company utilizes unobservable inputs based upon the assumptions market participants would use in valuing the asset (liability). As of September 30, 2015, one minority shareholder's put right is currently exercisable and another minority shareholder's put right will become exercisable in March 2016. The remaining redeemable noncontrolling interests are currently not exercisable.

^(d)Available-for-sale securities.

Financial Instruments

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

As of As of

| | September 30, 2015 | June 30, 2015 |
|------------------------------|-----------------------|------------------|
| (in millions) | | |
| Borrowings | | |
| Fair value of borrowings | \$21,823 | \$21,998 |
| Carrying value of borrowings | \$19,011 | \$19,039 |

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Foreign Currency Forward Contracts

The Company uses foreign currency forward contracts primarily to hedge certain exposures to foreign currency exchange rate risks associated with revenues, the cost of producing or acquiring films and television programming as well as its investment in certain foreign operations and equity method investments.

| | As of | As of |
|---|---------------|---------|
| | September | June |
| | 30, | 30, |
| | 2015 | 2015 |
| | (in millions) | |
| Cash flow hedges | | |
| Notional amount of foreign currency forward contracts | \$973 | \$903 |
| Fair value of foreign currency forward contracts | \$7 | \$(13) |

| | As of | As of |
|---|---------------|---------|
| | September | June |
| | 30, | 30, |
| | 2015 | 2015 |
| | (in millions) | |
| Net investment hedges | | |
| Notional amount of foreign currency forward contracts | \$198 | \$198 |
| Fair value of foreign currency forward contracts | \$(6) | \$(13) |

Interest Rate Swap Contracts

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

| As of | As of |
|-----------|-------|
| September | June |
| 30, | 30, |

| | 2015 | 2015 |
|---|---------------|-------|
| | (in millions) | |
| Cash flow hedges | | |
| Notional amount of interest rate swap contracts | \$717 | \$723 |
| Fair value of interest rate swap contracts | \$(13) | \$(4) |

| | As of | As of |
|---|---------------|-------|
| | September | |
| | 30, | 30, |
| | 2015 | 2015 |
| | (in millions) | |
| Economic hedges | | |
| Notional amount of interest rate swap contracts | \$250 | \$255 |
| Fair value of interest rate swap contracts | \$- | \$- |

Unrealized gains on hedging activity, before tax, of \$8 million and \$75 million for the three months ended September 30, 2015 and 2014, respectively, are included in other comprehensive loss. For foreign currency forward contracts designated as cash flow hedges, the Company expects to reclassify the cumulative changes in fair values, included in Accumulated other comprehensive loss, within the next 3 years. For interest rate swap contracts designated as cash flow hedges, the Company expects to reclassify the cumulative changes in fair values, included in Accumulated other comprehensive loss, within the next 4 years.

Concentrations of Credit Risk

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

The Company's receivables did not represent significant concentrations of credit risk as of September 30, 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.

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NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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, the Company did not anticipate nonperformance by any of the counterparties.

NOTE 7. BORROWINGS

Borrowings include bank loans and public debt.

Current Borrowings

Included in Borrowings within Current liabilities as of September 30, 2015 was 7.60% Senior Notes of \$200 million which was retired in October 2015 and principal payments on the Yankees Entertainment and Sports Network term loan facility of \$44 million that are due in the next 12 months.

Senior Notes Issued

In October 2015, 21CFA issued \$600 million of 3.70% Senior Notes due 2025 and \$400 million of 4.95% Senior Notes due 2045. The net proceeds of \$987 million will be used for general corporate purposes.

NOTE 8. STOCKHOLDERS' EQUITY

The following tables summarize changes in stockholders' equity:

| | For the three months ended September 30, 2015 | | |
|------------------------------|--|-----------------------------|------------|
| | Twenty-First Century Fox | | Total |
| | stockholders' | Noncontrolling interests | equity |
| | (in millions) | | |
| Balance, beginning of period | \$ 17,220 | \$ 966 | \$ 18,186 |
| Net income | 675 | 34 | (a) 709 |
| Other comprehensive loss | (149) | - | (149) |
| Cancellation of shares, net | (1,826) | - | (1,826) |
| Dividends declared | (299) | - | (299) |
| Other | (340) | (26) | (b) (366) |
| Balance, end of period | \$ 15,281 | \$ 974 | \$ 16,255 |

| | For the three months ended September 30, 2014 | | |
|------------------------------|--|-----------------------------|------------|
| | Twenty-First Century Fox | | Total |
| | stockholders' | Noncontrolling interests | equity |
| | (in millions) | | |
| Balance, beginning of period | \$ 17,418 | \$ 3,483 | \$ 20,901 |
| Net income | 1,037 | 32 | (a) 1,069 |
| Other comprehensive loss | (722) | (182) | (904) |
| Cancellation of shares, net | (1,089) | - | (1,089) |
| Dividends declared | (273) | - | (273) |
| Other | (106) | (58) | (b) (164) |
| Balance, end of period | \$ 16,265 | \$ 3,275 | \$ 19,540 |

(a) Net income attributable to noncontrolling interests excludes \$28 million and \$24 million for the three months ended September 30, 2015 and 2014, respectively, relating to redeemable noncontrolling interests which are reflected in temporary equity.

(b) Other activity attributable to noncontrolling interests excludes \$(33) million and \$(25) million for the three months ended September 30, 2015 and 2014, respectively, relating to redeemable noncontrolling interests.

Comprehensive Income

Comprehensive income is reported in the Unaudited Consolidated Statements of Comprehensive Income and consists of Net income and Other comprehensive (loss) income, including foreign currency translation adjustments, losses on interest rate swap

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

contracts, unrealized holding gains and losses on securities, and benefit plan adjustments, which affect stockholders' equity, and under GAAP, are excluded from Net income.

The following tables summarize the activity within Other comprehensive (loss) income:

| | For the three months ended September 30, 2015 | | |
|--|--|----------------|------------------|
| | Tax | | |
| | (provision) | | |
| | Before tax benefit | | Net of tax |
| | (in millions) | | |
| Foreign currency translation adjustments | | | |
| Unrealized losses | \$ (157) | \$ 12 | \$ (145) |
| Amount reclassified on hedging activity ^(a) | 1 | - | 1 |
| Other comprehensive loss | \$ (156) | \$ 12 | \$ (144) |
| Losses on interest rate swap contracts | | | |
| Unrealized losses | \$ (11) | \$ 4 | \$ (7) |
| Amount reclassified on hedging activity ^(a) | 2 | - | 2 |
| Other comprehensive loss | \$ (9) | \$ 4 | \$ (5) |
| Gains and losses on securities | | | |
| Amount reclassified on sale of securities ^(b) | \$ (7) | \$ 3 | \$ (4) |
| Other comprehensive loss | \$ (7) | \$ 3 | \$ (4) |
| Benefit plan adjustments | | | |
| Unrealized losses | \$ (2) | \$ - | \$ (2) |
| Reclassification adjustments realized in net income ^(c) | 9 | (3) | 6 |
| Other comprehensive income | \$ 7 | \$ (3) | \$ 4 |

| | For the three months ended September 30, 2014 | | |
|--|--|--------|------------|
| | Tax | | |
| | (provision) | | |
| | Before tax benefit | | Net of tax |
| | (in millions) | | |
| Foreign currency translation adjustments | | | |
| Unrealized losses | \$ (1,031) | \$ 131 | \$ (900) |
| Amount reclassified on hedging activity ^(a) | 1 | (1) | - |

| | | | |
|--|-------------|----------|-----------|
| Other comprehensive loss | \$ (1,030) | \$ 130 | \$ (900) |
| Gains and losses on securities | | | |
| Unrealized gains | \$ 262 | \$ (92) | \$ 170 |
| Amount reclassified on sale of securities ^(b) | (277) | 97 | (180) |
| Other comprehensive loss | \$ (15) | \$ 5 | \$ (10) |
| Benefit plan adjustments | | | |
| Reclassification adjustments realized in net income ^(c) | \$ 10 | \$ (4) | \$ 6 |
| Other comprehensive income | \$ 10 | \$ (4) | \$ 6 |

- ^(a) Reclassifications of amounts related to hedging activity are included in Revenues, Operating expenses, Selling, general and administrative expenses, Interest expense, net or Other, net, as appropriate, in the Unaudited Consolidated Statements of Operations for the three months ended September 30, 2015 and 2014 (See Note 6 – Fair Value for additional information regarding hedging activity).
- ^(b) Reclassifications of amounts related to gains and losses on securities are included in Equity earnings of affiliates or Other, net, as appropriate, in the Unaudited Consolidated Statements of Operations for the three months ended September 30, 2015 and 2014.
- ^(c) Reclassifications of amounts related to benefit plan adjustments are included in Selling, general and administrative expenses in the Unaudited Consolidated Statements of Operations for the three months ended September 30, 2015 and 2014.

