

NEWS CORP

FORM 10-K (Annual Report)

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2017

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number 001-35769

News Corp

NEWS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

1211 Avenue of the Americas, New York, New York
(Address of principal executive offices)

46-2950970
(I.R.S. Employer
Identification No.)

10036
(Zip Code)

Registrant's telephone number, including area code (212) 416-3400

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Class A Common Stock, par value \$0.01 per share	The NASDAQ Global Select Market
Class B Common Stock, par value \$0.01 per share	The NASDAQ Global Select Market
Class A Preferred Stock Purchase Rights	The NASDAQ Global Select Market
Class B Preferred Stock Purchase Rights	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of December 30, 2016, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's Class A Common Stock, par value \$0.01 per share, held by non-affiliates was approximately \$4,349,929,638, based upon the closing price of \$11.46 per share as quoted on The NASDAQ Stock Market on that date, and the aggregate market value of the registrant's Class B Common Stock, par value \$0.01 per share, held by non-affiliates was approximately \$1,426,670,174, based upon the closing price of \$11.80 per share as quoted on The NASDAQ Stock Market on that date.

As of August 7, 2017, 382,305,541 shares of Class A Common Stock and 199,630,240 shares of Class B Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required for Part III of this Annual Report on Form 10-K is incorporated by reference to the News Corporation definitive Proxy Statement for its 2017 Annual Meeting of Stockholders, which shall be filed with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, within 120 days of News Corporation's fiscal year end.

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PART I

ITEM 1. BUSINESS

OVERVIEW

The Company

News Corporation (the “Company,” “News Corp,” “we,” “us,” or “our”) is a global diversified media and information services company focused on creating and distributing authoritative and engaging content to consumers and businesses throughout the world. The Company comprises businesses across a range of media, including: news and information services, book publishing, digital real estate services, cable network programming in Australia and pay-TV distribution in Australia, that are distributed under some of the world’s most recognizable and respected brands, including *The Wall Street Journal*, Dow Jones, *The Australian*, *Herald Sun*, *The Sun*, *The Times*, HarperCollins Publishers, FOX SPORTS Australia, realestate.com.au, realtor.com®, Foxtel, talkSPORT and many others. The Company’s commitment to premium content makes its properties a trusted source of news and information and a premier destination for consumers across various media. Many of these properties deliver broad reach and high audience engagement levels in their respective markets, making them attractive advertising vehicles for the Company’s advertising customers.

The Company delivers its premium content to consumers across numerous distribution platforms consisting not only of traditional print and television, but also through an array of digital platforms including websites, applications for mobile devices and tablets, social media and e-book devices. The Company is focused on pursuing integrated strategies across its businesses to continue to capitalize on the growth in digital consumption of high-quality content. The Company believes that the increasing number of media choices and formats will allow it to continue to deliver its content in a more engaging, timely and personalized manner, provide opportunities to more effectively monetize its content via strong customer relationships and more compelling and engaging advertising solutions and reduce its physical production and distribution costs as it continues to focus on its digital platforms.

The Company’s diversified revenue base consists of advertising sales, recurring subscriptions, circulation copies, sales of real estate listing products, licensing fees, affiliate fees, direct sales and sponsorship sales. The Company manages its businesses to take advantage of opportunities to share technologies and practices across geographies and businesses and bundle selected offerings to provide greater value to consumers and advertising partners. Headquartered in New York, the Company operates primarily in the United States, Australia and the U.K., and its content is distributed and consumed worldwide. The Company’s operations are organized into five reporting segments: (i) News and Information Services; (ii) Book Publishing; (iii) Digital Real Estate Services; (iv) Cable Network Programming; and (v) Other, which includes the Company’s general corporate overhead expenses, corporate Strategy and Creative Group and costs related to the U.K. Newspaper Matters, as defined in “Item 3. Legal Proceedings.” The Company also owns a 50% stake in Foxtel, the largest pay-TV provider in Australia, which is accounted for as an equity investment.

The Company maintains a 52-53 week fiscal year ending on the Sunday nearest to June 30 in each year. Fiscal 2017, fiscal 2016 and fiscal 2015 included 52, 53 and 52 weeks, respectively. Unless otherwise noted, all references to the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015 relate to the fiscal years ended July 2, 2017, July 3, 2016 and June 28, 2015, respectively. For convenience purposes, the Company continues to date its financial statements as of June 30.

Corporate Information

News Corporation is a Delaware corporation originally organized on December 11, 2012 in connection with its separation (the “Separation”) from Twenty-First Century Fox, Inc. (formerly named News Corporation) (“21st Century Fox”), which was completed on June 28, 2013 (the “Distribution Date”). In connection with the Separation, the Company assumed the name “News Corporation.” Unless otherwise indicated, references in this

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Annual Report on Form 10-K for the fiscal year ended June 30, 2017 (the “Annual Report”) to the “Company,” “News Corp,” “we,” “us,” or “our” means News Corporation and its subsidiaries. The Company’s principal executive offices are located at 1211 Avenue of the Americas, New York, New York 10036, and its telephone number is (212) 416-3400. The Company’s Class A and Class B Common Stock are listed on The NASDAQ Global Select Market (“NASDAQ”) under the trading symbols “NWSA” and “NWS,” respectively, and CHES Depository Interests (“CDIs”) representing the Company’s Class A and Class B Common Stock are listed on the Australian Securities Exchange (“ASX”) under the trading symbols “NWSLV” and “NWS,” respectively. More information regarding the Company is available on its website at www.newscorp.com, including the Company’s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which are available, free of charge, as soon as reasonably practicable after the material is electronically filed with or furnished to the Securities and Exchange Commission (“SEC”).

Special Note Regarding Forward-Looking Statements

This document and any documents incorporated by reference into this Annual Report, including “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contain statements that constitute “forward-looking statements” within the meaning of Section 21E of the Exchange Act and Section 27A of the Securities Act of 1933, as amended. All statements that are not statements of historical fact are forward-looking statements. The words “expect,” “estimate,” “anticipate,” “predict,” “believe” and similar expressions and variations thereof are intended to identify forward-looking statements. These statements appear in a number of places in this document and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things, trends affecting the Company’s financial condition or results of operations and the outcome of contingencies such as litigation and investigations. Readers are cautioned that any forward-looking statements are not guarantees of future performance and involve risks and uncertainties. More information regarding these risks, uncertainties and other important factors that could cause actual results to differ materially from those in the forward-looking statements is set forth under the heading “Item 1A. Risk Factors” in this Annual Report. The Company does not ordinarily make projections of its future operating results and undertakes no obligation (and expressly disclaims any obligation) to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Readers should carefully review this document and the other documents filed by the Company with the SEC. This section should be read together with the Consolidated Financial Statements of News Corporation (the “Financial Statements”) and related notes set forth elsewhere in this Annual Report.

BUSINESS OVERVIEW

The Company’s five reporting segments are described below. In addition, the Company owns a 50% stake in Foxtel, which is accounted for as an equity investment. For financial information regarding the Company’s segments and operations in geographic areas, see Note 19 to the Financial Statements. For information regarding revenues generated by the principal products and services of each segment, refer to “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

	For the fiscal year ended June 30, 2017	
	Revenues	Segment EBITDA
	(in millions)	
News and Information Services	\$ 5,069	\$ 414
Book Publishing	1,636	199
Digital Real Estate Services	938	324
Cable Network Programming	494	123
Other	2	(175)
Total	\$ 8,139	\$ 885

News and Information Services

The Company's News and Information Services segment consists primarily of Dow Jones, News Corp Australia, News UK, the *New York Post* and News America Marketing. This segment also includes Unruly Holdings Limited ("Unruly"), a leading global video advertising distribution platform, Wireless Group, operator of talkSPORT, the leading sports radio network in the U.K., and Storyful Limited ("Storyful"), a social media content agency that enables the Company to source real-time video content through social media platforms. The News and Information Services segment generates revenue primarily through sales of print and digital advertising and circulation and subscriptions to its print and digital products. Advertising revenues at the News and Information Services segment are subject to seasonality, with revenues typically being highest in the Company's second fiscal quarter due to the end-of-year holiday season in its main operating geographies.

Dow Jones

Dow Jones is a global provider of news and business information, which distributes its content and data through a variety of media channels including newspapers, newswires, websites, applications for mobile devices, tablets and e-book readers, newsletters, magazines, proprietary databases, conferences and video. Dow Jones's products, which target individual consumer and enterprise customers, include *The Wall Street Journal*, Factiva, Dow Jones Risk & Compliance, Dow Jones Newswires, *Barron's*, MarketWatch, Dow Jones PEVC and DJX. Dow Jones's revenue is diversified across business-to-consumer and business-to-business subscriptions, circulation, advertising and licensing fees for its print and digital products.

Consumer Products

Through its premier brands and authoritative journalism, Dow Jones's products targeting individual consumers provide insights, research and understanding that enable customers to stay informed and make educated financial decisions. With a focus on the financial markets, investing and other professional services, many of these products offer advertisers an attractive customer demographic. Products targeting consumers include the following:

- *The Wall Street Journal (WSJ)*. WSJ, Dow Jones's flagship product, is available in print, online and across multiple mobile, tablet and e-book devices. WSJ covers national and international news and provides analysis, commentary and opinions on a wide range of topics, including business developments and trends, economics, financial markets, investing, science and technology, lifestyle, culture and sports. WSJ's print products are printed at plants located around the U.S., including eight owned by the Company. WSJ sells regional advertising in three major U.S. regional editions (Eastern, Central and Western) and 21 smaller sub-regional editions. WSJ's digital products offer both free and premium content and are comprised of WSJ.com, WSJ mobile products, including a responsive design website and applications for multiple mobile devices (WSJ Mobile), and live and on-demand video through WSJ.com and other platforms such as YouTube, Internet-connected television and set-top boxes (WSJ Video). For the 12 months ended June 30, 2017, WSJ Mobile (including WSJ.com accessed via mobile devices, as well as applications) accounted for approximately 54% of visits to WSJ's digital news and information products according to Adobe Analytics.
- *Dow Jones Media Group*. The Dow Jones Media Group focuses on Dow Jones consumer brands outside of The Wall Street Journal franchise, including *Barron's* and MarketWatch, among other properties.
 - *Barron's*. *Barron's*, which is available in print, online and on multiple mobile, tablet and e-book devices, delivers news, analysis, investigative reporting, company profiles and insightful statistics for investors and others interested in the investment world.
 - *MarketWatch*. MarketWatch is an investing and financial news website targeting active investors. It also provides real-time commentary and investment tools and data. Products include mobile and

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tablet applications, a mobile site and MarketWatch Premium Newsletters (paid newsletters on a variety of investing topics).

- *The Wall Street Journal Digital Network (WSJDN)* . WSJDN offers advertisers the opportunity to reach Dow Jones’s audience across a number of brands, including the WSJ.com, Barrons.com and MarketWatch.com websites.

The following table provides information regarding issue sales and subscriptions for certain Dow Jones consumer products.

(in 000's)	<u><i>The Wall Street Journal</i> ⁽¹⁾</u>		<u><i>Barron's</i> ⁽¹⁾</u>	
	Average Global Issue Sales ⁽²⁾	Average Global Subscriptions	Average Global Issue Sales ⁽²⁾	Average Global Subscriptions
Print ⁽³⁾	1,240	1,007	305	292
Digital Only	1,281	1,270	152	152
Total	2,521	2,277	457	444

- (1) Based on internal data for the period from April 3, 2017 to July 2, 2017, with independent assurance provided by Pricewaterhouse Coopers LLP UK.
- (2) Average Global Issue Sales includes subscription and non-subscription categories. Non-subscription categories include, but are not limited to, single copy (newsstand) sales and copies purchased by hotels for distribution to guests.
- (3) In addition to their print and digital-only products, *The Wall Street Journal* and *Barron's* sell print and digital products bundled into one subscription, which is counted only once, under “Print,” in the table above.

The following table provides information regarding the digital platforms for certain Dow Jones consumer products.

	<u>FY2017 Average Monthly Visits ⁽¹⁾</u>
WSJ	95 million
MarketWatch	49 million
WSJDN	158 million

- (1) Includes visits via websites and mobile device and tablet applications based on Adobe Analytics for the 12 months ended June 30, 2017.

Professional Information Products

Dow Jones’s professional information products, which target enterprise customers, combine news and information with technology and tools that inform decisions and aid awareness, research and understanding. These products are designed to be integral to the success of Dow Jones’s enterprise customers, and Dow Jones expects to continue to build strong customer relationships by providing high levels of service and continued innovation through news, data and tools that meet its customers’ specific needs. These products include the following:

- *Knowledge and Insight* . Dow Jones Knowledge and Insight products provide data and analysis from curated sources and include:

Factiva . Factiva is a leading provider of global business content, built on an archive of important, original publishing sources. This combination of business news and information, plus sophisticated tools, helps professionals find, monitor, interpret and share essential information. As of June 30, 2017, there were approximately 1.2 million activated Factiva users, including both institutional and individual accounts. Factiva offers content from over 32,000 global news and information sources from nearly 200 countries and in 28 languages. Factiva leverages complex

metadata extraction and text mining to help its customers build precise searches and alerts to access and monitor this data.

Dow Jones PEVC. Dow Jones PEVC products provide news and deal data on venture capital and private equity-backed private companies and their investors to help venture capital and private equity professionals, financial services professionals and other service providers identify deal and partnership opportunities, perform due diligence and examine trends in venture capital and private equity investment, fund-raising and liquidity.

DJX. DJX is comprised of a bundle of underlying products, including Factiva, Dow Jones Newswires, certain PEVC products, including Venture Source and LP Source, certain Risk & Compliance products, WSJ.com and Barrons.com.

- *Dow Jones Risk & Compliance*. Dow Jones Risk & Compliance products provide data solutions for customers focused on anti-corruption, anti-money laundering, monitoring embargo and sanction lists and other compliance requirements. Dow Jones's solutions allow customers to filter their business transactions against its data to identify regulatory, corporate and reputational risk, and request follow-up due diligence reports. Products include online risk data and negative news searching tools such as Risk Database Search/Research/Premium and the Risk & Compliance Portal for batch screening. Feed services include Dow Jones Watchlist, Dow Jones Anti-Corruption, Dow Jones Sanction Alert and Adverse Media Entities. In addition, Dow Jones produces customized Due Diligence Reports to assist its clients with regulatory compliance.
- *Dow Jones Newswires*. Dow Jones Newswires distributes real-time business news, information, analysis, commentary and statistical data to financial professionals and investors worldwide. It publishes, on average, over 15,000 news items each day, which are distributed via terminals, trading platforms and websites reaching hundreds of thousands of financial professionals. This content also reaches millions of individual investors via customer portals and the intranets of brokerage and trading firms, as well as digital media publishers.

News Corp Australia

News Corp Australia is one of the leading news and information providers in Australia by readership and circulation, owning over 200 newspapers covering a national, regional and suburban footprint. As of December 31, 2016, its daily, Sunday, weekly and bi-weekly newspapers accounted for more than 63% of the total circulation of newspapers in Australia, and during the year ended May 31, 2017, its Sunday newspaper network was read by approximately 3.2 million Australians on average every week. In addition, its digital mastheads and other websites are among the leading digital news properties in Australia based on monthly unique audience data.

News Corp Australia's news portfolio includes *The Australian* and *The Weekend Australian* (National), *The Daily Telegraph* and *The Sunday Telegraph* (Sydney), *Herald Sun* and *Sunday Herald Sun* (Melbourne), *The Courier Mail* and *The Sunday Mail* (Brisbane) and *The Advertiser* and *Sunday Mail* (Adelaide), as well as paid digital platforms for each. In addition, News Corp Australia owns a large number of community newspapers in all major capital cities and leading regional publications in Cairns, Gold Coast, Townsville and Geelong and in the other capital cities of Hobart and Darwin. In December 2016, News Corp Australia also acquired Australian Regional Media ("ARM"), which operates a portfolio of regional print assets and websites that extends the reach

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of its Australian newspaper business. The following table provides information regarding key properties within News Corp Australia's portfolio:

	Average Daily Paid Print Circulation (1)	Total Paid Subscribers for Combined Masthead (Print and Digital) (2)	Total Monthly Audience for Combined Masthead (Print and Digital) (3)
<i>The Australian (Mon – Fri)</i>	99,000	127,000	3.2 million
<i>The Weekend Australian (Sat)</i>	224,000		
<i>The Daily Telegraph (Mon – Sat)</i>	237,000	122,000	4.6 million
<i>The Sunday Telegraph</i>	413,000		
<i>Herald Sun (Mon – Sat)</i>	325,000	109,000	4.1 million
<i>Sunday Herald Sun</i>	380,000		
<i>The Courier Mail (Mon – Sat)</i>	149,000	79,000	3.0 million
<i>The Sunday Mail</i>	318,000		
<i>The Advertiser (Mon – Sat)</i>	128,000	112,000	1.5 million
<i>Sunday Mail</i>	198,000		

(1) Based on Audit Bureau of Circulation (“ABC”) data for the year ended December 31, 2016.

(2) As of June 30, 2017, based on internal sources.

(3) For the month of May 2017, based on Enhanced Media Metrics Australia (“EMMA”) average monthly print data for the year ended May 31, 2017 and Nielsen desktop, mobile and tablet audience data for May 2017. EMMA data incorporates more frequent sampling and combines both online usage derived from Nielsen data and print usage into a single metric that removes any audience overlap.

News Corp Australia's broad portfolio of digital properties also includes news.com.au, the leading general interest site in Australia that provides breaking news, finance, entertainment, lifestyle, technology and sports news and delivers an average monthly unique audience of approximately 5.7 million based on Nielsen monthly total audience ratings for the year ended June 30, 2017. In addition, News Corp Australia owns other premier properties such as taste.com.au, a leading food and recipe site, and kidspot.com.au, a leading parenting website, as well as various other digital media assets. As of June 30, 2017, News Corp Australia's other assets included a 13.40% interest in HT&E Limited (formerly APN News and Media Limited), which operates a portfolio of Australian radio and outdoor media assets, a 13.75% interest in SEEKAsia Limited, which operates leading online employment marketplaces throughout Southeast Asia, and a 25% interest in Hipages Group Pty Ltd., which operates a leading on-demand home improvement services marketplace.

News UK

News UK publishes *The Sun*, *The Sun on Sunday*, *The Times* and *The Sunday Times*, which are leading newspapers in the U.K. As of June 30, 2017, sales of these four titles accounted for approximately one-third of all national newspaper sales in the U.K, and *The Sun* is the most read national newspaper in the U.K. News UK's newspapers (except some Saturday and Sunday supplements) are printed at News UK's world-class printing facilities in England, Scotland and Ireland. In addition to revenue from the sale of advertising, circulation and subscriptions to its print and digital products, News UK generates revenue by providing third party printing services through these facilities and is one of the largest contract printers in the U.K. News UK also distributes content through its digital platforms, including its websites, thesun.co.uk, thetimes.co.uk and thesundaytimes.co.uk, as well as mobile and tablet applications. News UK's online and mobile offerings include the rights to show English Premier League Football, English Premiership Rugby Union and UEFA Champions League and Europa League match clips across its digital platforms. In addition, News UK has assembled a

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portfolio of complementary ancillary product offerings, including Sun Bingo and Sun Bets, an online sports betting service. The following table provides information regarding News UK’s news portfolio:

	Average Issue Readership ⁽¹⁾	Average Daily Paid Print Circulation ⁽²⁾	Paid Subscribers ⁽³⁾	Online Global Monthly Unique Visitors ⁽⁵⁾
<i>The Sun (Mon – Sat)</i>	3,405,000	1,600,910	N/A	85 million
<i>The Sun on Sunday</i>	3,007,000	1,359,334	N/A	
<i>The Times (Mon – Sat)</i>	1,092,000	448,905	180,000 (print) ⁽⁴⁾ 171,000 (digital)	N/A
<i>The Sunday Times</i>	1,830,000	791,360	213,000 (print) ⁽⁴⁾ 189,000 (digital)	N/A

- (1) Based on National Readership Survey / Audience Measurement for Publishers (75% / 25% blend) data for the six months ended March 31, 2017.
- (2) Based on ABC data for the six months ended June 30, 2017.
- (3) As of June 30, 2017, based on internal sources.
- (4) In addition to their print and digital-only products, *The Times* and *The Sunday Times* sell print and digital products bundled into one subscription, which is counted only once, under “print,” in the table above.
- (5) Based on ABC Electronic (Omniure) data for the month ended June 30, 2017.

New York Post

NYP Holdings (“NYP”) is the publisher of the *New York Post* (the “*Post*”), NYPost.com, PageSix.com, Decider.com and related mobile and tablet applications and social media channels. The *Post* is the oldest continuously published daily newspaper in the U.S., with a focus on coverage of the New York metropolitan area. The *Post* provides a variety of general interest content ranging from breaking news to business analysis, and is known in particular for its comprehensive sports coverage, famous headlines and its iconic Page Six section, an authority on celebrity news. The print version of the *Post* is primarily distributed in New York, where it is printed in a printing facility in the Bronx, as well as throughout the Northeast, Florida and California, where it uses Dow Jones’s printing facilities or third party printers. For the three months ended June 30, 2017, average weekday circulation based on Alliance for Audited Media data, including mobile and tablet application digital editions, was 413,452. In addition, the Post Digital Network, which includes NYPost.com, PageSix.com and Decider.com, reached approximately 68.9 million unique users on average each month during the quarter ended June 30, 2017 according to Google Analytics. NYP also co-produces “Page Six TV,” a daily television show modeled after the *Post*’s Page Six section and delivering in-the-know gossip and news from entertainment, culture, the media, finance, real estate and politics.

News America Marketing

News America Marketing (“NAM”) is the premier marketing partner of some of the world’s most well-known brands, and its broad network of shopper media, incentive platforms and custom merchandising services influences the purchasing decisions of online and offline shoppers across the U.S. and Canada. NAM’s marketing solutions are available via multiple distribution channels, including publications, in stores and online, primarily under the SmartSource brand name and through the Checkout 51 mobile application.

NAM provides customers with solutions across the shopper’s path to purchase, focusing primarily on the following three business areas:

- *Home-Delivered*: NAM is one of the leading providers of home-delivered shopper media, including free-standing inserts and direct mail products. Free-standing inserts are multiple-page marketing booklets containing coupons, rebates and other consumer offers, which are distributed to millions of households under the SmartSource Magazine [®] brand through insertion primarily into local Sunday

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publications. Advertisers, primarily packaged goods companies, pay NAM to produce free-standing inserts where their offers are featured, often on an exclusive basis within their product category. NAM contracts with and pays publishers as well as printers, among others, to produce and/or distribute free-standing inserts in their papers.

- *In-Store Advertising and Merchandising:* NAM is a leading provider of in-store marketing products and services, primarily to consumer packaged goods manufacturers. NAM's marketing products include at-shelf advertising such as coupon, information and sample-dispensing machines, as well as floor and shopping cart advertising, among others, and are found in thousands of shopping locations, including supermarkets, drug stores, dollar stores, office supply stores, mass merchandisers and specialty stores across North America. NAM also provides in-store merchandising services, including production and installation of instant-redeemable coupons, on-pack stickers, shipper assembly, display set-up and refilling, shelf management and new product cut-ins.
- *Mobile/Digital:* NAM's digital marketing solutions include SmartSource Digital, which encompasses secure printable couponing, load-to-card couponing, targeted email campaigns and programmatic digital display, and the Checkout 51 mobile application, a leading receipt recognition application that enables packaged goods companies and brands to reach consumers with highly personalized marketing campaigns.

NAM believes its programs have key advantages when compared to other marketing options available to packaged goods companies, retailers and other marketers. NAM offers effective and targeted programs that reach a national audience of consumers who are actively seeking incentives or information at critical points along the path to purchase.

The Company's News and Information Services products compete with a wide range of media businesses, including print publications, digital media and information services.

The Company's newspapers, magazines, digital publications and radio stations compete for consumers, audience and advertising with other local and national newspapers, web and application-based media, magazines and radio stations, social media sources, as well as other media such as television and outdoor displays. Competition for subscriptions and circulation is based on news and editorial content, subscription pricing, cover price and, from time to time, various promotions. Competition for advertising is based upon advertisers' judgments as to the most effective media for their advertising budgets, which is in turn based upon various factors, including circulation volume, readership levels, audience demographics, advertising rates and advertising effectiveness. As a result of rapidly changing and evolving technologies, distribution platforms and business models, the consumer-focused businesses within the Company's News and Information Services segment, including its newspaper businesses, continue to face increasing competition for both circulation and advertising revenue from a variety of alternative news and information sources. These include both paid and free websites, digital applications, news aggregators, blogs, search engines, social media platforms, digital advertising networks and exchanges, bidding and other programmatic advertising buying channels, as well as other emerging media and distribution platforms. Shifts in consumer behavior, including the widespread adoption of mobile phones, tablets, e-book readers and other portable devices as platforms through which news and information is consumed, require the Company to continually innovate and improve upon its own products, services and platforms in order to remain competitive. The Company believes that these changes will continue to pose opportunities and challenges, and that it is well positioned to leverage its global reach, brand recognition and proprietary technology to take advantage of the opportunities presented by these changes.

Dow Jones professional information products that target enterprise customers compete with various information service providers, compliance data providers and global financial newswires, including Thomson Reuters, Bloomberg L.P., LexisNexis, as well as many other providers of news, information and compliance data.

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NAM competes against other providers of advertising, marketing and merchandising products and services, including those that provide promotional or advertising inserts, direct mailers of promotional or advertising materials, providers of point-of-purchase and other in-store programs and providers of savings and/or grocery-focused digital applications, as well as other marketing products and services. Competition is based on, among other things, rates, availability of markets, quality of products and services provided and their effectiveness, rate of coupon redemption, store coverage and other factors. The Company believes that based on the scale of NAM's home-delivered products, the reach of its in-store marketing products and the growing audience for its digital marketing platform, NAM provides broader consumer access than many of its competitors. The Company is also actively investing in shopper research and data-based insights that enable an advanced understanding of how to apply the Company's media and incentive network to achieve the greatest impact and value for clients and partners.

Book Publishing

The Company's Book Publishing segment consists of HarperCollins Publishers (together with its subsidiaries and affiliates, "HarperCollins"), the second largest consumer book publisher in the world based on global revenue, with operations in 18 countries. HarperCollins publishes and distributes consumer books globally through print, digital and audio formats. Its digital formats include e-books and audio books for tablets, e-book readers and mobile devices. HarperCollins owns more than 120 branded imprints, including Harper, William Morrow, HarperCollins Children's Books, Avon, Harlequin and Christian publishers Zondervan and Thomas Nelson.

HarperCollins publishes works by well-known authors such as Harper Lee, Patricia Cornwell, Chip and Joanna Gaines, Rick Warren, Sarah Young and Agatha Christie and popular titles such as *The Hobbit*, *Goodnight Moon*, *To Kill a Mockingbird*, *Jesus Calling* and *Hillbilly Elegy*. Its print and digital global catalog includes more than 200,000 publications in different formats, in 17 languages, and it licenses rights for its authors' works to be published in more than 50 languages around the world. HarperCollins publishes fiction and nonfiction, with a focus on general, children's and religious content. Additionally, in the U.K., HarperCollins publishes titles for the equivalent of the K-12 educational market.

As of June 30, 2017, HarperCollins offered approximately 100,000 publications in digital formats, and nearly all of HarperCollins' new titles, as well as the majority of its entire catalog, are available as e-books. Digital sales, comprising revenues generated through the sale of e-books as well as digital audio books, represented approximately 19% of global consumer revenues for the fiscal year ended June 30, 2017. With the widespread adoption of electronic formats by consumers, HarperCollins is publishing a number of titles in digital formats before, or instead of, publishing a print edition.

During fiscal 2017, HarperCollins U.S. had 184 titles on the *New York Times* print and digital bestseller lists, with 20 titles hitting number one, including *Hillbilly Elegy* by J.D. Vance, *Commonwealth* by Ann Patchett, *Settle for More* by Megyn Kelly, *The Black Widow* by Daniel Silva, *Hidden Figures* by Margot Lee Shetterly, *The Magnolia Story* by Chip and Joanna Gaines, *Carve the Mark* by Veronica Roth and *The Hate U Give* by Angie Thomas.

HarperCollins derives its revenue from the sale of print and digital books to a customer base that includes global technology companies, traditional brick and mortar booksellers, wholesale clubs and discount stores, including Amazon, Apple, Barnes & Noble and Tesco. Revenues at the Book Publishing segment are significantly affected by the timing of releases and the number of HarperCollins' books in the marketplace, and are typically highest during the Company's second fiscal quarter due to increased demand during the end-of-year holiday season in its main operating geographies.

The book publishing business operates in a highly competitive market that is quickly changing and continues to see technological innovations. HarperCollins competes with other large publishers, such as Penguin Random House, Simon & Schuster and Hachette Livre, as well as with numerous smaller publishers, for the rights to

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works by well-known authors and public personalities; competition could also come from new entrants as barriers to entry in book publishing are low. In addition, HarperCollins competes for consumers with other media formats and sources such as movies, television programming, magazines and mobile content. The Company believes HarperCollins is well positioned in the evolving book publishing market with significant size and brand recognition across multiple categories and geographies. Furthermore, HarperCollins is a leader in children's and religious books, categories which have been less impacted by the transition to digital consumption.

Digital Real Estate Services

The Company's Digital Real Estate Services segment consists primarily of its 61.6% interest in REA Group Limited ("REA Group"), a publicly-traded company listed on ASX (ASX: REA), and its 80% interest in Move, Inc. ("Move"). The remaining 20% interest in Move is held by REA Group. This segment also includes DIAKRIT International Limited ("DIAKRIT"), a leader in 3D visualization products, digital sales applications and professional services for the real estate industry.

REA Group

REA Group advertises property and property-related services on its websites and mobile applications across Australia and Asia. REA Group's Australian operations include realestate.com.au and realcommercial.com.au, Australia's leading residential and commercial property websites, as well as its media and property-related services businesses, serving the display media market and markets adjacent to property, respectively. Combined average monthly visits to realestate.com.au and realcommercial.com.au for the year ended June 30, 2017 increased 15% year-over-year to approximately 51.7 million according to Nielsen Online Market Intelligence Home and Fashion Suite. Realestate.com.au and realcommercial.com.au recorded an increase of 52% in total application launches for the same period as compared to the prior year according to Adobe Analytics. Realestate.com.au derives the majority of its revenue from its core property advertising listing products and monthly advertising subscriptions from real estate agents and property developers. Realestate.com.au offers a product hierarchy which enables real estate agents and property developers to upgrade listing advertisements to increase their prominence on the site, as well as a variety of targeted products, including media display advertising products. Realcommercial.com.au generates revenue through three main sources: agent subscriptions, agent branding and listing products. The media business offers unique advertising opportunities on both realestate.com.au and realcommercial.com.au to property developers and other relevant markets, including utilities and telecommunications, insurance, finance, automotive and retail.

REA Group's international operations consist of property sites throughout Asia, including an 87% interest in iProperty Group Limited, which operates leading property portals across Malaysia and Indonesia and prominent portals in Hong Kong, Thailand and Singapore. Visits to the Malaysian portal increased 38% and application visits in Indonesia grew 94% for the year ended June 30, 2017 compared to the prior year according to Google Analytics. REA Group also operates Chinese site myfun.com, which supports REA Group's businesses in other geographic markets by showcasing residential property listings to Chinese buyers and investors, and delivers leads to agents. In January 2017, REA Group acquired an approximate 15% interest in Elara Technologies Pte. Ltd. ("Elara"), a leading online real estate services provider in India that owns and operates PropTiger.com, Housing.com and Makaan.com. REA Group also owns a 20% interest in Move, as referenced above.

REA Group competes primarily with other property websites in its geographic markets, including domain.com.au in Australia.

Move

Move is a leading provider of online real estate services in the U.S. Move primarily operates realtor.com[®], a premier real estate information and services marketplace, under a perpetual agreement and trademark license

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with the National Association of Realtors® (“NAR”). Through realtor.com®, consumers have access to over 120 million properties across the U.S., including the most complete collection of homes and properties listed with Multiple Listing Services (“MLS”) and displayed for sale among the competing national online portals and an extensive database of “off-market” properties. Realtor.com® and its related mobile applications display approximately 98% of all MLS-listed, for-sale properties in the U.S., which are primarily sourced directly from relationships with MLSs across the country. Approximately 95% of its for-sale listings are updated at least every 15 minutes, on average, with the remaining listings updated daily. Realtor.com®’s content advantage attracts a highly engaged consumer audience. Based on internal data, realtor.com® and its mobile sites had 58 million average monthly unique users during the quarter ended June 30, 2017. These users viewed an average of over two billion pages and spent an average of over one billion minutes on the realtor.com® website and mobile applications each month.

Realtor.com® generates the majority of its revenues through the sale of listing advertisement products, including ConnectionsSM for Buyers and AdvantageSM Pro, which allow real estate agents, brokers and franchises to enhance, prioritize and connect with consumers on for-sale property listings within the realtor.com® website and mobile applications. Listing advertisements are typically sold on a subscription basis. Realtor.com® also derives revenue from sales of non-listing advertisement, or Media, products to real estate, finance, insurance, home improvement and other professionals that enable those professionals to connect with realtor.com®’s highly engaged and valuable consumer audience. Media products include sponsorships, display advertisements, text links, directories and Digital Advertising Package. Non-listing advertisement pricing models include cost per thousand, cost per click, cost per unique user and subscription-based sponsorships of specific content areas or targeted geographies.

In addition to realtor.com®, Move also offers a number of professional software and services products. These include the Top Producer® and FiveStreet® productivity and lead management tools and services, which are tailored to real estate agents and sold on a subscription basis, as well as the ListHubTM service, which syndicates for-sale listing information from MLSs and other reliable data sources, such as real estate brokerages, and distributes that content to an array of web sites. Listing syndication pricing includes fixed- or variable-pricing models based on listing counts, while ListHubTM’s advanced reporting products are sold on a monthly subscription basis.

Move competes primarily with other real estate websites focused on the U.S. real estate market, including zillow.com and trulia.com.

Cable Network Programming

The Company’s Cable Network Programming segment consists of FOX SPORTS Australia and Australian News Channel Pty Ltd (“ANC”).

FOX SPORTS Australia

FOX SPORTS Australia is the leading sports programming provider in Australia based on total viewing hours as of June 30, 2017. FOX SPORTS Australia is focused on live national and international sports events and provides featured original and licensed premium sports content tailored to the Australian market, including live sports such as National Rugby League, the domestic football league, international cricket and the Australian Rugby Union, as well as various motorsports programming. FOX SPORTS Australia offers eight high definition television channels distributed via cable, satellite and Internet Protocol, or IP, and several interactive viewing applications. Its channels consist of FOX SPORTS 501, FOX LEAGUE, FOX SPORTS 503, FOX FOOTY, FOX SPORTS 505, FOX SPORTS 506, FOX SPORTS MORE and FOX SPORTS NEWS that broadcast over 13,000 hours of live sports programming per year reaching FOXTEL, Telstra and Optus subscription television customers. FOX SPORTS Australia’s access to compelling local and international sports programming, as well as its production of high-quality original sports content has made it the leading sports programming provider in

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Australia. FOX SPORTS Australia also operates foxsports.com.au, a leading general sports website in Australia, and offers several interactive mobile and tablet applications that extend the reach of its content across multiple platforms. FOX SPORTS Australia is distributed via longstanding carriage agreements with pay-TV providers (mainly Foxtel) in Australia and generates revenue primarily through affiliate fees payable under these carriage agreements, as well as advertising sales. Results at the Cable Network Programming segment can fluctuate due to the timing and mix of the Company's local and international sports programming, as expenses associated with licensing certain programming rights are recognized during the applicable season or event.

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

Australian News Channel

ANC, acquired in December 2016, owns and operates six channels featuring the latest in news, politics, sports, entertainment, public affairs, business and weather. ANC is licensed by Sky International AG to use Sky trademarks and domain names in connection with its operation and distribution of channels and services. ANC's channels consist of SKY NEWS LIVE, SKY NEWS BUSINESS, SKY NEWS WEATHER, SKY NEWS Multiview, A-PAC Australia's Public Affairs Channel and SKY NEWS New Zealand. ANC channels are broadcast throughout Australia and New Zealand and available on Foxtel and Sky Television. ANC also owns and operates the international Australia Channel IPTV service and offers content across a variety of digital media platforms, including mobile, podcasts and social media websites.

ANC competes primarily with other news providers in Australia and New Zealand via its subscription television channels, third party content arrangements and free domain website. Its Australia Channel IPTV service also competes against "over-the-top" IPTV subscription-based news providers in regions outside of Australia and New Zealand.

Other

The Other segment includes the Company's general corporate overhead expenses, corporate Strategy and Creative Group and costs related to the U.K. Newspaper Matters. The Company's corporate Strategy and Creative Group was formed to identify new products and services across the Company's businesses to increase revenues and profitability and to target and assess potential acquisitions, investments and dispositions. Initiatives include News IQ, the Company's new data-driven digital advertising platform that will enable targeting and engagement of audiences at scale across our network of assets. As part of its ongoing role in assessing potential acquisitions and investments, the corporate Strategy and Creative Group also oversaw the Company's acquisitions of Move, a leading provider of online real estate services in the U.S., and Unruly, a leading global video advertising distribution platform, as well as its strategic digital investments in India, including Elara, which owns PropTiger.com, Housing.com and Makaan.com.

Equity Investments

Foxtel

The Company and Telstra, an ASX-listed telecommunications company, each own 50% of Foxtel, the largest pay-TV provider in Australia. Foxtel had approximately 2.8 million subscribing households throughout Australia as of June 30, 2017 through cable, satellite and IP distribution.