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NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Earnings Per Share Data

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

| | For the three months ended | |
|---|----------------------------|----------|
| | September 30, 2015 | 2014 |
| | (in millions) | |
| Income from continuing operations | \$ 740 | \$ 1,100 |
| Less: Net income attributable to noncontrolling interests | (62) | (56) |
| Income from continuing operations attributable to Twenty-First Century Fox stockholders | \$ 678 | \$ 1,044 |

Stock Repurchase Program

The Board has authorized a stock repurchase program, under which the Company is currently authorized to acquire Class A Common Stock. In August 2015, the Board approved an additional \$5 billion authorization, excluding commissions, to the Company's stock repurchase program for the repurchase of Class A Common Stock. The Company intends to complete this stock repurchase program by August 2016.

The remaining authorized amount under the Company's stock repurchase program as of September 30, 2015, excluding commissions, was approximately \$3.7 billion.

The program may be modified, extended, suspended or discontinued at any time.

Dividends

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

| | For the three months ended | |
|-------------------------|----------------------------|----------|
| | September 30, 2015 | 2014 |
| Cash dividend per share | \$ 0.150 | \$ 0.125 |

The Company declared a dividend of \$0.150 per share on both the Class A Common Stock and Class B Common Stock in the three months ended September 30, 2015, which was paid in October 2015 to stockholders of record on

September 9, 2015.

Temporary Suspension of Voting Rights Affecting Non-U.S. Stockholders

The Company owns broadcast station licensees in connection with its ownership and operation of U.S. television stations. Under U.S. law, no broadcast station licensee may be owned by a corporation if more than 25% of its stock is owned or voted by non-U.S. persons, their representatives, or by any other corporation organized under the laws of a foreign country. In order to maintain compliance with U.S. law, the suspension of voting rights of the Class B Common Stock held by non-U.S. stockholders is currently at 10%. This suspension will remain in place for as long as the Company deems it necessary to maintain compliance with applicable U.S. law, and may be adjusted by the Audit Committee as it deems appropriate.

Voting Agreement with the Murdoch Family Interests

On April 18, 2012, the Murdoch Family Trust and K. Rupert Murdoch (together the “Murdoch Family Interests”) entered into an agreement with the Company, whereby the Murdoch Family Interests agreed to limit their voting rights during the voting rights suspension period. Under this agreement, the Murdoch Family Interests will not vote or provide voting instructions with respect to a portion of their shares of Class B Common Stock to the extent that doing so would increase their percentage of voting power from what it was prior to the suspension of voting rights. Currently, as a result of the suspension of voting rights, the aggregate percentage vote of the Murdoch Family Interests is at 38.9% of the outstanding shares of Class B Common Stock not subject to the suspension of voting rights, and the percentage vote may be adjusted as provided in the agreement with the Company.

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. EQUITY-BASED COMPENSATION

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

| | For the three months ended | |
|--|----------------------------|--------|
| | September 30, 2015 | 2014 |
| Equity-based compensation | \$ 90 | \$ 61 |
| Intrinsic value of all settled equity-based awards | \$ 190 | \$ 292 |
| Tax benefit on vested equity-based awards | \$ 69 | \$ 105 |

As of September 30, 2015, the Company's total estimated compensation cost related to equity-based awards, not yet recognized, was approximately \$200 million, and is expected to be recognized over a weighted average period between 1 and 2 years. Compensation expense on all equity-based awards is generally recognized on a straight-line basis over the vesting period of the entire award. However, certain performance based awards are recognized on an accelerated basis.

Performance Stock Units

The Company's stock based awards are granted in Class A Common Stock. During the three months ended September 30, 2015, approximately 6.1 million performance stock units ("PSUs") were granted and approximately 5.9 million PSUs vested.

During the three months ended September 30, 2014, approximately 3.9 million PSUs were granted and approximately 6.9 million PSUs vested. Approximately 1.7 million units of the awards that vested were settled in cash.

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. The total firm commitments and future debt payments as of September 30, 2015 and June 30, 2015 were approximately \$86 billion and \$75 billion, respectively. The increase from June 30, 2015 was primarily due to an expanded arrangement with one of the collegiate conferences for broadcast rights through 2032, a new rights agreement with a Major League Baseball team for broadcast rights through 2032 and other sports rights agreements.

Contingent Guarantees

The Company's contingent guarantees as of September 30, 2015 and June 30, 2015 were \$509 million and \$1.3 billion, respectively. The decrease from June 30, 2015 was primarily due to the release of the Company's obligations under a bank guarantee benefiting the Board of Control for Cricket in India ("BCCI") in July 2015 (See Note 12 – Additional Financial Information) and the expiration of a bank guarantee covering the Company's programming rights obligations as part of the agreement with the International Cricket Council.

Contingencies

Shareholder Litigation

Southern District of New York

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

filed a second amended consolidated complaint, which generally repeats the allegations of the amended consolidated complaint and also expands the class period to July 8, 2009 to July 18, 2011. Defendants moved to dismiss the second amended consolidated complaint, and on September 30, 2015, the court granted defendants' motions in their entirety and dismissed all of the plaintiffs' claims. In its memorandum, opinion and order relating to the dismissal, the 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 court's memorandum, opinion and order. The Company's management believes the claims in the Wilder Litigation are entirely without merit, and intends to vigorously defend this action.

U.K. Newspaper Matters and Related Investigations and Litigation

In 2011, U.S. regulators and governmental authorities initiated investigations with respect to phone hacking, illegal data access and inappropriate payments to public officials that occurred at subsidiaries of News Corp (the "U.K. Newspaper Matters"). On January 28, 2015, the Company was notified by the United States Department of Justice that it has completed its investigation relating to the U.K. Newspaper Matters, and is declining to prosecute the Company.

In connection with the Separation (as defined in Note 2 – Summary of Significant Accounting Policies in the 2015 Form 10-K under the heading "Principles of consolidation"), the Company and News Corp agreed in the Separation and Distribution Agreement that the Company will indemnify News Corp, on an after-tax basis, for payments made after the Separation 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 related criminal matters, other than fees, expenses and costs relating to employees who are not (i) directors, officers or certain designated employees or (ii) with respect to civil matters, co-defendants with News Corp (the "Indemnity").

As of September 30, 2015 and June 30, 2015, the Company recognized approximately \$60 million and \$65 million, respectively, as its obligation under the Indemnity, which is currently payable to News Corp. The Company made payments of \$7 million to News Corp during the three months ended September 30, 2015 which are included in Net decrease in cash and cash equivalents from discontinued operations in the Unaudited Consolidated Statement of Cash Flows. If additional information becomes available and as payments are made, the Company will update the liability provision for the Indemnity. Any changes to the liability provision for the Indemnity in the future will impact the results of operations for that period.

Other

Equity purchase arrangements that are exercisable by the counter-party to the agreement, and that are outside the sole control of the Company, are accounted for in accordance with ASC 480-10-S99-3A. Accordingly, the fair values of such equity purchase arrangements are classified in Redeemable noncontrolling interests. Other than the arrangements classified in Redeemable noncontrolling interests, the Company is also a party to several other purchase and sale arrangements which become exercisable at various points in time. However, these arrangements are currently either not exercisable in the next twelve months or are not material.

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

contingencies disclosed above for which there is at least a reasonable possibility that a loss may be incurred, other than the accrual provided, the Company was unable to estimate the amount of loss or range of loss.

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. SEGMENT INFORMATION

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

- Cable Network Programming, which principally consists of the production and licensing of programming distributed primarily through cable television systems, direct broadcast satellite operators, telecommunication companies and online video distributors in the U.S. and internationally.
- Television, which principally consists of the broadcasting of network programming in the U.S. and the operation of 28 full power broadcast television stations, including 11 duopolies, in the U.S. (of these stations, 17 are affiliated with FOX Broadcasting Company (“FOX”), 10 are affiliated with Master Distribution Service, Inc. (“MyNetworkTV”) and one is an independent station).
- Filmed Entertainment, which principally consists of the production and acquisition of live-action and animated motion pictures for distribution and licensing in all formats in all entertainment media worldwide, and the production and licensing of television programming worldwide.
- Direct Broadcast Satellite Television, which consisted of the distribution of programming services via satellite, cable and broadband directly to subscribers in Italy, Germany and Austria. The DBS segment consisted entirely of the operations of Sky Italia and Sky Deutschland. On November 12, 2014, Twenty-First Century Fox completed the sale of Sky Italia and its 57% interest in Sky Deutschland to Sky.
- Other, Corporate and Eliminations, which principally consists of corporate overhead and eliminations and other businesses.

Following the sale of the DBS businesses, the Company continues to report in five segments for comparative purposes.

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

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

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Total Segment OIBDA 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 charges, which are significant components in assessing the Company's financial performance.

| | For the three months ended | |
|---|----------------------------|-----------------|
| | September 30, 2015 | 2014 |
| | (in millions) | |
| Revenues: | | |
| Cable Network Programming | \$ 3,464 | \$ 3,231 |
| Television | 1,049 | 1,048 |
| Filmed Entertainment | 1,785 | 2,476 |
| Direct Broadcast Satellite Television | - | 1,449 |
| Other, Corporate and Eliminations | (221) | (317) |
| Total revenues | \$ 6,077 | \$ 7,887 |
| Segment OIBDA: | | |
| Cable Network Programming | \$ 1,306 | \$ 1,038 |
| Television | 196 | 174 |
| Filmed Entertainment | 149 | 458 |
| Direct Broadcast Satellite Television | - | 207 |
| Other, Corporate and Eliminations | (116) | (98) |
| Total Segment OIBDA | \$ 1,535 | \$ 1,779 |
| Amortization of cable distribution investments | (20) | (23) |
| Depreciation and amortization | (128) | (276) |
| Equity earnings of affiliates | 35 | 379 |
| Interest expense, net | (295) | (305) |
| Interest income | 9 | 14 |
| Other, net | (83) | 35 |
| Income from continuing operations before income tax expense | 1,053 | 1,603 |
| Income tax expense | (313) | (503) |
| Income from continuing operations | 740 | 1,100 |
| Loss from discontinued operations, net of tax | (3) | (7) |
| Net income | 737 | 1,093 |
| Less: Net income attributable to noncontrolling interests | (62) | (56) |
| Net income attributable to Twenty-First Century Fox stockholders | \$ 675 | \$ 1,037 |

Intersegment revenues, generated by the Filmed Entertainment segment, of \$170 million and \$275 million for the three months ended September 30, 2015 and 2014, respectively, have been eliminated within the Other, Corporate and Eliminations segment.

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TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

| | For the three months ended | |
|--|----------------------------|---------------|
| | September 30, 2015 | 2014 |
| | (in millions) | |
| Depreciation and amortization: | | |
| Cable Network Programming | \$ 74 | \$ 80 |
| Television | 30 | 26 |
| Filmed Entertainment | 20 | 33 |
| Direct Broadcast Satellite Television | - | 133 |
| Other, Corporate and Eliminations | 4 | 4 |
| Total depreciation and amortization | \$ 128 | \$ 276 |

Depreciation and amortization for the three months ended September 30, 2015 and 2014 include the amortization of definite lived intangible assets of \$59 million and \$102 million, respectively.

| | As of September 30, 2015 | As of June 30, 2015 |
|-----------------------------------|-----------------------------------|---------------------------|
| | (in millions) | |
| Total assets: | | |
| Cable Network Programming | \$22,860 | \$23,235 |
| Television | 6,931 | 6,646 |
| Filmed Entertainment | 9,459 | 9,105 |
| Other, Corporate and Eliminations | 4,349 | 6,536 |
| Investments | 4,398 | 4,529 |
| Total assets | \$47,997 | \$50,051 |

Revenues by Component

For the three months ended

September 30,
2015 2014

| (in millions) | | |
|-----------------------|-----------------|-----------------|
| Revenues: | | |
| Affiliate fees | \$ 2,686 | \$ 2,432 |
| Subscription | - | 1,359 |
| Advertising | 1,599 | 1,734 |
| Content | 1,725 | 2,262 |
| Other | 67 | 100 |
| Total revenues | \$ 6,077 | \$ 7,887 |

NOTE 12. ADDITIONAL FINANCIAL INFORMATION

Supplemental Cash Flows Information

| | For the three months ended | |
|---|----------------------------|-----------|
| | September 30, 2015 | 2014 |
| | (in millions) | |
| Supplemental cash flows information: | | |
| Cash paid for income taxes | \$ (89) | \$ (104) |
| Cash paid for interest | \$ (292) | \$ (283) |

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Other, net

For the three months ended September 30, 2015, the Company recorded a loss of \$83 million in Other, net primarily due to the revision of a contingency estimate related to a past acquisition. For the three months ended September 30, 2014, the Company recorded a gain of \$35 million in Other, net primarily related to the Company's use of foreign currency forward contracts as economic hedges (not designated and qualifying as hedging instruments under ASC 815, "Derivatives and Hedging") in connection with prior transactions.

Restructuring Programs

In fiscal 2015, the Company recorded restructuring charges reflecting contract termination costs at STAR related to a program rights contract with the BCCI for the Champions League Twenty20 ("CLT20") cricket tournament through 2018. The Company paid approximately \$420 million to the BCCI in July 2015 for the contract termination, including service taxes. As a result of the contract termination in June 2015, STAR no longer has the rights to broadcast future CLT20 cricket matches and has no additional payment obligations.

NOTE 13. SUPPLEMENTAL GUARANTOR INFORMATION

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

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

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

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Statement of Operations

For the three months ended September 30, 2015

(in millions)

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

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Statement of Operations

For the three months ended September 30, 2014

(in millions)

| | 21st Century Fox America, Inc. | | Twenty-First Century Fox | Non-Guaranteed Eliminations | Reclassification and Eliminations | Twenty-First Century Fox and Subsidiaries |
|---|---|----------|--------------------------------|--------------------------------|---|---|
| Revenues | \$ - | \$ - | \$ 7,887 | \$ - | \$ 7,887 | |
| Expenses | (88) | - | (6,319) | - | (6,407) | |
| Equity earnings of affiliates | - | - | 379 | - | 379 | |
| Interest expense, net | (398) | (138) | (30) | 261 | (305) | |
| Interest income | 8 | - | 267 | (261) | 14 | |
| Earnings from subsidiary entities | 1,653 | 1,182 | - | (2,835) | - | |
| Other, net | (11) | - | 46 | - | 35 | |
| Income from continuing operations before income tax expense | 1,164 | 1,044 | 2,230 | (2,835) | 1,603 | |
| Income tax expense | (366) | - | (700) | 563 | (503) | |
| Income from continuing operations | 798 | 1,044 | 1,530 | (2,272) | 1,100 | |
| Loss from discontinued operations, net of tax | - | (7) | - | - | (7) | |
| Net income | 798 | 1,037 | 1,530 | (2,272) | 1,093 | |
| Less: Net income attributable to noncontrolling interests | - | - | (56) | - | (56) | |
| Net income attributable to Twenty-First Century Fox stockholders | \$ 798 | \$ 1,037 | \$ 1,474 | \$ (2,272) | \$ 1,037 | |
| Comprehensive income attributable to Twenty-First Century Fox stockholders | \$ 7 | \$ 315 | \$ 589 | \$ (596) | \$ 315 | |

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Balance Sheet

As of September 30, 2015

(in millions)

| | 21st Century Fox America, Inc. | Twenty-First Century Fox | Non-Guarantor | Reclassifications and Eliminations | Twenty-First Century Fox and Subsidiaries |
|---|---|--------------------------------|------------------|--|---|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 764 | \$ 3,831 | \$ 1,235 | \$ - | \$ 5,830 |
| Receivables, net | 28 | 4 | 6,006 | (4) | 6,034 |
| Inventories, net | - | - | 2,987 | - | 2,987 |
| Other | 29 | - | 313 | - | 342 |
| Total current assets | 821 | 3,835 | 10,541 | (4) | 15,193 |
| Non-current assets: | | | | | |
| Receivables, net | 15 | - | 371 | - | 386 |
| Inventories, net | - | - | 6,818 | - | 6,818 |
| Property, plant and equipment, net | 227 | - | 1,440 | - | 1,667 |
| Intangible assets, net | - | - | 6,263 | - | 6,263 |
| Goodwill | - | - | 12,514 | - | 12,514 |
| Other non-current assets | 388 | - | 370 | - | 758 |
| Investments: | | | | | |
| Investments in associated companies and other investments | 205 | 22 | 4,171 | - | 4,398 |
| Intragroup investments | 94,261 | 53,699 | - | (147,960) | - |
| Total investments | 94,466 | 53,721 | 4,171 | (147,960) | 4,398 |
| TOTAL ASSETS | \$ 95,917 | \$ 57,556 | \$ 42,488 | \$ (147,964) | \$ 47,997 |
| LIABILITIES AND EQUITY | | | | | |
| Current liabilities: | | | | | |
| Borrowings | \$ 200 | \$ - | \$ 44 | \$ - | \$ 244 |
| Other current liabilities | 436 | 453 | 5,863 | (4) | 6,748 |
| Total current liabilities | 636 | 453 | 5,907 | (4) | 6,992 |

| | | | | | |
|-------------------------------------|------------------|------------------|------------------|----------------------|------------------|
| Non-current liabilities: | | | | | |
| Borrowings | 17,278 | - | 1,489 | - | 18,767 |
| Other non-current liabilities | 517 | - | 4,850 | - | 5,367 |
| Intercompany | 36,667 | 41,822 | (78,489) | - | - |
| Redeemable noncontrolling interests | - | - | 616 | - | 616 |
| Total equity | 40,819 | 15,281 | 108,115 | (147,960) | 16,255 |
| TOTAL LIABILITIES AND EQUITY | \$ 95,917 | \$ 57,556 | \$ 42,488 | \$ (147,964) | \$ 47,997 |