Foxtel delivers 200 channels (including standard definition channels, high definition versions of some of those channels and audio and interactive channels) covering news, sports, general entertainment, movies, documentaries, music and children's programming. Foxtel's premium content includes FOX SPORTS Australia's suite of sports channels such as FOX SPORTS 501, FOX LEAGUE, FOX SPORTS 503, FOX

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FOOTY, FOX SPORTS 505, FOX SPORTS 506, FOX SPORTS MORE and FOX SPORTS NEWS, and television content from HBO, FOX and Universal, among others. Foxtel also owns and operates 30 channels, including general entertainment and movie channels, and sources an extensive range of movie programming through arrangements with major U.S. studios. Foxtel's channels are distributed to subscribers via both Telstra's hybrid fibrecoaxial cable network and a long-term contracted satellite platform provided by Optus. Cable and satellite distribution is enabled by Foxtel's set-top boxes, including the iQ3. Foxtel also offers versions of its services via the Internet through Foxtel Now, an Internet television service available on a number of compatible devices (including mobile phones, tablets, personal computers, Chromecast, Telstra TV, Sony PlayStation, Xbox One and select smart TVs), and Foxtel App, an Internet television service that allows subscribers to watch Foxtel channels via mobile devices and tablets. Foxtel also offers a triple play bundle product, which consists of Foxtel's existing pay-TV services, sold together with broadband and/or home phone services.

Foxtel generates revenue primarily through subscription revenue as well as advertising revenue. For the year ended June 30, 2017, in accordance with U.S. generally accepted accounting principles ("GAAP"), Foxtel recorded revenues of \$2.4 billion, net income of \$59 million and earnings before interest, taxes and depreciation and amortization, or EBITDA, of \$568 million. Management believes that EBITDA is an appropriate measure for evaluating the operating performance of this business for the reasons set forth in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Segment Analysis" with respect to Segment EBITDA. In the year ended June 30, 2017, Foxtel's average broadcast residential recurring subscription revenue per user, or ARPU, was A\$86 (US\$65) per month (as calculated by Foxtel), and its annualized residential subscriber churn rate based on data for the year ended June 30, 2017 was 15.1% (as calculated by Foxtel). In addition, Foxtel had approximately \$1.65 billion of indebtedness outstanding as of June 30, 2017 (excluding \$740 million of shareholder loans due to Telstra and the Company). The amount included for Foxtel in the Company's Equity earnings of affiliates was \$(265) million for the year ended June 30, 2017.

The Company and Telstra each have the right to appoint one-half of the board of directors of Foxtel. In addition, the Company has the right to appoint the Chief Executive Officer and Chief Financial Officer of Foxtel, while Telstra has the right to terminate these officers.

Foxtel competes for audiences primarily with FTA TV operators in Australia, including the three major commercial FTA networks and two major government-funded FTA broadcasters, as well as other pay-TV operators, IP television providers and subscription video-on-demand services such as Fetch TV, Netflix, Stan and Amazon Prime Video. Foxtel provides a 200-channel selection with premium and exclusive content and a wide array of digital and mobile features that are not available to viewers on these alternative providers. Through innovations such as digital HD channels, the extension of pay-TV programming to mobile devices, the use of DVR and Electronic Program Guide technology, including the iQ3 set-top box, its investment in On Demand capability and programming and benefits through broadband bundling, the Company believes Foxtel offers subscribers a compelling alternative to its competitors.

Governmental Regulation

General

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

Australian Media Regulation

The Company's subscription television interests are subject to Australia's regulatory framework for the broadcasting industry. The key regulatory body for the Australian broadcasting industry is the Australian Communications and Media Authority.

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Key regulatory issues for subscription television providers include: (a) anti-siphoning restrictions—currently under the ‘anti-siphoning’ provisions of the Australian Broadcasting Services Act 1992 (Cth), subscription television providers are prevented from acquiring rights to televise certain listed events (for example, the Olympic Games and certain Australian Rules football and cricket matches) unless national and commercial television broadcasters have not obtained these rights 12 weeks before the start of the event or the rights to televise are also held by commercial television licensees who have rights to televise the event to more than 50% of the Australian population or the rights to televise are also held by one of Australia’s two major government-funded broadcasters; and (b) the Broadcasting Services Act also may impact the Company’s ownership structure and operations and restrict its ability to take advantage of acquisition or investment opportunities including, for example, preventing it from exercising control of a commercial television broadcasting license, a commercial radio license and a newspaper in the same license area.

Data Privacy and Security

Our business activities are subject to laws and regulations governing the collection, use, sharing, protection and retention of personal data, which continue to evolve and have implications for how such data is managed. For example, in the U.S., certain of the Company’s websites, mobile applications and other online business activities are subject to the Children’s Online Privacy Protection Act of 1998, which prohibits websites from collecting personally identifiable information online from children under age 13 without prior parental consent. In addition, the Federal Trade Commission continues to expand its application of general consumer protection laws to commercial data practices, including to the use of personal and profiling data from online users to deliver targeted Internet advertisements. Most states have also enacted legislation regulating data privacy and security, including laws requiring businesses to provide notice to state agencies and to individuals whose personally identifiable information has been disclosed as a result of a data breach.

Similar laws and regulations have been implemented in many of the other jurisdictions in which the Company operates, including the European Union and Australia. For example, the European Union adopted the General Data Protection Regulation (“GDPR”), which is intended to provide a uniform set of rules for personal data processing throughout the European Union and to replace the existing Data Protection Directive (Directive 95/46/EC). Fully applicable and enforceable as of May 25, 2018, the GDPR expands the regulation of the collection, processing, use and security of personal data, contains stringent conditions for consent from data subjects, strengthens the rights of individuals, including the right to have personal data deleted upon request, continues to restrict the trans-border flow of such data, requires companies to conduct privacy impact assessments to evaluate data processing operations that are likely to result in a high risk to the rights and freedoms of individuals, requires mandatory data breach reporting and notification, significantly increases penalties for non-compliance (up to 20 million Euros, or approximately 23 million U.S. dollars, or 4% of an entity’s worldwide annual turnover in the preceding financial year, whichever is higher) and increases the enforcement powers of the data protection authorities. The European Union is also considering an update to its Privacy and Electronic Communication (e-Privacy) Directive to, among other things, amend the current directive’s rules on the use of cookies.

In 2015, the European Court of Justice invalidated the U.S.-E.U. Safe Harbor framework, one of the legal mechanisms through which personal data could be transferred from the European Union to the United States, and the mechanism relied upon by the Company with respect to certain personal data transfers among the Company’s businesses, and between the Company and some of its third party service providers. In 2016, the European Commission adopted a new transfer mechanism between the U.S. and the E.U. called the Privacy Shield. The Company has not certified to, and does not rely on, the Privacy Shield framework for data transfers among the Company’s businesses and instead relies on other mechanisms. However, certain of the Company’s service providers do rely on the Privacy Shield. The Privacy Shield is subject to significant uncertainty, including an annual review procedure by U.S. and E.U. authorities, that could affect the Company’s or its service providers’ obligations thereunder. The other mechanisms that the Company and certain of its service providers rely on to address the European data protection requirements for transfers of data, including the European Union standard

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Model Contractual Clauses, are also subject to uncertainty and legal challenges. Challenges to existing data transfer mechanisms, and any future legal challenges to data transfer mechanisms that may be adopted, could cause the Company to incur additional costs, require us to change business practices or affect the manner in which we provide our services.

In Australia, data privacy laws impose additional requirements on organizations that handle personal data by, among other things, requiring the disclosure of cross-border data transfers, placing restrictions on direct marketing practices and imposing mandatory data breach reporting, and additional data privacy and security requirements and industry standards are under consideration.

Industry participants in the U.S., Europe and Australia have taken steps to increase compliance with relevant industry-level standards and practices, including the implementation of self-regulatory regimes for online behavioral advertising that impose obligations on participating companies, such as the Company, to give consumers a better understanding of advertisements that are customized based on their online behavior.

The interpretation and application of data privacy and security laws are often uncertain, in flux, and evolving in the United States and internationally. The Company continues to monitor pending legislation and regulatory initiatives to ascertain relevance, analyze impact and develop strategic direction surrounding regulatory trends and developments, including any changes required in the Company's data privacy and security compliance programs.

U.K. Press Regulation

As a result of the implementation of recommendations of the Leveson inquiry into the U.K. press, which was established by former Prime Minister David Cameron in mid-2011, a Royal Charter on Self-Regulation of the Press was granted in 2013, which established a Press Recognition Panel responsible for approving, overseeing and monitoring a new press regulatory body or bodies. Once approved by the Press Recognition Panel, the new press regulatory body or bodies would be responsible for overseeing participating publishers. In addition to the Royal Charter and establishment of the new Press Recognition Panel, legislation has been passed that provides that publishers who are not members of an approved regulator may be liable for exemplary damages in certain cases where such damages are not currently awarded and, if Section 40 of the Crime and Courts Act 2013 is enacted, the payment of costs for both parties in libel actions in certain circumstances.

In late 2013, publications representing the majority of the industry in the U.K., including News UK, entered into binding contracts to form an alternative new regulator instead, the Independent Press Standards Organisation, or IPSO. IPSO, which began operating in September 2014, currently has no plans to apply for recognition from the Press Recognition Panel. IPSO has an independent chairman and a 12-member board, the majority of which are independent. IPSO oversees the Editors' Code of Practice, requires members to implement appropriate internal governance processes and requires self-reporting of any failures, provides a complaints handling service, has the ability to require publications to print corrections and has the power to investigate serious or systemic breaches of the Editors' Code of Practice and levy fines of up to £1 million. IPSO has also introduced a pilot arbitration scheme to resolve claims against publications. The burdens IPSO imposes on the print media, including the Company's newspaper publishing businesses in the U.K., may result in competitive disadvantages versus other forms of media and may increase the costs of regulatory compliance.

U.K. Radio Broadcasting Regulation

The Company's radio stations in the U.K. and Ireland are also subject to governmental regulation by the relevant broadcast authorities as the Company is required to obtain and maintain licenses from such authorities to operate these stations. Although the Company expects its licenses will, where relevant, be renewed in the ordinary course upon their expiration, there can be no assurance that this will be the case. Non-compliance by the Company with the requirements associated with such licenses or other applicable laws and regulations, including of the relevant

authority, could result in fines, additional license conditions, license revocation or other adverse regulatory actions.

Intellectual Property

The Company's intellectual property assets include: copyrights in newspapers, books, television programming and other content and technologies; trademarks in names and logos; trade names; domain names; and licenses of intellectual property rights. In addition, its intellectual property assets include patents or patent applications for inventions related to its products, business methods and/or services, none of which are material to its financial condition or results of operations. The Company derives value and revenue from these assets through, among other things, print and digital newspaper and magazine subscriptions and sales, the sale, distribution and/or licensing of print and digital books, the sale of subscriptions to its content and information services, the operation of websites and other digital properties and the distribution and/or licensing of its television programming to cable and satellite television services.

The Company devotes significant resources to protecting its intellectual property assets in the U.S., the U.K., Australia and other foreign territories. To protect these assets, the Company relies upon a combination of copyright, trademark, unfair competition, patent, trade secret and other laws and contract provisions. However, there can be no assurance of the degree to which these measures will be successful in any given case. Policing unauthorized use of the Company's products, services and content and related intellectual property is often difficult and the steps taken may not in every case prevent the infringement by unauthorized third parties of the Company's intellectual property. The Company seeks to limit such threat through a combination of approaches, including pursuing legal sanctions for infringement, promoting appropriate legislative initiatives and international treaties and enhancing public awareness of the meaning and value of intellectual property and intellectual property laws. Piracy, including in the digital environment, continues to present a threat to revenues from products and services based on intellectual property.

Third parties may challenge the validity or scope of the Company's intellectual property from time to time, and such challenges could result in the limitation or loss of intellectual property rights. Irrespective of their validity, such claims may result in substantial costs and diversion of resources that could have an adverse effect on the Company's operations. Moreover, effective intellectual property protection may be either unavailable or limited in certain foreign territories. Therefore, the Company engages in efforts to strengthen and update intellectual property protection around the world, including efforts to ensure the effective enforcement of intellectual property laws and remedies for infringement.

Raw Materials

As a major publisher of newspapers, magazines, free-standing inserts and books, the Company utilizes substantial quantities of various types of paper. In order to obtain the best available prices, substantially all of the Company's paper purchasing is done on a regional, volume purchase basis, and draws upon major paper manufacturing countries around the world. The Company believes that under present market conditions, its sources of paper supply used in its publishing activities are adequate.

Employees

As of June 30, 2017, the Company had approximately 26,000 employees, of whom approximately 9,000 were located in the U.S., 4,000 were located in the U.K. and 9,000 were located in Australia. Of the Company's employees, approximately 5,000 were represented by various employee unions. The contracts with such unions will expire during various times over the next several years. The Company believes its current relationships with employees are generally good.

ITEM 1A. RISK FACTORS

You should carefully consider the following risks and other information in this Annual Report on Form 10-K in evaluating the Company and its common stock. Any of the following risks, or other risks or uncertainties not presently known or currently deemed immaterial, could materially and adversely affect the Company's business, results of operations or financial condition, and could, in turn, impact the trading price of the Company's common stock.

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

The Company derives substantial revenues from the sale of advertising through its newspapers, integrated marketing services, digital media properties and radio stations. The Company and its affiliates also derive revenues from the sale of advertising on their cable channels and pay-TV programming. Expenditures by advertisers tend to be cyclical, reflecting overall economic and business conditions, as well as budgeting and buying patterns. National and local economic conditions, particularly in major metropolitan markets, affect the levels of retail, national and classified advertising revenue. Changes in gross domestic product, consumer spending, housing sales, auto sales, unemployment rates and job creation, as well as federal, state and local election cycles, all impact demand for advertising. Certain sectors of the economy account for a significant portion of the Company's advertising revenues, including retail, technology and finance. Some of these sectors, such as retail, are more susceptible to weakness in economic conditions and have also been under pressure from increased online competition. A decline in the economic prospects of these and other advertisers or the economy in general could alter current or prospective advertisers' spending priorities or result in consolidation or closures across various industries, which may also reduce the Company's overall advertising revenue.

The Company's ability to generate advertising revenue is also dependent on demand for the Company's products and services, demographics of the customer base, advertising rates and results observed by advertisers. For example, circulation levels for the Company's newspapers, ratings points for its cable channels and number of listeners for its radio stations are among the factors that are weighed by advertisers when determining the amount of advertising to purchase from the Company as well as advertising rates. For the Company's digital media properties, including its digital real estate sites, advertisers use various metrics to evaluate consumer demand such as the number of visits, number of users and user engagement. Demand for the Company's products and services depends in turn upon the Company's ability to differentiate and distinguish those products and services and anticipate and adapt to changes in consumer tastes and behaviors in a timely manner. Technological and other developments may cause changes in consumer behavior that could affect the attractiveness of the Company's offerings to advertisers.

The increasing popularity of digital media among consumers as a source of news and other content is driving a corresponding shift in advertising from traditional print to digital, and the Company's print advertising revenues have declined in each of its last three fiscal years. The development of new devices and technologies, as well as higher consumer engagement with other forms of digital media such as online and mobile social networking, are increasing the number of media choices and formats available to audiences, resulting in audience fragmentation and increased competition for advertising. The range of advertising choices across digital products and platforms and the large inventory of available digital advertising space have historically resulted in significantly lower rates for digital advertising than for print advertising. In addition, in the past, rates have been generally lower for mobile advertising than for desktop advertising. As a result, increasing consumer reliance on mobile devices may add additional pricing pressure. Consequently, the Company's digital advertising revenue may not be able to replace print advertising revenue lost as a result of the shift to digital consumption.

The digital advertising market also continues to undergo significant changes that may further impact digital advertising revenues. Digital advertising networks and exchanges, real-time bidding and other programmatic

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buying channels that allow advertisers to buy audiences at scale are playing a more significant role in the advertising marketplace and may cause further downward pricing pressure. New delivery platforms may also lead to loss of distribution and pricing control and loss of a direct relationship with consumers. In addition, evolving standards for the delivery of digital advertising, including the industry-wide standard on viewability, as well as the development and adoption of technology designed to block, change the location of, or obscure, the display of advertising on websites and mobile devices and/or block or delete cookies, may also negatively impact digital advertising revenues. As the digital advertising market continues to evolve, the Company's ability to compete successfully for advertising budgets will depend on, among other things, its ability to drive scale, engage and grow digital audiences, derive better demographic and other information about its users, develop new digital advertising products and formats such as branded content, and video and mobile advertising, and prove the value of its advertising and the effectiveness of the Company's platforms to its advertising customers, including through more targeted, data-driven offerings.

While the Company has adopted a number of strategies and initiatives to address these challenges, there can be no guarantee that its efforts will be successful. If the Company is unable to demonstrate the continuing value of its various platforms and high-quality content and brands or offer advertisers unique multi-platform advertising programs, its results may suffer. A decrease in advertising expenditures by the Company's customers, reduced demand for the Company's offerings or a surplus of advertising inventory could lead to a reduction in pricing and advertising spending, which could have an adverse effect on the Company's businesses and assets, results of operations and financial condition.

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

The Company's businesses face significant competition from other sources of news, information and entertainment content, including both traditional and new content providers. This competition has intensified as a result of the continued development of new digital and other technologies and platforms, and the Company may be adversely affected if consumers migrate to other media alternatives. For example, advertising and circulation revenues in the Company's News and Information Services segment may continue to decline, reflecting general trends in the newspaper industry such as declining newspaper buying by younger audiences and consumers' increasing reliance on a variety of content providers, including news aggregation websites, social media platforms and customized news feeds, for the delivery of news and information through the Internet, often without charge. Internet sites and mobile applications devoted to recruitment, automobile sales and real estate services have become significant competitors of the Company's newspapers and websites for classified advertising sales. In addition, due to innovations in content distribution platforms, consumers are now more readily able to watch Internet-delivered content on television sets and mobile devices, in some cases also without charge, which could reduce consumer demand for the Company and its affiliates' television programming and pay-TV services and adversely affect both its subscription revenue and advertisers' willingness to purchase television advertising from the Company.

The Company's ability to compete effectively depends upon its ability to differentiate and distinguish its products and services and anticipate and adapt to changes in consumer tastes and behaviors, which in turn, depends on many factors both within and beyond its control. For example, the Company relies on audience acceptance of the high-quality differentiated content in its newspapers, book titles, cable channels, pay-TV programming and radio stations in order to retain and grow their audiences. Similarly, the success of the Company's digital real estate services business depends in part on providing more comprehensive, current and accurate real estate listing data than its competitors, which the Company generally obtains through short-term arrangements with MLSs, real estate brokers, real estate agents and other third parties that may not be renewed and/or may be terminated with limited or no notice. However, when faced with a multitude of media choices, consumers may place greater value on when, where, how and at what price they consume content than they do on the source, quality or reliability of such content. Online traffic is also driven by internet search results, which are based on algorithms that may, among other things, de-prioritize the Company's paid content. Any failure to

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successfully manage, and adapt to changes in, search engine optimization across the Company's businesses could result in significant decreases in traffic to our digital properties, lower advertiser interest in those properties and increased costs if free traffic is replaced with paid traffic or otherwise adversely affect the Company's business.

Some of the Company's current and potential competitors may have greater resources or better competitive positions in certain areas than it does, which may allow them to respond more effectively to new technologies and changes in market conditions. If the Company is unable to compete successfully against existing or future competitors, its business, results of operations and financial condition could be adversely affected.

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

Technology continues to evolve rapidly, and the resulting changes in consumer behavior and preferences create constant opportunities for new and existing competitors that can quickly render the Company's products and services less valuable. For example, alternative methods for the delivery, storage and consumption of digital content, including the distribution of news and other content through social networking tools and on mobile and other devices, often without charge, digital distribution models for books and Internet and mobile distribution of video content via streaming and downloading, have empowered consumers to seek more control over when, where, how and at what price they consume digital content. Enhanced Internet capabilities and the development of new media channels may continue to reduce the demand for the Company's newspapers, television programs and other products, and if the Company is unable to introduce engaging, useful and reliable new products tailored for, and available across, these new devices and platforms, including mobile, the Company's revenues, results of operations and financial condition could be adversely affected.

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

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

The Inability to Renew Sports Programming Rights Could Cause the Revenue of Certain of the Company's Operating Businesses to Decline Significantly in any Given Period, and Programming Costs Could Also Increase Upon Renewal.

The sports rights contracts between certain of the Company's operating businesses, on the one hand, and various professional sports leagues and teams, on the other, have varying duration and renewal terms. As these contracts expire, renewals on favorable terms may be sought; however, third parties may outbid the current rights holders

for the rights contracts. In addition, professional sports leagues or teams may create their own networks or the renewal costs could substantially exceed the original contract cost. The loss of rights could impact the extent of the sports coverage offered by the Company and its affiliates and lead to customer or audience dissatisfaction or, in some cases, loss of customers or audiences, which could, in turn, adversely affect its revenues. Upon renewal, the Company's results could be adversely affected if escalations in sports programming rights costs are unmatched by increases in subscriber and carriage fees and advertising rates.

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

The Company has significant operations in a number of foreign jurisdictions and certain of its operations are conducted in foreign currencies, primarily the Australian dollar and the British pound sterling. Since the Company's financial statements are denominated in U.S. dollars, changes in foreign currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, a currency translation impact on the Company's earnings, which could, in turn, have an adverse effect on its reported results of operations in a given period or in specific markets. In particular, the British pound sterling experienced a significant weakening against the U.S. dollar following the U.K.'s June 2016 referendum in which voters approved the U.K.'s exit from the European Union, commonly referred to as "Brexit." This weakness caused the local currency results of the Company's U.K. operations to be translated into fewer U.S. dollars, which adversely affected our reported results. The impact of foreign currency fluctuations of the U.S. dollar against the British pound sterling resulted in a decrease in reported revenues at our U.K. newspapers of approximately \$177 million for the fiscal year ended June 30, 2017 as compared to the prior year. Exchange rates between the U.S. dollar and the British pound sterling are expected to remain volatile due to recent political uncertainty in the U.K. and the negotiation of its exit from the European Union.

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

The U.S. and global economies have undergone, and continue to experience, periods of economic and market uncertainty, including following Brexit and the most recent U.S. presidential election. These conditions have in the past resulted in, among other things, a general tightening in the credit markets, limited access to the credit markets, lower levels of liquidity, increases in the rates of default and bankruptcy, lower consumer and business spending, lower consumer net worth and a dramatic decline in the real estate market. The resulting pressure on the labor and retail markets and the downturn in consumer confidence weakened the economic climate in certain markets in which the Company does business and had an adverse effect on its business, results of operations, financial condition and liquidity, including advertising revenues. Any continued or recurring economic weakness could further impact the Company's business, reduce its advertising and other revenues and negatively impact the performance of its newspapers, books, digital real estate services business, television operations, radio stations and other consumer products and services. In addition, further volatility and disruption in the financial markets could make it more difficult and expensive for the Company to obtain financing. These conditions could also impair the ability of those with whom the Company does business to satisfy their obligations to the Company, including as a result of their inability to obtain capital on acceptable terms. The Company is particularly exposed to certain Australian business risks, including specific Australian legal and regulatory risks, consumer preferences and competition, because it holds a substantial amount of Australian assets and generated approximately 29% of its fiscal 2017 revenues from Australia. As a result, the Company's results of operations may be adversely affected by negative developments in the Australian market. The Company also generated approximately 19% of its fiscal 2017 revenues from the U.K., which is experiencing a period of economic and market uncertainty as a result of Brexit. While the impact of Brexit is difficult to predict, it could significantly affect the fiscal, monetary and regulatory landscape, lead other member countries to consider leaving the European Union, result in additional volatility and disruption in the financial and other markets and have an

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adverse impact on the Company's businesses in the U.K. and elsewhere. Although the Company believes that its capitalization, operating cash flow and current access to credit markets, including the Company's revolving credit facility, will give it the ability to meet its financial needs for the foreseeable future, there can be no assurance that any further volatility and disruption in domestic and global capital and credit markets will not impair the Company's liquidity or increase its cost of borrowing.

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

In order to position its business to take advantage of growth opportunities, the Company has made and may continue to make strategic acquisitions and investments that involve significant risks and uncertainties. These risks and uncertainties include, among others: (1) the difficulty in integrating newly acquired businesses and operations in an efficient and effective manner, (2) the challenges in achieving strategic objectives, cost savings and other anticipated benefits, (3) the potential loss of key employees of the acquired businesses, (4) with respect to investments, risks associated with the inability to control the operations of the business, (5) the risk of diverting the attention of the Company's senior management from the Company's operations, (6) the risks associated with integrating financial reporting and internal control systems, (7) the difficulties in expanding information technology systems and other business processes to accommodate the acquired businesses, (8) potential future impairments of goodwill associated with the acquired business or investment, (9) in the case of foreign acquisitions and investments, the impact of specific economic, tax, currency, political, legal and regulatory risks associated with the relevant countries, (10) liabilities, both known and unknown, associated with the acquired businesses or investments and (11) in some cases, increased regulation.

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

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

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

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

Network and information systems and other technologies, including those related to the Company's network management, are important to its business activities. The Company also relies on third party providers for certain technology and "cloud-based" systems and services that support a variety of business operations. Network and information systems-related events affecting the Company's systems, or those of third parties upon which the Company's business relies, such as computer compromises, cyber threats and attacks, computer viruses, worms or other destructive or disruptive software, process breakdowns, denial of service attacks, malicious social engineering or other malicious activities, or any combination of the foregoing, as well as power outages, equipment failure, natural disasters (including extreme weather), terrorist activities, war, human or technological error or malfeasance that may affect such systems, could result in disruption of the Company's business and/or loss, corruption or improper disclosure of personal data, business information, including intellectual property, or other confidential information. In addition, any design or manufacturing defects in, or the improper

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implementation of, hardware or software applications the Company develops or procures from third parties could unexpectedly compromise information security. In recent years, there has been a rise in the number of cyberattacks on companies' network and information systems, and such attacks have become more sophisticated, targeted and difficult to detect and prevent against. As a result, the risks associated with such an event continue to increase, particularly as the Company's digital businesses expand. The Company has experienced, and expects to continue to be subject to, cybersecurity threats and incidents, none of which have been material to the Company to date, individually or in the aggregate. While the Company and its vendors have developed and implemented security measures and internal controls that are designed to protect personal data, business information, including intellectual property, and other confidential information, to prevent data loss, and to prevent or detect security breaches, such security measures cannot provide absolute security and may not be successful in preventing these events from occurring, particularly given that techniques used to access, disable or degrade service, or sabotage systems change frequently, and any network and information systems-related events could require the Company to expend significant resources to remedy such event. Moreover, the development and maintenance of these measures is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. While the Company maintains cyber risk insurance, this insurance may not be sufficient to cover all losses from any future breaches of our systems.

A significant failure, compromise, breach or interruption of the Company's systems, or those of third parties upon which its business relies, could result in a disruption of its operations, customer, audience or advertiser dissatisfaction, damage to its reputation or brands, regulatory investigations and enforcement actions, lawsuits, remediation costs, a loss of customers, audience, advertisers or revenues and other financial losses. If any such failure, interruption or similar event results in the improper disclosure of information maintained in the Company's information systems and networks or those of its vendors, including financial, personal, credit card, confidential and proprietary information relating to personnel, customers, vendors and the Company's business, including its intellectual property, the Company could also be subject to liability under relevant contractual obligations and laws and regulations protecting personal data and privacy. In addition, media or other reports of perceived security vulnerabilities to our systems or those of third parties upon which the Company's business relies, even if nothing has actually been attempted or occurred, could also adversely impact our brand and reputation and materially affect our business.

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

As a result of adverse developments in the Company's industry and challenging economic and market conditions, the Company may recognize impairment charges for write-downs of goodwill, intangible assets, investments and other long-lived assets, as well as restructuring charges relating to the reorganization of its businesses, which negatively impact the Company's financial results. When the Company acquires a business, it records goodwill in an amount equal to the excess of the fair value of the acquired business over the fair value of the identifiable assets and liabilities, including intangible assets, as of the acquisition date. The Company's management must regularly evaluate goodwill and other intangible assets expected to contribute indefinitely to the Company's cash flows in order to determine whether, based on projected discounted future cash flows, the carrying value for such assets exceeds current fair value and the Company should recognize an impairment. In accordance with GAAP, the Company performs an annual impairment assessment of its recorded goodwill and indefinite-lived intangible assets, including newspaper mastheads, distribution networks, publishing imprints, radio broadcast licenses, trademarks and trade names, channel distribution agreements, publishing rights and customer relationships, during the fourth quarter of each fiscal year. The Company also continually evaluates whether current factors or indicators, such as prevailing conditions in the business environment, capital markets or the economy generally and actual or projected operating results, require the performance of an interim impairment assessment of those assets, as well as other investments and long-lived assets, or require the Company to engage in any additional business restructurings to address these conditions. Any significant shortfall, now or in the future, in advertising revenue and/or the expected popularity of the programming for which the Company has acquired rights could lead to a downward revision in the fair value of certain reporting units. Any downward revisions in the fair value

of a reporting unit, indefinite-lived intangible assets, investments or other long-lived assets could result in additional impairments for which non-cash charges would be required. Any such charge could be material to the Company's reported results of operations. For example, in fiscal 2017, the Company recognized non-cash impairment charges of approximately \$785 million, primarily related to the write-down of fixed assets at its U.K. and Australian newspapers, and a \$227 million non-cash write-down of the carrying value of its investment in Foxtel to fair value. In addition, as of June 30, 2017, the Company had approximately \$1.4 billion of goodwill and \$1.2 billion of investments that are at risk for future impairment because the fair values of the corresponding reporting units and investments exceeded their carrying values by less than 3%. The Company may also incur additional restructuring charges in the future if it is required to further realign its resources in response to significant shortfalls in revenue or other adverse trends.

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

Various aspects of the Company's activities are subject to regulation in numerous jurisdictions around the world, and the introduction of new laws and regulations in countries where the Company's products and services are produced or distributed, and changes in the enforcement of existing laws and regulations in those countries, could have a negative impact on its interests. In addition, laws and regulations in some international jurisdictions differ from those in the United States, and the enforcement of those laws and regulations may be inconsistent and unpredictable. The Company may incur substantial costs or be required to change its business practices in order to comply with applicable laws and regulations and could incur substantial penalties or other liabilities in the event of any failure to comply.

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

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

The Company's business activities are also subject to various laws and regulations in the United States and internationally governing the collection, use, sharing, protection and retention of personal data, which have implications for how such data is managed. Complying with these laws and regulations could be costly, require us to change our business practices, or limit or restrict aspects of the Company's business in a manner adverse to our business operations. Many of these laws and regulations continue to evolve, and substantial uncertainty surrounds their scope and application. The Company's failure to comply, even if inadvertent or in good faith, could result in exposure to enforcement by U.S. federal or state or foreign governments or private actors, as well as significant negative publicity and reputational damage. An example of such a law is the European Union's

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recently adopted GDPR, which expands the regulation of personal data processing throughout the European Union and significantly increases penalties for non-compliance. See “Governmental Regulation—Data Privacy and Security” for more information. Finally, because some of our products and services are available on the Internet, we may be subject to laws or regulations exposing us to liability or compliance obligations even in jurisdictions where the Company does not have a substantial presence.

In addition, the Company’s newspaper publishing businesses in the U.K. are now subject to greater regulation and oversight as a result of the implementation of recommendations of the Leveson inquiry into the U.K. press, which was established by former Prime Minister David Cameron in mid-2011. The U.K. Government subsequently published a Royal Charter on Self-Regulation of the Press which established a Press Recognition Panel responsible for approving and monitoring a new press regulatory body. Publishers who are not members of an approved regulator, including the Company, may be subject to exemplary damages in privacy and libel cases and, if Section 40 of the Crime and Courts Act 2013 is enacted, the payment of costs for both parties in libel actions in certain circumstances. The majority of the U.K. press, including News UK, has established an alternative regulator, the Independent Press Standards Organisation, or IPSO, which began operating in September 2014. IPSO, which has indicated that it does not intend to seek approval by the Press Recognition Panel, has powers to impose burdens on its print media members in the U.K. These powers, which include the ability to impose fines of up to £1 million for systemic breaches of IPSO’s Editor’s Code of Practice, may result in competitive disadvantages versus other forms of media and may increase the costs of regulatory compliance. Depending on the political environment, the second phase of the Leveson inquiry may be commenced, investigating the relationship between the press and the police.

The Company’s radio stations in the U.K. and Ireland are also subject to governmental regulation by the relevant broadcast authorities as the Company is required to obtain and maintain licenses from such authorities to operate these stations. Although the Company expects its licenses will, where relevant, be renewed in the ordinary course upon their expiration, there can be no assurance that this will be the case. Non-compliance by the Company with the requirements associated with such licenses or other applicable laws and regulations, including of the relevant authority, could result in fines, additional license conditions, license revocation or other adverse regulatory actions.

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

From time to time, the Company is party to litigation, as well as to regulatory and other proceedings with governmental authorities and administrative agencies, including with respect to antitrust, tax, data privacy and security, intellectual property and other matters. See “Item 3. Legal Proceedings” and Note 15 to the Financial Statements for a discussion of certain matters. The outcome of these matters and other litigation and proceedings is subject to significant uncertainty, and it is possible that an adverse resolution of one or more such proceedings could result in reputational harm and/or significant monetary damages, injunctive relief or settlement costs that could adversely affect the Company’s results of operations or financial condition as well as the Company’s ability to conduct its business as it is presently being conducted. For example, in February 2016, the Company entered into a settlement agreement relating to an action brought by customers of the NAM business pursuant to which it subsequently paid the plaintiffs and their attorneys approximately \$250 million; the Company also settled related claims for approximately \$30 million. In addition, regardless of merit or outcome, such proceedings can have an adverse impact on the Company as a result of legal costs, diversion of management and other personnel, and other factors.

The Company Could Be Subject to Significant Additional Tax Liabilities.

The Company is subject to taxation in U.S. federal, state and local jurisdictions and various non-U.S. jurisdictions, including Australia and the U.K. The Company’s effective tax rate is impacted by the tax laws, regulations, practices and interpretations in the jurisdictions in which it operates and may fluctuate significantly

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from period to period depending on, among other things, the geographic mix of the Company's profits and losses, changes in tax laws and regulations or their application and interpretation, the outcome of tax audits and changes in valuation allowances associated with the Company's deferred tax assets. Evaluating and estimating the Company's tax provision, current and deferred tax assets and liabilities and other tax accruals requires significant management judgment, and there are many transactions for which the ultimate tax determination is uncertain.

The Company's tax returns are routinely audited by various tax authorities. Tax authorities may not agree with the treatment of items reported in our tax returns or positions taken by the Company, and as a result, tax-related settlements or litigation may occur, resulting in additional income tax liabilities against the Company. Although the Company believes it has appropriately accrued for the expected outcome of tax reviews and examinations and any related litigation, the final outcomes of these matters could differ materially from the amounts recorded in the Financial Statements. As a result, the Company may be required to recognize additional charges in its Statements of Operations and pay significant additional amounts with respect to current or prior periods, or its taxes in the future could increase, which could affect its operating results and financial condition.

In connection with the Separation, 21st Century Fox received a private letter ruling from the Internal Revenue Service ("IRS") and an opinion from its tax counsel confirming the tax-free status of the Separation for U.S. federal income tax purposes. The private letter ruling and the opinion relied on certain facts and assumptions, and certain representations from the Company and 21st Century Fox regarding the past and future conduct of their respective businesses and other matters. Notwithstanding the receipt of the private letter ruling and the opinion, the IRS could determine on audit that the distribution or the related internal reorganization transactions should be treated as taxable transactions if any of these facts, assumptions, representations or undertakings is not correct or has been violated. If the internal reorganization and/or the distribution is ultimately determined to be taxable, 21st Century Fox and/or the Company would recognize gains on the internal reorganization and 21st Century Fox would recognize gain in an amount equal to the excess of the fair market value of shares of the Company's common stock distributed to 21st Century Fox's stockholders on the Distribution Date over 21st Century Fox's tax basis in such shares. The Company may in certain circumstances be required to indemnify 21st Century Fox for liabilities arising out of the foregoing. Specifically, under the terms of the Tax Sharing and Indemnification Agreement that the Company and 21st Century Fox entered into in connection with the Separation, in the event that the distribution or the internal transactions intended not to be subject to tax were determined to be subject to tax and such determination was the result of certain actions taken, or omitted to be taken, after the Separation by the Company or any of its subsidiaries and such actions (1) were inconsistent with any representation or covenant made in connection with the private letter ruling or opinion of 21st Century Fox's tax counsel, (2) violated any representation or covenant made in the Tax Sharing and Indemnification Agreement, or (3) the Company or any of its subsidiaries knew or reasonably should have expected, after consultation with its advisors, could result in any such determination, the Company will be responsible for any tax-related liabilities incurred by 21st Century Fox as a result of such determination. In addition, other tax authorities could determine on audit that the distribution or the related internal reorganizations should be treated as taxable transactions resulting in additional tax liabilities.

Recently, the U.S. government has indicated that corporate tax reform is a high priority and has proposed sweeping changes to the U.S. tax system. These reforms may include changes to corporate tax rates, changes in the taxation of income earned outside the United States and taxing previously unremitted foreign earnings at concessional tax rates. We cannot determine whether some or all of these or other proposals will be enacted into law or what, if any, changes may be made to such proposals prior to being enacted into law. If U.S. tax laws change in a manner that increases our tax obligations, our financial position and results of operations could be adversely impacted.

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

In its fiscal year ended June 30, 2017, approximately 54% of the Company's revenues were derived outside the U.S., and the Company is focused on expanding the international scope of its operations. There are risks inherent in doing business internationally, including (1) issues related to managing international operations; (2) economic uncertainties and volatility in local markets and political or social instability; (3) potentially adverse changes in tax laws and regulations; (4) compliance with international laws and regulations, including foreign ownership restrictions and data privacy requirements; (5) compliance with anti-corruption laws and regulations such as the Foreign Corrupt Practices Act and the UK Bribery Act; (6) restrictions on repatriation of funds and foreign currency exchange; and (7) compliance with local labor laws and regulations. For example, Brexit may, among other things, adversely affect economic and market conditions in the U.K. and the E.U. and create uncertainty around doing business in the U.K., including with respect to data protection and transfer, tax rates and the recruitment and retention of employees. Events or developments related to these and other risks associated with the Company's international operations could result in reputational harm and have an adverse impact on the Company's business, financial condition, operating results and prospects. Challenges associated with operating globally may increase as the Company continues to expand into geographic areas that it believes represent the highest growth opportunities.