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Balance Sheet

As of June 30, 2015

(in millions)

| | 21st Century Fox America, Inc. | | Twenty-First Century Fox | Non-Guarantor | Reclassifications and Eliminations | Century Fox and Subsidiaries |
|---|---|------------------|--------------------------------|--------------------|--|---------------------------------------|
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 767 | \$ 5,913 | \$ 1,748 | \$ - | | \$ 8,428 |
| Receivables, net | 11 | - | 5,902 | (1 |) | 5,912 |
| Inventories, net | - | - | 2,749 | - | | 2,749 |
| Other | 14 | - | 273 | - | | 287 |
| Total current assets | 792 | 5,913 | 10,672 | (1 |) | 17,376 |
| Non-current assets: | | | | | | |
| Receivables, net | 15 | - | 379 | - | | 394 |
| Inventories, net | - | - | 6,411 | - | | 6,411 |
| Property, plant and equipment, net | 230 | - | 1,492 | - | | 1,722 |
| Intangible assets, net | - | - | 6,320 | - | | 6,320 |
| Goodwill | - | - | 12,513 | - | | 12,513 |
| Other non-current assets | 384 | - | 402 | - | | 786 |
| Investments: | | | | | | |
| Investments in associated companies and other investments | 50 | 22 | 4,457 | - | | 4,529 |
| Intragroup investments | 92,821 | 53,278 | - | (146,099 |) | - |
| Total investments | 92,871 | 53,300 | 4,457 | (146,099 |) | 4,529 |
| TOTAL ASSETS | \$ 94,292 | \$ 59,213 | \$ 42,646 | \$ (146,100 |) | \$ 50,051 |
| LIABILITIES AND EQUITY | | | | | | |
| Current liabilities: | | | | | | |
| Borrowings | \$ 200 | \$ - | \$ 44 | \$ - | | \$ 244 |
| Other current liabilities | 467 | 74 | 6,478 | (1 |) | 7,018 |
| Total current liabilities | 667 | 74 | 6,522 | (1 |) | 7,262 |

| | | | | | |
|-------------------------------------|------------------|------------------|------------------|----------------------|------------------|
| Non-current liabilities: | | | | | |
| Borrowings | 17,278 | - | 1,517 | - | 18,795 |
| Other non-current liabilities | 571 | - | 4,616 | - | 5,187 |
| Intercompany | 35,999 | 41,919 | (77,918) | - | - |
| Redeemable noncontrolling interests | - | - | 621 | - | 621 |
| Total equity | 39,777 | 17,220 | 107,288 | (146,099) | 18,186 |
| TOTAL LIABILITIES AND EQUITY | \$ 94,292 | \$ 59,213 | \$ 42,646 | \$ (146,100) | \$ 50,051 |

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Statement of Cash Flows

For the three months ended September 30, 2015

(in millions)

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

| | | | | | |
|--|--------|----------|----------|------|----------|
| Cash and cash equivalents, end of period | \$ 764 | \$ 3,831 | \$ 1,235 | \$ - | \$ 5,830 |
|--|--------|----------|----------|------|----------|

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Statement of Cash Flows

For the three months ended September 30, 2014

(in millions)

| | 21st Century Fox America, Inc. | Twenty-First Century Fox | Non-Guaranto | Reclassification and Eliminations | Twenty-First Century Fox and Subsidiaries |
|--|---|--------------------------------|--------------|---|---|
| Operating activities: | | | | | |
| Net cash (used in) provided by operating activities from continuing operations | \$ (1,238) | \$ 571 | \$ 1,124 | \$ - | \$ 457 |
| Investing activities: | | | | | |
| Property, plant and equipment | (17) | - | (110) | - | (127) |
| Investments | (4) | - | (959) | - | (963) |
| Proceeds from dispositions, net | 69 | - | - | - | 69 |
| Net cash provided by (used in) investing activities from continuing operations | 48 | - | (1,069) | - | (1,021) |
| Financing activities: | | | | | |
| Borrowings | 1,191 | - | 98 | - | 1,289 |
| Repayment of borrowings | - | - | (114) | - | (114) |
| Excess tax benefit from equity-based compensation | - | 48 | - | - | 48 |
| Repurchase of shares | - | (1,273) | - | - | (1,273) |
| Dividends paid and distributions | - | - | (82) | - | (82) |
| Net cash provided by (used in) financing activities from continuing operations | 1,191 | (1,225) | (98) | - | (132) |
| Discontinued operations: | | | | | |
| Net decrease in cash and cash equivalents from discontinued operations | (17) | - | - | - | (17) |
| Net decrease in cash and cash equivalents | (16) | (654) | (43) | - | (713) |
| Cash and cash equivalents, beginning of year | 473 | 3,120 | 1,822 | - | 5,415 |
| Exchange movement on cash balances | - | - | (46) | - | (46) |

| | | | | | |
|--|--------|----------|----------|------|----------|
| Cash and cash equivalents, end of period | \$ 457 | \$ 2,466 | \$ 1,733 | \$ - | \$ 4,656 |
|--|--------|----------|----------|------|----------|

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Notes to Supplemental Guarantor Information

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

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

This document contains statements that constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the Securities Act of 1933, as amended. The words "expect," "estimate," "anticipate," "predict," "believe" and similar expressions and variations thereof are intended to identify forward-looking statements. These statements appear in a number of places in this document and include statements regarding the intent, belief or current expectations of Twenty-First Century Fox, Inc., its directors or its officers with respect to, among other things, trends affecting Twenty-First Century Fox, Inc.'s financial condition or results of operations. The readers of this document are cautioned that any forward-looking statements are not guarantees of future performance and involve risks and uncertainties. More information regarding these risks, uncertainties and other factors is set forth under the heading Part II "Other Information," Item 1A "Risk Factors" in this report. Twenty-First Century Fox, Inc. does not ordinarily make projections of its future operating results and undertakes no obligation (and expressly disclaims any obligation) to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Readers should carefully review this document and the other documents filed by Twenty-First Century Fox, Inc. with the Securities and Exchange Commission (the "SEC"). This section should be read together with the Unaudited Consolidated Financial Statements of Twenty-First Century Fox, Inc. and related notes set forth elsewhere herein and Twenty-First Century Fox, Inc.'s Annual Report on Form 10-K for the fiscal year ended June 30, 2015 as filed with the SEC on August 13, 2015 (the "2015 Form 10-K").

INTRODUCTION

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

- Overview of the Company's Business - This section provides a general description of the Company's businesses, as well as developments that have occurred to date during fiscal 2016 that the Company believes are important in understanding its results of operations and financial condition 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 and a segment basis. In addition, a brief description is provided of significant transactions and events that impact the comparability of the results being analyzed.
- Liquidity and Capital Resources - This section provides an analysis of the Company's cash flows for the three months ended September 30, 2015 and 2014, as well as a discussion of the Company's outstanding debt and commitments, both firm and contingent, that existed as of September 30, 2015. Included in the discussion of outstanding debt is a discussion of the amount of financial capacity available to fund the Company's future commitments and obligations, as well as a discussion of other financing arrangements.

OVERVIEW OF THE COMPANY'S BUSINESS

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

- Cable Network Programming, which principally consists of the production and licensing of programming distributed primarily through cable television systems, direct broadcast satellite operators, telecommunication companies and online video distributors in the U.S. and internationally.
- Television, which principally consists of the broadcasting of network programming in the U.S. and the operation of 28 full power broadcast television stations, including 11 duopolies, in the U.S. (of these stations, 17 are affiliated

with the FOX Broadcasting Company (“FOX”), 10 are affiliated with Master Distribution Service, Inc. (“MyNetworkTV”) and one is an independent station).

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

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- Direct Broadcast Satellite Television, which consisted of the distribution of programming services via satellite, cable and broadband directly to subscribers in Italy, Germany and Austria. The Direct Broadcast Satellite Television (“DBS”) segment consisted entirely of the operations of Sky Italia and Sky Deutschland AG (“Sky Deutschland”) (collectively the “DBS businesses”). On November 12, 2014, Twenty-First Century Fox completed the sale of Sky Italia and its 57% interest in Sky Deutschland to Sky plc (“Sky”).
- Other, Corporate and Eliminations, which principally consists of corporate overhead and eliminations and other businesses.

Following the sale of the DBS businesses, the Company continues to report in five segments for comparative purposes, and there is no current activity in the DBS segment.

Cable Network Programming and Television

The Company’s cable networks, which target various demographics, derive a majority of their revenues from monthly affiliate fees received from multi-channel video programming distributors (“MVPDs”) based on the number of their subscribers. Affiliate fee revenues are net of the amortization of cable distribution investments (capitalized fees paid to U.S. MVPDs to typically facilitate the carriage of a domestic cable network). The Company defers the cable distribution investments and amortizes the amounts on a straight-line basis over the contract period. Cable television and direct broadcast satellite are currently the predominant means of distribution of the Company’s program services in the U.S. Internationally, distribution technology varies region by region.

The television operations derive revenues primarily from the sale of advertising, and to a lesser extent, retransmission consent revenue. Adverse changes in general market conditions for advertising may affect revenues.

U.S. law governing retransmission consent revenue provides a mechanism for the television stations owned by the Company to seek and obtain payment from MVPDs who carry the Company’s broadcast signals. Retransmission consent revenue consists of per subscriber-based compensatory fees paid to the Company by MVPDs that distribute the signals of the Company’s owned and operated television stations. The Company also receives compensation from independently-owned television stations that are affiliated with FOX and receive retransmission consent fees from MVPDs for their signals.