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

From time to time the Company may need or desire to access the long-term and short-term capital markets to obtain financing. Although the Company believes that the sources of capital currently in place, including the Company's revolving credit facility, will permit the Company to finance its operations for the foreseeable future on acceptable terms and conditions, the Company's access to, and the availability of, financing on acceptable terms and conditions in the future will be impacted by many factors, including, but not limited to: (1) the Company's financial performance, (2) the Company's credit ratings or absence of a credit rating, (3) the liquidity of the overall capital markets and (4) the state of the economy. There can be no assurance, particularly as a company that currently has no credit rating, that the Company will continue to have access to the capital markets on terms acceptable to it.

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

The Company seeks to limit the threat of content piracy; however, policing unauthorized use of its products and services and related intellectual property is often difficult and the steps taken by the Company may not in every case prevent infringement by unauthorized third parties. Developments in technology increase the threat of content piracy by making it easier to duplicate and widely distribute pirated material. The Company has taken, and will continue to take, a variety of actions to combat piracy, both individually and, in some instances, together with industry associations. However, protection of the Company's intellectual property rights is dependent on the scope and duration of its rights as defined by applicable laws in the U.S. and abroad and the manner in which those laws are construed. If those laws are drafted or interpreted in ways that limit the extent or duration of the Company's rights, or if existing laws are changed, the Company's ability to generate revenue from its intellectual property may decrease, or the cost of obtaining and maintaining rights may increase. There can be no assurance that the Company's efforts to enforce its rights and protect its products, services and intellectual property will be successful in preventing content piracy.

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

The Company's businesses rely on a combination of trademarks, trade names, copyrights, patents, domain names and other proprietary rights, as well as contractual arrangements, including licenses, to establish and protect their

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intellectual property and brand names. The Company believes its proprietary trademarks, trade names, copyrights, patents, domain names and other intellectual property rights are important to its continued success and its competitive position. However, the Company cannot ensure that these intellectual property rights will be upheld if challenged or that these rights will protect the Company against infringement claims by third parties, and effective intellectual property protection may not be available in every country or region in which the Company operates or where its products are available. Any failure by the Company to effectively protect its intellectual property or brands could adversely impact the Company's results of operations or financial condition. In addition, the Company may be contractually required to indemnify other parties against liabilities arising out of any third party infringement claims.

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

Newsprint is one of the largest expenses of the Company's newspaper publishing units. During the quarter ended June 30, 2017, the Company's average cost per ton of newsprint was approximately 10% lower than its historical average annual cost per ton over the past five fiscal years on a constant currency basis. The price of newsprint has historically been volatile and the closure and consolidation of newsprint mills over the years has reduced the number of suppliers, which has led to increases in newsprint prices. Failure to maintain the Company's current consumption levels, further supplier closure and consolidation or the inability to maintain the Company's existing relationships with its newsprint suppliers could adversely impact newsprint prices in the future.

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

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

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

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

In a variety of the Company's businesses, it engages the services of employees who are subject to collective bargaining agreements. If the Company is unable to renew expiring collective bargaining agreements, it is possible that the affected unions could take action in the form of strikes or work stoppages. Such actions, as well as higher costs in connection with these collective bargaining agreements or a significant labor dispute, could have an adverse effect on the Company's business by causing delays in production or by reducing profit margins.

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

The Company cannot predict the prices at which its common stock may trade. The market price of the Company's common stock may fluctuate significantly, depending upon many factors, some of which may be beyond its control, including: (1) the Company's quarterly or annual earnings, or those of other companies in its

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industry; (2) actual or anticipated fluctuations in the Company's operating results; (3) success or failure of the Company's business strategy; (4) the Company's ability to obtain financing as needed; (5) changes in accounting standards, policies, guidance, interpretations or principles; (6) changes in laws and regulations affecting the Company's business; (7) announcements by the Company or its competitors of significant new business developments or customers; (8) announcements by the Company or its competitors of significant acquisitions or dispositions; (9) changes in earnings estimates by securities analysts or the Company's ability to meet its earnings guidance, if any; (10) the operating and stock price performance of other comparable companies; (11) investor perception of the Company and the industries in which it operates; (12) results from material litigation or governmental investigations; (13) changes in capital gains taxes and taxes on dividends affecting stockholders; and (14) overall market fluctuations and general economic conditions.

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

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

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

Certain of the Company's directors and executive officers own shares of 21st Century Fox's common stock, and the individual holdings may be significant for some of these individuals compared to their total assets. In addition, certain of the Company's officers and directors also serve as officers and/or as directors of 21st Century Fox, including K. Rupert Murdoch, who serves as the Company's Executive Chairman and Executive Chairman of 21st Century Fox, Lachlan K. Murdoch, who serves as the Company's Co-Chairman and Executive Chairman of 21st Century Fox, and James R. Murdoch, who serves as a director of the Company and Chief Executive Officer of 21st Century Fox. This ownership or service to both companies may create, or may create the appearance of, conflicts of interest when these directors and officers are faced with decisions that could have different implications for the Company and 21st Century Fox. For example, potential conflicts of interest could arise in connection with the resolution of any dispute that may arise between the Company and 21st Century Fox

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regarding the terms of the agreements governing the internal reorganization, the Separation and the relationship thereafter between the companies, including with respect to the indemnification of certain matters. In addition to any other arrangements that the Company and 21st Century Fox may agree to implement, the Company and 21st Century Fox have agreed that officers and directors who serve at both companies will recuse themselves from decisions where conflicts arise due to their positions at both companies.

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

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

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

- a dual class common equity capital structure;
- a prohibition on stockholders taking any action by written consent without a meeting;
- special stockholders' meeting to be called only by the Chief Executive Officer, the Board of Directors, or the holders of not less than 20% of the voting power of the Company's outstanding voting stock;
- the requirement that stockholders give the Company advance notice to nominate candidates for election to the Board of Directors or to make stockholder proposals at a stockholders' meeting;
- the requirement of an affirmative vote of at least 65% of the voting power of the Company's outstanding voting stock to amend or repeal its by-laws;
- vacancies on the Board of Directors to be filled only by a majority vote of directors then in office;
- certain restrictions on the transfer of the Company's shares; and
- the Board of Directors to issue, without stockholder approval, Preferred Stock and Series Common Stock with such terms as the Board of Directors may determine.

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

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In addition, in connection with the Separation, the Company's Board of Directors adopted a stockholder rights agreement, which it extended in June 2014 and again in June 2015. Pursuant to the second amended and restated stockholder rights agreement, each outstanding share of the Company's common stock has attached to it a right entitling its holder to purchase from the Company additional shares of its Class A Common Stock and Class B Common Stock in the event that a person or group acquires beneficial ownership of 15% or more of the then-outstanding Class B Common Stock without approval of the Company's Board of Directors, subject to exceptions for persons beneficially owning 15% or more of the Company's Class B Common Stock immediately following the Separation. The stockholder rights agreement could make it more difficult for a third-party to acquire the Company's voting common stock without the approval of its Board of Directors. The rights expire on June 18, 2018, except as otherwise provided in the rights agreement. Further, as a result of his ability to appoint certain members of the board of directors of the corporate trustee of the Murdoch Family Trust, which beneficially owns less than one percent of the Company's outstanding Class A Common Stock and approximately 38.4% of the Company's Class B Common Stock as of August 7, 2017, K. Rupert Murdoch may be deemed to be a beneficial owner of the shares beneficially owned by the Murdoch Family Trust. K. Rupert Murdoch, however, disclaims any beneficial ownership of these shares. Also, K. Rupert Murdoch beneficially owns or may be deemed to beneficially own an additional one percent of the Company's Class B Common Stock and less than one percent of the Company's Class A Common Stock as of August 7, 2017. Thus, K. Rupert Murdoch may be deemed to beneficially own in the aggregate less than one percent of the Company's Class A Common Stock and approximately 39.4% of the Company's Class B Common Stock as of August 7, 2017. This concentration of voting power could discourage third parties from making proposals involving an acquisition of the Company. Additionally, the ownership concentration of Class B Common Stock by the Murdoch Family Trust increases the likelihood that proposals submitted for stockholder approval that are supported by the Murdoch Family Trust will be adopted and proposals that the Murdoch Family Trust does not support will not be adopted, whether or not such proposals to stockholders are also supported by the other holders of Class B Common Stock. Furthermore, the adoption of the second amended and restated stockholder rights agreement will prevent, unless the Company's Board of Directors otherwise determines at the time, other potential stockholders from acquiring a similar ownership position in the Company's Class B Common Stock and, accordingly, could prevent a meaningful challenge to the Murdoch Family Trust's influence over matters submitted for stockholder approval.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company owns and leases various real properties in the U.S., Europe, Australia and Asia that are utilized in the conduct of its businesses. Each of these properties is considered to be in good condition, adequate for its purpose and suitably utilized according to the individual nature and requirements of the relevant operations. The Company's policy is to improve and replace property as considered appropriate to meet the needs of the individual operation.

United States

The Company's principal real properties in the U.S. are the following:

- (a) The U.S. headquarters of the Company, located at 1211 Avenue of the Americas, New York, New York and the offices of the Company located at 1185 Avenue of the Americas, New York, New York, each of which are subleased from 21st Century Fox. These spaces include the executive and corporate offices of the Company, the executive and editorial offices of Dow Jones, the editorial offices of the *Post* and the executive offices of NAM;
- (b) The leased offices of HarperCollins U.S. in New York, New York;

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- (c) The leased offices of HarperCollins U.S. in Scranton, Pennsylvania;
- (d) The leased printing plant of the *Post* located in Bronx, New York;
- (e) The leased offices of Move in Santa Clara, California;
- (f) The leased offices of NAM in Wilton, Connecticut; and
- (g) The office space campus owned by the Company in South Brunswick, New Jersey.

Europe

The Company's principal real properties in Europe are the following:

- (a) The leased headquarters and editorial offices of the London operations of News UK, Dow Jones and HarperCollins at The News Building, 1 London Bridge Street, London, England;
- (b) The newspaper production and printing facilities for its U.K. newspapers, which consist of:
 - 1. The leased office space at each of Fleet House, Peterborough, England; Dublin, Ireland; and Glasgow City Centre, Scotland; and
 - 2. The freehold interests in each of a publishing and printing facility in Broxbourne, England and printing facilities in Knowsley, England and North Lanarkshire, Scotland; and
- (c) The leased warehouse and office facilities of HarperCollins Publishers Limited in Glasgow, Scotland.

Australia and Asia

The Company's principal real properties in Australia and Asia are the following:

- (a) The Australian newspaper production and printing facilities which consist of:
 - 1. The Company-owned print center and office building in Sydney, Australia at which *The Australian*, *The Daily Telegraph* and *The Sunday Telegraph* are printed and published;
 - 2. The Company-owned print center and the leased office facility in Melbourne, Australia at which *Herald Sun* and *Sunday Herald Sun* are printed and published;
 - 3. The Company-owned print center and office building in Adelaide, Australia utilized in the printing and publishing of *The Advertiser* and *Sunday Mail*;
 - 4. The Company-owned print center and office building in Brisbane, Australia at which *The Courier Mail* and *The Sunday Mail* are printed and published; and
 - 5. The two Company-owned buildings in Perth, Australia used to print and publish the *Perth Sunday Times* ⁽¹⁾;
- (b) The leased offices and studios of FOX SPORTS Australia in Sydney, Australia;
- (c) The leased offices and studios of FOX SPORTS Australia in Melbourne, Australia;
- (d) The leased corporate offices of REA Group in Melbourne, Australia; and
- (e) The leased office space of Dow Jones in Hong Kong.

⁽¹⁾ In June 2017, following the sale of the *Perth Sunday Times*, the Company entered into an agreement to sell one of its buildings in Perth, and the transaction is expected to be completed in the first quarter of fiscal 2018. The Company expects to dispose of the remaining building during fiscal 2018.

ITEM 3. LEGAL PROCEEDINGS

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

Valassis Communications, Inc.

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

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

Valassis subsequently filed a Notice of Violation of the order issued by the District Court in Valassis I. The Notice re-asserted claims of unlawful bundling and tying which the magistrate judge had previously recommended be dismissed from Valassis II, described below, on the grounds that such claims could only be brought before a panel of antitrust experts previously appointed in Valassis I (the “Antitrust Expert Panel”), and sought treble damages, injunctive relief and attorneys’ fees on those claims. On March 30, 2016, the District Court ordered that the Notice be referred to the Antitrust Expert Panel and further ordered that the case be administratively closed and that it may be re-opened following proceedings before the Antitrust Expert Panel.

- On November 8, 2013, Valassis also filed a new complaint in the U.S. District Court for the Eastern District of Michigan against the NAM Group alleging violations of federal and state antitrust laws and common law business torts (“Valassis II”). The complaint sought treble damages, injunctive relief and attorneys’ fees and costs. On December 19, 2013, the NAM Group filed a motion to dismiss the newly filed complaint, and on March 30, 2016, the District Court ordered that Valassis’s bundling and tying claims be dismissed without prejudice to Valassis’s rights to pursue relief for those claims in Valassis I and that all remaining claims in the NAM Group’s motion to dismiss be referred to the Antitrust Expert Panel. The District Court further ordered that the case be administratively closed and that it may be re-opened following proceedings before the Antitrust Expert Panel.

The Antitrust Expert Panel was convened and, on February 8, 2017, it recommended that the Notice of Violation in Valassis I be dismissed and the NAM Group’s counterclaims in Valassis II be dismissed with leave to replead three of the four counterclaims. The NAM Group filed an amended counterclaim on February 27, 2017. Valassis did not object to the Antitrust Expert Panel’s recommendation to dismiss Valassis I, and the parties are awaiting the District Court’s order of dismissal. However, Valassis filed a motion with the District Court asserting that the referral of Valassis II to the Antitrust Expert Panel is no longer valid and seeking either to re-open Valassis II in the District Court or to transfer the case to the United States District Court for the Southern District of New York. The NAM Group opposed the motion, and the District Court heard arguments on April 13, 2017. While it is not possible at this time to predict with any degree of certainty the ultimate outcome of these actions, the NAM Group believes it has been compliant with applicable laws and intends to defend itself vigorously in both actions.

U.K. Newspaper Matters

Civil claims have been brought against the Company with respect to, among other things, voicemail interception and inappropriate payments to public officials at the Company’s former publication, *The News of the World*, and

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at *The Sun*, and related matters (the “U.K. Newspaper Matters”). The Company has admitted liability in many civil cases and has settled a number of cases. The Company also settled a number of claims through a private compensation scheme which was closed to new claims after April 8, 2013.

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

The net expense related to the U.K. Newspaper Matters in Selling, general and administrative expenses was \$10 million, \$19 million and \$50 million for the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015, respectively. As of June 30, 2017, the Company has provided for its best estimate of the liability for the claims that have been filed and costs incurred, including liabilities associated with employment taxes, and has accrued approximately \$132 million, of which approximately \$82 million will be indemnified by 21st Century Fox, and a corresponding receivable was recorded in Other current assets on the Balance Sheet as of June 30, 2017. It is not possible to estimate the liability or corresponding receivable for any additional claims that may be filed given the information that is currently available to the Company. If more claims are filed and additional information becomes available, the Company will update the liability provision and corresponding receivable for such matters.

The Company is not able to predict the ultimate outcome or cost of the civil claims. It is possible that these proceedings and any adverse resolution thereof could damage its reputation, impair its ability to conduct its business and adversely affect its results of operations and financial condition.

Other

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

News Corporation's Class A Common Stock and Class B Common Stock are listed and traded on The NASDAQ Global Select Market ("NASDAQ"), its principal market, under the symbols "NWSA" and "NWS," respectively. CHESS Depository Interests ("CDIs") representing the Company's Class A Common Stock and Class B Common Stock are listed and traded on the Australian Securities Exchange ("ASX") under the symbols "NWSLV" and "NWS," respectively. As of August 7, 2017, there were approximately 23,000 holders of record of shares of Class A Common Stock and 600 holders of record of shares of Class B Common Stock.

The following table sets forth, for the fiscal periods indicated, the high and low sales prices for the Class A Common Stock and Class B Common Stock, as reported on NASDAQ.

	<u>Class B Common Stock</u>		<u>Class A Common Stock</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
Fiscal year ended June 30, 2016:				
First Quarter	\$ 15.62	12.62	15.92	12.63
Second Quarter	15.74	12.24	15.68	12.16
Third Quarter	14.45	10.74	13.81	10.21
Fourth Quarter	13.55	10.90	13.06	10.54
Fiscal year ended June 30, 2017:				
First Quarter	14.65	11.50	14.34	11.05
Second Quarter	15.22	11.25	14.68	10.99
Third Quarter	13.80	11.90	13.48	11.51
Fourth Quarter	14.40	12.60	13.92	12.19

Dividends

During fiscal 2017 and 2016, the Company's Board of Directors (the "Board of Directors") declared semi-annual cash dividends on both the Company's Class A Common Stock and Class B Common Stock. The timing, declaration, amount and payment of future dividends to stockholders, if any, is within the discretion of the Board of Directors (the "Board of Directors"). The Board of Directors' decisions regarding the payment of future dividends will depend on many factors, including the Company's financial condition, earnings, capital requirements and debt facility covenants, other contractual restrictions, as well as legal requirements, regulatory constraints, industry practice, market volatility and other factors that the Board of Directors deems relevant.

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

	<u>For the fiscal years ended</u>	
	<u>2017</u>	<u>2016</u>
Cash dividends paid per share	\$ 0.20	\$ 0.20

Issuer Purchases of Equity Securities

In May 2013, the Company's Board of Directors authorized the Company to repurchase up to an aggregate of \$500 million of its Class A Common Stock. On May 10, 2015, the Company announced it had begun repurchasing shares of Class A Common Stock under the stock repurchase program. No stock repurchases were made during the fiscal year ended June 30, 2017. Through August 7, 2017, the Company repurchased

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approximately 5.2 million shares of Class A Common Stock for an aggregate cost of approximately \$71 million. The remaining authorized amount under the stock repurchase program as of August 7, 2017 was approximately \$429 million. All decisions regarding any future stock repurchases are at the sole discretion of a duly appointed committee of the Board of Directors and management. The committee's decisions regarding future stock repurchases will be evaluated from time to time in light of many factors, including the Company's financial condition, earnings, capital requirements and debt facility covenants, other contractual restrictions, as well as legal requirements, regulatory constraints, industry practice, market volatility and other factors that the committee may deem relevant. The stock repurchase authorization may be modified, extended, suspended or discontinued at any time by the Board of Directors and the Board of Directors cannot provide any assurances that any additional shares will be repurchased.

The Company did not purchase any of its Class B Common Stock during the fiscal years ended June 30, 2017 and 2016.

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ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data should be read in conjunction with “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Item 8—Financial Statements and Supplementary Data” and the other financial information included elsewhere herein.

	For the fiscal years ended June 30,				
	2017 (b)	2016 (b)	2015 (b)	2014	2013 (c)
(in millions except per share information)					
STATEMENT OF OPERATIONS DATA:					
Revenues	\$ 8,139	\$ 8,292	\$ 8,524	\$ 8,486	\$ 8,789
(Loss) income from continuing operations attributable to News Corporation stockholders (a)	(738)	164	298	381	612
Net (loss) income attributable to News Corporation stockholders	(738)	179	(147)	239	506
(Loss) income from continuing operations available to News Corporation stockholders—basic and diluted	(1.27)	0.28	0.51	0.65	1.06
Net (loss) income available to News Corporation stockholders per share—basic and diluted	(1.27)	0.30	(0.26)	0.41	0.87
Cash dividends per share of Class A and Class B Common Stock	0.20	0.20	—	—	—

	As of June 30,				
	2017	2016	2015	2014	2013
(in millions)					
BALANCE SHEET DATA:					
Cash and cash equivalents	\$ 2,016	\$ 1,832	\$ 1,951	\$ 3,145	\$ 2,381
Total assets	14,552	15,483	15,035	16,351	15,523
Total borrowings	379	372	—	—	—
Redeemable preferred stock	20	20	20	20	20

(a) During the fiscal year ended June 30, 2017, the Company recorded non-cash impairment charges of approximately \$785 million, of which approximately \$360 million related to the News and Information Services business in the U.K. and approximately \$310 million related to the News and Information Services business in Australia. See Note 7 to the Consolidated Financial Statements of News Corporation. Additionally, during the fiscal year ended June 30, 2017, the Company recognized a \$227 million non-cash write-down of the carrying value of its investment in Foxtel to fair value. The write-down is reflected in Equity (losses) earnings of affiliates in the Statements of Operations for the fiscal year ended June 30, 2017. See Note 6 to the Consolidated Financial Statements of News Corporation.

During the fiscal year ended June 30, 2016, the Company recognized \$158 million (\$98 million, net of tax) in net settlement costs associated with the NAM Group and Zillow legal settlements. The Company recognized one-time costs of approximately \$280 million in connection with the settlement of certain litigation and related claims at News America Marketing during the three months ended March 31, 2016. In addition, the Company recognized a gain of \$122 million in connection with the settlement of litigation with Zillow, Inc., which reflects settlement proceeds received from Zillow of \$130 million, less \$8 million paid to the National Association of Realtors® during the three months ended June 30, 2016.

(b) See Notes 3, 4, 5, 6, 8 and 15 to the Consolidated Financial Statements of News Corporation for information with respect to significant acquisitions, disposals, discontinued operations, impairment charges, restructuring charges, contingencies and legal settlements and other transactions during fiscal 2017, 2016 and 2015.

(c) On June 28, 2013 (the “Distribution Date”), the Company completed the separation of its businesses (the “Separation”) from Twenty-First Century Fox, Inc. (“21st Century Fox”). As of the effective time of the Separation, all of the outstanding shares of the Company were distributed to 21st Century Fox stockholders

based on a distribution ratio of one share of Company Class A or Class B Common Stock for every four shares of 21st Century Fox Class A or Class B Common Stock, respectively, held of record as of June 21, 2013 (the “Record Date”). Prior to the Separation, the Company’s combined financial statements were prepared on a stand-alone basis derived from the consolidated financial statements and accounting records of 21st Century Fox. The Company’s consolidated statement of operations for the fiscal year ended June 30, 2013 included allocations of general corporate expenses for certain support functions that were provided on a centralized basis by 21st Century Fox and not recorded at the business unit level, such as expenses related to finance, human resources, information technology, facilities and legal, among others. These expenses were allocated to the Company on the basis of direct usage when identifiable, with the remainder allocated on a pro rata basis of consolidated revenues, operating income, headcount or other measures of the Company. Management believes the assumptions underlying these consolidated financial statements, including the assumptions regarding allocating general corporate expenses from 21st Century Fox, were reasonable.

During the fiscal year ended June 30, 2013, the Company acquired CMH, a media investment company that operates in Australia. The CMH acquisition was accounted for in accordance with ASC 805 “Business Combinations” which requires an acquirer to remeasure its previously held equity interest in an acquiree at its acquisition date fair value and recognize the resulting gain or loss in earnings. The carrying amount of the Company’s previously held equity interest in FOX SPORTS Australia was revalued to fair value as of the acquisition date, resulting in a step-up and non-cash gain of approximately \$1.3 billion for the fiscal year ended June 30, 2013. Additionally, during the fiscal year ended June 30, 2013, the Company sold its 44% equity interest in SKY Network Television Ltd. for approximately \$675 million and recorded a gain of approximately \$321 million which was included in Other, net in the Statements of Operations for the fiscal year ended June 30, 2013.

During the fiscal year ended June 30, 2013, the Company recorded non-cash impairment charges of approximately \$1.4 billion. The charges primarily consisted of a write-down of the Company’s goodwill of \$494 million, a write-down of intangible assets (primarily newspaper mastheads) of \$862 million and a write-down of fixed assets of \$46 million.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis contains statements that constitute “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 27A of the Securities Act of 1933, as amended. All statements that are not statements of historical fact are forward-looking statements. The words “expect,” “estimate,” “anticipate,” “predict,” “believe” and similar expressions and variations thereof are intended to identify forward-looking statements. These statements appear in a number of places in this discussion and analysis and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things, trends affecting the Company’s financial condition or results of operations and the outcome of contingencies such as litigation and investigations. Readers are cautioned that any forward-looking statements are not guarantees of future performance and involve risks and uncertainties. More information regarding these risks, uncertainties and other important factors that could cause actual results to differ materially from those in the forward-looking statements is set forth under the heading “Risk Factors” in Item 1A of this Annual Report on Form 10-K (the “Annual Report”). The Company does not ordinarily make projections of its future operating results and undertakes no obligation (and expressly disclaims any obligation) to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Readers should carefully review this document and the other documents filed by the Company with the Securities and Exchange Commission (the “SEC”). This section should be read together with the Consolidated Financial Statements of News Corporation and related notes set forth elsewhere in this Annual Report.

INTRODUCTION

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

During the first quarter of fiscal 2016, management approved a plan to dispose of the Company’s digital education business. As a result of the plan and the discontinuation of further significant business activities in the Digital Education segment, the assets and liabilities of this segment were classified as held for sale and the results of operations have been classified as discontinued operations for all periods presented. Unless indicated otherwise, the information in the notes to the Consolidated Financial Statements relates to the Company’s continuing operations. (See Note 4—Discontinued Operations in the accompanying Consolidated Financial Statements).

For the fiscal years ended June 30, 2017, 2016 and 2015, the Company reclassified its listing revenues generated primarily from agents, brokers and developers from advertising revenue to real estate revenue to better reflect the Company’s revenue mix and how management reviews the performance of the Digital Real Estate Services segment.

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

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

- **Overview of the Company’s Business** — This section provides a general description of the Company’s businesses, as well as developments that occurred during the three fiscal years ended June 30, 2017 and

through the date of this filing 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 fiscal years ended June 30, 2017. This analysis is presented on both a consolidated basis and a segment basis. In addition, a brief description is provided of significant transactions and events that impact the comparability of the results being analyzed. The Company maintains a 52-53 week fiscal year ending on the Sunday closest to June 30 in each year. Fiscal 2017, fiscal 2016 and fiscal 2015 included 52, 53 and 52 weeks, respectively. As a result, the Company has referenced the impact of the 53rd week, where applicable, when providing analysis of the results of operations.
- **Liquidity and Capital Resources** — This section provides an analysis of the Company’s cash flows for the three fiscal years ended June 30, 2017, as well as a discussion of the Company’s financial arrangements and outstanding commitments, both firm and contingent, that existed as of June 30, 2017.
- **Critical Accounting Policies** — This section discusses accounting policies considered important to the Company’s financial condition and results of operations, and which require significant judgment and estimates on the part of management in application. In addition, Note 2 to the Consolidated Financial Statements summarizes the Company’s significant accounting policies, including the critical accounting policies discussed in this section.

OVERVIEW OF THE COMPANY’S BUSINESSES

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

- **News and Information Services** — The News and Information Services segment includes the Company’s global print, digital and broadcast radio media platforms. These product offerings include the global print and digital versions of *The Wall Street Journal* and the Dow Jones Media Group, which includes *Barron’s* and MarketWatch, as well as the Company’s suite of professional information products, including Factiva, Dow Jones Risk & Compliance, Dow Jones Newswires, Dow Jones PEVC and DJX. The Company also owns, among other publications, *The Australian*, *The Daily Telegraph*, *Herald Sun* and *The Courier Mail* in Australia, *The Times*, *The Sunday Times*, *The Sun* and *The Sun on Sunday* in the U.K. and the *New York Post* in the U.S. This segment also includes News America Marketing, a leading provider of home-delivered shopper media, in-store marketing products and services and digital marketing solutions, including Checkout 51’s mobile application, as well as Unruly, a leading global video advertising distribution platform, Wireless Group, operator of talkSPORT, the leading sports radio network in the U.K., and Storyful, a social media content agency.
- **Book Publishing** — The Book Publishing segment consists of HarperCollins, the second largest consumer book publisher in the world, with operations in 18 countries and particular strengths in general fiction, nonfiction, children’s and religious publishing. HarperCollins owns more than 120 branded publishing imprints, including Harper, William Morrow, HarperCollins Children’s Books, Avon, Harlequin and Christian publishers Zondervan and Thomas Nelson, and publishes works by well-known authors such as Harper Lee, Patricia Cornwell, Chip and Joanna Gaines, Rick Warren, Sarah Young and Agatha Christie and popular titles such as *The Hobbit*, *Goodnight Moon*, *To Kill a Mockingbird*, *Jesus Calling* and *Hillbilly Elegy*.
- **Digital Real Estate Services** — The Digital Real Estate Services segment consists of the Company’s interests in REA Group Limited (“REA Group”), Move, Inc. (“Move”) and DIAKRIT International Limited (“DIAKRIT”). REA Group is a publicly traded company listed on the Australian Securities Exchange (“ASX”) (ASX: REA) that advertises property and property-related services on its websites and mobile applications across Australia and Asia, including iProperty.com. REA Group operates Australia’s leading residential and commercial property websites, realestate.com.au and realcommercial.com.au. The Company holds a 61.6% interest in REA Group.

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Move is a leading provider of online real estate services in the U.S. and primarily operates realtor.com[®], a premier real estate information and services marketplace. Move offers real estate advertising solutions to agents and brokers, including its ConnectionsSM for Buyers and AdvantageSM Pro products. Move also offers a number of professional software and services products, including Top Producer[®], FiveStreet[®] and ListHubTM. The Company owns an 80% interest in Move, with the remaining 20% being held by REA Group.

- **Cable Network Programming**—The Cable Network Programming segment consists of FOX SPORTS Australia and Australian News Channel Pty Ltd (“ANC”). FOX SPORTS Australia is the leading sports programming provider in Australia, with eight high definition television channels distributed via cable, satellite and IP, several interactive viewing applications and broadcast rights to live sporting events in Australia including: National Rugby League, the domestic football league, international cricket, Australian Rugby Union and various motorsports programming.
ANC, acquired in December 2016, operates the SKY NEWS network, Australia’s 24-hour multi-channel, multi-platform news service. ANC channels are broadcast throughout Australia and New Zealand and available on Foxtel and Sky Television. ANC also owns and operates the international Australia Channel IPTV service and offers content across a variety of digital media platforms, including mobile, podcasts and social media websites.
- **Other**—The Other segment consists primarily of general corporate overhead expenses, the corporate Strategy and Creative Group and costs related to the U.K. Newspaper Matters (as defined in “Item 3. Legal Proceedings”). The Company’s corporate Strategy and Creative Group was formed to identify new products and services across its businesses to increase revenues and profitability and to target and assess potential acquisitions, investments and dispositions.

News and Information Services

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

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

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

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The Company's traditional print business faces challenges from alternative media formats and shifting consumer preferences. The Company is also exposed to the impact of long-term structural movements in advertising spending, in particular, the move in advertising from print to digital. These alternative media formats could impact the Company's overall performance, positively or negatively. In addition, technologies have been and will continue to be developed that allow users to block advertising on websites and mobile devices, which may impact advertising rates or revenues.

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

Book Publishing

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

Major new title releases represent a significant portion of the Book Publishing segment's sales throughout the fiscal year. Print-based consumer books are generally sold on a fully returnable basis, resulting in the return of unsold books. In the domestic and international markets, the Book Publishing segment is subject to global trends and local economic conditions. Operating expenses for the Book Publishing segment include costs related to paper, printing, authors' royalties, editorial, promotional, art and design expenses. Selling, general and administrative expenses include salaries, employee benefits, rent and other routine overhead.

Digital Real Estate Services

The Digital Real Estate Services segment generates revenue through the sale of real estate listing products to agents, brokers and developers and display advertising on its residential real estate and commercial property sites and also licenses certain professional software products on a subscription basis. Significant expenses associated with these sites and software solutions include development costs, advertising and promotional expenses, hosting and support services, salaries, employee benefits and other routine overhead expenses.

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

Cable Network Programming

The Cable Network Programming segment consists of FOX SPORTS Australia and ANC. FOX SPORTS Australia offers the following eight channels in high definition: FOX SPORTS 501, FOX SPORTS 503, FOX SPORTS 505, FOX SPORTS 506, FOX LEAGUE, FOX FOOTY, FOX SPORTS MORE and FOX SPORTS NEWS. Revenue is primarily derived from monthly affiliate fees received from pay-TV providers (mainly Foxtel) based on the number of subscribers.

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

ANC offers the following channels: SKY NEWS LIVE, SKY NEWS BUSINESS, SKY NEWS WEATHER, SKY NEWS Multiview, A-PAC Australia's Public Affairs Channel and SKY NEWS New Zealand. ANC also owns and operates the Australia Channel IPTV service for international markets. Revenue is primarily derived from monthly affiliate fees received from pay-TV providers based on the number of subscribers and advertising.

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

Other

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

Other Business Developments

In July 2017, REA Group acquired an 80.3% interest in Smartline Home Loans Pty Limited ("Smartline") for A\$69 million in cash (approximately \$55 million). The minority shareholders have the option to sell the remaining 19.7% interest to REA Group beginning three years after closing at a price dependent on the financial performance of Smartline. If the option is not exercised, the minority interest will become mandatorily redeemable four years after closing. As a result, REA Group will recognize a liability in the first quarter of fiscal 2018 for the present value of the amount expected to be paid for the remaining interest based on the formula specified in the acquisition agreement. Smartline is one of Australia's premier mortgage broking franchise groups, and the investment provides REA Group's financial services business with greater scale and capability.

In January 2017, REA Group acquired an approximate 15% interest in Elara Technologies Pte. Ltd., a leading online real estate services provider in India ("Elara"), for \$50 million. Elara operates PropTiger.com, Makaan.com and Housing.com, and the investment further strengthens REA Group's presence in Asia. Following the completion of the investment and certain related transactions, including Elara's acquisition of Housing.com, News Corporation's pre-existing interest in Elara decreased to approximately 23%.

In December 2016, REA Group sold its European business for approximately \$140 million (approximately €133 million) in cash, which resulted in a pre-tax gain of \$107 million for the fiscal year ended June 30, 2017. The sale allows REA Group to focus on its core businesses in Australia and Asia.

In December 2016, the Company acquired Australian Regional Media ("ARM") from HT&E Limited (formerly APN News and Media Limited) ("HT&E") for approximately \$30 million. ARM operates a portfolio of regional print assets and websites and extends the reach of the Australian newspaper business to new customers in new geographic regions. ARM is a subsidiary of News Corp Australia, and its results are included within the News and Information Services segment.

In September 2016, the Company completed its acquisition of Wireless Group plc ("Wireless Group") for a purchase price of 315 pence per share in cash, or approximately £220 million (approximately \$285 million) in the

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aggregate, plus \$23 million of assumed debt which was repaid subsequent to closing. Wireless Group operates talkSPORT, the leading sports radio network in the U.K., and a portfolio of radio stations in the U.K. and Ireland. The acquisition broadens the Company's range of services in the U.K., Ireland and internationally and the Company continues to closely align Wireless Group's operations with those of *The Sun* and *The Times*. Wireless Group's results are included within the News and Information Services segment, and it is considered a separate reporting unit for purposes of the Company's annual goodwill impairment review.

In May 2016, REA Group acquired Flatmates.com.au Pty Ltd ("Flatmates") for \$19 million in cash at closing and up to \$15 million in future cash consideration related to payments contingent upon the achievement of certain performance objectives. Flatmates operates the Flatmates.com.au website, which is a market leading share accommodation site in Australia. The acquisition enhances REA Group's Australian product offering by extending its reach into the quickly growing share accommodation business. Flatmates is a subsidiary of REA Group, and its results are included within the Digital Real Estate Services segment.

In February 2016, the Company acquired a 92% interest in DIAKRIT for approximately \$40 million in cash. The Company has the option to purchase, and the minority shareholders also have the option to sell to the Company, the remaining 8% in two tranches over the six years following the closing at fair value. DIAKRIT is a leader in 3D visualization products, digital sales applications and professional services for the real estate industry. DIAKRIT's results are included within the Digital Real Estate Services segment, and it is considered a separate reporting unit for purposes of the Company's annual goodwill impairment review.

In February 2016, REA Group increased its investment in iProperty Group Limited ("iProperty") from 22.7% to approximately 86.9% for A\$482 million in cash (approximately \$340 million). The remaining 13.1% interest will become mandatorily redeemable during fiscal 2018, and as a result, the Company recognized a liability of approximately \$76 million. The acquisition was funded primarily with the proceeds from borrowings under an unsecured syndicated revolving loan facility (the "REA Facility"). (See Note 9—Borrowings in the accompanying Consolidated Financial Statements). The acquisition of iProperty extends REA Group's market leading business in Australia to attractive markets throughout Southeast Asia. iProperty is a subsidiary of REA Group, and its results are included within the Digital Real Estate Services segment. During the fiscal year ended June 30, 2016, REA Group recognized a gain of \$29 million related to the revaluation of its previously held equity interest in iProperty in Other, net in the Statements of Operations.

The total fair value of iProperty at the acquisition date is set forth below (in millions):

Cash paid for iProperty equity	\$340
Deferred consideration	76
Total consideration	416
Fair value of previously held iProperty investment	120
Total fair value	<u>\$536</u>

On September 30, 2015, the Company acquired Unruly Holdings Limited ("Unruly") for approximately £60 million (approximately \$90 million) in cash and up to £56 million (approximately \$86 million) in future cash consideration related to payments primarily contingent upon the achievement of certain performance objectives. Unruly is a leading global video distribution platform that is focused on delivering branded video advertising across websites and mobile devices. Unruly's results of operations are included within the News and Information Services segment, and it is considered a separate reporting unit for purposes of the Company's annual goodwill impairment review.

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In July 2015, the Company acquired Checkout 51 Mobile Apps ULC (“Checkout 51”) for approximately \$13 million in cash at closing and approximately \$10 million in deferred cash consideration which was paid during fiscal 2016. Checkout 51 is a data-driven digital incentives company that provides News America Marketing with a leading receipt recognition mobile app which enables packaged goods companies and brands to reach consumers with highly personalized marketing campaigns. Checkout 51’s results are included within the News and Information Services segment.

During fiscal 2015, the Company purchased a 14.99% interest in HT&E for approximately \$112 million. During fiscal 2016, the Company participated in an entitlement offer to maintain its 14.99% interest in HT&E for \$20 million. During the second quarter of fiscal 2017, the Company participated in an entitlement offer for \$21 million and its interest was diluted from 14.99% to 13.23%. During the fourth quarter of fiscal 2017, the Company’s interest increased from 13.23% to 13.40% as a result of dividend reinvestment. HT&E operates a portfolio of Australian radio and outdoor media assets.

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

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

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

Move’s results of operations are included within the Digital Real Estate Services segment, and it is considered a separate reporting unit for purposes of the Company’s annual goodwill impairment review.

In November 2014, SEEKAsia Limited (“SEEK Asia”), in which the Company owned a 12.1% interest, acquired the online employment businesses of JobStreet Corporation Berhad (“JobStreet”), which were combined with JobsDB, Inc., SEEK Asia’s existing online employment business. The transaction was funded primarily through additional contributions by SEEK Asia shareholders which did not have an impact on the Company’s ownership. The Company’s share of the funding contribution was approximately \$60 million. In June 2015, the Company purchased an additional 0.8% interest in SEEK Asia for approximately \$7 million, which increased the Company’s investment to approximately 12.9%. In June 2016, the Company’s interest in SEEK Asia increased to approximately 13.75% as a result of the repurchase and cancellation of shares owned by certain other shareholders.

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

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Results of Operations—Fiscal 2017 versus Fiscal 2016

The following table sets forth the Company's operating results for fiscal 2017 as compared to fiscal 2016.

(in millions, except %)	For the fiscal years ended June 30,			
	2017	2016	Change	% Change
			Better/(Worse)	
Revenues:				
Advertising	\$ 2,860	\$ 3,025	\$ (165)	(5)%
Circulation and subscription	2,470	2,569	(99)	(4)%
Consumer	1,573	1,578	(5)	—
Real estate	696	619	77	12%
Other	540	501	39	8%
Total Revenues	8,139	8,292	(153)	(2)%
Operating expenses	(4,529)	(4,728)	199	4%
Selling, general and administrative	(2,725)	(2,722)	(3)	—
NAM Group and Zillow settlements, net	—	(158)	158	**
Depreciation and amortization	(449)	(505)	56	11%
Impairment and restructuring charges	(927)	(89)	(838)	**
Equity (losses) earnings of affiliates	(295)	30	(325)	**
Interest, net	39	43	(4)	(9)%
Other, net	132	18	114	**
(Loss) income from continuing operations before income tax (expense) benefit	(615)	181	(796)	**
Income tax (expense) benefit	(28)	54	(82)	**
(Loss) income from continuing operations	(643)	235	(878)	**
Income (loss) from discontinued operations, net of tax	—	15	(15)	**
Net (loss) income	(643)	250	(893)	**
Less: Net income attributable to noncontrolling interests	(95)	(71)	(24)	(34)%
Net (loss) income attributable to News Corporation	(738)	\$ 179	\$ (917)	**

** not meaningful

Revenues — Revenues decreased \$153 million, or 2%, for the fiscal year ended June 30, 2017 as compared to fiscal 2016. The Revenue decrease was mainly due to a decrease in revenues at the News and Information Services segment of \$269 million, primarily resulting from weakness in the print advertising market across mastheads, the \$143 million negative impact of foreign currency fluctuations and the \$77 million impact from the absence of the 53rd week in fiscal 2017. The revenue decrease was partially offset by the acquisitions of Wireless Group and ARM which contributed \$74 million and \$61 million in revenues, respectively. The decrease in the News and Information Services segment was partially offset by increased revenues at the Digital Real Estate Services segment of \$116 million, primarily as a result of higher revenues at both REA Group and Move.

The impact of foreign currency fluctuations of the U.S. dollar against local currencies and the absence of the 53rd week in fiscal 2017 resulted in revenue decreases of \$147 million and \$112 million, respectively, for the fiscal year ended June 30, 2017 as compared to fiscal 2016. The Company calculates the impact of foreign currency fluctuations for businesses reporting in currencies other than the U.S. dollar by multiplying the results for each quarter in the current period by the difference between the average exchange rate for that quarter and the average exchange rate in effect during the corresponding quarter of the prior year and totaling the impact for all quarters in the current period.

Operating expenses — Operating expenses decreased \$199 million, or 4%, for the fiscal year ended June 30, 2017 as compared to fiscal 2016. The decrease in Operating expenses for the fiscal year ended June 30, 2017 was mainly due to a decrease in operating expenses at the News and Information Services segment of \$199 million,

primarily as a result of the impact of cost savings initiatives and lower newsprint, production, and distribution costs and a \$74 million positive impact from foreign currency fluctuations, partially offset by higher costs of \$75 million associated with the acquisitions of ARM and Wireless Group. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in an Operating expense decrease of \$59 million for the fiscal year ended June 30, 2017 as compared to fiscal 2016.

Selling, general and administrative expenses — Selling, general and administrative expenses increased \$3 million for the fiscal year ended June 30, 2017 as compared to fiscal 2016. The increase in Selling, general and administrative expenses was primarily due to higher expenses at the News and Information Services segment of \$10 million, mainly due to \$56 million in higher costs associated with the acquisitions of Wireless Group and ARM, and \$19 million in higher costs at News America Marketing, primarily due to a \$12 million increase in investment spending at Checkout 51, partially offset by the \$63 million positive impact of foreign currency fluctuations. The increase was also attributable to a one-time corporate charge of \$11 million associated with a change in the Company's executive management in February 2017. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Selling, general and administrative expense decrease of \$87 million for the fiscal year ended June 30, 2017 as compared to fiscal 2016.

NAM Group and Zillow settlements, net — During the fiscal year ended June 30, 2016, the Company recognized one-time costs of approximately \$280 million in connection with the settlement of certain litigation and related claims at News America Marketing and a one-time gain of \$122 million in connection with the settlement of litigation with Zillow, Inc. ("Zillow"). The gain reflects settlement proceeds received from Zillow of \$130 million, less \$8 million paid to the National Association of Realtors® ("NAR"). (See Note 15—Commitments and Contingencies in the accompanying Consolidated Financial Statements).

Depreciation and amortization — Depreciation and amortization expense decreased \$56 million, or 11%, for the fiscal year ended June 30, 2017 as compared to fiscal 2016, primarily due to the write-down of fixed assets at the Australian newspapers in the second quarter of fiscal 2017 and the positive impact of foreign currency fluctuations. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a depreciation and amortization expense decrease of \$9 million for the fiscal year ended June 30, 2017 as compared to fiscal 2016.

Impairment and restructuring charges — During the fiscal year ended June 30, 2017, the Company recognized total impairment charges of \$785 million, primarily at News UK and News Corp Australia. The total charges consisted of a write-down of the Company's fixed assets of \$679 million, a write-down of intangible assets of \$58 million and a write-down of goodwill of \$48 million.

During the fourth quarter of fiscal 2017, as part of the Company's long-range planning process, the Company reduced its outlook for the U.K. newspapers due to the impact of adverse print advertising and print circulation trends on the future expected performance of the business. As a result, the Company recognized a non-cash impairment charge of approximately \$360 million related to the write-down of fixed assets at the U.K. newspapers. The write-down was comprised of approximately \$252 million related to print sites, \$85 million related to printing presses and print related equipment and \$23 million related to capitalized software. Significant unobservable inputs utilized in the income approach valuation method were a discount rate of 8.5% and a -1.0% long term growth rate.

During the second quarter of fiscal 2017, the Company recognized a non-cash impairment charge of approximately \$310 million primarily related to the write-down of fixed assets at the Australian newspapers. The write-down was a result of the impact of adverse trends on the future expected performance of the Australian newspapers, where revenue declines from continued weakness in the print advertising market accelerated during the second quarter. The write-down was comprised of approximately \$149 million related to printing presses and print related equipment, \$77 million related to facilities, \$66 million related to capitalized software and \$18 million related to tradenames. Significant unobservable inputs utilized in the income approach valuation method were a discount rate of 11.5% and no long-term growth.

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In fiscal 2017, the Company recorded restructuring charges of \$142 million, of which \$133 million related to the News and Information Services segment. The restructuring charges were primarily related to employee termination benefits.

In connection with a reorganization at Dow Jones, the Company incurred \$38 million of restructuring expense in fiscal 2017, which is included in the restructuring charges discussed above. The reorganization is expected to reduce the Company’s costs by approximately \$100 million on an annualized basis by the end of fiscal 2018.

In fiscal 2016, the Company recorded restructuring charges of \$89 million, of which \$79 million related to the News and Information Services segment. The restructuring charges were primarily related to employee termination benefits.

Equity (losses) earnings of affiliates — Equity (losses) earnings of affiliates decreased \$325 million for the fiscal year ended June 30, 2017 as compared to fiscal 2016, primarily as a result of the \$227 million non-cash write-down of the carrying value of the Company’s investment in Foxtel to fair value and lower net income at Foxtel. (See Note 6—Investments in the accompanying Consolidated Financial Statements).

(in millions, except %)	For the fiscal years ended June 30,			
	2017	2016	Change	% Change
			Better/(Worse)	
Foxtel ^(a)	\$ (265)	\$ 38	\$ (303)	**
Other equity affiliates, net ^(b)	(30)	(8)	(22)	**
Total Equity (losses) earnings of affiliates	\$ (295)	\$ 30	\$ (325)	**

** not meaningful

^(a) During the second quarter of fiscal 2017, the Company recognized a \$227 million non-cash write-down of the carrying value of its investment in Foxtel to fair value. The write-down is reflected in Equity (losses) earnings of affiliates in the Statements of Operations for the fiscal year ended June 30, 2017. (See Note 6—Investments in the accompanying Consolidated Financial Statements).

In accordance with Accounting Standards Codification (“ASC”) 350, “Intangibles—Goodwill and Other” (“ASC 350”), the Company amortized \$68 million and \$52 million related to excess cost over the Company’s proportionate share of its investment’s underlying net assets allocated to finite-lived intangible assets during the fiscal years ended June 30, 2017 and 2016, respectively. Such amortization is reflected in Equity (losses) earnings of affiliates in the Statements of Operations. (See Note 6—Investments in the accompanying Consolidated Financial Statements). The increase in amortization expense recognized by the Company in fiscal 2017 resulted from a corresponding decrease in amortization expense recognized by Foxtel as certain intangible assets were fully amortized in fiscal 2016.

For the fiscal year ended June 30, 2017, Foxtel revenues increased \$32 million, or 1%, as a result of the positive impact of foreign currency fluctuations, as revenues decreased 2% in local currency due to lower subscribers. Operating income decreased \$20 million, primarily due to planned increases in programming spend and the lower revenues noted above, partially offset by lower depreciation costs and the positive impact of foreign currency fluctuations. Net income decreased \$121 million, mainly due to \$58 million in losses associated with the change in the fair value of Foxtel’s investment in Ten Network Holdings (“Ten”) and losses of \$53 million associated with Presto, primarily resulting from Foxtel management’s decision to cease Presto operations in January 2017. (See Note 6—Investments in the accompanying Consolidated Financial Statements).

During the first quarter of fiscal 2017, Foxtel was deemed to have significant influence over its investment in Ten. As a result, Foxtel was required to treat its investment in Ten as an equity method investment. Foxtel elected the fair value option under ASC 825, “Financial Instruments” (“ASC 825”) and adjusts the carrying value of the Ten investment to fair value each reporting period. Although Foxtel ceased to have significant

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influence in Ten during the third quarter of fiscal 2017, it will continue to adjust the carrying value of the Ten investment to fair value each reporting period due to its election of the fair value option under ASC 825. This adjustment will be recorded as a component of Foxtel's net income.

- (b) Other equity affiliates, net for the fiscal year ended June 30, 2017 includes losses primarily from the Company's interest in Elara. Additionally, during the fourth quarter of fiscal 2017, the Company recognized impairments of \$9 million on certain other equity method investments. The impairments are reflected in Equity (losses) earnings of affiliates in the Statement of Operations for the fiscal year ended June 30, 2017. (See Note 6—Investments in the accompanying Consolidated Financial Statements).

Interest, net —Interest, net for the fiscal year ended June 30, 2017 decreased \$4 million, or 9%, as compared to fiscal 2016, primarily due to higher interest expense associated with the REA Facility. (See Note 9—Borrowings in the accompanying Consolidated Financial Statements).

Other, net —

(in millions)	For the fiscal years ended	
	June 30,	
	2017	2016
Gain on sale of REA Group's European business ^(a)	\$ 107	\$ —
Gain on iProperty transaction ^(b)	—	29
Impairment of marketable securities and cost method investments ^(c)	(21)	(21)
Gain on sale of other businesses	19	2
Gain on sale of equity method investments	11	1
Gain on sale of marketable securities	7	1
Dividends received from cost method investments	3	—
Other	6	6
Total Other, net	\$ 132	\$ 18

(a) The Company recognized a pre-tax gain of \$107 million in the year ended June 30, 2017 related to REA Group's sale of its European business. (See Note 3—Acquisitions, Disposals, and Other Transactions in the accompanying Consolidated Financial Statements).

(b) The Company recorded a \$29 million gain resulting from the revaluation of REA Group's previously held interest in iProperty during the fiscal year ended June 30, 2016. (See Note 3—Acquisitions, Disposals, and Other Transactions in the accompanying Consolidated Financial Statements).

(c) The Company recorded write-offs and impairments of certain investments in the fiscal years ended June 30, 2017 and 2016. These write-offs and impairments were taken either as a result of the deteriorating financial position of the investee or due to an other-than-temporary impairment resulting from sustained losses and limited prospects for recovery. (See Note 6—Investments in the accompanying Consolidated Financial Statements).

Income tax (expense) benefit — The Company's income tax expense and effective tax rate for the fiscal year ended June 30, 2017 were \$28 million and (5%), respectively, as compared to an income tax benefit and effective tax rate of \$54 million and (30%), respectively, for fiscal 2016.

For the fiscal year ended June 30, 2017 the Company recorded a tax expense of \$28 million on pre-tax loss of \$615 million resulting in an effective tax rate that was lower than the U.S. statutory tax rate. The lower tax rate was primarily due to \$139 million of lower tax benefits on impairments and write-downs in foreign jurisdictions of approximately \$1 billion, a tax expense of approximately \$63 million related to the settlement of a foreign tax audit and \$40 million related to the recording of valuation allowance against foreign net operating losses, offset by lower taxes on the sale of certain business assets.

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For the fiscal year ended June 30, 2016, the Company recorded a tax benefit of \$54 million on pre-tax income of \$181 million resulting in an effective tax rate that was lower than the U.S. statutory tax rate. The lower tax rate was primarily due to a tax benefit of approximately \$106 million related to the release of previously established valuation allowances related to certain U.S. federal net operating losses and state deferred tax assets. This benefit was recognized in conjunction with management's plan to dispose of the Company's digital education business in the first quarter of fiscal 2016, as the Company now expects to generate sufficient U.S. taxable income to utilize these deferred tax assets prior to expiration. In addition, the effective tax rate was also impacted by the \$29 million non-taxable gain resulting from the revaluation of REA Group's previously held equity interest in iProperty. (See Note 18—Income Taxes in the accompanying Consolidated Financial Statements).

Income (loss) from discontinued operations, net of tax—For the fiscal year ended June 30, 2017, the Company did not recognize any income from discontinued operations as the operations of the digital education business were discontinued during fiscal 2016.

For the fiscal year ended June 30, 2016, the Company recorded income from discontinued operations, net of tax, of \$15 million. The income recognized in fiscal 2016 was primarily due to the impact of a \$144 million tax benefit recognized upon reclassification of the Digital Education segment to discontinued operations, a tax benefit of \$30 million related to the operations for the period and lower operating losses as a result of the sale of Amplify Insight and Amplify Learning, which more than offset the pre-tax non-cash impairment charge recognized in the first quarter of fiscal 2016 of \$76 million and \$17 million in severance and lease termination charges recognized in the second quarter of fiscal 2016. (See Note 4—Discontinued Operations in the accompanying Consolidated Financial Statements).

Net (loss) income—Net (loss) income decreased \$893 million for the fiscal year ended June 30, 2017 as compared to fiscal 2016 primarily due to non-cash impairment charges of approximately \$785 million, mainly related to the write-down of fixed assets at the U.K. and Australian newspapers, higher equity losses of affiliates, primarily due to the \$227 million non-cash write-down of the carrying value of the Company's investment in Foxtel to fair value, the absence of the one-time gain of \$122 million in connection with the settlement of litigation with Zillow, and the tax benefit related to the release of valuation allowances and income from discontinued operations recognized in fiscal 2016 which did not recur in fiscal 2017, partially offset by the absence of the \$280 million NAM Group settlement charge in the prior year and higher Other, net.

Net income attributable to noncontrolling interests—Net income attributable to noncontrolling interests increased by \$24 million for the fiscal year ended June 30, 2017 as compared to fiscal 2016, due to the gain on the sale of REA Group's European business.

Segment Analysis

Segment EBITDA is defined as revenues less operating expenses and selling, general and administrative expenses and excluding the impact from the NAM Group and Zillow legal settlements. Segment EBITDA does not include: depreciation and amortization, impairment and restructuring charges, equity (losses) earnings of affiliates, interest, net, other, net, income tax (expense) benefit and net income attributable to noncontrolling interests. Segment EBITDA may not be comparable to similarly titled measures reported by other companies, since companies and investors may differ as to what items should be included in the calculation of Segment EBITDA.

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

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Total Segment EBITDA is a non-GAAP measure and should be considered in addition to, not as a substitute for, net (loss) income, cash flow and other measures of financial performance reported in accordance with GAAP. In addition, this measure does not reflect cash available to fund requirements and excludes items, such as depreciation and amortization and impairment and restructuring charges, which are significant components in assessing the Company's financial performance. The Company believes that the presentation of Total Segment EBITDA provides useful information regarding the Company's operations and other factors that affect the Company's reported results. Specifically, the Company believes that by excluding certain one-time or non-cash items such as impairment and restructuring charges and depreciation and amortization, as well as potential distortions between periods caused by factors such as financing and capital structures and changes in tax positions or regimes, the Company provides users of its consolidated financial statements with insight into both its core operations as well as the factors that affect reported results between periods but which the Company believes are not representative of its core business. As a result, users of the Company's consolidated financial statements are better able to evaluate changes in the core operating results of the Company across different periods. The following table reconciles Total Segment EBITDA to (Loss) income from continuing operations:

	For the fiscal years ended June 30,			
	2017	2016	Change	% Change
(in millions, except %)			Better/(Worse)	
Revenues	\$ 8,139	\$ 8,292	\$ (153)	(2)%
Operating expenses	(4,529)	(4,728)	199	4%
Selling, general and administrative	(2,725)	(2,722)	(3)	— %
NAM Group and Zillow settlements, net	—	(158)	158	**
Total Segment EBITDA	885	684	201	29%
Depreciation and amortization	(449)	(505)	56	11%
Impairment and restructuring charges	(927)	(89)	(838)	**
Equity (losses) earnings of affiliates	(295)	30	(325)	**
Interest, net	39	43	(4)	(9)%
Other, net	132	18	114	**
(Loss) income from continuing operations before income tax (expense) benefit	(615)	181	(796)	**
Income tax (expense) benefit	(28)	54	(82)	**
(Loss) income from continuing operations	\$ (643)	\$ 235	\$ (878)	**

** not meaningful

	For the fiscal years ended June 30,			
	2017		2016	
(in millions)	Revenues	Segment EBITDA	Revenues	Segment EBITDA
News and Information Services	\$ 5,069	\$ 414	\$ 5,338	\$ 214
Book Publishing	1,636	199	1,646	185
Digital Real Estate Services	938	324	822	344
Cable Network Programming	494	123	484	124
Other	2	(175)	2	(183)
Total	\$ 8,139	\$ 885	\$ 8,292	\$ 684

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News and Information Services (62% and 64% of the Company's consolidated revenues in fiscal 2017 and 2016, respectively)

(in millions, except %)	For the fiscal years ended June 30,			
	2017	2016	Change	% Change
			Better/(Worse)	
Revenues:				
Advertising	\$ 2,608	\$ 2,810	\$ (202)	(7)%
Circulation and subscription	2,010	2,107	(97)	(5)%
Other	451	421	30	7%
Total Revenues	5,069	5,338	(269)	(5)%
Operating expenses	(2,943)	(3,142)	199	6%
Selling, general and administrative	(1,712)	(1,702)	(10)	(1)%
NAM Group settlement	—	(280)	280	**
Segment EBITDA	\$ 414	\$ 214	\$ 200	93%

** —not meaningful

For the fiscal year ended June 30, 2017, revenues at the News and Information Services segment decreased \$269 million, or 5%, as compared to fiscal 2016. The revenue decrease was mainly due to lower advertising revenues of \$202 million as compared to fiscal 2016, primarily resulting from weakness in the print advertising market across mastheads, the \$33 million impact from the absence of the 53rd week in fiscal 2017, the \$28 million negative impact from foreign currency fluctuations and lower advertising revenues of \$16 million from the *Perth Sunday Times* which was sold in November 2016. These decreases were partially offset by the acquisitions of Wireless Group and ARM, which contributed \$63 million and \$42 million of advertising revenues, respectively. Circulation and subscription revenues for the fiscal year ended June 30, 2017 decreased \$97 million as compared to fiscal 2016, primarily due to the \$88 million negative impact of foreign currency fluctuations and the \$39 million impact from the absence of the 53rd week in fiscal 2017, which more than offset higher circulation and subscription revenues at Dow Jones. Other revenues for the fiscal year ended June 30, 2017 increased \$30 million as compared to fiscal 2016, primarily due to higher brand partnership revenues in the U.K. of \$14 million, higher third-party printing revenues in Australia of \$10 million and the acquisitions of Wireless Group and Unruly, which contributed \$11 million and \$8 million, respectively, to the increase. These increases were partially offset by the \$27 million negative impact of foreign currency fluctuations. The impact of foreign currency fluctuations of the U.S. dollar against local currencies and the absence of the 53rd week in fiscal 2017 resulted in revenue decreases of \$143 million and \$77 million, respectively, for the fiscal year ended June 30, 2017 as compared to fiscal 2016.

For the fiscal year ended June 30, 2017, Segment EBITDA at the News and Information Services segment increased \$200 million, or 93%, as compared to fiscal 2016. The increase was primarily due to the absence of the \$280 million NAM Group settlement charge in the prior year and the \$12 million impact of an adjustment to the deferred consideration accrual related to the acquisition of Unruly. These factors were partially offset by lower contributions from News Corp Australia, News UK and Dow Jones of \$44 million, \$36 million and \$22 million, respectively, primarily due to the impact of lower advertising revenues as discussed above, partially offset by the impact of cost savings initiatives and lower newsprint, production, editorial and distribution costs.

News Corp Australia

Revenues at the Australian newspapers were \$1,271 million for the fiscal year ended June 30, 2017, a decrease of \$21 million, or 2%, compared to fiscal 2016 revenues of \$1,292 million. The impact of foreign currency fluctuations of the U.S. dollar against local currencies and the absence of the 53rd week in fiscal 2017 resulted in a revenue increase of \$43 million, or 3%, and a revenue decrease of \$21 million, or 2%, respectively, for the

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fiscal year ended June 30, 2017 as compared to fiscal 2016. Advertising revenues decreased \$46 million, primarily as a result of the \$94 million impact of weakness in the print advertising market, lower advertising revenues of \$16 million from the *Perth Sunday Times*, which was sold in November 2016, and the \$14 million impact from the absence of the 53rd week in fiscal 2017. These decreases were partially offset by the acquisition of ARM, which contributed \$42 million to advertising revenues, and the \$25 million positive impact of foreign currency fluctuations. Circulation and subscription revenues increased \$7 million due to the \$14 million positive impact of foreign currency fluctuations and \$13 million from the acquisition of ARM, partially offset by lower circulation and subscription revenues of \$10 million primarily from the *Perth Sunday Times* and the \$7 million impact from the absence of the 53rd week in fiscal 2017, as price increases and digital subscriber growth were offset by print volume declines. Other revenues increased \$18 million primarily due to higher third-party printing revenues.

News UK

Revenues were \$1,037 million for the fiscal year ended June 30, 2017, a decrease of \$244 million, or 19%, as compared to fiscal 2016 revenues of \$1,281 million. Advertising revenues decreased \$114 million, primarily due to the \$52 million negative impact of foreign currency fluctuations and the \$51 million impact from weakness in the print advertising. Circulation and subscription revenues decreased \$111 million, primarily due to the \$96 million negative impact of foreign currency fluctuations and the \$13 million impact from the absence of the 53rd week in fiscal 2017, as the \$33 million impact of single-copy volume declines, primarily at *The Sun*, was offset by the \$32 million impact of cover price increases across *The Sun* and *The Times*. Other revenues decreased \$19 million due to the \$29 million negative impact of foreign currency fluctuations, which more than offset higher brand partnership revenues. The impact of foreign currency fluctuations of the U.S. dollar against local currencies and the absence of the 53rd week in fiscal 2017 resulted in revenue decreases of \$177 million and \$21 million, respectively, for the fiscal year ended June 30, 2017 as compared to fiscal 2016.

Dow Jones

Revenues were \$1,479 million for the fiscal year ended June 30, 2017, a decrease of \$91 million, or 6%, as compared to fiscal 2016 revenues of \$1,570 million. Advertising revenues decreased \$103 million, primarily due to the \$95 million impact of weakness in the print advertising market. Circulation and subscription revenues increased \$9 million, primarily due to the \$38 million impact of price increases and volume growth at *The Wall Street Journal*, partially offset by the \$19 million impact from the absence of the 53rd week in fiscal 2017 and the \$6 million negative impact of foreign currency fluctuations, as professional information business revenues were relatively flat compared to fiscal 2016. The absence of the 53rd week in fiscal 2017 and the impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in revenue decreases of \$26 million and \$6 million, respectively, for the fiscal year ended June 30, 2017 as compared to fiscal 2016.

News America Marketing

Revenues at News America Marketing were \$1,021 million for the fiscal year ended June 30, 2017, an increase of \$9 million, or 1%, as compared to fiscal 2016 revenues of \$1,012 million. The increase was primarily due to higher other revenues of \$9 million related to certain merchandising products. Advertising revenues were flat, as higher domestic in-store product revenues of \$42 million and certain other increases were offset by lower home delivered revenues, which include free-standing insert products, of \$51 million.

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Book Publishing (20% of the Company's consolidated revenues in fiscal 2017 and 2016)

(in millions, except %)	For the fiscal years ended June 30,			
	2017	2016	Change	% Change
	Better/(Worse)			
Revenues:				
Consumer	\$ 1,573	\$ 1,578	\$ (5)	—
Other	63	68	(5)	(7)%
Total Revenues	1,636	1,646	(10)	(1)%
Operating expenses	(1,124)	(1,145)	21	2%
Selling, general and administrative	(313)	(316)	3	1%
Segment EBITDA	\$ 199	\$ 185	\$ 14	8%

For the fiscal year ended June 30, 2017, revenues at the Book Publishing segment decreased \$10 million, or 1%, as compared to fiscal 2016. The decrease was mainly due to the absence of \$42 million in sales of *Go Set a Watchman* by Harper Lee, the \$34 million negative impact of foreign currency fluctuations and the \$19 million impact from the absence of the 53rd week in fiscal 2017. These decreases were partially offset by strong frontlist and backlist sales in the general books category, which increased \$43 million, including *Hillbilly Elegy* by J.D. Vance, and in the Christian publishing category, which increased \$24 million, including *The Magnolia Story* by Chip and Joanna Gaines and *Jesus Calling* and *Jesus Always* by Sarah Young, as well as the \$25 million impact of the continued expansion of HarperCollins' global footprint. Digital sales represented 19% of Consumer revenues during the fiscal year ended June 30, 2017 and were flat as compared to fiscal 2016.

For the fiscal year ended June 30, 2017, Segment EBITDA at the Book Publishing segment increased \$14 million, or 8%, as compared to fiscal 2016. The increase was primarily due to the mix of titles as compared to the prior year.

Digital Real Estate Services (12% and 10% of the Company's consolidated revenues in fiscal 2017 and 2016, respectively)

(in millions, except %)	For the fiscal years ended June 30,			
	2017	2016	Change	% Change
	Better/(Worse)			
Revenues:				
Advertising	\$ 165	\$ 133	\$ 32	24%
Circulation and subscription	58	64	(6)	(9)%
Real estate	696	619	77	12%
Other	19	6	13	**
Total Revenues	938	822	116	14%
Operating expenses	(120)	(102)	(18)	(18)%
Selling, general and administrative	(494)	(498)	4	1%
Zillow settlement	—	122	(122)	**
Segment EBITDA	\$ 324	\$ 344	\$ (20)	(6)%

**—not meaningful

For the fiscal year ended June 30, 2017, revenues at the Digital Real Estate Services segment increased \$116 million, or 14%, as compared to fiscal 2016. At REA Group, revenues increased \$66 million, or 14%, to \$525 million in fiscal 2017 from \$459 million in fiscal 2016, primarily due to a \$45 million increase in Australian residential depth revenue and the \$18 million positive impact of foreign currency fluctuations, partially offset by an \$18 million decrease resulting from the sale of REA Group's European business in December 2016. Revenues at Move increased \$37 million, or 10%, to \$394 million in fiscal 2017 from \$357 million in fiscal 2016,

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primarily due to a \$38 million increase in ConnectionsSM for Buyers product revenues and a \$12 million increase in non-listing media revenues, partially offset by the \$12 million impact of lower revenues from TigerLead[®], which was sold in November 2016. The acquisition of DIAKRIT also contributed \$13 million to the revenue increase for the fiscal year ended June 30, 2017.

For the fiscal year ended June 30, 2017, Segment EBITDA at the Digital Real Estate Services segment decreased \$20 million, or 6%, as compared to fiscal 2016. The decrease in Segment EBITDA was the result of the \$63 million lower contribution from Move, primarily due to the absence of the \$122 million gain recognized in connection with the settlement of litigation with Zillow in fiscal 2016 and \$11 million of increased marketing costs to drive traffic growth and brand awareness, partially offset by the higher revenues noted above and the absence of \$36 million of legal costs, primarily related to the Zillow litigation. The decrease was partially offset by the \$46 million higher contribution from REA Group, primarily due to the higher revenues noted above, the \$11 million positive impact of foreign currency fluctuations and the absence of \$12 million of costs associated with REA Group's European business, which was disposed of in fiscal 2017, partially offset by \$16 million in higher costs associated with higher revenues and \$14 million in higher costs related to the acquisition of iProperty.

Cable Network Programming (6% of the Company's consolidated revenues in fiscal 2017 and 2016)

(in millions, except %)	For the fiscal years ended June 30,			
	2017	2016	Change	% Change
			Better/(Worse)	
Revenues:				
Advertising	\$ 86	\$ 81	\$ 5	6%
Circulation and subscription	402	398	4	1%
Other	6	5	1	20%
Total Revenues	494	484	10	2%
Operating expenses	(341)	(336)	(5)	(1)%
Selling, general and administrative	(30)	(24)	(6)	(25)%
Segment EBITDA	\$ 123	\$ 124	\$ (1)	(1)%

For the fiscal year ended June 30, 2017, revenues at the Cable Network Programming segment increased \$10 million, or 2% as compared to fiscal 2016. The revenue increase was primarily due to the acquisition of ANC, which contributed \$20 million of revenue in fiscal 2017 and the \$12 million positive impact of foreign currency fluctuations. These increases were partially offset by lower affiliate revenues of \$11 million at FOX SPORTS Australia and the \$10 million impact of the absence of the 53rd week in fiscal 2017.

For the fiscal year ended June 30, 2017, Segment EBITDA at the Cable Network Programming segment decreased \$1 million, or 1%, as compared to fiscal 2016. The decrease in Segment EBITDA was due to the \$3 million negative impact of foreign currency fluctuations as the impact of lower revenues at FOX SPORTS Australia were offset by lower programming rights costs.

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Results of Operations—Fiscal 2016 versus Fiscal 2015

The following table sets forth the Company's operating results for fiscal 2016 as compared to fiscal 2015.

(in millions, except %)	For the fiscal years ended June 30,			
	2016	2015	Change	% Change
			Better/(Worse)	
Revenues:				
Advertising	\$ 3,025	\$ 3,349	\$ (324)	(10)%
Circulation and Subscription	2,569	2,608	(39)	(1)%
Consumer	1,578	1,594	(16)	(1)%
Real estate	619	486	133	27%
Other	501	487	14	3%
Total Revenues	8,292	8,524	(232)	(3)%
Operating expenses	(4,728)	(4,952)	224	5%
Selling, general and administrative	(2,722)	(2,627)	(95)	(4)%
NAM Group and Zillow settlements, net	(158)	—	(158)	**
Depreciation and amortization	(505)	(498)	(7)	(1)%
Impairment and restructuring charges	(89)	(84)	(5)	(6)%
Equity earnings of affiliates	30	58	(28)	(48)%
Interest, net	43	56	(13)	(23)%
Other, net	18	75	(57)	(76)%
Income from continuing operations before income tax benefit (expense)	181	552	(371)	(67)%
Income tax benefit (expense)	54	(185)	239	**
Income from continuing operations	235	367	(132)	(36)%
Loss from discontinued operations, net of tax	15	(445)	460	**
Net income (loss)	250	(78)	328	**
Less: Net income attributable to noncontrolling interests	(71)	(69)	(2)	(3)%
Net income (loss) attributable to News Corporation	\$ 179	\$ (147)	\$ 326	**

** not meaningful

Revenues — Revenues decreased \$232 million, or 3%, for the fiscal year ended June 30, 2016 as compared to fiscal 2015. The revenue decrease was mainly due to a decrease in revenues at the News and Information Services segment of \$393 million, primarily resulting from the \$290 million negative impact of foreign currency fluctuations, weakness in the print advertising market across mastheads and lower free-standing insert product revenues at News America Marketing of \$98 million. The revenue decrease was partially offset by an increase in revenues at the Digital Real Estate Services segment of \$197 million, primarily as a result of the acquisition of Move in November 2014 and increased revenues at REA Group. The impact of foreign currency fluctuations of the U.S. dollar amount against local currencies and the 53rd week in fiscal 2016 resulted in a revenue decrease of \$455 million and increase of \$112 million, respectively for the fiscal year ended June 30, 2016 as compared to fiscal 2015.

Operating Expenses — Operating expenses decreased \$224 million, or 5%, for the fiscal year ended June 30, 2016 as compared to fiscal 2015. The decrease in Operating expenses was mainly due to a decrease in operating expenses at the News and Information Services segment of \$300 million, primarily as a result of the \$157 million positive impact of foreign currency fluctuations, lower newsprint, production and distribution costs and the impact of cost savings initiatives. The decrease in Operating expenses was partially offset by higher operating expenses at the Digital Real Estate Services segment of \$44 million due to the acquisition of Move in November 2014 and \$39 million at the Book Publishing segment primarily due to higher costs associated with increased print book sales. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in an operating expense decrease of \$199 million for the fiscal year ended June 30, 2016 as compared to fiscal 2015.

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Selling, general and administrative expenses — Selling, general and administrative expenses increased \$95 million, or 4%, for the fiscal year ended June 30, 2016 as compared to fiscal 2015. The increase in Selling, general and administrative expenses was primarily due to higher expenses at the Digital Real Estate Services segment of \$132 million as a result of the acquisition of Move in November 2014 and increased costs in the News and Information Services segment of \$16 million. The increases at the News and Information Services segment were primarily due to increased costs of \$41 million related to the acquisition of Unruly in September 2015, an approximate \$40 million in increased brand marketing and promotional expenses primarily at the U.K. newspapers, and \$28 million at NAM primarily due to the acquisition of Checkout 51 in July 2015, partially offset by the \$117 million positive impact of foreign currency fluctuations. The increases were partially offset by lower costs associated with the U.K. Newspaper Matters of \$31 million and lower expenses at the Book Publishing segment of \$24 million primarily as a result of cost savings initiatives. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Selling, general and administrative expense decrease of \$186 million for the fiscal year ended June 30, 2016 as compared to fiscal 2015.

NAM Group and Zillow settlements, net — During the fiscal year ended June 30, 2016, the Company recognized one-time costs of approximately \$280 million in connection with the settlement of certain litigation and related claims at News America Marketing. In addition, in the three months ended June 30, 2016, the Company recognized a gain of \$122 million in connection with the settlement of litigation with Zillow, which reflects settlement proceeds received from Zillow of \$130 million, less \$8 million paid to NAR. (See Note 15—Commitments and Contingences in the accompanying Consolidated Financial Statements).

Depreciation and amortization — Depreciation and amortization expense increased \$7 million, or 1%, for the fiscal year ended June 30, 2016 as compared to fiscal 2015, primarily due to increased depreciation and amortization expense at the Digital Real Estate Services segment due to the acquisition of Move in November 2014, partially offset by the positive impact of foreign currency fluctuations. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a depreciation and amortization expense decrease of \$27 million for the fiscal year ended June 30, 2016 as compared to fiscal 2015.

Restructuring charges — In fiscal 2016, the Company recorded restructuring charges of \$89 million, of which \$79 million related to the News and Information Services segment. The restructuring charges were primarily related to employee termination benefits.

In fiscal 2015, the Company recorded restructuring charges of \$84 million, of which \$75 million related to the News and Information Services segment. The restructuring charges were primarily related to employee termination benefits.

Equity earnings of affiliates — Equity earnings of affiliates decreased \$28 million, or 48%, for the fiscal year ended June 30, 2016 as compared to fiscal 2015, primarily as a result of lower net income at Foxtel.