The most significant operating expenses of the Cable Network Programming segment and the Television segment are the acquisition and production expenses related to programming, marketing and promotional expenses and the expenses related to operating the technical facilities of the cable network or broadcaster. Marketing and promotional expenses relate to improving the market visibility and awareness of the cable network or broadcaster and its programming. Additional expenses include sales commissions paid to the in-house advertising sales force, as well as salaries, employee benefits, rent and other routine overhead expenses.

The profitability of U.S. national sports contracts and international sports rights agreements is based on the Company’s best estimates at September 30, 2015 of attributable revenues and costs; such estimates may change in the future and such changes may be significant. Should revenues decline from estimates applied at September 30, 2015, additional amortization of rights may be recorded. Should revenues improve as compared to estimated revenues, the Company may have improved results related to the contract, which may be recognized over the remaining contract term.

Filmed Entertainment

The Filmed Entertainment segment derives revenue from the production and distribution of live-action and animated motion pictures and television series. In general, motion pictures produced or acquired for distribution by the Company are exhibited in U.S. and foreign theaters, followed by home entertainment, including sale and rental of DVDs and Blu-rays, licensing through digital distribution platforms, premium subscription television, network

television and basic cable and syndicated television exploitation. Television series initially produced for the networks and first-run syndication are generally licensed to domestic and international markets concurrently and subsequently released in seasonal DVD and Blu-ray box sets and made available via digital distribution platforms. More successful series are later syndicated in domestic markets. The length of the revenue cycle for television series will vary depending on the number of seasons a series remains in active production and, therefore, may cause fluctuations in operating results. License fees received for television exhibition (including international and U.S. premium television and basic cable television) are recorded as revenue in the period that licensed films or programs are available for such exhibition, which may cause substantial fluctuations in operating results.

The revenues and operating results of the Filmed Entertainment segment are significantly affected by the timing of the Company's theatrical and home entertainment releases, the number of its original and returning television series that are aired by television networks and cable channels and the number of its television series in off-network syndication. Theatrical and home entertainment release dates are determined by several factors, including timing of vacation and holiday periods and competition in the

marketplace. The distribution windows for the release of motion pictures theatrically and in various home entertainment products and services (including subscription rentals, rental kiosks and digital distribution platforms), have been compressing and may continue to change in the future. A further reduction in timing between theatrical and home entertainment releases could adversely affect the revenues and operating results of this segment.

The Company enters into arrangements with third parties to co-produce certain of its theatrical and television productions. These arrangements, which are referred to as co-financing arrangements, take various forms. The parties to these arrangements, primarily in theatrical productions, include studio and non-studio entities both domestic and international. In several of these agreements, other parties control certain distribution rights. The Filmed Entertainment segment records the amounts received for the sale of an economic interest as a reduction of the cost of the film, as the investor assumes full risk for that portion of the film asset acquired in these transactions. The substance of these arrangements is that the third-party investors own an interest in the film and, therefore, receive a participation based on the third-party investors' contractual interest in the profits or losses incurred on the film. Consistent with the requirements of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 926, "Entertainment—Films" ("ASC 926"), the estimate of the third-party investor's interest in profits or losses on the film is based on total estimated ultimate revenues.

Operating costs incurred by the Filmed Entertainment segment include: exploitation costs, primarily theatrical prints and advertising and home entertainment marketing and manufacturing costs; amortization of capitalized production, overhead and interest costs; and participations and talent residuals. Selling, general and administrative expenses include salaries, employee benefits, rent and other routine overhead expenses.

Other Business Developments

See Note 2 – Acquisitions, Disposals and Other Transactions and Note 5 – Investments to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century Fox for a discussion of the Company's business developments.

RESULTS OF OPERATIONS

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

The following tables set forth the Company's operating results for the three months ended September 30, 2015, as compared to the three months ended September 30, 2014, including presentation of Revenues by component excluding the DBS segment and related intersegment eliminations.

| | For the three months ended September 30, | | | |
|------------------|---|---------|----------|---|
| | 2015 | 2014 | % Change | |
| | (in millions, except %) | | | |
| Revenues: | | | | |
| Affiliate fees | \$2,686 | \$2,432 | 10 | % |

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| | | | |
|--|---------|---------|---------|
| Subscription | - | 1,359 | (100)% |
| Advertising | 1,599 | 1,734 | (8)% |
| Content | 1,725 | 2,262 | (24)% |
| Other | 67 | 100 | (33)% |
| Total revenues | 6,077 | 7,887 | (23)% |
| Operating expenses | (3,673) | (5,052) | (27)% |
| Selling, general and administrative | (889) | (1,079) | (18)% |
| Depreciation and amortization | (128) | (276) | (54)% |
| Equity earnings of affiliates | 35 | 379 | (91)% |
| Interest expense, net | (295) | (305) | (3)% |
| Interest income | 9 | 14 | (36)% |
| Other, net | (83) | 35 | ** |
| Income from continuing operations before income tax expense | 1,053 | 1,603 | (34)% |
| Income tax expense | (313) | (503) | (38)% |
| Income from continuing operations | 740 | 1,100 | (33)% |
| Loss from discontinued operations, net of tax | (3) | (7) | (57)% |
| Net income | 737 | 1,093 | (33)% |
| Less: Net income attributable to noncontrolling interests | (62) | (56) | 11 % |
| Net income attributable to Twenty-First Century Fox stockholders | \$675 | \$1,037 | (35)% |

| | For the three months ended September 30, | | |
|--|---|---------|----------|
| | 2015 | 2014 | % Change |
| | (in millions, except %) | | |
| Revenues (excluding Direct Broadcast Satellite Television): | | | |
| Affiliate fees | \$2,686 | \$2,463 | 9 % |
| Advertising | 1,599 | 1,673 | (4)% |
| Content | 1,725 | 2,271 | (24)% |
| Other | 67 | 76 | (12)% |
| Adjusted total revenues | 6,077 | 6,483 | (6)% |
| Direct Broadcast Satellite Television, net of eliminations | - | 1,404 | (100)% |
| Total revenues | \$6,077 | \$7,887 | (23)% |

**not meaningful

Overview – The Company’s revenues decreased 23% for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015. The changes in revenues were primarily due to the effect of the sale of the DBS businesses in November 2014. Excluding the activity of the DBS businesses, the Company’s revenues decreased 6% for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015, primarily due to lower content revenues partially offset by higher affiliate fee revenues. The decrease in content revenues was primarily attributable to lower worldwide theatrical revenues and the effect of the disposition of Shine Group in December 2014. The increase in affiliate fee revenues was primarily due to higher average rates per subscriber across most channels. The decrease in revenue for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015, includes decreases of approximately \$200 million, due to the strengthening of the U.S. dollar against local currencies.

Operating expenses decreased 27% for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015, primarily due to the sale of the DBS businesses and lower operating expenses at the Filmed Entertainment segment of approximately \$330 million. The decrease at the Filmed Entertainment segment was primarily due to lower production amortization and participation costs related to motion picture and television productions and the disposition of Shine Group.

Selling, general and administrative expenses decreased 18% for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015, primarily due to the sale of the DBS businesses and the disposition of Shine Group.

Depreciation and amortization, including the amortization of acquired identifiable intangible assets, decreased 54% for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015, primarily due to lower depreciation and amortization as a result of the sale of the DBS businesses.

Equity earnings of affiliates – Equity earnings of affiliates decreased \$344 million for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015. The decrease was primarily due to the lower results at Sky due to the comparative effect of the Company’s proportionate share of the gain, of approximately \$280 million, related to Sky’s sale of a portion of its investment in ITV plc in fiscal 2015. Also contributing to this decrease were the results at Endemol Shine Group, an affiliate from December 2014, and lower results at Hulu LLC.

| | For the three months ended September 30, | | |
|-------------------------------|---|--------|----------|
| | 2015 | 2014 | % Change |
| | (in millions, except %) | | |
| Sky | \$ 110 | \$ 396 | (72) % |
| Other equity affiliates | (75) | (17) | ** |
| Equity earnings of affiliates | \$ 35 | \$ 379 | (91) % |

** not meaningful

Interest expense, net – Interest expense, net remained relatively constant for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015.

Other, net – See Note 12 – Additional Financial Information to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century Fox.

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

The Company’s effective income tax rate for the three months ended September 30, 2014 was 31%, which was lower than the statutory rate of 35% primarily due to a 3% rate reduction from the Company’s foreign operations due to tax credits and deductions arising from a corporate restructuring as well as permanent differences.

Net income – Net income decreased for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015, primarily due to the decrease in Equity earnings of affiliates and lower operating results.

Net income attributable to noncontrolling interests – Net income attributable to noncontrolling interests remained relatively constant for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015.

Segment Analysis

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

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

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

Total Segment OIBDA 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 U.S. generally accepted accounting principles (“GAAP”). In addition, this measure does not reflect cash available to fund requirements and excludes items, such as depreciation and amortization and impairment charges, which are significant components in assessing the Company’s financial performance.