	For the fiscal years ended June 30,			
	2016	2015	Change	% Change
(in millions, except %)			Better/(Worse)	
Foxtel ^(a)	\$38	\$59	\$ (21)	(36)%
Other equity affiliates ^(b)	(8)	(1)	(7)	**
Total Equity earnings of affiliates	<u>\$30</u>	<u>\$58</u>	<u>\$ (28)</u>	<u>(48)%</u>

** not meaningful

^(a) In accordance with ASC 350, the Company amortized \$52 million and \$57 million related to excess cost over the Company's proportionate share of its investment's underlying net assets allocated to finite-lived intangible assets during the fiscal years ended June 30, 2016 and 2015, respectively. Such amortization is reflected in Equity earnings of affiliates in the Statements of Operations. (See Note 6—Investments in the accompanying

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Consolidated Financial Statements). For the fiscal year ended June 30, 2016, Foxtel revenues decreased \$279 million, or 10%, as a result of the negative impact of foreign currency fluctuations, which more than offset higher revenues in local currency. Operating income decreased primarily due to the negative net impact of foreign currency fluctuations, increased investment in programming to support subscriber growth, higher offer costs and continued investment in Presto, partially offset by lower depreciation expense resulting from Foxtel's reassessment of the useful lives of cable and satellite installations. Net income decreased as a result of the lower operating income noted above, partially offset by lower income tax expense.

- (b) Other equity affiliates, net for the fiscal year ended June 30, 2016 includes losses primarily from the Company's interests in Draftstars and Elara.

Interest, net—Interest, net for the fiscal year ended June 30, 2016 decreased \$13 million, or 23%, as compared to fiscal 2015, primarily due to the negative impact of foreign currency fluctuations and interest expense associated with the REA Facility. (See Note 9—Borrowings in the accompanying Consolidated Financial Statements).

Other, net—

	For the fiscal years ended June 30,	
	2016	2015
	(in millions)	
Gain on iProperty transaction ^(a)	\$ 29	\$ —
Impairment of marketable securities and cost method investments ^(b)	(21)	(5)
Gain on sale of other businesses	2	—
Gain on sale of equity method investments	1	7
Gain on sale of marketable securities ^(c)	1	29
Dividends received from cost method investments	—	25
Gain on sale of cost method investments	—	15
Other	6	4
Total Other, net	<u>\$ 18</u>	<u>\$ 75</u>

- (a) The Company recorded a \$29 million gain resulting from the revaluation of REA Group's previously held interest in iProperty during the fiscal year ended June 30, 2016. (See Note 3—Acquisitions, Disposals and Other Transactions in the accompanying Consolidated Financial Statements).
- (b) The Company recorded write-offs and impairments of certain investments in the fiscal years ended June 30, 2016 and 2015. These write-offs and impairments were taken either as a result of the deteriorating financial position of the investee or due to an other-than-temporary impairment resulting from sustained losses and limited prospects for recovery. (See Note 6—Investments in the accompanying Consolidated Financial Statements).
- (c) In August 2014, REA Group completed the sale of a minority interest held in marketable securities for total cash consideration of \$104 million. As a result of the sale, REA Group recognized a pre-tax gain of \$29 million, which was reclassified out of accumulated other comprehensive loss and included in Other, net in the Statement of Operations.

Income tax benefit (expense)—The Company's income tax benefit and effective tax rate for the fiscal year ended June 30, 2016 were \$54 million and (30%), respectively, as compared to an income tax expense and effective tax rate of \$185 million and 34%, respectively, for fiscal 2015.

For the fiscal years ended June 30, 2016 the Company recorded a tax benefit of \$54 million on pre-tax income of \$181 million resulting in an effective tax rate that was lower than the U.S. statutory tax. The lower tax rate was primarily due to a tax benefit of approximately \$106 million related to the release of previously established valuation allowances related to certain U.S. federal net operating losses and state deferred tax assets. This benefit

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was recognized in conjunction with management's plan to dispose of the Company's digital education business in the first quarter of fiscal 2016, as the Company now expects to generate sufficient U.S. taxable income to utilize these deferred tax assets prior to expiration. In addition, the effective tax rate was also impacted by the \$29 million non-taxable gain resulting from the revaluation of REA Group's previously held equity interest in iProperty.

For the fiscal year ended June 30, 2015, the Company's effective tax rate was lower than the U.S. statutory tax rate primarily due to the impact from foreign operations which are subject to lower tax rates, partially offset by the impact of nondeductible items and changes in our accrued liabilities for uncertain tax positions. (See Note 18—Income Taxes in the accompanying Consolidated Financial Statements).

Income (loss) from discontinued operations, net of tax — For the fiscal year ended June 30, 2016, the Company recorded income from discontinued operations, net of tax, of \$15 million as compared to a loss of \$445 million for fiscal 2015. The income recognized in fiscal 2016 was primarily due to the impact of a \$144 million tax benefit recognized upon reclassification of the Digital Education segment to discontinued operations, a tax benefit of \$30 million related to the current year operations and lower operating losses as a result of the sale of Amplify Insight and Amplify Learning, which more than offset the pre-tax non-cash impairment charge recognized in the first quarter of fiscal 2016 of \$76 million and \$17 million in severance and lease termination charges recognized in the second quarter of fiscal 2016. The loss recognized in fiscal 2015 primarily relates to a non-cash impairment charge of \$371 million recorded in the three months ended June 30, 2015 and a full year of operating losses at Amplify in 2015. (See Note 4—Discontinued Operations in the accompanying Consolidated Financial Statements).

Net income (loss) — Net income increased \$328 million for the fiscal year ended June 30, 2016 as compared to fiscal 2015 primarily due to higher income from discontinued operations and the income tax benefit discussed above, partially offset by the negative net impact of the NAM Group and Zillow legal settlements, lower Total Segment EBITDA, the lower contribution from Other, net, lower equity earnings, primarily from Foxtel, and lower Interest, net.

Net income attributable to noncontrolling interests — Net income attributable to noncontrolling interests increased by \$2 million for the fiscal year ended June 30, 2016 as compared to fiscal 2015, due to higher results at REA Group, partially offset by the negative impact of foreign currency fluctuations.

Segment Analysis

Segment EBITDA is defined as revenues less operating expenses, selling, general and administrative expenses and the NAM Group and Zillow settlement charge. Segment EBITDA does not include: depreciation and amortization, restructuring charges, equity earnings of affiliates, interest, net, other, net, income tax benefit (expense) and net income attributable to noncontrolling interests. Segment EBITDA may not be comparable to similarly titled measures reported by other companies, since companies and investors may differ as to what items should be included in the calculation of Segment EBITDA.

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

Total Segment EBITDA is a non-GAAP measure and should be considered in addition to, not as a substitute for, net income (loss), cash flow and other measures of financial performance reported in accordance with GAAP. In addition, this measure does not reflect cash available to fund requirements and excludes items, such as

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depreciation and amortization and impairment and restructuring charges, which are significant components in assessing the Company's financial performance. The Company believes that the presentation of Total Segment EBITDA provides useful information regarding the Company's operations and other factors that affect the Company's reported results. Specifically, the Company believes that by excluding certain one-time or non-cash items such as impairment and restructuring charges and depreciation and amortization, as well as potential distortions between periods caused by factors such as financing and capital structures and changes in tax positions or regimes, the Company provides users of its consolidated financial statements with insight into both its core operations as well as the factors that affect reported results between periods but which the Company believes are not representative of its core business. As a result, users of the Company's consolidated financial statements are better able to evaluate changes in the core operating results of the Company across different periods. The following table reconciles Total Segment EBITDA to Income (loss) from continuing operations.

(in millions, except %)	For the fiscal years ended June 30,			
	2016	2015	Change	Change %
			Better/(Worse)	
Revenues	\$ 8,292	\$ 8,524	\$ (232)	(3)%
Operating expenses	(4,728)	(4,952)	224	5%
Selling, general and administrative expenses	(2,722)	(2,627)	(95)	(4)%
NAM Group and Zillow settlements, net	(158)	—	(158)	**
Total Segment EBITDA	684	945	(261)	(28)%
Depreciation and amortization	(505)	(498)	(7)	(1)%
Impairment and restructuring charges	(89)	(84)	(5)	(6)%
Equity earnings of affiliates	30	58	(28)	(48)%
Interest, net	43	56	(13)	(23)%
Other, net	18	75	(57)	(76)%
Income from continuing operations before income tax (expense) benefit	181	552	(371)	(67)%
Income tax (expense) benefit	54	(185)	239	**
Income from continuing operations	235	367	(132)	(36)%

** not meaningful

	For the fiscal years ended June 30,			
	2016		2015	
	Revenues	Segment EBITDA	Revenues	Segment EBITDA
	(in millions)			
News and Information Services	\$ 5,338	\$ 214	\$ 5,731	\$ 603
Book Publishing	1,646	185	1,667	221
Digital Real Estate Services	822	344	625	201
Cable Network Programming	484	124	500	135
Other	2	(183)	1	(215)
Total	\$ 8,292	\$ 684	\$ 8,524	\$ 945

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News and Information Services (64% and 67% of the Company's consolidated revenues in fiscal 2016 and 2015, respectively)

(in millions, except %)	For the fiscal years ended June 30,			
	2016	2015	Change	% Change
			Better/(Worse)	
Revenues:				
Advertising	\$ 2,810	\$ 3,163	\$ (353)	(11)%
Circulation and subscription	2,107	2,159	(52)	(2)%
Other	421	409	12	3%
Total Revenues	5,338	5,731	(393)	(7)%
Operating expenses	(3,142)	(3,442)	300	9%
Selling, general and administrative	(1,702)	(1,686)	(16)	(1)%
NAM Group settlement	(280)	—	(280)	**
Segment EBITDA	\$ 214	\$ 603	\$ (389)	(65)%

** not meaningful

For the fiscal year ended June 30, 2016, revenues at the News and Information Services segment decreased \$393 million, or 7%, as compared to fiscal 2015. The revenue decrease was mainly due to lower advertising revenues of \$353 million as compared to fiscal 2015, primarily resulting from the \$152 million negative impact of foreign currency fluctuations, weakness in the print advertising market and \$98 million lower free-standing insert product revenues at News America Marketing. Circulation and subscription revenues for the fiscal year ended June 30, 2016 decreased \$52 million as compared to fiscal 2015 due to the \$109 million negative impact of foreign currency fluctuations, which more than offset higher paid circulation and subscription revenues at Dow Jones and the Australian newspapers primarily resulting from price increases and digital subscriber growth. Other revenues for the fiscal year ended June 30, 2016 increased \$12 million as compared to fiscal 2015, primarily due to the \$45 million contribution from Unruly which was acquired in September 2015, partially offset by the \$29 million negative impact of foreign currency fluctuations. The impact of the 53rd week in fiscal 2016 resulted in a revenue increase of approximately \$77 million.

For the fiscal year ended June 30, 2016, Segment EBITDA at the News and Information Services segment decreased \$389 million, or 65%, as compared to fiscal 2015. The decrease was primarily due to one-time costs of approximately \$280 million recognized in connection with the settlement of certain litigation and related claims, lower free-standing insert product revenues discussed above and a loss of \$20 million at Checkout 51, primarily related to investment spending and acquisition-related costs. Segment EBITDA was also impacted by a decrease of \$27 million at the Australian newspapers, primarily resulting from the \$14 million negative impact of foreign currency fluctuations and lower advertising revenues, which more than offset the impact of lower newsprint, production and distribution costs, and at the U.K. newspapers of \$23 million, primarily due to lower revenues and higher promotion and marketing costs. These decreases were partially offset by an increase of \$22 million at Dow Jones, primarily due to lower newsprint, production and distribution costs and the impact of cost savings initiatives.

News Corp Australia

Revenues at the Australian newspapers were \$1,292 million for the fiscal year ended June 30, 2016, a decrease of \$241 million, or 16%, as compared to fiscal 2015 revenues of \$1,533 million. The impact of foreign currency fluctuations of the U.S. dollar against the Australian dollar resulted in a revenue decrease of \$194 million, or 13%. Advertising revenues declined \$203 million, primarily as a result of the \$121 million negative impact of foreign currency fluctuations and the \$93 million impact of weakness in the print advertising market in Australia. Circulation and subscription revenues declined \$43 million due to the \$57 million negative impact of foreign currency fluctuations, partially offset by the \$18 million impact of price increases, digital subscriber growth and the positive impact of the 53rd week.

[Table of Contents](#)*News UK*

Revenues were \$1,281 million for the fiscal year ended June 30, 2016, a decrease of \$142 million, or 10%, as compared to fiscal 2015 revenues of \$1,423 million. The impact of foreign currency fluctuations of the U.S. dollar against the British pound resulted in a revenue decrease of \$80 million, or 6%, for the fiscal year ended June 30, 2016 as compared to fiscal 2015. Advertising revenues decreased \$63 million, primarily due to the \$52 million impact from print market declines and the \$25 million negative impact of foreign currency fluctuations. Circulation and subscription revenues decreased \$41 million due to the \$42 million negative impact of foreign currency fluctuations. Lower revenues of \$55 million resulting from single-copy volume declines, primarily at *The Sun*, and changes in the digital strategy at *The Sun*, were offset by the \$53 million impact from cover price increases, higher subscriptions at *The Times* and *The Sunday Times* and the 53rd week. Other revenues decreased \$38 million due to a reduction in newsprint sales to third parties.

Dow Jones

Revenues were \$1,570 million for the fiscal year ended June 30, 2016, an increase of \$4 million, as compared to fiscal 2015 revenues of \$1,566 million. Circulation and subscription revenues increased by \$33 million, due to higher revenues at *The Wall Street Journal* of \$20 million primarily related to price increases and digital volume growth and the \$19 million positive impact of the 53rd week, partially offset by the \$10 million negative impact of foreign currency fluctuations. Professional information business revenues were flat compared to fiscal 2015. Advertising revenues decreased \$27 million primarily resulting from lower print advertising of \$36 million, partially offset by higher digital advertising revenues. The impact of the 53rd week resulted in a revenue increase of \$7 million.

News America Marketing

Revenues at News America Marketing were \$1,012 million for the fiscal year ended June 30, 2016, a decrease of \$63 million, or 6%, as compared to fiscal 2015 revenues of \$1,075 million. The decrease was primarily due to decreased revenues for free-standing insert products of \$98 million, partially offset by increased in-store product revenues of \$18 million.

Book Publishing (20% of the Company's consolidated revenues in fiscal 2016 and 2015)

(in millions, except %)	For the fiscal years ended June 30,			
	2016	2015	Change	% Change
			Better/(Worse)	
Revenues:				
Consumer	\$ 1,578	\$ 1,594	\$ (16)	(1)%
Other	68	73	(5)	(7)%
Total Revenues	1,646	1,667	(21)	(1)%
Operating expenses	(1,145)	(1,106)	(39)	(4)%
Selling, general and administrative	(316)	(340)	24	7%
Segment EBITDA	\$ 185	\$ 221	\$ (36)	(16)%

For the fiscal year ended June 30, 2016, revenues at the Book Publishing segment decreased \$21 million, or 1%, as compared to fiscal 2015. The decrease was primarily the result of \$69 million in higher sales of the *Divergent* series by Veronica Roth and *American Sniper* by Chris Kyle in the prior year, the \$39 million negative impact of foreign currency fluctuations and an industry-wide decline in e-book sales. These decreases were partially offset by higher print book sales across all genres, including sales of *Go Set a Watchman* by Harper Lee in fiscal 2016 of \$42 million, \$37 million due to strong sales in the Christian Publishing and Children's Categories, \$23 million related to the acquisition of Harlequin in August 2014 and \$21 million related to the continued expansion of HarperCollins' global footprint. The Company sold 2.0 million net units of the *Divergent* series in the fiscal year ended June 30, 2016 as compared to 8.3 million net units in fiscal 2015. Digital sales represented 19% and 22% of Consumer revenues during fiscal 2016 and 2015, respectively. Digital sales decreased 15% as compared to

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fiscal 2015 due to an industry-wide decline in e-book sales and the lower contribution from the *Divergent* series. During the fiscal year ended June 30, 2016, HarperCollins had 239 titles on The New York Times Bestseller List, with 30 titles reaching the number one position. The impact of the 53rd week in fiscal 2016 resulted in a revenue increase of approximately \$19 million.

For the fiscal year ended June 30, 2016, Segment EBITDA at the Book Publishing segment decreased \$36 million, or 16%, as compared to fiscal 2015. The decrease was primarily due to the mix of titles as compared to the prior year and cost saving initiatives.

Digital Real Estate Services (10% and 7% of the Company’s consolidated revenues in fiscal 2016 and 2015, respectively)

(in millions, except %)	For the fiscal years ended June 30,			
	2016	2015	Change	% Change
			Better/(Worse)	
Revenues				
Advertising	\$ 133	\$ 103	\$ 30	29%
Circulation and Subscription	64	36	28	78%
Real estate	619	486	133	27%
Other	6	—	6	**
Total Revenues	822	625	197	32%
Operating expenses	(102)	(58)	(44)	(76)%
Selling, general and administrative	(498)	(366)	(132)	(36)%
Zillow settlement	122	—	122	**
Segment EBITDA	\$ 344	\$ 201	\$ 143	71%

** not meaningful

For the fiscal year ended June 30, 2016, revenues at the Digital Real Estate Services segment increased \$197 million, or 32%, as compared to fiscal 2015, primarily due to a \$169 million increase from Move which was acquired in November 2014. The majority of the increase related to the inclusion of a full year of operations in fiscal 2016 as compared to fiscal 2015. Approximately \$40 million of the increase related to Move was driven by increased ConnectionSM for Co-brokerage product revenues and to a lesser extent, non-listing media revenues in the period from November 2015 through the end of fiscal 2016, as compared to the comparable prior year period. At REA Group, revenues increased \$22 million, or 5%, to \$459 million in fiscal 2016 from \$437 million in fiscal 2015 resulting from higher revenues from greater residential listing depth product penetration and higher developer and media revenues, largely offset by the \$66 million negative impact of foreign currency fluctuations.

For the fiscal year ended June 30, 2016, Segment EBITDA at the Digital Real Estate Services segment increased \$143 million, or 71%, as compared to fiscal 2015, primarily due to an increase at Move resulting from a gain of \$122 million recognized in connection with the settlement of litigation with Zillow. The gain reflects proceeds received from Zillow of \$130 million, less \$8 million paid to NAR. The results at Move were also positively impacted by transaction costs of \$19 million in fiscal 2015 which did not recur in the current fiscal year and higher revenues, offset by increased legal costs of \$28 million related to the Zillow litigation. Total legal costs incurred in connection with the Zillow litigation were \$38 million for fiscal 2016. Segment EBITDA was also impacted by higher revenues at REA Group, noted above, which were partially offset by the \$37 million negative net impact of currency fluctuations. These increases were partially offset by \$7 million in one-time transaction costs related to the acquisition of iProperty.

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Cable Network Programming (6% of the Company's consolidated revenues in fiscal 2016 and 2015)

(in millions, except %)	For the fiscal years ended June 30,			
	2016	2015	Change	% Change
	Better/(Worse)			
Revenues:				
Advertising	\$ 81	\$ 82	\$ (1)	(1)%
Circulation and Subscription	398	413	(15)	(4)%
Other	5	5	—	—
Total Revenues	484	500	(16)	(3)%
Operating expenses	(336)	(339)	3	1%
Selling, general and administrative	(24)	(26)	2	8%
Segment EBITDA	\$ 124	\$ 135	\$ (11)	(8)%

For the fiscal year ended June 30, 2016, revenues and Segment EBITDA at the Cable Network Programming segment decreased \$16 million, or 3%, and \$11 million, or 8%, respectively, as compared to fiscal 2015. The revenue decrease was primarily due to the \$60 million negative impact of foreign currency fluctuations, which more than offset higher affiliate and advertising revenues of \$44 million. The impact of the 53rd week in fiscal 2016 resulted in a revenue increase of approximately \$10 million. The decrease in Segment EBITDA was primarily the result of the \$14 million negative impact of foreign currency fluctuations as higher sports programming rights and production costs offset higher affiliate and advertising revenues discussed above.

Other (0% of the Company's consolidated revenues in fiscal 2016 and 2015)

(in millions, except %)	For the fiscal years ended June 30,			
	2016	2015	Change	% Change
	Better/(Worse)			
Revenues:				
Advertising	\$ 1	\$ 1	\$ —	—
Other	1	—	1	**
Total Revenues	2	1	1	100%
Operating expenses	(3)	(7)	4	57%
Selling, general and administrative	(182)	(209)	27	13%
Segment EBITDA	\$ (183)	\$ (215)	\$ 32	15%

** —not meaningful

Segment EBITDA at the Other segment for the fiscal year ended June 30, 2016 increased \$32 million, or 15%, as compared to fiscal 2015. Segment EBITDA increased primarily due to \$31 million lower costs associated with the U.K. Newspaper Matters. The net expense related to the U.K. Newspaper Matters included in Selling, general and administrative expenses was \$19 million for the fiscal year ended June 30, 2016 as compared to \$50 million in fiscal 2015.

LIQUIDITY AND CAPITAL RESOURCES

Current Financial Condition

The Company's principal source of liquidity is internally generated funds and cash and cash equivalents on hand. As of June 30, 2017, the Company's cash and cash equivalents were \$2,016 million. The Company expects these elements of liquidity will enable it to meet its liquidity needs in the foreseeable future. As described in greater detail below, in October 2013, the Company established a revolving credit facility of \$650 million, which

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terminates on October 23, 2020. The Company may request that the commitments be extended under certain circumstances as set forth in the credit agreement and may also request increases in the amount of the facility up to a maximum amount of \$900 million. In addition, the Company expects to have access to the worldwide capital markets, subject to market conditions, in order to issue debt if needed or desired. Although the Company believes that its cash on hand and future cash from operations, together with its access to the capital markets, will provide adequate resources to fund its operating and financing needs, its access to, and the availability of, financing on acceptable terms in the future will be affected by many factors, including: (i) the Company's performance, (ii) its credit rating or absence of a credit rating, (iii) the liquidity of the overall capital markets and (iv) the current state of the economy. There can be no assurances that the Company will continue to have access to the capital markets on acceptable terms. See Part I, "Item 1A. Risk Factors" for further discussion.

As of June 30, 2017, the Company's consolidated assets included \$1,050 million in cash and cash equivalents that was held by its foreign subsidiaries. \$276 million of this amount is cash not readily accessible by the Company as it is held by REA Group, a majority owned but separately listed public company. REA Group must declare a dividend in order for the Company to have access to its share of REA Group's cash balance. The Company earns income outside the U.S., which is deemed to be permanently reinvested in certain foreign jurisdictions. The Company does not currently intend to repatriate these earnings. Should the Company require more capital in the U.S. than is generated by and/or available to its domestic operations, the Company could elect to transfer funds held in foreign jurisdictions. The transfer of funds from foreign jurisdictions may be cumbersome due to local regulations, foreign exchange controls and taxes. Additionally, the transfer of funds from foreign jurisdictions may result in higher effective tax rates and higher cash paid for income taxes for the Company.

The principal uses of cash that affect the Company's liquidity position include the following: operational expenditures including employee costs and paper purchases; capital expenditures; income tax payments; investments in associated entities and acquisitions. In addition to the acquisitions and dispositions disclosed elsewhere, the Company has evaluated, and expects to continue to evaluate, possible future acquisitions and dispositions of certain businesses. Such transactions may be material and may involve cash, the issuance of the Company's securities or the assumption of indebtedness.

Issuer Purchases of Equity Securities

In May 2013, the Company's Board of Directors (the "Board of Directors") authorized the Company to repurchase up to an aggregate of \$500 million of its Class A Common Stock. On May 10, 2015, the Company announced it had begun repurchasing shares of Class A Common Stock under the stock repurchase program. No stock repurchases were made during the fiscal year ended June 30, 2017. Through August 7, 2017, the Company repurchased approximately 5.2 million shares of Class A Common Stock for an aggregate cost of approximately \$71 million. The remaining authorized amount under the stock repurchase program as of August 7, 2017 was approximately \$429 million. All decisions regarding any future stock repurchases are at the sole discretion of a duly appointed committee of the Board of Directors and management. The committee's decisions regarding future stock repurchases will be evaluated from time to time in light of many factors, including the Company's financial condition, earnings, capital requirements and debt facility covenants, other contractual restrictions, as well as legal requirements, regulatory constraints, industry practice, market volatility and other factors that the committee may deem relevant. The stock repurchase authorization may be modified, extended, suspended or discontinued at any time by the Board of Directors and the Board of Directors cannot provide any assurances that any additional shares will be repurchased.

Dividends

In August 2016, the Board of Directors declared a semi-annual cash dividend of \$0.10 per share for Class A Common Stock and Class B Common Stock. This dividend was paid on October 19, 2016 to stockholders of record at the close of business on September 14, 2016. In February 2017, the Board of Directors declared a semi-

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annual cash dividend of \$0.10 per share for Class A Common Stock and Class B Common Stock. This dividend was paid on April 19, 2017 to stockholders of record as of March 15, 2017. The timing, declaration, amount and payment of future dividends to stockholders, if any, is within the discretion of the Board of Directors. The Board of Directors' decisions regarding the payment of future dividends will depend on many factors, including the Company's financial condition, earnings, capital requirements and debt facility covenants, other contractual restrictions, as well as legal requirements, regulatory constraints, industry practice, market volatility and other factors that the Board of Directors deems relevant.

Sources and Uses of Cash—Fiscal 2017 versus Fiscal 2016

Net cash provided by operating activities from continuing operations for the fiscal years ended June 30, 2017 and 2016 was as follows (in millions):

<u>For the fiscal years ended June 30,</u>	<u>2017</u>	<u>2016</u>
Net cash provided by operating activities from continuing operations	\$499	\$952

Net cash provided by operating activities from continuing operations decreased by \$453 million for the fiscal year ended June 30, 2017 as compared to fiscal 2016. The decrease was primarily due to higher NAM Group settlement payments of \$234 million during the fiscal year ended June 30, 2017, the absence of net proceeds received in fiscal 2016 from the Zillow litigation settlement of \$122 million, higher restructuring payments of \$41 million during the fiscal year ended June 30, 2017, lower dividends received from Foxtel and other equity method investments of \$30 million and higher net tax payments of \$30 million in fiscal 2017.

Net cash used in investing activities from continuing operations for the fiscal years ended June 30, 2017 and 2016 was as follows (in millions):

<u>For the fiscal years ended June 30,</u>	<u>2017</u>	<u>2016</u>
Net cash used in investing activities from continuing operations	\$(105)	\$(1,124)

The Company had net cash used in investing activities from continuing operations of \$105 million for the fiscal year ended June 30, 2017 as compared to net cash used in investing activities from continuing operations of \$1,124 million for fiscal 2016. During the fiscal year ended June 30, 2017, the Company used \$347 million of cash for acquisitions, primarily for the acquisitions of Wireless Group and ARM. The Company also had capital expenditures of \$256 million. The net cash used in investing activities from continuing operations for the fiscal year ended June 30, 2017 was partially offset by the utilization of restricted cash for the Wireless Group acquisition of \$315 million and proceeds from the sale of REA Group's European business of approximately \$140 million.

During the fiscal year ended June 30, 2016, the Company used \$520 million of cash for acquisitions, primarily for the acquisitions of iProperty, Unruly, DIAKRIT, Flatmates and Checkout 51. The Company also had capital expenditures of \$256 million in fiscal 2016. Additionally, the Company had set aside \$315 million of cash for use in the Wireless Group acquisition as a result of U.K. takeover regulations and classified this as restricted cash as of June 30, 2016.

Net cash (used in) provided by financing activities from continuing operations for the fiscal years ended June 30, 2017 and 2016 was as follows (in millions):

<u>For the fiscal years ended June 30,</u>	<u>2017</u>	<u>2016</u>
Net cash (used in) provided by financing activities from continuing operations	\$(217)	\$150

The Company had net cash used in financing activities from continuing operations of \$217 million for the fiscal year ended June 30, 2017 as compared to net cash provided by financing activities from continuing operations of \$150 million for fiscal 2016. During the fiscal year ended June 30, 2017, the Company paid dividends of

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\$152 million, primarily to News Corporation stockholders and REA Group minority stockholders, and repaid the debt assumed in the acquisition of Wireless Group of \$23 million.

During the fiscal year ended June 30, 2016, the Company had proceeds from borrowings under the REA Facility of approximately \$340 million. The net cash provided by financing activities from continuing operations for the fiscal year ended June 30, 2016 was partially offset by dividend payments of \$147 million, primarily to News Corporation stockholders and REA Group minority stockholders, and repurchases of News Corporation shares for \$41 million.

Sources and Uses of Cash—Fiscal 2016 versus Fiscal 2015

Net cash provided by operating activities from continuing operations for the fiscal years ended June 30, 2016 and 2015 was as follows (in millions):

<u>For the fiscal years ended June 30,</u>	<u>2016</u>	<u>2015</u>
Net cash provided by operating activities from continuing operations	\$952	\$988

Net cash provided by operating activities from continuing operations decreased by \$36 million for the fiscal year ended June 30, 2016 as compared to fiscal 2015. The decrease was primarily due to lower dividends received from Foxtel and cost method investments of \$104 million and higher restructuring payments of \$44 million during the fiscal year ended June 30, 2016. The decrease was offset by net proceeds received in fiscal 2016 from the Zillow litigation settlement of \$122 million and a benefit in working capital related to the 53rd week.

Net cash used in investing activities from continuing operations for the fiscal years ended June 30, 2016 and 2015 was as follows (in millions):

<u>For the fiscal years ended June 30,</u>	<u>2016</u>	<u>2015</u>
Net cash used in investing activities from continuing operations	\$(1,124)	\$(1,671)

The Company had net cash used in investing activities from continuing operations of \$1,124 million for the fiscal year ended June 30, 2016 as compared to net cash used in investing activities from continuing operations of \$1,671 million for fiscal 2015. During the fiscal year ended June 30, 2016, the Company used \$520 million of cash for acquisitions, primarily for the acquisitions of iProperty, Unruly, DIAKRIT, Flatmates and Checkout 51. The Company also had capital expenditures of \$256 million in fiscal 2016. Additionally, the Company had set aside \$315 million of cash for use in the Wireless Group acquisition as a result of U.K. takeover regulations and classified this as restricted cash as of June 30, 2016.

During the fiscal year ended June 30, 2015, the Company used \$1,190 million of cash for acquisitions, primarily the acquisitions of Move and Harlequin, and used \$355 million of cash for investments, primarily consisting of approximately \$112 million for its investment in HT&E, \$100 million for its investment in iProperty and approximately \$67 million for its investment in SEEK Asia. The Company also had capital expenditures of \$308 million which included \$50 million related to the relocation of the Company's U.K. operations to a new site in London. The net cash used in investing activities from continuing operations for the fiscal year ended June 30, 2015 was partially offset by proceeds from dispositions of \$182 million, primarily resulting from the sale of marketable securities.

Net cash provided by (used in) financing activities from continuing operations for the fiscal years ended June 30, 2016 and 2015 was as follows (in millions):

<u>For the fiscal years ended June 30,</u>	<u>2016</u>	<u>2015</u>
Net cash provided by (used in) financing activities from continuing operations	\$150	\$(190)

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The Company had net cash provided by financing activities from continuing operations of \$150 million for the fiscal year ended June 30, 2016 as compared to net cash used in financing activities from continuing operations of \$190 million for fiscal 2015. During the fiscal year ended June 30, 2016, the Company had proceeds from borrowings under the REA Facility of approximately \$340 million. The net cash provided by financing activities from continuing operations for the fiscal year ended June 30, 2016 was partially offset by dividend payments of \$147 million to News Corporation stockholders and REA Group minority stockholders and repurchases of News Corporation shares for \$41 million.

Cash used in financing activities from continuing operations for the fiscal year ended June 30, 2015 was primarily the result of the repayment of debt assumed in the acquisition of Move of approximately \$129 million and repurchases of News Corporation shares for \$30 million.

Reconciliation of Free Cash Flow Available to News Corporation

Free cash flow available to News Corporation is a non-GAAP financial measure defined as net cash provided by operating activities from continuing operations, less capital expenditures (“free cash flow”) less REA Group free cash flow, plus cash dividends received from REA Group. Free cash flow available to News Corporation excludes cash flows from discontinued operations. Free cash flow available to News Corporation should be considered in addition to, not as a substitute for, cash flows from continuing operations and other measures of financial performance reported in accordance with GAAP. Free cash flow available to News Corporation may not be comparable to similarly titled measures reported by other companies, since companies and investors may differ as to what items should be included in the calculation of free cash flow.

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

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

	For the fiscal years ended June 30,		
	2017	2016	2015
		(in millions)	
Net cash provided by continuing operating activities	\$ 499	\$ 952	\$ 988
Less: Capital expenditures	(256)	(256)	(308)
	243	696	680
Less: REA Group free cash flow	(183)	(131)	(130)
Plus: Cash dividends received from REA Group	53	45	45
Free cash flow available to News Corporation	<u>\$ 113</u>	<u>\$ 610</u>	<u>\$ 595</u>

Free cash flow available to News Corporation decreased \$497 million in the fiscal year ended June 30, 2017 to \$113 million from \$610 million in fiscal 2016. The decrease was primarily due to lower cash provided by continuing operating activities as discussed above, as well as higher REA Group free cash flow.

Free cash flow available to News Corporation increased by \$15 million in the fiscal year ended June 30, 2016 to \$610 million from \$595 million in fiscal 2015. The improvement was primarily due to lower capital expenditures

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due to the absence of costs associated with the relocation of the Company's operations to a new site in London in fiscal 2015, partially offset by lower cash provided by continuing operating activities as discussed above.

Revolving Credit Facility

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

In October 2015, the Company entered into an amendment to the Credit Agreement (the "Amendment") which, among other things, extended the original term of the Facility by two years and lowered the commitment fee payable by the Company. As a result of the Amendment, the lenders' commitments now terminate on October 23, 2020, and any borrowings will be due at that time. The Company may request that the commitments be extended under certain circumstances as set forth in the Credit Agreement for up to two additional one-year periods.

The Credit Agreement contains customary affirmative and negative covenants and events of default, with customary exceptions, including limitations on the ability of the Company and its subsidiaries to engage in transactions with affiliates, incur liens, merge into or consolidate with any other entity, incur subsidiary debt or dispose of all or substantially all of its assets or all or substantially all of the stock of its subsidiaries. In addition, the Credit Agreement requires the Company to maintain an adjusted operating income leverage ratio of not more than 3.0 to 1.0 and an interest coverage ratio of not less than 3.0 to 1.0. If any of the events of default occur and are not cured within applicable grace periods or waived, any unpaid amounts under the Credit Agreement may be declared immediately due and payable. As of June 30, 2017, the Company was in compliance with all of the applicable debt covenants.

Interest on borrowings under the Facility is based on either (a) a Eurodollar Rate formula or (b) the Base Rate formula, each as set forth in the Credit Agreement. The applicable margin and the commitment fee are based on the pricing grid in the Credit Agreement, which varies based on the Company's adjusted operating income leverage ratio. As of June 30, 2017, the Company was paying a commitment fee of 0.225% on any undrawn balance and an applicable margin of 0.50% for a Base Rate borrowing and 1.50% for a Eurodollar Rate borrowing.

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

REA Group Unsecured Revolving Loan Facility

REA Group entered into an A\$480 million unsecured syndicated revolving loan facility agreement in connection with the acquisition of iProperty. The REA Facility consists of three sub facilities of A\$120 million, A\$120 million and A\$240 million which become due in December 2017, December 2018 and December 2019, respectively. In February 2016, REA Group drew down the full A\$480 million (approximately \$340 million as of such date) available under the REA Facility, and the proceeds, less lenders' fees of \$1 million, were used to fund the iProperty acquisition. Borrowings under the REA Facility bear interest at a floating rate of the Australian BBSY plus a margin in the range of 0.85% and 1.45% depending on REA Group's net leverage ratio. As of June 30, 2017, REA Group was paying a margin of between 0.85% and 1.05%. REA Group paid approximately \$10 million in interest for the fiscal year ended June 30, 2017 at a weighted average interest rate of 2.7%. The REA Facility requires REA Group to maintain a net leverage ratio of not more than 3.25 to 1.0 and an interest coverage ratio of not less than 3.0 to 1.0. As of June 30, 2017, REA Group was in compliance with all of the applicable debt covenants.

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 following table summarizes the Company’s material firm commitments as of June 30, 2017.

	As of June 30, 2017				
	Total	Payments Due by Period			
		Less than 1 year	1- 3 years	3- 5 years	More than 5 years
Purchase obligations ^(a)	\$ 1,105	\$ 422	\$ 350	\$ 195	\$ 138
Sports programming rights ^(b)	1,287	223	502	427	135
Operating leases ^(c)					
Land and buildings	1,641	157	285	222	977
Plant and machinery	5	3	2	—	—
Borrowings ^(d)	380	103	277	—	—
Total commitments and contractual obligations	\$4,418	\$ 908	\$1,416	\$ 844	\$ 1,250

- (a) The Company has commitments under purchase obligations related to printing contracts, capital projects, marketing agreements, production services and other legally binding commitments.
- (b) The Company has sports programming rights commitments with National Rugby League, Football Federation Australia, Australian Rugby Union and International Cricket as well as certain other broadcast rights which are payable through fiscal 2023.
- (c) The Company leases office facilities, warehouse facilities, printing plants and equipment. These leases, which are classified as operating leases, are expected to be paid at certain dates through fiscal 2062. This amount includes approximately \$210 million of land and office facilities that have been subleased from 21st Century Fox.
- (d) Primarily represents the REA Facility based on the contractual maturity date of the various sub facilities included within the agreement. (See Note 9—Borrowings in the accompanying Consolidated Financial Statements).

The Company has certain contracts to purchase newsprint, ink and plates that require the Company to purchase a percentage of its total requirements for production. Since the quantities purchased annually under these contracts are not fixed and are based on the Company’s total requirements, the amount of the related payments for these purchases is excluded from the table above.