The following table reconciles Total Segment OIBDA to Income from continuing operations before income tax expense for the three months ended September 30, 2015, as compared to the three months ended September 30, 2014.

| | For the three months ended September 30, | | |
|---|---|---------|----------|
| | 2015 | 2014 | % Change |
| | (in millions, except %) | | |
| Revenues | \$6,077 | \$7,887 | (23) % |
| Operating expenses | (3,673) | (5,052) | (27) % |
| Selling, general and administrative | (889) | (1,079) | (18) % |
| Amortization of cable distribution investments | 20 | 23 | (13) % |
| Total Segment OIBDA | 1,535 | 1,779 | (14) % |
| Amortization of cable distribution investments | (20) | (23) | (13) % |
| Depreciation and amortization | (128) | (276) | (54) % |
| Equity earnings of affiliates | 35 | 379 | (91) % |
| Interest expense, net | (295) | (305) | (3) % |
| Interest income | 9 | 14 | (36) % |
| Other, net | (83) | 35 | ** |
| Income from continuing operations before income tax expense | \$1,053 | \$1,603 | (34) % |

**not meaningful

The following tables set forth the Company's Revenues and Segment OIBDA for the three months ended September 30, 2015, as compared to the three months ended September 30, 2014, including presentation of Revenues excluding the DBS segment and related intersegment eliminations.

| | For the three months ended September 30, | | |
|--|---|---------|-------------|
| | 2015 | 2014 | % Change |
| | (in millions, except %) | | |
| Revenues: | | | |
| Cable Network Programming | \$3,464 | \$3,231 | 7 % |
| Television | 1,049 | 1,048 | - |
| Filmed Entertainment | 1,785 | 2,476 | (28) % |
| Direct Broadcast Satellite Television | - | 1,449 | (100) % |
| Other, Corporate and Eliminations | (221) | (317) | 30 % |
| Total revenues | \$6,077 | \$7,887 | (23) % |
| Less: Direct Broadcast Satellite Television, net of eliminations | - | (1,404) | (100) % |

| | | | |
|-------------------------|---------|---------|-------|
| Adjusted total revenues | \$6,077 | \$6,483 | (6)% |
|-------------------------|---------|---------|-------|

| | For the three months ended September 30, | | |
|---------------------------------------|---|----------------|---------------|
| | 2015 | 2014 | % Change |
| | (in millions, except %) | | |
| Segment OIBDA: | | | |
| Cable Network Programming | \$1,306 | \$1,038 | 26 % |
| Television | 196 | 174 | 13 % |
| Filmed Entertainment | 149 | 458 | (67)% |
| Direct Broadcast Satellite Television | - | 207 | (100)% |
| Other, Corporate and Eliminations | (116) | (98) | (18)% |
| Total Segment OIBDA | \$1,535 | \$1,779 | (14)% |

Cable Network Programming (57% and 41% of the Company's consolidated revenues in the first three months of fiscal 2016 and 2015, respectively)

For the three months ended September 30, 2015, revenues at the Cable Network Programming segment increased \$233 million, or 7%, as compared to the corresponding period of fiscal 2015, primarily due to higher affiliate fee, advertising and content and other revenues as shown below:

| For the three months ended | | |
|----------------------------|------------|---|
| September 30, 2015 | | |
| | % Increase | |
| Affiliate fees | 8 | % |
| Advertising | 2 | % |
| Content and other | 25 | % |

These revenue increases are net of a decrease of approximately \$115 million for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015, due to the strengthening of the U.S. dollar against local currencies, primarily in Latin America, Europe and India.

Domestic affiliate fee revenues increased 11% for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015, primarily due to higher average rates per subscriber across most channels led by Fox Sports 1 ("FS1"), the Regional Sports Networks ("RSNs"), Fox News Channel ("Fox News") and FX Networks suite of channels ("FX"). Domestic advertising revenues increased 4% for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015, primarily due to higher pricing at Fox News and higher ratings at FS1.

For the three months ended September 30, 2015, international affiliate fee revenues decreased 1%, as compared to the corresponding period of fiscal 2015. The decrease in international affiliate fee revenues was the result of local currency growth at Fox International Channels ("FIC"), led by additional subscribers in Latin America, and higher pricing and additional subscribers at STAR being more than offset by the adverse impact of the strengthening of the U.S. dollar against local currencies. For the three months ended September 30, 2015, international advertising revenues decreased 1%, as compared to the corresponding period of fiscal 2015. The decrease in international advertising revenues was the result of local currency growth led by higher pricing and volume at STAR's general entertainment channels and increased ratings at FIC's general entertainment channels in Latin America and Europe being more than offset by the adverse impact of the strengthening of the U.S. dollar against local currencies and the comparative effect of STAR Sports networks' broadcast of the India vs. England cricket series in fiscal 2015.

The increase in content and other revenues for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015, was due to higher licensing and participation fees for original programming led by FX's original series *The Strain* and increased revenues at FIC related to the syndication of sports rights.

For the three months ended September 30, 2015, Segment OIBDA at the Cable Network Programming segment increased \$268 million, or 26%, as compared to the corresponding period of fiscal 2015, primarily due to the revenue increases noted above and lower expenses of \$35 million, or 2%, as compared to the corresponding period of fiscal 2015. Operating expenses decreased by approximately \$35 million for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015, primarily due to a decrease in sports programming costs as a result of the comparative effect in fiscal 2015 of the broadcast of the India vs. England cricket series at STAR partially

offset by contractual rate increases for Major League Baseball (“MLB”) sports rights at the RSNs and new events broadcast on FS1, led by Major League Soccer and the United States Golf Association. The increase in Segment OIBDA for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015, was net of decreases of approximately \$60 million, due to the strengthening of the U.S. dollar against local currencies.

Television (17% and 13% of the Company’s consolidated revenues in the first three months of fiscal 2016 and 2015, respectively)

For the three months ended September 30, 2015, revenues at the Television segment remained constant, as compared to the corresponding period of fiscal 2015, as a result of higher affiliate fee revenues being offset by lower advertising revenues. Affiliate fee revenues increased 23% as a result of higher retransmission consent rates for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015. Advertising revenues decreased 5% for the three months ended September 30, 2015, as compared to the corresponding periods of fiscal 2015, primarily due to the effect of fewer broadcasts of the National Football League (“NFL”) regular season as a result of a later start to the NFL regular season, lower general entertainment primetime ratings at FOX and the comparative effect of the political advertising revenues related to the 2014 mid-term elections. Partially offsetting these decreases were advertising revenues related to the broadcasts of the 67th Emmy Awards and the Fédération Internationale de Football Association (“FIFA”) Women’s World Cup events.

For the three months ended September 30, 2015, Segment OIBDA at the Television segment increased \$22 million, or 13%, as compared to the corresponding period of fiscal 2015, due to lower expenses of \$21 million, or 2%. Operating expenses decreased by approximately \$25 million for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015, primarily due to lower programming costs and the effect of fewer broadcasts of the NFL regular season, partially offset by increased advertising and promotion costs for new and returning series, including Empire.

Filmed Entertainment (29% and 31% of the Company's consolidated revenues in the first three months of fiscal 2016 and 2015, respectively)

For the three months ended September 30, 2015, revenues at the Filmed Entertainment segment decreased \$691 million, or 28%, as compared to the corresponding period of fiscal 2015, primarily due to lower worldwide theatrical revenues, including the lower than expected performance of Fantastic Four, and the effect of the disposition of Shine Group in December 2014. Also contributing to the decrease in revenues for the three months ended September 30, 2015, were lower network and syndication revenues from the licensing of television productions reflecting the sale of How I Met Your Mother and the series finale of Sons of Anarchy in the prior year. For the three months ended September 30, 2015, revenues included the worldwide theatrical releases of Maze Runner: The Scorch Trials and Fantastic Four, as compared to the corresponding period of fiscal 2015, which included the worldwide theatrical performances of Dawn of the Planet of the Apes, How to Train Your Dragon 2 and The Maze Runner. The decrease in revenue for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015, includes decreases of approximately \$85 million, due to the strengthening of the U.S. dollar against local currencies.

For the three months ended September 30, 2015, Segment OIBDA at the Filmed Entertainment segment decreased \$309 million, or 67%, primarily due to the revenue decreases noted above partially offset by lower expenses of \$382 million, or 19%, as compared to the corresponding period of fiscal 2015. Operating expenses decreased by approximately \$330 million for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015, primarily due to lower production amortization and participation costs related to motion picture and television productions and the disposition of Shine Group. Partially offsetting these decreases were higher theatrical marketing costs due to a greater number of theatrical releases in the current quarter compared to the prior year and higher pre-release costs for the successful worldwide theatrical release of The Martian in October 2015. Selling, general and administrative expenses decreased by approximately \$50 million for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015, primarily due to the disposition of Shine Group. The decrease in Segment OIBDA for the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015, includes decreases of approximately \$50 million, due to the strengthening of the U.S. dollar against local currencies.

In December 2014, the Company contributed its interests in Shine Group into Endemol Shine Group, a joint venture. For the three months ended September 30, 2014, revenues related to the Shine Group were approximately \$220 million.