The table also excludes the Company’s pension obligations, other postretirement benefits (“OPEB”) obligations and the liabilities for unrecognized tax benefits for uncertain tax positions as the Company is unable to reasonably predict the ultimate amount and timing of the commitments. The Company made contributions of \$26 million and \$26 million to its pension plans in fiscal 2017 and fiscal 2016, respectively. Future plan contributions are dependent upon actual plan asset returns and interest rates and statutory requirements. The Company anticipates that it will make contributions of approximately \$24 million in fiscal 2018, assuming that actual plan asset returns are consistent with the Company’s expected returns in fiscal 2017 and beyond, and that interest rates remain constant. The Company will continue to make voluntary contributions as necessary to improve the funded status of the plans. Payments due to participants under the Company’s pension plans are primarily paid out of underlying trusts. Payments due under the Company’s OPEB plans are not required to be funded in advance, but are paid as medical costs are incurred by covered retiree populations, and are principally dependent upon the future cost of retiree medical benefits under the Company’s OPEB plans. The Company expects its OPEB payments to approximate \$9 million in fiscal 2018. (See Note 16—Retirement Benefit Obligations in the accompanying Consolidated Financial Statements).

Contingencies

The Company routinely is involved in various legal proceedings, claims and governmental inspections or investigations, including those discussed in Note 15 to the Consolidated Financial Statements. The outcome of these matters and claims is subject to significant uncertainty, and the Company often cannot predict what the eventual outcome of pending matters will be or the timing of the ultimate resolution of these matters. Fees, expenses, fines, penalties, judgments or settlement costs which might be incurred by the Company in connection with the various proceedings could adversely affect its results of operations and financial condition.

The Company establishes an accrued liability for legal claims when it determines that a loss is both probable and the amount of the loss can be reasonably estimated. Once established, accruals are adjusted from time to time, as appropriate, in light of additional information. The amount of any loss ultimately incurred in relation to matters for which an accrual has been established may be higher or lower than the amounts accrued for such matters. Legal fees associated with litigation and similar proceedings are expensed as incurred. The Company recognizes gain contingencies when the gain becomes realized or realizable. (See Note 15—Commitments and Contingencies in the accompanying Consolidated Financial Statements).

The Company's tax returns are subject to on-going review and examination by various tax authorities. Tax authorities may not agree with the treatment of items reported in the Company's tax returns, and therefore the outcome of tax reviews and examinations can be unpredictable. The Company believes it has appropriately accrued for the expected outcome of uncertain tax matters and believes such liabilities represent a reasonable provision for taxes ultimately expected to be paid; however, these liabilities may need to be adjusted as new information becomes known and as tax examinations continue to progress. As subsidiaries of 21st Century Fox prior to the Separation, the Company and each of its domestic subsidiaries have joint and several liability with 21st Century Fox for the consolidated U.S. federal income taxes of the 21st Century Fox consolidated group relating to any taxable periods during which the Company or any of the Company's domestic subsidiaries were a member of the 21st Century Fox consolidated group. Consequently, the Company could be liable in the event any such liability is incurred, and not discharged, by any other member of the 21st Century Fox consolidated group. In conjunction with the Separation, the Company entered into the Tax Sharing and Indemnification Agreement with 21st Century Fox, which requires 21st Century Fox to indemnify the Company for any such liability. Disputes or assessments could arise during future audits by the Internal Revenue Service ("IRS") or other taxing authorities in amounts that the Company cannot quantify.

CRITICAL ACCOUNTING POLICIES

An accounting policy is considered to be critical if it is important to the Company's financial condition and results and if it requires significant judgment and estimates on the part of management in its application. The development and selection of these critical accounting policies have been determined by management of the Company. (See Note 2—Summary of Significant Accounting Policies in the accompanying Consolidated Financial Statements).

Long-lived assets

The Company's long-lived assets, include goodwill, finite-lived and indefinite lived intangible assets and property, plant and equipment. Assets acquired in business combinations are recorded at their estimated fair value at the date of acquisition. Goodwill is recorded as the difference between the cost of acquiring an entity and the estimated fair values assigned to its tangible and identifiable intangible net assets and is assigned to one or more reporting units for purposes of testing for impairment.

Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives and market multiples, among other items. Identifying reporting units and assigning goodwill to them requires judgment involving the aggregation of business units with similar

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economic characteristics and the identification of existing business units that benefit from the acquired goodwill. The judgments made in determining the estimated fair value assigned to each class of long-lived assets acquired, their reporting unit, as well as their useful lives can significantly impact net income. The Company allocates goodwill to disposed businesses using the relative fair value method.

Goodwill and Indefinite-lived Intangible Assets

The Company tests goodwill and indefinite-lived intangibles for impairment on an annual basis in the fourth quarter and at other times if a significant event or change in circumstances indicates that it is more likely than not that the fair value of these assets has been reduced below their carrying value. The Company uses its judgment in assessing whether assets may have become impaired between annual impairment assessments. Indicators such as unexpected adverse economic factors, unanticipated technological change or competitive activities, loss of key personnel and acts by governments and courts, may signal that an asset has become impaired.

During the third quarter of fiscal 2017, the Company early adopted ASU 2017-04, “Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment” (“ASU 2017-04”) which eliminates Step 2 from the goodwill impairment test and instead requires an entity to perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and to recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value. Under ASU 2017-04, in assessing goodwill for impairment, the Company has the option to first perform a qualitative assessment to determine whether events or circumstances exist that lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company is not required to perform any additional tests in assessing goodwill for impairment. However, if the Company concludes otherwise or elects not to perform the qualitative assessment, then it is required to perform a quantitative analysis to determine the fair value of the business, and compare the calculated fair value of a reporting unit with its carrying amount, including goodwill. In performing the valuation, the Company determines the fair value of a reporting unit primarily by using a discounted cash flow analysis and market-based valuation approach methodologies.

Determining fair value requires the exercise of significant judgments, including judgments about appropriate discount rates, long-term growth rates, relevant comparable company earnings multiples and the amount and timing of expected future cash flows. During the fourth quarter of fiscal 2017, as part of the Company’s long-range planning process, the Company completed its annual goodwill and indefinite-lived intangible asset impairment test.

The performance of the Company’s annual impairment analysis resulted in \$88 million of impairments of goodwill and indefinite-lived intangible assets in fiscal 2017. Significant unobservable inputs utilized in the income approach valuation method were discount rates (ranging from 9.0%-25.0%), long-term growth rates (ranging from 0.0%-3.3%) and royalty rates (ranging from 0.5%-7.5%). Significant unobservable inputs utilized in the market approach valuation method were EBITDA multiples from guideline public companies operating in similar industries and control premiums (ranging from 10%-15%).

Significant increases (decreases) in royalty rates, growth rates, control premiums and multiples, assuming no change in discount rates, would result in a significantly higher (lower) fair value measurement. Significant decreases (increases) in discount rates, assuming no changes in royalty rates, growth rates, control premiums and multiples, would result in a significantly higher (lower) fair value measurement.

The fair values of the Company’s reporting units in fiscal 2017 exceeded the respective carrying values in a range from approximately 3% to 23%. No material impairments were identified. Any increase in the discount rate or decrease in the projected cash flows terminal growth rate would have resulted in a reporting unit of the News and Information Services segment failing the 2017 impairment analysis, which would have required the

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company to record an impairment charge equal to the difference between the fair value of the reporting unit and its carrying value. The News and Information Services segment has a reporting unit with goodwill of approximately \$1.4 billion at June 30, 2017 that is at-risk for future impairment. Additionally, the Company has certain other reporting units with goodwill balances of \$83 million which are considered to be at-risk. The Company will continue to monitor its goodwill for possible future impairment.

Property, Plant and Equipment

The Company evaluates the carrying value of property, plant and equipment, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset group may not be recoverable, in accordance with ASC 360, "Property, Plant, and Equipment" ("ASC 360"). An asset group is the lowest level of assets and liabilities for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Events or circumstances that might warrant an impairment recoverability review include, among other things, material declines in operating performance, significant adverse market conditions and planned changes in the use of an asset group.

In determining whether the carrying value of an asset group is recoverable, the Company estimates undiscounted future cash flows over the estimated life of the primary asset of the asset group. The estimates of such future cash flows require estimating such factors as future operating performance, market conditions and the estimated holding period of each asset. If all or a portion of the carrying value of an asset group is found to be non-recoverable, the Company records an impairment charge equal to the difference between the asset group's carrying value and its fair value. The Company generally measures fair value by considering sales prices for similar assets or by discounting estimated future cash flows using an appropriate discount rate. Typical assumptions applied when using a market-based approach include projected EBITDA and related multiples. Typical assumptions applied when using an income approach include projected free cash flows, discount rates and long-term growth rates. All of these assumptions are made by management based on the best available information at the time of the estimates and are subject to deviations from actual results.

During the fiscal year ended June 30, 2017, the Company recognized total fixed asset write-downs of \$679 million, primarily at News UK and News Corp Australia.

During the fourth quarter of fiscal 2017, as part of the Company's long-range planning process, the Company reduced its outlook for the U.K. newspapers due to the impact of adverse print advertising and print circulation trends on the future expected performance of the business. As a result, the Company recognized a non-cash impairment charge of approximately \$360 million related to the write-down of fixed assets at the U.K. newspapers. The write-down was comprised of approximately \$252 million related to print sites, \$85 million related to printing presses and print related equipment and \$23 million related to capitalized software. Significant unobservable inputs utilized in the income approach valuation method were a discount rate of 8.5% and a -1.0% long term growth rate.

In the second quarter of fiscal 2017, the Company recognized a non-cash impairment charge of approximately \$310 million primarily related to the write-down of fixed assets at the Australian newspapers. The write-down was a result of the impact of adverse trends on the future expected performance of the Australian newspapers, where revenue declines from continued weakness in the print advertising market accelerated during the second quarter. The write-down was comprised of approximately \$149 million related to printing presses and print related equipment, \$77 million related to facilities, \$66 million related to capitalized software and \$18 million related to tradenames. Significant unobservable inputs utilized in the income approach valuation method were a discount rate of 11.5% and no long-term growth. As of June 30, 2017, the Company determined that the remaining carrying value of fixed assets reviewed as part of the analysis continue to be recoverable.

Income Taxes

The Company is subject to income taxes in the U.S. and various foreign jurisdictions in which it operates and records its tax provision for the anticipated tax consequences in its reported results of operations. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining the Company's tax expense and in evaluating its tax positions including evaluating uncertainties as promulgated under ASC 740, "Income Taxes."

The Company's annual tax rate is based on its income, statutory tax rates and tax planning strategies available in the various jurisdictions in which it operates. Significant management judgment is required in determining the Company's provision for income taxes, deferred tax assets and liabilities and the valuation allowance recorded against the Company's net deferred tax assets, if any. In assessing the likelihood of realization of deferred tax assets, management considers estimates of the amount and character of future taxable income. The Company's actual effective tax rate and income tax expense could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, tax planning and the Company's forecasted financial condition and results of operations in future periods. Although the Company believes current estimates are reasonable, actual results could differ from these estimates.

The Company recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the Consolidated Financial Statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Significant management judgment is required to determine whether the recognition threshold has been met and, if so, the appropriate amount of unrecognized tax benefits to be recorded in the Consolidated Financial Statements. Management re-evaluates tax positions each period in which new information about recognition or measurement becomes available. The Company's policy is to recognize, when applicable, interest and penalties on unrecognized income tax benefits as part of Income tax benefit (expense).

Retirement Benefit Obligations

The Company's employees participate in various defined benefit pension and postretirement plans sponsored by the Company and its subsidiaries. (See Note 16—Retirement Benefit Obligations in the accompanying Consolidated Financial Statements).

The Company records amounts relating to its pension and other postretirement benefit plans based on calculations specified by GAAP. The measurement and recognition of the Company's pension and other postretirement benefit plans require the use of significant management judgments, including discount rates, expected return on plan assets, mortality and other actuarial assumptions. Net periodic benefit costs (income) is calculated based upon a number of actuarial assumptions, including a discount rate for plan obligations and an expected rate of return on plan assets. Current market conditions, including changes in investment returns and interest rates, were considered in making these assumptions. In developing the expected long-term rate of return, the pension portfolio's past average rate of returns, and future return expectations of the various asset classes were considered. The weighted average expected long-term rate of return of 5.1% for fiscal 2018 is based on a weighted average target asset allocation assumption of 22% equities, 62% fixed-income securities and 16% cash and other investments.

The Company recorded \$1 million, \$8 million, and (\$4) million in net periodic benefit costs (income) in the Statements of Operations for the fiscal years ended June 30, 2017, 2016 and 2015, respectively. In fiscal 2017, the Company changed the method used to estimate the service and interest cost components of net periodic benefit costs (income) for its pension and other postretirement benefit plans. For fiscal 2016 and previous periods presented, the Company estimated the service and interest cost components of net periodic benefit costs (income) utilizing a single weighted-average discount rate for each country in which the Company has plans derived from

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a yield curve used to measure the benefit obligation. The new method utilized a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to their underlying projected cash flows. The Company changed to the new method to provide a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows and their corresponding spot rates. The change is accounted for as a change in accounting estimate which is applied prospectively. This change in estimate is not expected to have a material impact on the Company's pension and postretirement net periodic benefit expense in future periods.

Although the discount rate used for each plan will be established and applied individually, a weighted average discount rate of 3.0% will be used in calculating the fiscal 2018 net periodic benefit costs (income). The discount rate reflects the market rate for high-quality fixed-income investments on the Company's annual measurement date of June 30 and is subject to change each fiscal year. The discount rate assumptions used to account for pension and other postretirement benefit plans reflect the rates at which the benefit obligations could be effectively settled. The rate was determined by matching the Company's expected benefit payments for the plans to a hypothetical yield curve developed using a portfolio of several hundred high-quality non-callable corporate bonds. The weighted average discount rate is volatile from year to year because it is determined based upon the prevailing rates in the U.S., the U.K., Australia and other foreign countries as of the measurement date.

The key assumptions used in developing the Company's fiscal 2017, 2016 and 2015 net periodic benefit costs (income) for its plans consist of the following:

	2017	2016	2015
	(in millions, except %)		
Weighted average assumptions used to determine net periodic benefit costs (income)			
Discount rate for PBO	3.1%	3.9%	4.2%
Discount rate for Service Cost	3.1%	3.9%	4.2%
Discount rate for Interest on PBO	2.6%	3.9%	4.2%
Discount rate for Interest on Service Cost	2.9%	3.9%	4.2%
Assets:			
Expected rate of return	5.7%	5.7%	6.3%
Expected return	\$ 75	\$ 81	\$ 93
Actual return	<u>\$106</u>	<u>\$121</u>	<u>\$ 96</u>
Gain/(Loss)	\$ 31	\$ 40	\$ 3
One year actual return	8.2%	9.4%	7.2%
Five year actual return	8.8%	7.7%	8.6%

The Company will use a weighted average long-term rate of return of 5.1% for fiscal 2018 based principally on a combination of current asset mix and an expectation of future long term investment returns. The accumulated net pre-tax losses on the Company's pension plans as of June 30, 2017 were approximately \$595 million which decreased from approximately \$610 million for the Company's pension plans as of June 30, 2016. This decrease of \$15 million was primarily due to favorable asset returns. Lower discount rates increase present values of benefit obligations and increase the Company's deferred losses and also increase subsequent-year benefit costs. Higher discount rates decrease the present values of benefit obligations and reduce the Company's accumulated net loss and also decrease subsequent-year benefit costs. These deferred losses are being systematically recognized in future net periodic benefit costs (income) in accordance with ASC 715, "Compensation—Retirement Benefits." Unrecognized losses for the primary plans in excess of 10% of the greater of the market-related value of plan assets or the plan's projected benefit obligation are recognized over the average life expectancy for plan participants for the primary plans.

The Company made contributions of \$26 million, \$26 million and \$9 million to its funded pension plans in fiscal 2017, 2016 and 2015, respectively. Future plan contributions are dependent upon actual plan asset returns, statutory requirements and interest rate movements. Assuming that actual plan returns are consistent with the

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Company's expected plan returns in fiscal 2017 and beyond, and that interest rates remain constant, the Company anticipates that it will make contributions of approximately \$24 million in fiscal 2018. The Company will continue to make voluntary contributions as necessary to improve the funded status of the plans. (See Note 16 in the accompanying Consolidated Financial Statements).

Changes in net periodic benefit costs may occur in the future due to changes in the Company's expected rate of return on plan assets and discount rate resulting from economic events. The following table highlights the sensitivity of the Company's pension obligations and expense to changes in these assumptions, assuming all other assumptions remain constant:

<u>Changes in Assumption</u>	<u>Impact on Annual Pension Expense</u>	<u>Impact on Projected Benefit Obligation</u>
0.25 percentage point decrease in discount rate	Increase \$2 million	Increase \$87 million
0.25 percentage point increase in discount rate	Decrease \$2 million	Decrease \$79 million
0.25 percentage point decrease in expected rate of return on assets	Increase \$3 million	—
0.25 percentage point increase in expected rate of return on assets	Decrease \$3 million	—

Recent Accounting Pronouncements

See Note 2—Summary of Significant Accounting Policies in the accompanying Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

The following sections provide quantitative information on the Company's exposure to foreign currency rate risk 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 Rates

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

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

The table below details the percentage of revenues and expenses by the three principal currencies for the fiscal years ended June 30, 2017 and 2016:

	<u>U.S. Dollars</u>	<u>Australian Dollars</u>	<u>British Pound Sterling</u>
Fiscal year ended June 30, 2017			
Revenues	47%	29%	19%
Operating and Selling, general, and administrative expenses	47%	26%	20%
Fiscal year ended June 30, 2016			
Revenues	47%	28%	20%
Operating and Selling, general, and administrative expenses	48%	24%	21%

Based on the year ended June 30, 2017, a one cent change in each of the U.S. dollar/Australian dollar and the U.S. dollar/British pound sterling exchange rates would have impacted revenues by approximately \$32 million and \$12 million, respectively, for each currency on an annual basis, and would have impacted Total Segment EBITDA by approximately \$6 million and \$0.4 million, respectively, on an annual basis.

Stock Prices

The Company has common stock investments in publicly traded companies that are subject to market price volatility. These investments had an aggregate fair value of approximately \$97 million as of June 30, 2017. A hypothetical decrease in the market price of these investments of 10% would result in a decrease in comprehensive income of approximately \$10 million before tax. Any changes in fair value of the Company's common stock investments are not recognized unless deemed other-than-temporary.

Credit Risk

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

The Company's receivables did not represent significant concentrations of credit risk as of June 30, 2017 or June 30, 2016 due to the wide variety of customers, markets and geographic areas to which the Company's products and services are sold.

The Company monitors its positions with, and the credit quality of, the financial institutions which are counterparties to its financial instruments. The Company is exposed to credit loss in the event of nonperformance by the counterparties to the agreements. As of June 30, 2017, the Company did not anticipate nonperformance by any of the counterparties.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

NEWS CORPORATION
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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of News Corporation is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. News Corporation's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of News Corporation;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America;
- provide reasonable assurance that receipts and expenditures of News Corporation are being made only in accordance with authorizations of management and directors of News Corporation; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Internal control over financial reporting includes the controls themselves, monitoring and internal auditing practices and actions taken to correct deficiencies as identified.

Because of its inherent limitations, internal control over financial reporting, no matter how well designed, may not prevent or detect misstatements. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Also, the assessment of the effectiveness of internal control over financial reporting was made as of a specific date. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including the Company's principal executive officer and principal financial officer, conducted an assessment of the effectiveness of News Corporation's internal control over financial reporting as of June 30, 2017, based on criteria for effective internal control over financial reporting described in the 2013 "*Internal Control—Integrated Framework*" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included an evaluation of the design of News Corporation's internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of News Corporation's Board of Directors.

Based on this assessment, management determined that, as of June 30, 2017, News Corporation maintained effective internal control over financial reporting.

Ernst & Young LLP, the independent registered public accounting firm who audited and reported on the Consolidated Financial Statements of News Corporation included in the Annual Report on Form 10-K for the fiscal year ended June 30, 2017, has audited the Company's internal control over financial reporting. Their report appears on the following page.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of News Corporation:

We have audited News Corporation's internal control over financial reporting as of June 30, 2017, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). News Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, News Corporation maintained, in all material respects, effective internal control over financial reporting as of June 30, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of News Corporation as of June 30, 2017 and 2016, and the related consolidated statements of operations, comprehensive loss, equity and cash flows for each of the three years in the period ended June 30, 2017 of News Corporation and our report dated August 14, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
New York, New York
August 14, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of News Corporation:

We have audited the accompanying consolidated balance sheets of News Corporation as of June 30, 2017 and 2016, and the related consolidated statements of operations, comprehensive loss, equity and cash flows for each of the three years in the period ended June 30, 2017. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of News Corporation at June 30, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), News Corporation's internal control over financial reporting as of June 30, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated August 14, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
New York, New York
August 14, 2017

NEWS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	Notes	For the fiscal years ended		
		June 30,		
		2017	2016	2015
Revenues:				
Advertising		\$ 2,860	\$ 3,025	\$ 3,349
Circulation and subscription		2,470	2,569	2,608
Consumer		1,573	1,578	1,594
Real estate		696	619	486
Other		540	501	487
Total Revenues		8,139	8,292	8,524
Operating expenses		(4,529)	(4,728)	(4,952)
Selling, general and administrative		(2,725)	(2,722)	(2,627)
NAM Group and Zillow settlements, net	15	—	(158)	—
Depreciation and amortization		(449)	(505)	(498)
Impairment and restructuring charges	5, 7, 8	(927)	(89)	(84)
Equity (losses) earnings of affiliates	6	(295)	30	58
Interest, net		39	43	56
Other, net	20	132	18	75
(Loss) income from continuing operations before income tax (expense) benefit		(615)	181	552
Income tax (expense) benefit	18	(28)	54	(185)
(Loss) income from continuing operations		(643)	235	367
Income (loss) from discontinued operations, net of tax	4	—	15	(445)
Net (loss) income		(643)	250	(78)
Less: Net income attributable to noncontrolling interests		(95)	(71)	(69)
Net (loss) income attributable to News Corporation stockholders		<u>\$ (738)</u>	<u>\$ 179</u>	<u>\$ (147)</u>
Basic and diluted (loss) income earnings per share:	13			
(Loss) income from continuing operations available to News Corporation stockholders per share		\$ (1.27)	\$ 0.28	\$ 0.51
Income (loss) from discontinued operations available to News Corporation stockholders per share		—	0.02	(0.77)
Net (loss) income available to News Corporation stockholders per share		<u>\$ (1.27)</u>	<u>\$ 0.30</u>	<u>\$ (0.26)</u>
Cash dividends declared per share of common stock		<u>\$ 0.20</u>	<u>\$ 0.20</u>	<u>\$ —</u>

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

NEWS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(IN MILLIONS)

	For the fiscal years ended		
	June 30,		
	2017	2016	2015
Net (loss) income	\$(643)	\$ 250	\$ (78)
Other comprehensive income (loss):			
Foreign currency translation adjustments	84	(398)	(1,183)
Unrealized holding (losses) gains on securities, net ^(a)	(25)	1	(5)
Benefit plan adjustments, net ^(b)	8	(32)	(29)
Share of other comprehensive (loss) income from equity affiliates, net ^(c)	4	(16)	1
Other comprehensive income (loss)	<u>71</u>	<u>(445)</u>	<u>(1,216)</u>
Comprehensive loss	<u>(572)</u>	<u>(195)</u>	<u>(1,294)</u>
Less: Net income attributable to noncontrolling interests	(95)	(71)	(69)
Less: Other comprehensive loss (income) attributable to noncontrolling interests	(9)	1	24
Comprehensive loss attributable to News Corporation stockholders	<u><u>\$(676)</u></u>	<u><u>\$(265)</u></u>	<u><u>\$(1,339)</u></u>

^(a) Net of income tax (benefit) expense of (\$10) million, nil and nil for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

^(b) Net of income tax expense (benefit) of \$8 million, (\$14) million and (\$11) million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

^(c) Net of income tax expense (benefit) of \$2 million, (\$7) million and \$1 million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

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

NEWS CORPORATION
CONSOLIDATED BALANCE SHEETS
(IN MILLIONS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	Notes	As of June 30,	
		2017	2016
Assets:			
Current assets:			
Cash and cash equivalents		\$ 2,016	\$ 1,832
Restricted cash	2	—	315
Receivables, net	2	1,276	1,229
Other current assets	20	523	513
Total current assets		<u>3,815</u>	<u>3,889</u>
Non-current assets:			
Investments	6	2,027	2,270
Property, plant and equipment, net	7	1,624	2,405
Intangible assets, net	8	2,281	2,207
Goodwill	8	3,838	3,714
Deferred income tax assets	18	525	602
Other non-current assets	20	442	396
Total assets		<u>\$14,552</u>	<u>\$15,483</u>
Liabilities and Equity:			
Current liabilities:			
Accounts payable		\$ 222	\$ 217
Accrued expenses		1,204	1,371
Deferred revenue		426	388
Other current liabilities	20	600	466
Total current liabilities		<u>2,452</u>	<u>2,442</u>
Non-current liabilities:			
Borrowings	9	276	369
Retirement benefit obligations	16	319	350
Deferred income tax liabilities	18	61	171
Other non-current liabilities		351	349
Commitments and contingencies	15		
Redeemable preferred stock	10	20	20
Class A common stock ^(a)		4	4
Class B common stock ^(b)		2	2
Additional paid-in capital		12,395	12,434
(Accumulated deficit) retained earnings		(648)	150
Accumulated other comprehensive loss		(964)	(1,026)
Total News Corporation stockholders' equity		<u>10,789</u>	<u>11,564</u>
Noncontrolling interests		284	218
Total equity		<u>11,073</u>	<u>11,782</u>
Total liabilities and equity		<u>\$14,552</u>	<u>\$15,483</u>

^(a) **Class A common stock** , \$0.01 par value per share (“Class A Common Stock”), 1,500,000,000 shares authorized, 382,294,262 and 380,490,770 shares issued and outstanding, net of 27,368,413 treasury shares at par at June 30, 2017 and June 30, 2016, respectively.

^(b) **Class B common stock** , \$0.01 par value per share (“Class B Common Stock”), 750,000,000 shares authorized, 199,630,240 shares issued and outstanding, net of 78,430,424 treasury shares at par at June 30, 2017 and June 30, 2016, respectively.

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

NEWS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN MILLIONS)

	Notes	For the fiscal years ended June 30,		
		2017	2016	2015
Operating activities:				
Net (loss) income		\$ (643)	\$ 250	\$ (78)
Less: Income (loss) from discontinued operations, net of tax		—	15	(445)
(Loss) income from continuing operations		(643)	235	367
Adjustments to reconcile (loss) income from continuing operations to cash provided by operating activities:				
Depreciation and amortization		449	505	498
Equity losses (earnings) of affiliates	6	295	(30)	(58)
Cash distributions received from affiliates		4	34	138
Impairment charges	8	785	—	—
Other, net	20	(132)	(18)	(75)
Deferred income taxes and taxes payable	18	(95)	(147)	59
Change in operating assets and liabilities, net of acquisitions:				
Receivables and other assets		(58)	22	29
Inventories, net		15	35	18
Accounts payable and other liabilities		137	58	12
NAM Group settlement		(258)	258	—
Net cash provided by operating activities from continuing operations		499	952	988
Net cash used in operating activities from discontinued operations		(5)	(74)	(157)
Net cash provided by operating activities		494	878	831
Investing activities:				
Capital expenditures		(256)	(256)	(308)
Changes in restricted cash for Wireless Group acquisition		315	(315)	—
Acquisitions, net of cash acquired		(347)	(520)	(1,190)
Investments in equity affiliates and other		(59)	(51)	(146)
Other investments		(39)	(54)	(224)
Proceeds from business dispositions		162	1	—
Proceeds from property, plant and equipment and other asset dispositions		109	41	182
Other		10	30	15
Net cash used in investing activities from continuing operations		(105)	(1,124)	(1,671)
Net cash provided by (used in) investing activities from discontinued operations		—	13	(70)
Net cash used in investing activities		(105)	(1,111)	(1,741)
Financing activities:				
Borrowings	9	—	342	—
Repayment of borrowings acquired in acquisitions		(23)	—	(129)
Repurchase of shares		—	(41)	(30)
Dividends paid		(152)	(147)	(30)
Other, net		(42)	(4)	(1)
Net cash (used in) provided by financing activities from continuing operations		(217)	150	(190)
Net cash used in financing activities from discontinued operations		—	—	—
Net cash (used in) provided by financing activities		(217)	150	(190)
Net increase (decrease) in cash and cash equivalents		172	(83)	(1,100)
Cash and cash equivalents, beginning of year		1,832	1,951	3,145
Exchange movement on opening cash balance		12	(36)	(94)
Cash and cash equivalents, end of year		<u>\$ 2,016</u>	<u>\$ 1,832</u>	<u>\$ 1,951</u>

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

NEWS CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY
(IN MILLIONS)

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive (Loss) Income	Total News Corporation Equity	Noncontrolling Interests	Total Equity
	Shares	Amount	Shares	Amount						
Balance, June 30, 2014	379	4	200	2	12,390	237	610	13,243	156	13,399
Net (loss) income	—	—	—	—	—	(147)	—	(147)	69	(78)
Other comprehensive loss	—	—	—	—	—	—	(1,192)	(1,192)	(24)	(1,216)
Dividends	—	—	—	—	—	(2)	—	(2)	(28)	(30)
Share repurchases	(2)	—	—	—	(32)	—	—	(32)	—	(32)
Other	5	—	—	—	75	—	—	75	(2)	73
Balance, June 30, 2015	382	4	200	2	12,433	88	(582)	11,945	171	12,116
Net income	—	—	—	—	—	179	—	179	71	250
Other comprehensive loss	—	—	—	—	—	—	(444)	(444)	(1)	(445)
Dividends	—	—	—	—	—	(118)	—	(118)	(29)	(147)
Share repurchases	(3)	—	—	—	(39)	—	—	(39)	—	(39)
Other	1	—	—	—	40	1	—	41	6	47
Balance, June 30, 2016	380	4	200	2	12,434	150	(1,026)	11,564	218	11,782
Net (loss) income	—	—	—	—	—	(738)	—	(738)	95	(643)
Other comprehensive income	—	—	—	—	—	—	62	62	9	71
Dividends	—	—	—	—	(58)	(60)	—	(118)	(34)	(152)
Share repurchases	—	—	—	—	—	—	—	—	—	—
Other	2	—	—	—	19	—	—	19	(4)	15
Balance, June 30, 2017	382	\$ 4	200	\$ 2	12,395	\$ (648)	\$ (964)	\$ 10,789	\$ 284	\$11,073

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

NEWS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

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

During the first quarter of fiscal 2016, management approved a plan to dispose of the Company’s digital education business. As a result of the plan and the discontinuation of further significant business activities in the Digital Education segment, the assets and liabilities of this segment were classified as held for sale and the results of operations have been classified as discontinued operations for all periods presented. Unless indicated otherwise, the information in the notes to the Consolidated Financial Statements relates to the Company’s continuing operations. (See Note 4—Discontinued Operations).

Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”). The Company’s financial statements as of and for the fiscal years ended June 30, 2017, 2016 and 2015 are presented on a consolidated basis.

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

The Company maintains a 52-53 week fiscal year ending on the Sunday closest to June 30 in each year. Fiscal 2017, fiscal 2016 and fiscal 2015 included 52, 53 and 52 weeks, respectively. All references to the fiscal years ended June 30, 2017, 2016, and 2015 relate to the fiscal years ended July 2, 2017, July 3, 2016, and June 28, 2015, respectively. For convenience purposes, the Company continues to date its consolidated financial statements as of June 30.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The Consolidated Financial Statements include the accounts of all majority-owned and controlled subsidiaries. In addition, the Company evaluates its relationships with other entities to identify whether they are variable interest entities (“VIEs”) as defined by Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 810-10, “Consolidation” (“ASC 810-10”) and whether the Company is the primary beneficiary. Consolidation is required if both of these criteria are met. All significant intercompany accounts and transactions have been eliminated in consolidation, including the intercompany portion of transactions with equity method investees.

Changes in the Company’s ownership interest in a consolidated subsidiary where a controlling financial interest is retained are accounted for as capital transactions. When the Company ceases to have a controlling interest in a consolidated subsidiary the Company will recognize a gain or loss in the Statements of Operations upon deconsolidation.

Reclassifications

Certain reclassifications have been made to the prior period consolidated financial statements to conform to the fiscal 2017 presentation. Specifically, the Company reclassified its listing revenues generated primarily from

NEWS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

agents, brokers and developers from advertising revenue to real estate revenue for all periods presented to better reflect the Company's revenue mix and how management reviews the performance of the Digital Real Estate Services segment. Additionally, in the third quarter of fiscal 2017, the Company revised the Statements of Cash Flows to present cash flow activities from discontinued operations within each of the operating, investing and financing activities categories.

Use of estimates

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.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and other investments that are readily convertible into cash with original maturities of three months or less. The Company's cash and cash equivalents balance as of June 30, 2017 and 2016 also includes \$276 million and \$95 million, respectively, which is not readily accessible by the Company as it is held by REA Group Limited ("REA Group"), a majority owned but separately listed public company. REA Group must declare a dividend in order for the Company to have access to its share of REA Group's cash balance.

The Company classifies cash as restricted when the cash is unavailable for use in its general operations. The restricted cash balance of \$315 million as of June 30, 2016 related to cash set aside for the Wireless Group acquisition in order to comply with U.K. takeover regulations. (See Note 3 – Acquisitions, Disposals and Other Transactions). The Company utilized the restricted cash which was specifically set aside at June 30, 2016 for purposes of funding the acquisition and therefore the Company had no restricted cash as of June 30, 2017.

Concentration of credit risk

Cash and cash equivalents are maintained with multiple 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.

Receivables, net

Receivables are presented net of an allowance for returns and doubtful accounts, which is an estimate of amounts that may not be collectible. In determining the allowance for returns, management analyzes historical returns, current economic trends and changes in customer demand and acceptance of the Company's products. Based on this information, management reserves a percentage of each dollar of product sales that provide the customer with the right of return. The allowance for doubtful accounts is estimated based on historical experience, receivable aging, current economic trends and specific identification of certain receivables that are at risk of not being collected.

NEWS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Receivables, net consist of:

	<u>As of June 30,</u>	
	<u>2017</u>	<u>2016</u>
	<u>(in millions)</u>	
Receivables	\$ 1,484	\$ 1,442
Allowances for sales returns	(166)	(170)
Allowances for doubtful accounts	(42)	(43)
Receivables, net	<u>\$ 1,276</u>	<u>\$ 1,229</u>

The Company's receivables did not represent significant concentrations of credit risk as of June 30, 2017 or June 30, 2016 due to the wide variety of customers, markets and geographic areas to which the Company's products and services are sold.

Inventories

Inventories are valued at the lower of cost or market. Cost is determined by the weighted average cost method. The Company records a reserve for excess and obsolete inventory based upon a calculation using the historical usage rates, sales patterns of its products and specifically identified obsolete inventory. Inventory is included within Other current assets on the Balance Sheets.

Prepublication costs

The Company capitalizes the art, prepress, outside editorial, digital conversion and other costs incurred in the creation of the master copy of a book or other media (the "prepublication costs"). Prepublication costs are amortized from the year of publication over the estimated useful life of the title, using the straight-line method for capitalized costs with an estimated useful life of one year or less and sum of the years' digits for capitalized costs with an estimated useful life exceeding one year. The Company regularly reviews the recoverability of the capitalized costs based on expected future revenues. Prepublications costs are included in Other non-current assets on the Balance Sheets and were \$31 million and \$33 million as of June 30, 2017 and 2016, respectively. Amortization of prepublication costs for the fiscal years ended June 30, 2017, 2016 and 2015 was \$45 million, \$43 million, and \$43 million, respectively.

Investments

The Company makes investments in various businesses in the normal course of business. The Company evaluates its relationships with other entities to identify whether they are VIEs in accordance with ASC 810-10 and whether the Company is the primary beneficiary. In determining whether the Company is the primary beneficiary of a VIE, it assesses whether it has the power to direct matters that most significantly impact the activities of the VIE and has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company would consolidate any investments in which it was determined to be the primary beneficiary of a VIE.

Investments in and advances to equity investments or joint ventures in which the Company has significant influence, but is not the primary beneficiary, and has less than a controlling voting interest, are accounted for using the equity method. Significant influence is generally presumed to exist when the Company owns an interest between 20% and 50% or when the Company has the ability to exercise significant influence. Under the equity method of accounting, the Company includes its investments and amounts due to and from its equity method

NEWS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

investments in its Balance Sheets. The Company's Statements of Operations include the Company's share of the investees' earnings (losses) and the Company's Statements of Cash Flows include all cash received from or paid to the investee.

The difference between the Company's investment and its share of the fair value of the underlying net assets of the investee upon acquisition is first allocated to either finite-lived intangibles, indefinite-lived intangibles or other assets and liabilities and the balance is attributed to goodwill. The Company follows ASC 350, "Intangibles—Goodwill and Other" ("ASC 350"), which requires that equity method finite-lived intangibles be amortized over their estimated useful life. Such amortization is reflected in Equity (losses) earnings of affiliates in the Statements of Operations. Indefinite-lived intangibles and goodwill are not amortized.

Investments in which the Company has no significant influence (generally less than a 20% ownership interest) or does not have the ability to exercise significant influence are designated as available-for-sale investments if readily determinable market values are available. The Company reports available-for-sale investments at fair value based on quoted market prices. Unrealized gains and losses on available-for-sale investments are included in Accumulated other comprehensive loss, net of applicable taxes and other adjustments, until the investment is sold or considered impaired. If an investment's fair value is not readily determinable, the Company accounts for its investment at cost.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over an estimated useful life of 3 to 50 years. Leasehold improvements are amortized using the straight-line method over the shorter of their useful lives or the life of the lease. Costs associated with the repair and maintenance of property, plant and equipment are expensed as incurred. Changes in circumstances, such as technological advances or changes to the Company's business model or capital strategy, could result in the actual useful lives differing from the Company's estimates. In those cases where the Company determines that the useful life of buildings and equipment should be changed, the Company would depreciate the asset over its revised remaining useful life, thereby increasing depreciation expense.