LIQUIDITY AND CAPITAL RESOURCES

Current Financial Condition

The Company's principal source of liquidity is internally generated funds. The Company also has a five-year unused \$1.4 billion revolving credit facility, which expires in May 2020, and has access to various film co-production alternatives to supplement its cash flows. In addition, the Company has access to the worldwide capital markets, subject to market conditions. As of September 30, 2015, the Company was in compliance with all of the covenants under the revolving credit facility, and it does not anticipate any violation of such covenants. The Company's internally generated funds are highly dependent upon the state of the advertising markets and public acceptance of its film and television productions.

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

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

Sources and Uses of Cash

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

| For the three months ended September 30, | 2015 | 2014 |
|--|---------|-------|
| Net cash (used in) provided by operating activities from continuing operations | \$(305) | \$457 |

The change in net cash (used in) provided by operating activities during the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015, primarily reflects a payment at the Cable Network Programming segment to the Board of Control for Cricket in India for contract termination costs related to a program rights contract for the Champions League Twenty20 cricket tournament through 2018 and higher billings than collections at the Television and Filmed Entertainment segments along with a higher use of cash for participation and releasing payments at the Filmed Entertainment segment.

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

| For the three months ended September 30, | 2015 | 2014 |
|--|---------|-----------|
| Net cash used in investing activities from continuing operations | \$(283) | \$(1,021) |

The decrease in net cash used in investing activities during the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015, was primarily due to the comparative effect of the Company's participation in Sky's equity offering in July 2014 partially offset by the Company's investment in a minority equity interest in DraftKings, Inc. in July 2015.

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

| For the three months ended September 30, | 2015 | 2014 |
|--|-----------|---------|
| Net cash used in financing activities from continuing operations | \$(1,965) | \$(132) |

The increase in net cash used in financing activities during the three months ended September 30, 2015, as compared to the corresponding period of fiscal 2015, was primarily due to the comparative effect of the Company's issuance of \$600 million of 3.70% Senior Notes due 2024 and \$600 million of 4.75% Senior Notes due 2044 in September 2014 and additional cash used for share repurchases.

In August 2015, the Board approved an additional \$5 billion authorization, excluding commissions, to the Company's stock repurchase program for the repurchase of Class A Common Stock. The Company intends to complete this stock repurchase program by August 2016.

The program may be modified, extended, suspended or discontinued at any time.

Debt Instruments

The following table summarizes cash from borrowings and cash used in repayment of borrowings for the three months ended September 30, 2015 and 2014.

| | For the three months ended | |
|---|----------------------------|------------------|
| | September 30, 2015 | 2014 |
| | (in millions) | |
| Borrowings: | | |
| Notes due September 2024 and due September 2044 | \$ - | \$ 1,191 |
| Bank loans ^(a) | 91 | 98 |
| Total borrowings | \$ 91 | \$ 1,289 |
| Repayment of borrowings: | | |
| Bank loans ^(a) | \$ (119) | \$ (114) |
| | - | |
| Total repayment of borrowings | \$ (119) | \$ (114) |

^(a) The fiscal 2016 activity includes \$91 million in borrowings and \$108 million in repayments under the Yankees Entertainment and Sports Network (the "YES Network") secured revolving credit facility. The fiscal 2015 activity includes \$98 million in borrowings and \$108 million in repayments under the YES Network secured revolving credit facility. The balance of the repayments in each respective period was related to the YES Network term loan facility.

Senior Notes

See Note 7 – Borrowings to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century Fox.

Included in Borrowings within Non-current liabilities as of September 30, 2015 was \$400 million of 8.00% Senior Notes that are due in October 2016.

Ratings of the public debt

The table below summarizes the Company’s credit ratings as of September 30, 2015.

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

Revolving Credit Agreement

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

Commitments

See Note 10 – Commitments and Contingencies to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century Fox under the heading “Commitments”.

Contingent Guarantees

See Note 10 – Commitments and Contingencies to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century Fox under the heading “Contingent Guarantees”.

Contingencies

See Note 10 – Commitments and Contingencies to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century Fox under the headings “U.K. Newspaper Matters and Related Investigations and Litigation” and “Other”.

Recent Accounting Pronouncements

See Note 1 – Basis of Presentation to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century Fox for discussion of recent accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

Foreign Currency Exchange Rates

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

| | As of | As of |
|---|---------------|---------|
| | September | June |
| | 30, | 30, |
| | 2015 | 2015 |
| | (in millions) | |
| Notional Amount (Foreign currency purchases and sales) | | |
| Foreign currency purchases | \$143 | \$213 |
| Foreign currency sales | 1,028 | 888 |
| Aggregate notional amount | \$1,171 | \$1,101 |
| Notional Amount (Hedge type) | | |
| Cash flow hedges | \$973 | \$903 |
| Net investment hedges | 198 | 198 |
| Aggregate notional amount | \$1,171 | \$1,101 |
| Fair Value | | |
| Total fair value of financial instruments with foreign currency exchange rate risk: asset (liability) | \$1 | \$(26) |
| Sensitivity Analysis | | |
| Potential change in fair values resulting from a 10% adverse change in quoted foreign currency exchange rates: loss | \$(89) | \$(69) |

Interest Rates

The Company's current financing arrangements and facilities include approximately \$17.5 billion of outstanding fixed-rate debt and approximately \$1.5 billion of outstanding variable-rate bank debt. As of September 30, 2015, the notional amount of interest rate swap contracts outstanding was \$967 million, and the fair value of the interest rate swap contracts outstanding was \$(13) million.

Fixed and variable-rate debts are impacted differently by changes in interest rates. A change in the interest rate or yield of fixed-rate debt will only impact the fair market value of such debt, while a change in the interest rate of variable-rate debt will impact interest expense, as well as the amount of cash required to service such debt. As of September 30, 2015, all of the Company's financial instruments with exposure to interest rate risk were denominated in U.S. dollars. Information on financial instruments with exposure to interest rate risk is presented below:

| | As of September 30, 2015 (in millions) | As of June 30, 2015 (in millions) |
|--|--|--|
| Fair Value | | |
| Total fair value of financial instruments with exposure to interest rate risk ^(a) : liability | \$(21,836) | \$(22,002) |
| Sensitivity Analysis | | |
| Potential change in fair values resulting from a 10% adverse change in quoted interest rates: loss | \$(865) | \$(864) |

^(a)The change in the fair values of the Company's financial instruments with exposure to interest rate risk is primarily due to the changes in interest rates.

Stock Prices

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

| | As of September 30, 2015 (in millions) | As of June 30, 2015 (in millions) |
|---|--|--|
| Fair Value | | |
| Total fair value of common stock investments | \$10,623 | \$10,978 |
| Sensitivity Analysis | | |
| Potential change in fair values resulting from a 10% adverse change in quoted market prices: loss ^(a) | \$(1,062) | \$(1,098) |

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

Concentrations of Credit Risk

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

The Company's receivables did not represent significant concentrations of credit risk as of September 30, 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, 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 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this quarterly report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective in recording, processing, summarizing and reporting on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and were effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's first quarter of fiscal 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

Shareholder Litigation

Southern District of New York

On July 19, 2011, a purported class action lawsuit captioned *Wilder v. News Corp., et al.* (“Wilder Litigation”), was filed on behalf of all purchasers of the Company’s common stock between March 3, 2011 and July 11, 2011, in the United States District Court for the Southern District of New York. The plaintiff brought claims under Section 10(b) and Section 20(a) of the Securities Exchange Act, alleging that false and misleading statements were issued regarding the alleged acts of voicemail interception at The News of the World. The suit names as defendants the Company, Rupert Murdoch, James Murdoch and Rebekah Brooks, and seeks compensatory damages, rescission for damages sustained, and costs. On June 5, 2012, the court issued an order appointing the Avon Pension Fund (“Avon”) as lead plaintiff and Robbins Geller Rudman & Dowd as lead counsel. Thereafter, on July 3, 2012, the court issued an order providing that an amended consolidated complaint shall be filed by July 31, 2012. Avon filed an amended consolidated complaint on July 31, 2012, which among other things, added as defendants NI Group Limited (now known as News Corp UK & Ireland Limited) and Les Hinton, and expanded the class period to include February 15, 2011 to July 18, 2011. The defendants filed motions to dismiss the litigation, which were granted by the court on March 31, 2014. On April 30, 2014, plaintiffs filed a second amended consolidated complaint, which generally repeats the allegations of the amended consolidated complaint and also expands the class period to July 8, 2009 to July 18, 2011. Defendants moved to dismiss the second amended consolidated complaint, and on September 30, 2015, the court granted defendants’ motions in their entirety and dismissed all of the plaintiffs’ claims. In its memorandum, opinion and order relating to the dismissal, the 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 court’s memorandum, opinion and order. The Company’s management believes the claims in the Wilder Litigation are entirely without merit, and intends to vigorously defend this action.