Operating Leases

For operating leases, minimum lease payments, including minimum scheduled rent increases, are recognized as rent expense on a straight-line basis over the applicable lease terms. The term used for straight-line rent expense is calculated beginning on the date that the Company obtains possession of the leased premises through the expected lease termination date.

Capitalized software

In accordance with ASC 350-40 "Internal-use Software," the Company capitalizes certain costs incurred in connection with developing or obtaining internal use software. Costs incurred in the preliminary project stage are expensed. All direct costs incurred to develop internal use software during the development stage are capitalized and amortized using the straight-line method over the estimated useful life, generally 2 to 10 years. Costs such as maintenance and training are expensed as incurred. Research and development costs are also expensed as incurred.

Royalty advances to authors

Royalty advances are initially capitalized and subsequently expensed as related revenues are earned or when the Company determines future recovery is not probable. The Company has a long history of providing authors with

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royalty advances, and it tracks each advance earned with respect to the sale of the related publication. Historically, the longer the unearned portion of the advance remains outstanding, the less likely it is that the Company will recover the advance through the sale of the publication. The Company applies this historical experience to its existing outstanding royalty advances to estimate the likelihood of recovery and a provision is established to write-off the unearned advance, usually between 6 and 12 months after publication. Additionally, the Company reviews its portfolio of royalty advances for unpublished titles to determine if individual royalty advances are not recoverable for discrete reasons, such as the death of an author prior to completion of a title or titles, a Company decision to not publish a title, poor market demand or other relevant factors that could impact recoverability. Based on this information, the portion of any advance that the Company believes is not recoverable is expensed.

Goodwill and intangible assets

The Company has goodwill and intangible assets, including newspaper mastheads, distribution networks, publishing imprints, radio broadcast licenses, trademarks and tradenames, channel distribution agreements, publishing rights and customer relationships. Goodwill is recorded as the difference between the cost of acquiring entities and amounts assigned to their tangible and identifiable intangible net assets. In accordance with ASC 350, the Company's goodwill and indefinite-lived intangible assets are tested annually during the fourth quarter for impairment or earlier if events occur or circumstances change that would more likely than not reduce the fair values below their carrying amounts. Intangible assets with finite lives are amortized over their estimated useful lives.

Goodwill is reviewed for impairment at a reporting unit level. Reporting units are determined based on an evaluation of the Company's operating segments and the components making up those operating segments. For purposes of its goodwill impairment review, the Company has identified Dow Jones, the Australian newspapers, the U.K. newspapers, News America Marketing, Unruly Holdings Limited ("Unruly"), Storyful Limited ("Storyful"), Wireless Group plc ("Wireless Group"), FOX SPORTS Australia, Australia News Channel Pty Ltd ("ANC"), HarperCollins, REA Group, Move, Inc. ("Move") and DIAKRIT International Limited ("DIAKRIT"), as its reporting units. During the third quarter of fiscal 2017, the Company early adopted ASU 2017-04, "Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" ("ASU 2017-04") which eliminates Step 2 from the goodwill impairment test and instead requires an entity to perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and to recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value.

Under ASU 2017-04, in assessing goodwill for impairment, the Company has the option to first perform a qualitative assessment to determine whether events or circumstances exist that lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company is not required to perform any additional tests in assessing goodwill for impairment. However, if the Company concludes otherwise or elects not to perform the qualitative assessment, then it is required to perform a quantitative analysis to determine the fair value of the business, and compare the calculated fair value of a reporting unit with its carrying amount, including goodwill. If through a quantitative analysis the Company determines the fair value of a reporting unit exceeds its carrying amount, the goodwill of the reporting unit is considered not to be impaired. If the Company concludes that the fair value of the reporting unit is less than its carrying value, an impairment will be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value.

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The Company also performs impairment reviews on its indefinite-lived intangible assets, including newspaper mastheads, distribution networks, publishing imprints, radio broadcast licenses and trademarks and tradenames. Newspaper mastheads, radio broadcast licenses and book publishing imprints are reviewed on an aggregated basis in accordance with ASC 350. Distribution networks and trademarks are reviewed individually. In assessing its indefinite-lived intangible assets for impairment, the Company has the option to first perform a qualitative assessment to determine whether events or circumstances exist that lead to a determination that it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If the Company determines that it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, the Company is not required to perform any additional tests in assessing the asset for impairment. However, if the Company concludes otherwise or elects not to perform the qualitative assessment, then it is required to perform a quantitative analysis to determine if the fair value of an indefinite-lived intangible asset is less than its carrying value. If through a quantitative analysis the Company determines the fair value of an indefinite-lived intangible asset exceeds its carrying amount, the indefinite-lived intangible asset is considered not to be impaired. If the Company concludes that the fair value of an indefinite-lived intangible asset is less than its carrying value, an impairment will be recognized for the amount by which the carrying amount exceeds the indefinite-lived intangible asset's fair value.

The methods used to estimate the fair value measurements of the Company's reporting units and indefinite-lived intangible assets include those based on the income approach (including the discounted cash flow and relief-from-royalty methods) and those based on the market approach (primarily the guideline public company method). The resulting fair value measurements of the assets are considered to be Level 3 measurements. Determining fair value requires the exercise of significant judgments, including judgments about appropriate discount rates, long-term growth rates, relevant comparable company earnings multiples and the amount and timing of expected future cash flows. The cash flows employed in the analyses are based on the Company's estimated outlook and various growth rates are assumed for years beyond the long-term business plan period. Discount rate assumptions are based on an assessment of the risk inherent in the future cash flows of the respective reporting units. In assessing the reasonableness of its determined fair values, the Company evaluates its results against other value indicators, such as comparable public company trading values.

When a business within a reporting unit is disposed of, goodwill is allocated to the disposed business using the relative fair value method.

Asset impairments

Investments

Equity method investments are regularly reviewed to determine whether a significant event or change in circumstances has occurred that may impact the fair value of each investment. If the fair value of the investment has dropped below the carrying amount, management considers several factors when determining whether an other-than-temporary decline in market value has occurred, including the length of time and extent to which the market value has been below cost, the financial condition and near-term prospects of the issuer, the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value and other factors influencing the fair market value, such as general market conditions.

The Company regularly reviews available-for-sale investment securities for other-than-temporary impairment based on criteria that include the extent to which the investment's carrying value exceeds its related market value, the duration of the market decline, the Company's ability to hold until recovery and the financial strength and specific prospects of the issuer of the security.

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The Company regularly reviews investments accounted for at cost for other-than-temporary impairment based on criteria that include the extent to which the investment's carrying value exceeds its related estimated fair value, the duration of the estimated fair value decline, the Company's ability to hold until recovery and the financial strength and specific prospects of the issuer of the security.

Long-lived assets

ASC 360, "Property, Plant, and Equipment" ("ASC 360") and ASC 350 require the Company to periodically review the carrying amounts of its long-lived assets, including property, plant and equipment and finite-lived intangible assets, to determine whether current events or circumstances indicate that such carrying amounts may not be recoverable. If the carrying amount of the asset is greater than the expected undiscounted cash flows to be generated by such asset, an impairment adjustment is recognized if the carrying value of such asset exceeds its fair value. The Company generally measures fair value by considering sale prices for similar assets or by discounting estimated future cash flows using an appropriate discount rate. Considerable management judgment is necessary to estimate the fair value of assets, accordingly, actual results could vary significantly from such estimates. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value, less their costs to sell.

Treasury Stock

The Company accounts for treasury stock using the cost method. Upon the retirement of treasury stock, the Company allocates the value of treasury shares between common stock, additional paid-in capital and retained earnings. All shares repurchased to date have been retired.

Revenue recognition

Revenue is recognized when persuasive evidence of an arrangement exists, the fees are fixed or determinable, the product or service has been delivered and collectability is reasonably assured. The Company considers the terms of each arrangement to determine the appropriate accounting treatment.

News and Information Services

Advertising revenues are recognized in the period when advertising is printed, broadcast or placed on digital platforms, net of commissions and provisions for estimated sales incentives including rebates, rate adjustments and discounts. Advertising revenues from integrated marketing services are recognized when free-standing inserts are published or over the time period in which in-store marketing services are performed. Billings to clients and payments received in advance of the performance of services or delivery of products are recorded as deferred revenue until the services are performed or the product is delivered.

Circulation and information services revenues include single-copy and subscription revenues. Circulation revenues are based on the number of copies of the printed newspaper (through home-delivery subscriptions and single-copy sales) and digital subscriptions sold and the rates charged to the respective customers. Single-copy revenue is recognized based on date of publication, net of provisions for related returns. Proceeds from print, digital and electronic information services subscription revenues are deferred at the time of sale and are recognized in earnings on a pro rata basis over the terms of the subscriptions.

Other revenues are recognized when the related services are performed or the product has been delivered.

Book Publishing

Revenue from the sale of books for distribution in the retail channel is primarily recognized upon passing of control to the buyer. Revenue for electronic books ("e-books"), which is the net amount received from the

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retailer, is generally recognized upon electronic delivery to the customer by the retailer. Revenue is reported net of any amounts billed to customers for taxes which are remitted to government authorities.

Digital Real Estate Services

Real estate revenues are derived from the sale of online real estate listing products and services to agents, brokers and developers. Revenues are recognized on the fulfillment of customer service obligations, which may include product performance and/or product service periods.

Advertising revenues are recognized in the period when advertising is placed on digital platforms, net of commissions and provisions for estimated sales incentives including rebates, rate adjustments and discounts.

Subscription revenues from licensing and advanced reporting products are typically recognized ratably over the service period of the related subscription.

Cable Network Programming

Affiliate fees received from cable television systems, direct broadcast satellite operators and other distribution systems are recognized as revenue in the period that services are provided. Advertising revenues are recognized, net of agency commissions, in the period that the advertisements are aired.

Multiple element arrangements

Revenues derived from a single sales contract that contains multiple products and services are allocated based on the relative fair value of each item to be delivered and recognized in accordance with the applicable revenue recognition criteria for the specific unit of accounting.

Gross versus net revenue recognition

In the normal course of business, the Company acts as or uses an intermediary or agent in executing transactions with third parties. In connection with these arrangements, the Company must determine whether to report revenue based on the gross amount billed to the ultimate customer or on the net amount received from the customer after commissions and other payments to third parties.

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Company is acting as the principal or an agent in the transaction. If the Company is acting as a principal in a transaction, the Company reports revenue on a gross basis. If the Company is acting as an agent in a transaction, the Company reports revenue on a net basis. The determination of whether the Company is acting as a principal or an agent in a transaction involves judgment and is based on an evaluation of the terms of the arrangement. The Company serves as the principal in transactions in which it has substantial risks and rewards of ownership.

Barter transactions

The Company enters into transactions that involve the exchange of advertising, in part, for other products and services, which are recorded at the lesser of estimated fair value of the advertising given or product or service received in accordance with the provisions of ASC 605-20-25, "Advertising Barter Transactions." Revenue from barter transactions is recognized when advertising is provided, and expenses are recognized when products are received or services are incurred. Revenue from barter transactions included in the Statements of Operations was \$48 million, \$58 million and \$56 million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively. Expense from barter transactions included in the Statements of Operations was \$48 million, \$58 million and \$56 million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

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Sales returns

Consistent with industry practice, certain of the Company's products, such as books and newspapers, are sold with the right of return. The Company records, as a reduction of revenue, the estimated impact of such returns. In determining the estimate of product sales that will be returned, management analyzes historical returns, current economic trends, changes in customer demand and acceptance of the Company's products. Based on this information, management reserves a percentage of each dollar of product sales that provide the customer with the right of return.

Advertising expenses

The Company expenses advertising costs as incurred in accordance with ASC 720-35, "Other Expenses—Advertising Cost." Advertising and promotional expenses recognized totaled \$587 million, \$607 million and \$530 million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

Shipping and handling

Costs incurred for shipping and handling are reflected in Operating expenses in the Statements of Operations.

Translation of foreign currencies

The financial results and position of foreign subsidiaries and affiliates are translated into U.S. dollars using the current rate method, whereby operating results are converted at the average rate of exchange for the period and assets and liabilities are converted at the closing rates on the period end date. The resulting translation adjustments are accumulated as a component of Accumulated other comprehensive loss. Gains and losses from foreign currency transactions are generally included in income for the period.

Income taxes

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). ASC 740 requires an asset and liability approach for financial accounting and reporting for income taxes. Under the asset and liability approach, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Valuation allowances are established where management determines that it is more likely than not that some portion or all of a deferred tax asset will not be realized. Deferred taxes have not been provided on the cumulative undistributed earnings of foreign subsidiaries to the extent amounts are expected to be reinvested indefinitely. The Company recognizes interest and penalty charges related to unrecognized tax benefits as income tax expense.

Earnings (loss) per share

Basic earnings (loss) per share for Class A Common Stock and Class B Common Stock is calculated by dividing Net income (loss) available to News Corporation stockholders by the weighted average number of shares of Class A Common Stock and Class B Common Stock outstanding. Diluted earnings (loss) per share for Class A Common Stock and Class B Common Stock is calculated similarly, except that the calculation includes the dilutive effect of the assumed issuance of shares issuable under the Company's equity-based compensation plans. (See Note 13—Earnings (loss) per share).

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Equity-based compensation

Equity-based awards are accounted for in accordance with ASC 718, “Compensation—Stock Compensation” (“ASC 718”). ASC 718 requires that the cost resulting from all share-based payment transactions be recognized in the Consolidated Financial Statements. ASC 718 establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all companies to apply a fair-value-based measurement method in accounting for generally all share-based payment transactions with employees.

Retirement Benefit Obligations

The Company provides defined benefit pension, postretirement healthcare and defined contribution benefits to the Company’s eligible employees and retirees. The Company accounts for its defined benefit pension, postretirement healthcare and defined contribution plans in accordance with ASC 715, “Compensation—Retirement Benefits” (“ASC 715”). The expense recognized by the Company is determined using certain assumptions, including the discount rate, expected long-term rate of return of pension assets and mortality rates, among others. The Company recognizes the funded status of its defined benefit plans (other than multiemployer plans) as an asset or liability in the Balance Sheets and recognizes changes in the funded status in the year in which the changes occur through Accumulated other comprehensive loss in the Balance Sheets.

Fair Value Measurements

The Company has various financial instruments that are measured at fair value on a recurring basis, including certain marketable securities and derivatives. The Company also applies the provisions of fair value measurement to various non-recurring measurements for the Company’s non-financial assets and liabilities. With the exception of investments measured using the net asset value per share practical expedient prescribed in ASU 2015-07, the Company measures assets and liabilities in accordance with ASC 820, “Fair Value Measurements” (“ASC 820”), using inputs from the following three levels of the fair value hierarchy: (i) inputs that are quoted prices in active markets for identical assets or liabilities (“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) unobservable inputs that require the entity to use its own best estimates about market participant assumptions (“Level 3”).

The Company’s assets measured at fair value on a nonrecurring basis include investments, long-lived assets, indefinite-lived intangible assets and goodwill. The Company reviews the carrying amounts of such assets whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable or at least annually as of June 30 for indefinite-lived intangible assets and goodwill. Any resulting asset impairment would require that the asset be recorded at its fair value. The resulting fair value measurements of the assets are considered to be Level 3 measurements.

Financial instruments and derivatives

The carrying value of the Company’s financial instruments, including cash and cash equivalents, approximate fair value. The Company did not estimate the fair value of certain cost method investments because it was not practicable to do so. The fair value of financial instruments is generally determined by reference to market values resulting from trading on a national securities exchange or in an over-the-counter market which are considered to be Level 2 measurements. 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 June 30, 2017, the Company did not anticipate nonperformance by any of the counterparties.

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ASC 815, “Derivatives and Hedging” (“ASC 815”) requires every derivative instrument (including certain derivative instruments embedded in other contracts) to be recorded on the balance sheet at fair value as either an asset or a liability. ASC 815 also requires that changes in the fair value of recorded derivatives be recognized currently in earnings unless specific hedge accounting criteria are met. The Company uses financial instruments to hedge its limited exposures to foreign currency exchange risks primarily associated with payments made to manufacturers and service providers. These derivative contracts are primarily economic hedges. The Company records the changes in the fair value of these items in current earnings. The fair market value of foreign exchange forward contracts with foreign currency risk outstanding as of June 30, 2017 and June 30, 2016 was not material.

Recent Accounting Guidance

Adopted

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

In February 2015, the FASB issued ASU 2015-02, “Consolidation (Topic 810): Amendments to the Consolidation Analysis” (“ASU 2015-02”). ASU 2015-02 is intended to address stakeholder concerns regarding the usefulness of financial statements where a reporting entity is required to consolidate a legal entity where the reporting entity’s contractual rights do not give it the ability to act primarily on its own behalf, the reporting entity does not hold a majority of the legal entity’s voting rights, or the reporting entity is not exposed to a majority of the legal entity’s economic benefits or obligations. The update amends the accounting guidance around the consolidation of limited partnerships, the considerations surrounding the primary beneficiary determination and the consolidation of certain investment funds. As permitted by ASU 2015-02, the Company early-adopted this standard on a prospective basis during the first quarter of fiscal year 2017. The adoption did not have an impact on the Company’s consolidated financial statements.

In April 2015, the FASB issued ASU 2015-05, “Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement” (“ASU 2015-05”). ASU 2015-05 clarifies guidance about whether a customer’s cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. ASU 2015-05 was adopted on a prospective basis for arrangements entered into, or materially modified beginning July 1, 2016. The adoption did not have a material impact on the consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, “Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment” (“ASU 2017-04”). The amendments in ASU 2017-04 eliminate Step 2 from the goodwill impairment test and instead require an entity to perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and to recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value. The loss recognized

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should not exceed the total amount of goodwill allocated to that reporting unit. As permitted by ASU 2017-04, the Company early-adopted this standard and applied it prospectively to reduce the complexity and costs of evaluating goodwill for impairment during the third quarter of fiscal year 2017.

Issued

In May 2014, FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”). ASU 2014-09 removes inconsistencies and differences in existing revenue requirements between GAAP and International Financial Reporting Standards and requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, delaying the effective date for adoption. ASU 2014-09 is now effective for interim and annual reporting periods beginning after July 1, 2018, however, early adoption is permitted. Once effective, ASU 2014-09 can be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initial adoption recognized at the date of initial application.

The FASB has also issued several standards which provide additional clarification and implementation guidance on the previously issued ASU 2014-09 and have the same effective date as the original standard.

The Company is currently evaluating the overall impact that ASU 2014-09 will have on the Company’s consolidated financial statements, as well as the expected timing and method of adoption. The Company continues to evaluate the available transition methods giving consideration to the comparability of our financial statements and the application of the new standard to our contractual arrangements. We plan to select a transition method by the end of the calendar year 2017. The Company has established an implementation team, including external advisers, and has commenced the review of the Company’s revenue portfolio and related contracts across its various business units and geographies. Discussions regarding changes to the Company’s current accounting policies and practices remain ongoing and preliminary conclusions are subject to change. Based on the current guidance, the new framework will become effective on either a full or modified retrospective basis for the Company on July 1, 2018.

In January 2016, the FASB issued ASU 2016-01, “Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities” (“ASU 2016-01”). The amendments in ASU 2016-01 address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 is effective for the Company for annual and interim reporting periods beginning July 1, 2018. As of June 30, 2017, the Company had \$97 million in available-for-sale securities with net unrealized losses of \$2 million. In accordance with ASU 2016-01, the cumulative net unrealized gains (losses) contained within Accumulated other comprehensive loss will be reclassified through Retained earnings as of July 1, 2018, and changes in the fair value of available-for-sale securities will be recorded in the Company’s Statement of Operations beginning July 1, 2018.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)” (“ASU 2016-02”). The amendments in ASU 2016-02 address certain aspects in lease accounting, with the most significant impact for lessees. The amendments in ASU 2016-02 require lessees to recognize all leases on the balance sheet by recording a right-of-use asset and a lease liability, and lessor accounting has been updated to align with the new requirements for lessees. The new standard also provides changes to the existing sale-leaseback guidance. ASU 2016-02 is effective for the Company for annual and interim reporting periods beginning July 1, 2019. The Company is currently evaluating the impact ASU 2016-02 will have on its consolidated financial statements. The Company’s operating lease commitments are presented in Note 15—Commitments and Contingencies.

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In March 2016, the FASB issued ASU 2016-09, “Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting” (“ASU 2016-09”). The amendments in ASU 2016-09 address several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for the Company for annual and interim reporting periods beginning July 1, 2017. The Company does not expect the adoption of ASU 2016-09 to have a significant impact on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”). The amendments in ASU 2016-13 require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. ASU 2016-13 is effective for the Company for annual and interim reporting periods beginning July 1, 2020. The Company is currently evaluating the impact ASU 2016-13 will have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)” (“ASU 2016-15”). The amendments in ASU 2016-15 address eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash Flows, and other Topics. ASU 2016-15 is effective for the Company for annual and interim reporting periods beginning July 1, 2018. The Company does not expect the adoption of ASU 2016-15 to have a significant impact on its consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, “Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory” (“ASU 2016-16”). The amendments in ASU 2016-16 require an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The amendments in ASU 2016-16 eliminate the exception for an intra-entity transfer of an asset other than inventory. ASU 2016-16 is effective for the Company for annual and interim reporting periods beginning July 1, 2018. The Company does not expect the adoption of ASU 2016-16 to have a material impact on its consolidated financial statements.

In October 2016, the FASB issued ASU 2016-17, “Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control” (“ASU 2016-17”). The amendments in ASU 2016-17 require that if a reporting entity satisfies the first condition of a primary beneficiary in a VIE, a reporting entity should include all of its direct variable interests in a VIE and, on a proportionate basis, its indirect variable interests in a VIE held through related parties, including related parties that are under common control with the reporting entity, when assessing whether it satisfies the second characteristic of a primary beneficiary. If, after performing that assessment, a reporting entity that is the single decision maker of a VIE concludes that it does not have the characteristics of a primary beneficiary, the amendments continue to require that reporting entity to evaluate whether it and one or more of its related parties under common control, as a group, have the characteristics of a primary beneficiary. If the single decision maker and its related parties that are under common control, as a group, have the characteristics of a primary beneficiary, then the party within the related party group that is most closely associated with the VIE is the primary beneficiary. ASU 2016-17 is effective for the Company for annual and interim reporting periods beginning July 1, 2017. The Company is currently evaluating the impact ASU 2016-17 will have on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, “Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)” (“ASU 2016-18”). The amendments in ASU 2016-18

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require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for the Company for annual and interim reporting periods beginning July 1, 2018. The Company is currently evaluating the impact ASU 2016-18 will have on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business” (“ASU 2017-01”). The amendments in ASU 2017-01 provide a screen to determine when a set of assets and activities is not a business. Under the screen, when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. ASU 2017-01 is effective for the Company for annual and interim reporting periods beginning July 1, 2018. The Company is currently evaluating the impact ASU 2017-01 will have on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, “Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost” (“ASU 2017-07”). The amendments in ASU 2017-07 require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost as defined in paragraphs 715-30-35-4 and 715-60-35-9 are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are used to present the other components of net benefit cost, that line item or items must be appropriately described. If a separate line item or items are not used, the line item or items used in the income statement to present the other components of net benefit cost must be disclosed. ASU 2017-07 is effective for the Company for annual and interim reporting periods beginning July 1, 2018. The Company is currently evaluating the impact ASU 2017-07 will have on its consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, “Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting” (“ASU 2017-09”). The amendments in ASU 2017-09 provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. ASU 2017-09 is effective for the Company for annual and interim reporting periods beginning July 1, 2018. Early adoption of ASU 2017-09 is permitted, including adoption in any interim period, and the standard should be applied prospectively to an award modified on or after the adoption date. The Company does not expect the adoption of ASU 2017-09 to have a significant impact on its consolidated financial statements.

NOTE 3. ACQUISITIONS, DISPOSALS AND OTHER TRANSACTIONS

Fiscal 2017

Wireless Group plc

In September 2016, the Company completed its acquisition of Wireless Group for a purchase price of 315 pence per share in cash, or approximately £220 million (approximately \$285 million) in the aggregate, plus \$23 million of assumed debt which was repaid subsequent to closing. Wireless Group operates talkSPORT, the leading sports radio network in the U.K., and a portfolio of radio stations in the U.K. and Ireland. The acquisition broadens the Company’s range of services in the U.K., Ireland and internationally, and the Company continues to closely align Wireless Group’s operations with those of *The Sun* and *The Times*. The Company utilized the restricted cash

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which was specifically set aside at June 30, 2016 for purposes of funding the acquisition and therefore the Company had no restricted cash as of June 30, 2017.

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

Cash paid for Wireless Group equity	\$285
Plus: Assumed debt	23
Total transaction value	<u>\$308</u>

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

Assets Acquired:	
Intangible assets	\$220
Goodwill	115
Net liabilities	<u>(50)</u>
Total net assets acquired	<u>\$285</u>

The acquired intangible assets primarily relate to broadcast licenses, which have a fair value of approximately \$185 million, tradenames, which have a fair value of approximately \$27 million, and customer relationships with a fair value of approximately \$8 million. The broadcast licenses and tradenames have indefinite lives and the customer relationships are being amortized over a weighted-average useful life of approximately 6 years. Wireless Group's results are included within the News and Information Services segment, and it is considered a separate reporting unit for purposes of the Company's annual goodwill impairment review.

Australian Regional Media

In December 2016, the Company acquired Australian Regional Media ("ARM") from HT&E Limited (formerly APN News and Media Limited) ("HT&E") for approximately \$30 million. ARM operates a portfolio of regional print assets and websites and extends the reach of the Australian newspaper business to new customers in new geographic regions. ARM is a subsidiary of News Corp Australia, and its results are included within the News and Information Services segment.

REA Group European Business

In December 2016, REA Group, in which the Company holds a 61.6% interest, sold its European business for approximately \$140 million (approximately €133 million) in cash, which resulted in a pre-tax gain of \$107 million for the fiscal year ended June 30, 2017. The sale allows REA Group to focus on its core businesses in Australia and Asia.

Fiscal 2016

Checkout 51 Mobile Apps ULC

In July 2015, the Company acquired Checkout 51 Mobile Apps ULC ("Checkout 51") for approximately \$13 million in cash at closing and approximately \$10 million in deferred cash consideration which was paid during

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fiscal 2016. Checkout 51 is a data-driven digital incentives company that provides News America Marketing with a leading receipt recognition mobile app which enables packaged goods companies and brands to reach consumers with highly personalized marketing campaigns. Checkout 51's results are included within the News and Information Services segment.

Unruly Holdings Limited

On September 30, 2015, the Company acquired Unruly for approximately £60 million (approximately \$90 million) in cash and up to £56 million (approximately \$86 million) in future cash consideration related to payments primarily contingent upon the achievement of certain performance objectives. As a result of the acquisition, the Company recognized a liability of approximately \$40 million related to the contingent consideration. The fair value of the contingent consideration was estimated by applying a probability-weighted income approach. In accordance with ASC 350, \$43 million of the purchase price was allocated to acquired technology with a weighted-average useful life of 7 years, \$21 million was allocated to customer relationships and tradenames with a weighted-average useful life of 6 years and \$68 million was allocated to goodwill. Unruly is a leading global video distribution platform that is focused on delivering branded video advertising across websites and mobile devices. Unruly's results of operations are included within the News and Information Services segment, and it is considered a separate reporting unit for purposes of the Company's annual goodwill impairment review.

DIAKRIT International Limited

In February 2016, the Company acquired a 92% interest in DIAKRIT for approximately \$40 million in cash. The Company also has the option to purchase, and the minority shareholders have the option to sell to the Company, the remaining 8% in two tranches over the six years following the closing at fair value. DIAKRIT is a leader in 3D visualization products, digital sales applications and professional services for the real estate industry. DIAKRIT's results are included within the Digital Real Estate Services segment, and it is considered a separate reporting unit for purposes of the Company's annual goodwill impairment review.

iProperty Group Limited

In February 2016, REA Group increased its investment in iProperty Group Limited ("iProperty") from 22.7% to approximately 86.9% for A\$482 million in cash (approximately \$340 million). The remaining 13.1% interest will become mandatorily redeemable during fiscal 2018. As a result, the Company recognized a liability of approximately \$76 million, which reflected the present value of the amount expected to be paid for the remaining interest based on the formula specified in the acquisition agreement. The acquisition was funded primarily with the proceeds from borrowings under an unsecured syndicated revolving loan facility (the "REA Facility"). (See Note 9—Borrowings). The acquisition of iProperty extends REA Group's market leading business in Australia to attractive markets throughout Southeast Asia. iProperty is a subsidiary of REA Group, and its results are included within the Digital Real Estate Services segment.

In accordance with ASC 805 "Business Combinations" ("ASC 805"), REA Group recognized a gain of \$29 million resulting from the revaluation of its previously held equity interest in iProperty in Other, net in the

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Statement of Operations for the fiscal year ended June 30, 2016. The total fair value of iProperty at the acquisition date is set forth below (in millions):

Cash paid for iProperty equity	\$340
Deferred consideration	76
Total consideration	<u>416</u>
Fair value of previously held iProperty investment	120
Total fair value	<u>\$536</u>

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

Assets Acquired:	
Goodwill	\$498
Intangible assets	72
Net liabilities	<u>(34)</u>
Net assets acquired	<u>\$536</u>

The acquired intangible assets primarily relate to tradenames which have an indefinite life.

Flatmates.com.au Pty Ltd

In May 2016, REA Group acquired Flatmates.com.au Pty Ltd (“Flatmates”) for \$19 million in cash at closing and up to \$15 million in future cash consideration related to payments contingent upon the achievement of certain performance objectives. Flatmates operates the Flatmates.com.au website, which is a market leading share accommodation site in Australia. The acquisition enhances REA Group’s Australian product offering by extending its reach into the quickly growing share accommodation business. Flatmates is a subsidiary of REA Group, and its results are included within the Digital Real Estate Services segment.

Fiscal 2015

Harlequin Enterprises Limited

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

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Move, Inc.

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

The aggregate cash payment at closing to acquire the outstanding shares of Move was approximately \$864 million, which was funded with cash on hand. The Company also assumed outstanding Move equity-based compensation awards with a fair value of \$67 million, consisting of vested and unvested stock options, restricted stock units ("RSUs") and restricted stock awards. Of the total fair value of the assumed equity-based compensation awards, \$28 million was allocated to pre-combination services and included in total consideration transferred and \$39 million was allocated to future services and was expensed over the weighted average remaining service period of 2.5 years. (See Note 12— Equity Based Compensation). In addition, following the acquisition, the Company utilized approximately \$129 million of cash to settle all of Move's outstanding indebtedness that was assumed as part of the transaction. The total transaction value for the Move acquisition is set forth below (in millions):

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

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

Under the acquisition method of accounting, the total consideration transferred was allocated to net tangible and intangible assets based upon the fair value as of the date of completion of the acquisition. The excess of the total

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consideration transferred over the fair value of the net tangible and intangible assets acquired was recorded as goodwill. The allocation is as follows (in millions):

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

The acquired intangible assets relate to the license of the realtor.com[®] trademark, which has a fair value of approximately \$116 million and an indefinite life, and customer relationships, other tradenames and certain multiple listing service agreements with an aggregate fair value of approximately \$100 million, which are being amortized over a weighted-average useful life of approximately 15 years. The Company also acquired technology, primarily associated with the realtor.com[®] website, that has a fair value of approximately \$39 million, which is being amortized over 4 years. The acquired technology has been recorded in Property, Plant and Equipment, net in the Consolidated Balance Sheets as of the date of acquisition.

Move had U.S. federal net operating loss carryforwards (“NOLs”) of \$947 million (\$332 million tax-effected) at the date of acquisition. The NOLs are subject to limitations as promulgated under Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”). Section 382 of the Code limits the amount of acquired NOLs that we can use on an annual basis to offset future U.S. consolidated taxable income. Valuation allowances and unrecognized tax benefits were recorded against these NOLs in the amount of \$484 million (\$170 million tax-effected) as part of the purchase price allocation. Accordingly, the Company expected approximately \$463 million of NOLs could be utilized, and recorded a net deferred tax asset of \$162 million as part of the purchase price allocation. As a result of management’s plan to dispose of its digital education business, the Company increased its estimated utilization of Move’s NOLs by \$167 million (\$58 million tax-effected) and released valuation allowances equal to that amount. Upon filing its fiscal 2015 federal income tax return, the Company reduced Move’s NOLs by \$298 million which represents the amount expected to expire unutilized due to the Section 382 limitation discussed above. As of June 30, 2016, the remaining Move NOLs expected to be utilized are \$573 million (\$201 million tax-effected). The utilization of these NOLs is dependent on generating sufficient U.S. taxable income prior to expiration which begins in varying amounts starting in 2021. The deferred tax assets established for Move’s NOLs, net of valuation allowance and unrecognized tax benefits, are included in Non-current deferred tax assets on the Balance Sheets.

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NOTE 4. DISCONTINUED OPERATIONS

During the first quarter of fiscal 2016, management approved a plan to dispose of the Company's digital education business. As a result of the plan and the discontinuation of further significant business activities in the Digital Education segment, the assets and liabilities of this segment were classified as held for sale and the results of operations have been classified as discontinued operations for all periods presented in accordance with ASC 205-20, "Discontinued Operations."

In the first quarter of fiscal 2016, the Company recognized a pre-tax non-cash impairment charge of \$76 million reflecting a write down of the digital education business to its fair value less costs to sell. The Company completed the sale of the Amplify Insight and Amplify Learning businesses on September 30, 2015 and incurred approximately \$17 million in severance and lease termination costs in conjunction with the sale. These amounts are included in Loss before income tax benefit in the table below for the fiscal year ended June 30, 2016. Additionally, during the first quarter of fiscal 2016, the Company recognized a tax benefit of \$144 million upon reclassification of the Digital Education segment to discontinued operations. This amount is included in Income tax benefit in the table below for the fiscal year ended June 30, 2016.

During the fourth quarter of fiscal 2015, as part of the Company's long-range planning process, the Company changed its strategy and related outlook with respect to the Amplify reporting unit which resulted in a reduction in expected future cash flows for the business. As a result, the Company determined that the fair value of this reporting unit declined below its carrying value and recorded a non-cash impairment charge of \$371 million, with no associated tax impact, in the fiscal year ended June 30, 2015. The charge primarily consisted of a write-down of the Company's goodwill of \$325 million and a write-down of capitalized software development costs of \$45 million. Significant unobservable inputs utilized in the income approach valuation method were discount rates (ranging from 12%-45%) and long-term growth rates (ranging from 0%-4%). The impairment charges are included in Loss before income tax benefit in the table below for the fiscal year ended June 30, 2015.

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

	For the fiscal years ended June 30,		
	2017	2016	2015
	(in millions)		
Revenues	\$ —	\$ 27	\$ 109
Loss before income tax benefit	—	(159)	(496)
Income tax benefit	—	174	51
Income (loss) from discontinued operations, net of tax	<u>\$ —</u>	<u>\$ 15</u>	<u>\$ (445)</u>

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Liabilities held for sale related to discontinued operations as of June 30, 2016 are included in Other current liabilities in the Balance Sheets as follows:

	As of June 30, 2017	As of June 30, 2016
	(in millions)	
Current assets	\$ —	\$ 1
Non-current assets	—	—
Total assets	<u>\$ —</u>	<u>\$ 1</u>
Current liabilities	—	7
Non-current liabilities	—	—
Total liabilities	<u>\$ —</u>	<u>\$ 7</u>
Net liabilities held for sale	<u>\$ —</u>	<u>\$ (6)</u>

NOTE 5. RESTRUCTURING PROGRAMS

The Company recorded restructuring charges of \$142 million, \$89 million and \$84 million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively, of which \$133 million, \$79 million and \$75 million related to the News and Information Services segment, respectively. The restructuring charges recorded in fiscal 2017, 2016 and 2015 were primarily for employee termination benefits.

In connection with a reorganization at Dow Jones, the Company incurred \$38 million of restructuring expense in the fiscal year ended June 30, 2017 which is included in the restructuring charges discussed above.

Changes in the restructuring program liabilities were as follows:

	One-time employee termination benefits	Facility related costs	Other costs	Total
	(in millions)			
Balance, June 30, 2014	\$ 21	\$ 7	\$ —	\$ 28
Additions	74	1	9	84
Payments	(46)	(3)	(3)	(52)
Other	(2)	—	—	(2)
Balance, June 30, 2015	<u>\$ 47</u>	<u>\$ 5</u>	<u>\$ 6</u>	<u>\$ 58</u>
Additions	86	1	2	89
Payments	(95)	(1)	—	(96)
Other	(5)	—	(2)	(7)
Balance, June 30, 2016	<u>\$ 33</u>	<u>\$ 5</u>	<u>\$ 6</u>	<u>\$ 44</u>
Additions	137	—	5	142
Payments	(135)	(1)	(1)	(137)
Other	(2)	2	—	—
Balance, June 30, 2017	<u>\$ 33</u>	<u>\$ 6</u>	<u>\$ 10</u>	<u>\$ 49</u>

As of June 30, 2017, restructuring liabilities of approximately \$35 million were included in the Balance Sheet in Other current liabilities and \$14 million were included in Other non-current liabilities.