Other

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

ITEM 1A. RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company has taken, and will continue to take, a variety of actions to combat piracy and signal theft, both individually and, in some instances, together with industry associations. However, protection of the Company's intellectual property rights is dependent on the scope and duration of the Company's rights as defined by applicable laws in the United States and abroad and the manner in

which those laws are construed. If those laws are drafted or interpreted in ways that limit the extent or duration of the Company's rights, or if existing laws are changed, the Company's ability to generate revenue from intellectual property may decrease, or the cost of obtaining and enforcing our rights may increase. There can be no assurance that the Company's efforts to enforce its rights and protect its products, services and intellectual property will be successful in preventing content piracy or signal theft. Further, while piracy and technology tools continue to escalate, if any U.S. or international laws intended to combat piracy and protect intellectual property are repealed or weakened or not adequately enforced, or if the legal system fails to evolve and adapt to new technologies that facilitate piracy, we may be unable to effectively protect our rights and the value of our intellectual property may be negatively impacted and our costs of enforcing our rights could increase.

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

The Company has significant operations in a number of foreign jurisdictions and certain of the Company operations are conducted in foreign currencies. The value of these currencies fluctuates relative to the U.S. dollar. For example, in fiscal 2015, the U.S. dollar appreciated in relation to the Euro, the Canadian dollar, the Mexican Peso and the Brazilian Real. As a result, the Company is exposed to exchange rate fluctuations, which could have an adverse effect on its results of operations in a given period or in specific markets. Even though the Company uses foreign currency derivative instruments to hedge certain exposures to foreign currency exchange rate risks, the use of such derivative instruments may not be effective in reducing the adverse financial effects of unfavorable movements in foreign exchange rates.

For example, our business activities in Venezuela operate in a highly inflationary economy. Other countries where we have operations, including in Latin America, may be determined in the future to be highly inflationary economies, requiring special accounting and financial reporting treatment for such operations.

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

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

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

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

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

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

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

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

currently at 10%. This suspension will remain in place for as long as the Company deems it necessary to maintain compliance with applicable U.S. law, and may be adjusted by the Audit Committee as it deems appropriate. The Company is not able to predict whether it will need to adjust the suspension or whether additional action pursuant to its Restated Certificate of Incorporation may be necessary. The FCC could review the Company's compliance with applicable U.S. law in connection with its consideration of the Company's renewal applications for licenses to operate the broadcast stations the Company owns.

The Company is exposed to risks associated with weak domestic and global economic conditions and increased volatility and disruption in the financial markets.

The Company's businesses, financial condition and results of operations may be adversely affected by weak domestic and global economic conditions. Factors that affect economic conditions include the rate of unemployment, the level of consumer confidence and changes in consumer spending habits. The Company also faces risks, including currency volatility and the stability of global local economies, associated with the impact of weak domestic and global economic conditions on advertisers, affiliates, suppliers, wholesale distributors, retailers, insurers, theater operators and others with which it does business.

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

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

In accordance with applicable generally accepted accounting principles, the Company performs an annual impairment assessment of its recorded goodwill and indefinite-lived intangible assets, including FCC licenses, during the fourth quarter of each fiscal year. The Company also continually evaluates whether current factors or indicators, such as the prevailing conditions in the capital markets, require the performance of an interim impairment assessment of those assets, as well as other investments and other long-lived assets. Any significant shortfall, now or in the future, in advertising revenue and/or the expected popularity of the programming for which the Company has acquired rights could lead to a downward revision in the fair value of certain reporting units. A downward revision in the fair value of a reporting unit, indefinite-lived intangible assets, investments or long-lived assets could result in an impairment and a non-cash charge would be required. Any such charge could be material to the Company's reported net earnings.

Risks Related to the Separation

If the Separation, Together with Certain Related Transactions, Were Ultimately Determined to be Taxable Transactions for U.S. Federal Income Tax Purposes, then We Could Be Subject to Significant Tax Liability.

The Company received (i) a private letter ruling from the IRS substantially to the effect that, among other things, the distribution of Class A Common Stock and Class B Common Stock of News Corp qualifies as tax-free under Sections 368 and 355 of the Internal Revenue Code of 1986, as amended (the "Code") except for cash received in lieu of fractional shares of News Corp stock and (ii) an opinion from the law firm of Hogan Lovells US LLP confirming the tax-free status of the distribution for U.S. federal income tax purposes, including confirming the satisfaction of the requirements under Section 368 and 355 of the Code not specifically addressed in the IRS private letter ruling. The opinion of Hogan Lovells US LLP will not be 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 rely on certain facts and assumptions, and certain representations from the Company and News Corp regarding the past and future conduct of our respective businesses and other matters. Notwithstanding the receipt of the private letter ruling and the opinion, the IRS could determine on audit that the distribution or the internal transactions should be treated as taxable transactions if it determines that any of these facts, assumptions, representations or undertakings is not correct or has been violated, or that the distribution or the internal transactions should be taxable for other reasons, including as a result of a significant change in stock or asset ownership after the distribution. 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, the Company would recognize gains on the internal reorganization and/or recognize gain in an amount equal to the excess of the fair market value of shares of the News Corp common stock distributed to our stockholders on the distribution date over our tax basis in such shares of our common stock.

We Could Be Liable for Income Taxes Owed by News Corp.

Each member of our consolidated group, which until June 28, 2013 included News Corp and each of our other subsidiaries, is jointly and severally liable for the U.S. federal income tax liability of each other member of the consolidated group. Consequently, we could be liable in the event any such liability is incurred, and not discharged, by any other member of our consolidated group. Under the terms of the tax sharing and indemnification agreement that we entered into in connection with the Separation, we will be required to indemnify News Corp for any such liability. Disputes or assessments could arise during future audits by the IRS in amounts that we cannot quantify.

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

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

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

The Board has authorized a stock repurchase program, under which the Company is currently authorized to acquire Class A Common Stock. In August 2015, the Board approved an additional \$5 billion authorization, excluding commissions, to the Company's stock repurchase program for the repurchase of Class A Common Stock. The Company intends to complete this stock repurchase program by August 2016.

The remaining authorized amount under the Company's stock repurchase program as of September 30, 2015, excluding commissions, was approximately \$3.7 billion.

The program may be modified, extended, suspended or discontinued at any time.

Below is a summary of the Company's repurchases of its Class A Common Stock during the three months ended September 30, 2015:

| | Total number of shares repurchased | Average price per share | Total cost of repurchase (in millions) |
|-----------|---|-------------------------------|--|
| July | 19,031,879 | \$ 33.15 | \$ 631 |
| August | 30,004,438 | 30.00 | 900 |
| September | 16,806,900 | 26.24 | 441 |
| Total | 65,843,217 | | \$ 1,972 |

The Company did not repurchase any of its Class B Common Stock during the three months ended September 30, 2015.

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.

- 10.1 Employment Agreement, effective as of July 1, 2015, between 21st Century Fox America, Inc. and Lachlan K. Murdoch. (Incorporated by reference to Exhibit 10.33 to the Annual Report of the Registrant on Form 10-K (File No. 001-32352) filed with the Securities and Exchange Commission on August 13, 2015.)
- 10.2 Employment Agreement, effective as of July 1, 2015, between 21st Century Fox America, Inc. and James R. Murdoch. (Incorporated by reference to Exhibit 10.34 to the Annual Report of the Registrant on Form 10-K (File No. 001-32352) filed with the Securities and Exchange Commission on August 13, 2015.)
- 10.3 Letter Agreement, dated as of July 1, 2015, between 21st Century Fox America, Inc. and Chase Carey. (Incorporated by reference to Exhibit 10.35 to the Annual Report of the Registrant on Form 10-K (File No. 001-32352) filed with the Securities and Exchange Commission on August 13, 2015.)
- 10.4 Consulting Agreement, effective as of July 1, 2015, between 21st Century Fox America, Inc. and Chase Carey. (Incorporated by reference to Exhibit 10.36 to the Annual Report of the Registrant on Form 10-K (File No. 001-32352) filed with the Securities and Exchange Commission on August 13, 2015.)
- 10.5 Letter Agreement, dated as of July 1, 2015, between 21st Century Fox America, Inc. and John P. Nallen. (Incorporated by reference to Exhibit 10.37 to the Annual Report of the Registrant on Form 10-K (File No. 001-32352) filed with the Securities and Exchange Commission on August 13, 2015.)
- 12.1 Ratio of Earnings to Fixed Charges.*
- 31.1 Chief Executive Officer Certification required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended.*
- 31.2 Chief Financial Officer Certification required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended.*
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes Oxley Act of 2002.**
- 101 The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 formatted in eXtensible Business Reporting Language: (i) Unaudited Consolidated Statements of Operations for the three months ended September 30, 2015 and 2014; (ii) Unaudited Consolidated Statements of Comprehensive Income for the three months ended September 30, 2015 and 2014; (iii) Consolidated Balance Sheets as of September 30, 2015 (unaudited) and June 30, 2015 (audited); (iv) Unaudited Consolidated Statements of Cash Flows for the three months ended September 30, 2015 and 2014; and (v) Notes to the Unaudited Consolidated Financial Statements.*

* Filed herewith.

** Furnished herewith.

SIGNATURE

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

TWENTY-FIRST CENTURY FOX, INC.
(Registrant)

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

Date: November 4, 2015

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