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NOTE 6. INVESTMENTS

The Company's investments were comprised of the following:

	Ownership Percentage as of June 30, 2017	As of June 30,	
		2017	2016
(in millions)			
Equity method investments:			
Foxtel ^(a)	50%	\$ 1,208	\$ 1,437
Other equity method investments ^(b)	various	133	101
Loan receivable from Foxtel ^(c)	N/A	370	338
Available-for-sale securities ^(d)	various	97	189
Cost method investments ^(e)	various	219	205
Total Investments		\$ 2,027	\$ 2,270

^(a) During the second quarter of fiscal 2017, the Company recognized a \$227 million non-cash write-down of the carrying value of its investment in Foxtel to fair value. As a result of Foxtel's performance in the first half of fiscal 2017 and the competitive operating environment in the Australian pay-TV market, the Company revised its future outlook for the business, which resulted in a reduction in expected future cash flows. Based on the revised projections, the Company determined that the fair value of its investment in Foxtel declined below its \$1.4 billion carrying value, which includes the gain recognized in connection with the acquisition of Consolidated Media Holdings Ltd. ("CMH"). Significant unobservable inputs utilized in the income approach valuation method were a discount rate of 9.0% and a long-term growth rate of 2.5%. Significant unobservable inputs utilized in the market approach valuation method were EBITDA multiples from guideline public companies operating in similar industries and a control premium of 10%. Any significant shortfall of the expected future cash flows of, or changes in market conditions for, Foxtel could result in additional write downs for which non-cash charges would be required.

In November 2012, the Company acquired CMH, a media investment company that operates in Australia. CMH owned a 25% interest in Foxtel through its 50% interest in FOX SPORTS Australia. The CMH acquisition was accounted for in accordance with ASC 805 which requires an acquirer to remeasure its previously held equity interest in an acquiree at its acquisition date fair value and recognize the resulting gain or loss in earnings. The carrying amount of the Company's previously held equity interest in FOX SPORTS Australia, through which the Company held its indirect 25% interest in Foxtel, was revalued to fair value as of the acquisition date, resulting in a step-up and non-cash gain of approximately \$1.3 billion for the fiscal year ended June 30, 2013, of which \$0.9 billion related to Foxtel.

^(b) In January 2017, REA Group acquired an approximate 15% interest in Elara Technologies Pte. Ltd., a leading online real estate services provider in India ("Elara"), for \$50 million. Elara operates PropTiger.com, Makaan.com and Housing.com, and the investment further strengthens REA Group's presence in Asia. Following the completion of the investment and certain related transactions, including Elara's acquisition of Housing.com, News Corporation's pre-existing interest in Elara decreased to approximately 23%.

^(c) In May 2012, Foxtel purchased Austar United Communications Ltd. The transaction was funded by Foxtel bank debt and pro rata capital contributions made by Foxtel shareholders in the form of subordinated shareholder notes based on their respective ownership interests. The Company's share of the subordinated shareholder notes was approximately A\$481 million (\$370 million) and A\$451 million (\$338 million) as of June 30, 2017 and June 30, 2016, respectively. During the three months ended June 30, 2017, the Company capitalized a portion of the interest due from Foxtel which is included in the carrying value of the note

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receivable as of June 30, 2017. The subordinated shareholder notes can be repaid beginning in July 2022 provided that Foxtel's senior debt has been repaid. The subordinated shareholder notes have a maturity date of July 15, 2027, with interest payable on June 30 each year and at maturity. On June 22, 2016, Foxtel and Foxtel's shareholders agreed to modify the terms of the loan receivable to reduce the interest rate from 12% to 10.5%, to more closely align with current market rates. Foxtel paid interest at a rate of 10.5% for fiscal 2016. Upon maturity, the principal advanced will be repayable.

- (d) Available-for-sale securities primarily include the Company's investment in HT&E. During fiscal 2016, the Company participated in an entitlement offer to maintain its 14.99% interest in HT&E for \$20 million. During the second quarter of fiscal 2017, the Company participated in an entitlement offer for \$21 million and its interest was diluted from 14.99% to 13.23%. During the fourth quarter of fiscal 2017, the Company's interest increased from 13.23% to 13.40% as a result of dividend reinvestment. HT&E operates a portfolio of Australian radio and outdoor media assets.
- (e) Cost method investments primarily include the Company's investment in SEEKAsia Limited and certain investments in China.

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

	As of June 30,	
	2017	2016
	(in millions)	
Cost basis of available-for-sale investments	\$ 99	\$155
Accumulated gross unrealized gain	—	34
Accumulated gross unrealized (loss)	(2)	—
Fair value of available-for-sale investments	<u>\$ 97</u>	<u>\$189</u>
Net deferred tax (asset) liability	<u>\$ (1)</u>	<u>\$ 13</u>

Equity (Losses) Earnings of Affiliates

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

	For the fiscal years ended June 30,		
	2017	2016	2015
	(in millions)		
Foxtel ^(a)	\$ (265)	\$ 38	\$ 59
Other equity affiliates, net ^(b)	(30)	(8)	(1)
Total Equity (losses) earnings of affiliates	<u>\$ (295)</u>	<u>\$ 30</u>	<u>\$ 58</u>

- (a) During the second quarter of fiscal 2017, the Company recognized a \$227 million non-cash write-down of the carrying value of its investment in Foxtel to fair value. The write-down is reflected in Equity (losses) earnings of affiliates in the Statement of Operations for the fiscal year ended June 30, 2017. Refer to the discussion above for further details.

Additionally, in accordance with ASC 350, the Company amortized \$68 million, \$52 million and \$57 million related to excess cost over the Company's proportionate share of its investment's underlying net assets allocated to finite-lived intangible assets during the fiscal years ended June 30, 2017, 2016 and 2015, respectively. Such amortization is reflected in Equity (losses) earnings of affiliates in the Statements of Operations.

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- (b) Other equity affiliates, net for the fiscal year ended June 30, 2017 includes losses primarily from the Company's interest in Elara. Additionally, during the fourth quarter of fiscal 2017, the Company recognized impairments of \$9 million on certain other equity method investments. The impairments are reflected in Equity (losses) earnings of affiliates in the Statement of Operations for the fiscal year ended June 30, 2017.

Impairments of Other Investments

The Company regularly reviews its investments for impairments based on criteria that include the extent to which the investment's carrying value exceeds its related market value, the duration of the market decline, the Company's ability to hold its investment until recovery and the investment's financial strength and specific prospects. The Company recorded write-offs and impairments of certain available-for-sale securities and cost method investments in the fiscal years ended June 30, 2017, 2016 and 2015 of \$21 million, \$21 million and \$5 million, respectively. These write-offs and impairments were reflected in Other, net in the Statements of Operations and were taken either as a result of the deteriorating financial position of the investee or due to an other-than-temporary impairment resulting from sustained losses and limited prospects for recovery. In the fiscal years ended June 30, 2017, 2016 and 2015, write-offs and impairments of \$21 million, \$17 million and nil, respectively, were reclassified out of accumulated other comprehensive loss and included in Other, net in the Statement of Operations.

Summarized Financial Information

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

	For the fiscal years ended June 30,		
	2017	2016	2015
	(in millions)		
Revenues	\$ 2,411	\$ 2,379	\$ 2,658
Operating income ^(a)	353	373	441
Net income	59	180	232

- (a) Includes Depreciation and amortization of \$215 million, \$231 million and \$319 million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively. Operating income before depreciation and amortization was \$568 million, \$604 million, and \$760 million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

	As of June 30,	
	2017	2016
	(in millions)	
Current assets	\$ 642	\$ 605
Non-current assets	2,517	2,470
Current liabilities	758	764
Non-current liabilities	2,557	2,534

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NOTE 7. PROPERTY, PLANT AND EQUIPMENT

	Useful Lives	As of June 30,	
		2017	2016
		(in millions)	
Land		\$ 153	\$ 153
Buildings and leaseholds	3 to 50 years	1,733	1,793
Machinery and equipment ^(a)	3 to 40 years	2,985	2,872
		4,871	4,818
Less: accumulated depreciation and amortization ^(b)		(3,339)	(2,524)
		1,532	2,294
Construction in progress		92	111
Total Property, plant and equipment, net		<u>\$ 1,624</u>	<u>\$ 2,405</u>

^(a) Includes capitalized software of approximately \$997 million and \$950 million as of June 30, 2017 and 2016, respectively.

^(b) Includes accumulated amortization of capitalized software of approximately \$691 million and \$498 million as of June 30, 2017 and 2016, respectively.

Depreciation and amortization related to property, plant and equipment was \$358 million, \$415 million, and \$407 million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively. This includes amortization of capitalized software of \$168 million, \$194 million and \$169 million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

Total operating lease expense was approximately \$156 million, \$164 million and \$195 million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

Fixed Asset Impairment

During the fiscal year ended June 30, 2017, the Company recognized total fixed asset impairment charges of \$679 million, primarily at News UK and News Corp Australia.

During the fourth quarter of fiscal 2017, as part of the Company's long-range planning process, the Company reduced its outlook for the U.K. newspapers due to the impact of adverse print advertising and print circulation trends on the future expected performance of the business. As a result, the Company recognized a non-cash impairment charge of approximately \$360 million related to the write-down of fixed assets at the U.K. newspapers. The write-down was comprised of approximately \$252 million related to print sites, \$85 million related to printing presses and print related equipment and \$23 million related to capitalized software. Significant unobservable inputs utilized in the income approach valuation method were a discount rate of 8.5% and a -1.0% long term growth rate.

During the second quarter of fiscal 2017, the Company recognized a non-cash impairment charge of approximately \$310 million primarily related to the write-down of fixed assets at the Australian newspapers. The write-down was a result of the impact of adverse trends on the future expected performance of the Australian newspapers, where revenue declines from continued weakness in the print advertising market accelerated during the second quarter. The write-down was comprised of approximately \$149 million related to printing presses and print related equipment, \$77 million related to facilities, \$66 million related to capitalized software and \$18 million related to tradenames. Significant unobservable inputs utilized in the income approach valuation method were a discount rate of 11.5% and no long-term growth.

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NOTE 8. GOODWILL AND OTHER INTANGIBLE ASSETS

The carrying values of the Company's intangible assets and related accumulated amortization for the fiscal years ended June 30, 2017 and June 30, 2016 were as follows:

	<u>As of June 30,</u>	
	<u>2017</u>	<u>2016</u>
	(in millions)	
<u>Intangible Assets Not Subject to Amortization</u>		
Newspaper mastheads	\$ 299	\$ 307
Distribution networks	390	391
Imprints	237	245
Radio broadcast licenses	185	—
Trademarks and tradenames	179	191
Total intangible assets not subject to amortization	<u>1,290</u>	<u>1,134</u>
<u>Intangible Assets Subject to Amortization</u>		
Channel distribution agreements ^(a)	335	342
Publishing rights ^(b)	329	365
Customer relationships ^(c)	310	336
Other ^(d)	17	30
Total intangible assets subject to amortization, net	<u>991</u>	<u>1,073</u>
Total Intangible assets, net	<u>\$2,281</u>	<u>\$2,207</u>

- (a) Net of accumulated amortization of \$76 million and \$58 million as of June 30, 2017 and 2016, respectively. The average useful life of the channel distribution agreements is 25 years primarily based on the period that a majority of the future cash flows from these intangible assets will be generated.
- (b) Net of accumulated amortization of \$181 million and \$150 million as of June 30, 2017 and 2016, respectively. The useful lives of publishing rights range from 4 to 30 years primarily based on the weighted-average remaining contractual terms of the underlying publishing contracts and the Company's estimates of the period within those terms that the asset is expected to generate a majority of its future cash flows.
- (c) Net of accumulated amortization of \$399 million and \$363 million as of June 30, 2017 and 2016, respectively. The useful lives of customer relationships range from 2 to 25 years. The useful lives of these assets are estimated by applying historical attrition rates and determining the resulting period over which a majority of the accumulated undiscounted cash flows related to the customer relationships are expected to be generated.
- (d) Net of accumulated amortization of \$83 million and \$69 million as of June 30, 2017 and 2016, respectively. The useful lives of other intangible assets range from 2 to 15 years. The useful lives represent the periods over which these intangible assets are expected to contribute directly or indirectly to the Company's future cash flows.

During the fiscal year ended June 30, 2017, the Company recognized impairment charges of \$58 million related to trademarks and tradenames.

Amortization expense related to amortizable intangible assets was \$91 million, \$91 million and \$90 million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

Based on the current amount of amortizable intangible assets, the estimated amortization expense for each of the succeeding five fiscal years is as follows: 2018—\$88 million; 2019—\$75 million; 2020—\$67 million; 2021—\$62 million; and 2022—\$57 million.

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The changes in the carrying value of goodwill, by segment, are as follows:

	News and Information Services	Book Publishing	Digital Real Estate Services	Cable Network Programming	Other	Total Goodwill
	(in millions)					
Balance, June 30, 2015	\$ 1,696	\$ 241	\$ 636	\$ 486	\$ 4	\$ 3,063
Acquisitions	80	31	545	—	—	656
Foreign currency movements	(11)	(12)	28	(10)	—	(5)
Balance, June 30, 2016	<u>\$ 1,765</u>	<u>\$ 260</u>	<u>\$ 1,209</u>	<u>\$ 476</u>	<u>\$ 4</u>	<u>\$ 3,714</u>
Acquisitions	136	10	2	11	—	159
Impairments ^(a)	(20)	—	(24)	—	(4)	(48)
Dispositions ^(b)	—	—	(20)	—	—	(20)
Foreign currency movements	3	1	16	13	—	33
Balance, June 30, 2017	<u>\$ 1,884</u>	<u>\$ 271</u>	<u>\$ 1,183</u>	<u>\$ 500</u>	<u>\$ —</u>	<u>\$ 3,838</u>

^(a) In the News and Information Services segment, the write-down of goodwill primarily relates to a reporting unit in the U.K.. In the Digital Real Estate Services segment, the write-down of goodwill relates to the Company's DIAKRIT reporting unit.

^(b) Relates to REA Group's sale of its European business.

The carrying amount of goodwill as of June 30, 2017 reflected accumulated impairments, principally relating to the News and Information Services segment, of \$3.5 billion.

Annual Impairment Assessments

Fiscal 2017

In accordance with ASC 350, the Company's goodwill and indefinite-lived intangible assets are tested annually in the fourth quarter for impairment or earlier if events or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. (See Note 2—Summary of Significant Accounting Policies).

The performance of the Company's annual impairment analysis resulted in impairments of \$88 million of goodwill and indefinite-lived intangible assets in fiscal 2017. Significant unobservable inputs utilized in the income approach valuation method were discount rates (ranging from 9.0%-25.0%), long-term growth rates (ranging from 0.0%-3.3%) and royalty rates (ranging from 0.5%-7.5%). Significant unobservable inputs utilized in the market approach valuation method were EBITDA multiples from guideline public companies operating in similar industries and control premiums (ranging from 10%-15%). Significant increases (decreases) in royalty rates, growth rates, control premiums and multiples, assuming no change in discount rates, would result in a significantly higher (lower) fair value measurement. Significant decreases (increases) in discount rates, assuming no changes in royalty rates, growth rates, control premiums and multiples, would result in a significantly higher (lower) fair value measurement.

Fiscal 2016

The performance of the Company's annual impairment analysis did not result in any impairments of goodwill in fiscal 2016. Significant unobservable inputs utilized in the income approach valuation method were discount rates (ranging from 9%-14.5%), long-term growth rates (ranging from 0%-3.5%) and royalty rates (ranging from 0.5%-3.4%). Significant unobservable inputs utilized in the market approach valuation method were EBITDA

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multiples from guideline public companies operating in similar industries and control premiums (ranging from 10%-15%). Significant increases (decreases) in royalty rates, growth rates, control premiums and multiples, assuming no change in discount rates, would result in a significantly higher (lower) fair value measurement. Significant decreases (increases) in discount rates, assuming no changes in royalty rates, growth rates, control premiums and multiples, would result in a significantly higher (lower) fair value measurement.

Fiscal 2015

The performance of the Company's annual impairment analysis did not result in any impairments of goodwill in fiscal 2015. Significant unobservable inputs utilized in the income approach valuation method were discount rates (ranging from 9%-14%), long-term growth rates (ranging from 0%-3%) and royalty rates (ranging from 0.5%-3.3%). Significant unobservable inputs utilized in the market approach valuation method were EBITDA multiples from guideline public companies operating in similar industries and control premiums (ranging from 10%-15%). Significant increases (decreases) in royalty rates, growth rates, control premiums and multiples, assuming no change in discount rates, would result in a significantly higher (lower) fair value measurement. Significant decreases (increases) in discount rates, assuming no changes in royalty rates, growth rates, control premiums and multiples, would result in a significantly higher (lower) fair value measurement.

NOTE 9. BORROWINGS

The Company's total borrowings consist of the following:

	As of June 30, 2017	As of June 30, 2016
	(in millions)	
Facility due December 2017	\$ 92	\$ 90
Facility due December 2018	92	90
Facility due December 2019	184	179
Other obligations	11	13
Total debt	379	372
Less: Current portion ^(a)	(103)	(3)
Total long-term debt	\$ 276	\$ 369

^(a) The current portion of long term debt is included in Other current liabilities. See Note 20—Additional Financial Information.

REA Group Unsecured Revolving Loan Facility

REA Group entered into an A\$480 million unsecured syndicated revolving loan facility agreement in connection with the acquisition of iProperty. The REA Facility consists of three sub facilities of A\$120 million, A\$120 million and A\$240 million which become due in December 2017, December 2018 and December 2019, respectively. In February 2016, REA Group drew down the full A\$480 million (approximately \$340 million as of such date) available under the REA Facility, and the proceeds, less lenders' fees of \$1 million, were used to fund the iProperty acquisition. Borrowings under the REA Facility bear interest at a floating rate of the Australian BBSY plus a margin in the range of 0.85% and 1.45% depending on REA Group's net leverage ratio. As of June 30, 2017, REA Group was paying a margin of between 0.85% and 1.05%. REA Group paid approximately \$10 million in interest for the fiscal year ended June 30, 2017 at a weighted average interest rate of 2.7%. The REA Facility requires REA Group to maintain a net leverage ratio of not more than 3.25 to 1.0 and an interest

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coverage ratio of not less than 3.0 to 1.0. As of June 30, 2017, REA Group was in compliance with all of the applicable debt covenants.

Revolving Credit Facility

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

In October 2015, the Company entered into an amendment to the Credit Agreement (the "Amendment") which, among other things, extended the original term of the Facility by two years and lowered the commitment fee payable by the Company. As a result of the Amendment, the lenders' commitments now terminate on October 23, 2020, and any borrowings will be due at that time. The Company may request that the commitments be extended under certain circumstances as set forth in the Credit Agreement for up to two additional one-year periods.

The Credit Agreement contains customary affirmative and negative covenants and events of default, with customary exceptions, including limitations on the ability of the Company and its subsidiaries to engage in transactions with affiliates, incur liens, merge into or consolidate with any other entity, incur subsidiary debt or dispose of all or substantially all of its assets or all or substantially all of the stock of its subsidiaries. In addition, the Credit Agreement requires the Company to maintain an adjusted operating income leverage ratio of not more than 3.0 to 1.0 and an interest coverage ratio of not less than 3.0 to 1.0. If any of the events of default occur and are not cured within applicable grace periods or waived, any unpaid amounts under the Credit Agreement may be declared immediately due and payable. As of June 30, 2017, the Company was in compliance with all of the applicable debt covenants.

Interest on borrowings under the Facility is based on either (a) a Eurodollar Rate formula or (b) the Base Rate formula, each as set forth in the Credit Agreement. The applicable margin and the commitment fee are based on the pricing grid in the Credit Agreement, which varies based on the Company's adjusted operating income leverage ratio. As of June 30, 2017, the Company was paying a commitment fee of 0.225% on any undrawn balance and an applicable margin of 0.50% for a Base Rate borrowing and 1.50% for a Eurodollar Rate borrowing.

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

Total borrowings, excluding other obligations and debt issuance costs, have the following scheduled maturities for each of the next five fiscal years:

	As of June 30, 2017 (in millions)
Fiscal 2018	\$ 92
Fiscal 2019	92
Fiscal 2020	185
Fiscal 2021	—
Fiscal 2022	—
Thereafter	—

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NOTE 10. REDEEMABLE PREFERRED STOCK

In connection with the Company's separation of its businesses (the "Separation") from Twenty-First Century Fox, Inc. ("21st Century Fox") on June 28, 2013 (the "Distribution Date"), 21st Century Fox sold 4,000 shares of cumulative redeemable preferred stock with a par value of \$5,000 per share of a newly formed U.S. subsidiary of the Company. The preferred stock pays dividends at a rate of 9.5% per annum, payable quarterly, in arrears. The preferred stock is callable by the Company at any time after the fifth year and is puttable at the option of the holder after 10 years. As of June 30, 2017 and 2016, \$20 million was included in Redeemable preferred stock on the Balance Sheets.

NOTE 11. STOCKHOLDERS' EQUITY**Authorized Capital Stock**

The Company's authorized capital stock consists of 1,500,000,000 shares of Class A Common Stock, par value \$0.01 per share, 750,000,000 shares of Class B Common Stock, par value \$0.01 per share, 25,000,000 shares of Series Common Stock, par value \$0.01 per share, and 25,000,000 shares of Preferred Stock, par value \$0.01 per share.

Common Stock and Preferred Stock

Shares Outstanding —As of June 30, 2017, the Company had approximately 380 million shares of Class A Common Stock outstanding at a par value of \$0.01 per share and approximately 200 million shares of Class B Common Stock outstanding at a par value of \$0.01 per share. As of June 30, 2017, the Company had no shares of Series Common Stock and Preferred Stock outstanding.

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

	For the fiscal years ended June 30,		
	2017	2016	2015
Cash dividends paid per share	\$ 0.20	\$ 0.20	\$ —

The timing, declaration, amount and payment of future dividends to stockholders, if any, is within the discretion of the Company's Board of Directors (the "Board of Directors"). The Board of Directors' decisions regarding the payment of future dividends will depend on many factors, including the Company's financial condition, earnings, capital requirements and debt facility covenants, other contractual restrictions, as well as legal requirements, regulatory constraints, industry practice, market volatility and other factors that the Board of Directors deems relevant.

Voting Rights —Holders of the Company's Class A Common Stock are entitled to vote only in the limited circumstances set forth in the Company's Restated Certificate of Incorporation (the "Charter"). Holders of the Company's Class B Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders.

Liquidation Rights —In the event of a liquidation or dissolution of the Company, holders of Class A Common Stock and Class B Common Stock shall be entitled to receive all of the remaining assets of the Company available for distribution to its stockholders, ratably in proportion to the number of shares held by Class A Common Stock holders and Class B Common Stock holders, respectively. In the event of any merger or

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consolidation with or into another entity, the holders of Class A Common Stock and the holders of Class B Common Stock shall generally be entitled to receive substantially identical per share consideration.

Under the Company's Charter, the Board of Directors is authorized to issue shares of preferred stock or series common stock at any time, without stockholder approval, in one or more series and to fix the number of shares, designations, voting powers, if any, preferences and relative, participating, optional and other rights of such series, as well as any applicable qualifications, limitations or restrictions, to the full extent permitted by Delaware law, subject to the limitations set forth in the Charter, including stockholder approval requirements with respect to the issuance of preferred stock or series common stock entitling holders thereof to more than one vote per share.

Stock Repurchases

In May 2013, the Board of Directors authorized the Company to repurchase up to an aggregate of \$500 million of its Class A Common Stock. On May 10, 2015, the Company announced it had begun repurchasing shares of Class A Common Stock under the stock repurchase program. No stock repurchases were made during fiscal 2017. Through August 7, 2017, the Company repurchased approximately 5.2 million shares of Class A Common Stock for an aggregate cost of approximately \$71 million. The remaining authorized amount under the stock repurchase program as of August 7, 2017 was approximately \$429 million. All decisions regarding any future stock repurchases are at the sole discretion of a duly appointed committee of the Board of Directors and management. The committee's decisions regarding future stock repurchases will be evaluated from time to time in light of many factors, including the Company's financial condition, earnings, capital requirements and debt facility covenants, other contractual restrictions, as well as legal requirements, regulatory constraints, industry practice, market volatility and other factors that the committee may deem relevant. The stock repurchase authorization may be modified, extended, suspended or discontinued at any time by the Board of Directors and the Board of Directors cannot provide any assurances that any additional shares will be repurchased. The total number and value of shares repurchased for the fiscal years ended June 30, 2017, 2016 and 2015 are as follows:

	For the fiscal years ended June 30,		
	2017	2016	2015
	<i>(in millions)</i>		
Total cost of repurchases	\$ —	\$ 39	\$ 32
Total number of shares repurchased	—	3.1	2.1

Stockholder Rights Agreement

During fiscal 2015, the Board of Directors adopted the second amended and restated rights agreement, which is referred to below as the "rights agreement." Under the rights agreement, each outstanding share of common stock of the Company has attached to it one right. Initially, the rights are represented by the common stock of the Company, are not traded separately from the common stock and are not exercisable. The rights, unless redeemed or exchanged, will become exercisable for common stock of the Company 10 business days after public announcement that a person or group has obtained beneficial ownership (defined to include stock which a person has the right to acquire, regardless of whether such right is subject to the passage of time or the satisfaction of conditions), including by means of a tender offer, of 15% or more of the outstanding shares of the Company's Class B Common Stock. Following such acquisition of beneficial ownership, each right will entitle its holder (other than the acquiring person or group) to purchase, at the exercise price (subject to adjustments provided in the rights agreement), a number of shares of the Company's Class A or Class B Common Stock, as applicable, having a then-current market value of twice the exercise price, and in the event of a subsequent merger or other acquisition of the Company or transfer of 50% or more of the Company, to purchase, at the exercise price, a

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number of shares of common stock of the acquiring entity having a then-current market value of twice the exercise price. The exercise price for the Company rights will be \$90.00, subject to certain adjustments.

The rights will not become exercisable by virtue of (i) any person's or group's beneficial ownership, as of the Distribution Date, of 15% or more of the Class B Common Stock of the Company, unless such person or group acquires beneficial ownership of additional shares of the Company's Class B Common Stock after June 18, 2015; (ii) the repurchase of the Company's shares that causes a holder to become the beneficial owner of 15% or more of the Company's Class B Common Stock, unless such holder acquires beneficial ownership of additional shares representing one percent or more of the Company's Class B Common Stock; (iii) acquisitions by way of a pro rata stock dividend or a stock split; (iv) acquisitions solely as a result of any unilateral grant of any security by the Company or through the exercise of any options, warrants, rights or similar interests (including restricted stock) granted by the Company to its directors, officers and employees pursuant to any equity incentive or award plan; or (v) certain acquisitions determined by the Board of Directors to be inadvertent, provided, that following such acquisition, the acquirer promptly, but in any case within 10 business days, divests a sufficient number of shares so that such person would no longer otherwise qualify as an acquiring person.

The rights will expire on June 18, 2018, unless the rights agreement is earlier terminated or such date is advanced or extended by the Company, or the rights are earlier redeemed or exchanged by the Company.

NOTE 12. EQUITY-BASED COMPENSATION

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

In connection with the acquisition of Move in November 2014, the Company assumed Move's equity incentive plans and substantially all of the awards outstanding under such plans. The stock options, RSUs and restricted stock awards that were assumed continue to have the same terms and conditions that applied to those awards immediately prior to the acquisition, except that such assumed awards were converted into awards with the right to be settled in, or by reference to, the Company's Class A Common Stock in accordance with the acquisition agreement, using a formula designed to preserve the value of the awards based on the price per share paid in the acquisition. The Company assumed and converted approximately 4.3 million stock options and approximately 2.5 million RSUs and restricted stock awards in connection with the transaction.

The following table summarizes the Company's equity-based compensation expense from continuing operations reported in the Statements of Operations:

	For the fiscal years ended June 30,		
	2017	2016	2015
	(in millions)		
Total Equity compensation expense	\$ 38	\$ 55	\$ 53
Total intrinsic value of stock options exercised	\$ 2	\$ 3	\$ 24

As of June 30, 2017, total compensation cost not yet recognized for all plans presented related to unvested awards held by the Company's employees was approximately \$52 million and is expected to be recognized over a weighted average period of between one and two years.

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The tax benefit recognized on PSUs and RSUs for the Company's employees that vested and stock options that were exercised by the Company's employees during the applicable fiscal year was \$17 million, \$11 million, and \$17 million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

Summary of Incentive Plans

The fair value of equity-based compensation granted under the 2013 LTIP is calculated according to the type of award issued. Cash settled awards are marked-to-market at the end of each reporting period.

Performance Stock Units

PSU awards are grants that entitle the holder to shares of the Company's Class A Common Stock or the cash equivalent value of such shares based on the achievement of pre-established performance metrics over the applicable performance period. Fair value of PSUs are determined on the date of grant and expensed using a straight-line method as the awards cliff vest at the end of the three-year performance period. The number of PSUs that will vest can range from 0% to 200% of the target award and will be based on the achievement of the performance condition and the Company's three-year total shareholder return ("TSR"). The expense recorded for the portion of the award that is subject to the performance condition is based on management's determination of the probable outcome of the performance condition and the corresponding number of shares expected to vest. The Company records a cumulative expense adjustment in periods in which its estimate of the number of shares expected to vest changes. Additionally, the expense recognized is ultimately adjusted to reflect the actual number of shares that vested based on the achievement of the performance condition. The number of awards which vest is also impacted by the Company's TSR as measured against the three-year TSR of the companies that comprise the Standard and Poor's 500 Index. The fair value of the TSR condition is determined using a Monte Carlo simulation model. Any person who holds PSUs shall have no ownership interest in the shares or cash to which such PSUs relate unless and until the shares or cash are delivered to the holder. All shares of Class A Common Stock reserved for cancelled or forfeited equity-based compensation awards become available for future grants. In June 2016, the Compensation Committee of the Board of Directors determined to grant dividend equivalents on PSUs, beginning with the fiscal 2017-2019 PSU award.

In the first quarters of fiscal 2017, 2016 and 2015, certain employees of the Company each received a grant of PSUs that has a three-year performance measurement period beginning on July 1, 2017, July 1, 2016 and July 1, 2015, respectively. Vesting of the awards is subject to the achievement of the performance condition, consisting of pre-defined targets for cumulative earnings per share and cumulative free cash flow for the applicable performance period, as well as the TSR condition. The majority of these awards will be settled in shares of the Company's Class A Common Stock subject to the achievement of the relevant performance metrics and participants' continued employment with the Company.

For the fiscal years ended June 30, 2017, 2016 and 2015, the Company granted approximately 5.5 million, 4.2 million and 3.4 million PSUs, respectively, at target to the Company's employees, of which approximately 4.1 million, 3.0 million and 2.3 million, respectively, will be settled in Class A Common Stock, assuming performance conditions are met, with the remaining having been granted to executive directors and to employees in certain foreign locations, being settled in cash.

For the fiscal years ended June 30, 2017, 2016 and 2015, approximately 2.8 million, 1.2 million and 2.0 million PSUs vested, respectively, of which approximately 1.0 million, 0.2 million and 0.5 million PSUs, respectively, were settled in cash for approximately \$13.1 million, \$3.3 million and \$8.2 million before statutory tax withholdings, respectively.

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Restricted Stock Units

RSU awards are grants that entitle the holder to shares of the Company's Class A Common Stock. The fair value of RSUs issued under the 2013 LTIP is based upon the fair market value of the shares underlying the awards on the grant date. Any person who holds RSUs shall have no ownership interest in the shares to which such RSUs relate unless and until the shares are delivered to the holder.

During fiscal 2017, 2016 and 2015, certain employees of the Company each received a grant of time-vested RSUs. Vesting of the awards is subject to the participants' continued employment with the Company through the applicable vesting date. During the fiscal years ended June 30, 2017, 2016 and 2015, 0.4 million, 0.3 million and 0.5 million RSUs were granted to the Company's employees, respectively, which primarily vest over two to four years.

The following table summarizes the activity from continuing and discontinued operations related to the target PSUs and RSUs granted to the Company's employees which will be settled in shares of the Company (PSUs and RSUs in thousands):

	Fiscal 2017		Fiscal 2016		Fiscal 2015	
	Number of shares	Weighted average grant-date fair value (in US\$)	Number of shares	Weighted average grant-date fair value (in US\$)	Number of shares	Weighted average grant-date fair value (in US\$)
PSUs and RSUs						
Unvested units at beginning of the year	7,773	\$ 17.34	8,355	\$ 16.77	7,222	\$ 13.00
Granted ^(a)	4,502	14.69	3,472	15.51	2,975	17.29
RSUs assumed in acquisition ^(b)	—	—	—	—	2,491	15.20
Vested ^(c)	(2,387)	18.38	(1,913)	13.56	(3,131)	10.19
Cancelled ^(d)	(1,236)	17.08	(2,141)	15.76	(1,202)	11.36
Unvested units at the end of the year ^(e)	<u>8,652</u>	<u>\$ 15.57</u>	<u>7,773</u>	<u>\$ 17.34</u>	<u>8,355</u>	<u>\$ 16.77</u>

^(a) For fiscal 2017, includes 4.1 million target PSUs and 0.4 million RSUs granted.

For fiscal 2016, includes 3.0 million target PSUs and 0.3 million RSUs granted and a payout adjustment of 0.2 million PSUs due to the actual performance level achieved for PSUs granted in fiscal 2013 that vested during fiscal 2016.

For fiscal 2015, includes 2.3 million target PSUs and 0.5 million RSUs granted and a payout adjustment of 0.2 million PSUs due to the actual performance level achieved for PSUs granted in fiscal 2012 that vested during fiscal 2015.

^(b) Represents RSUs assumed in the Move acquisition. The weighted average grant date fair value for the assumed awards was calculated using the fair value of the awards at the acquisition date.

^(c) The fair value of PSUs and RSUs held by the Company's employees that vested during the fiscal years ended June 30, 2017, 2016 and 2015 was \$44 million, \$26 million and \$32 million, respectively.

^(d) For fiscal 2017, includes 0.7 million of target PSUs and 0.1 million RSUs cancelled and a payout adjustment of 0.4 million PSUs due to the actual performance level achieved for PSUs granted in fiscal 2014 that vested during fiscal 2017.

For fiscal 2016, includes 0.8 million of target PSUs and 0.3 million RSUs cancelled and a payout adjustment of 1.0 million PSUs due to the actual performance level achieved for PSUs granted in fiscal 2013 that vested during fiscal 2016.

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For fiscal 2015, includes 0.3 million of target PSUs and 0.3 million RSUs cancelled during fiscal 2015 and a payout adjustment of 0.6 million PSUs due to the actual performance level achieved for PSUs granted in fiscal 2012 that vested during fiscal 2015.

- (e) The intrinsic value of these unvested RSUs and target PSUs was approximately \$119 million as of June 30, 2017.

Stock Options

The following table summarizes information about stock option transactions for the employee stock option plans (options in thousands):

	Fiscal 2017		Fiscal 2016		Fiscal 2015	
	Options	Weighted average exercise price (in US\$)	Options	Weighted average exercise price (in US\$)	Options	Weighted average exercise price (in US\$)
Outstanding at the beginning of the year	1,238	\$ 9.03	2,008	\$ 8.82	263	\$ 6.25
Options assumed in acquisition ^(a)	—	—	—	—	4,336	7.46
Exercised	(354)	7.78	(508)	7.34	(2,521)	6.22
Cancelled	(218)	15.00	(262)	10.75	(70)	8.37
Outstanding at the end of the year ^(b)	666	\$ 7.74	1,238	\$ 9.03	2,008	\$ 8.82
Exercisable at the end of the year ^(c)	585		945		1,117	

- (a) Represents options assumed in the Move acquisition. The weighted average exercise price for the assumed options was calculated using the converted exercise price at the acquisition date. The converted exercise price was calculated using a formula designed to preserve the value of the awards based on the price per share paid in the acquisition.

- (b) The intrinsic value of options outstanding held by the Company's employees as of June 30, 2017, 2016 and 2015 was \$4.0 million, \$3.0 million and \$12.8 million, respectively. The weighted average remaining contractual life of options outstanding as of June 30, 2017 was 5.26 years.

- (c) The weighted average remaining contractual life of options exercisable as of June 30, 2017 was 5.05 years.

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NOTE 13. (LOSS) EARNINGS PER SHARE

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

	For the fiscal years ended June 30,		
	2017	2016	2015
	(in millions, except per share amounts)		
(Loss) income from continuing operations	\$ (643)	\$ 235	\$ 367
Less: Net income attributable to noncontrolling interests	(95)	(71)	(69)
Less: Redeemable preferred stock dividends ^(a)	(2)	(2)	(2)
(Loss) income from continuing operations available to News Corporation stockholders	(740)	162	296
Income (loss) from discontinued operations, net of tax, available to News Corporation stockholders	—	15	(445)
Net (loss) income available to News Corporation stockholders	<u>\$ (740)</u>	<u>\$ 177</u>	<u>\$ (149)</u>
Weighted-average number of shares of common stock outstanding—basic	581.4	580.6	581.0
Dilutive effect of equity awards ^(b)	—	1.9	1.6
Weighted-average number of shares of common stock outstanding—diluted	<u>581.4</u>	<u>582.5</u>	<u>582.6</u>
(Loss) income from continuing operations available to News Corporation stockholders per share—basic and diluted	\$ (1.27)	\$ 0.28	\$ 0.51
Income (loss) from discontinued operations available to News Corporation stockholders per share—basic and diluted	<u>\$ —</u>	<u>\$ 0.02</u>	<u>\$ (0.77)</u>
Net (loss) income available to News Corporation stockholders per share—basic and diluted	<u>\$ (1.27)</u>	<u>\$ 0.30</u>	<u>\$ (0.26)</u>

^(a) Refer to Note 10 — Redeemable Preferred Stock

^(b) The dilutive impact of the Company’s PSUs, RSUs and stock options has been excluded from the calculation of diluted (loss) earnings per share for the fiscal year ended June 30, 2017 because their inclusion would have an antidilutive effect on the net loss per share.

NOTE 14. RELATED PARTY TRANSACTIONS

Related Party Transactions

In the ordinary course of business, the Company enters into transactions with related parties, such as equity affiliates, to sell certain broadcast rights and purchase and/or sell advertising and administrative services. The following table sets forth the net revenue from related parties included in the Statements of Operations:

	For the fiscal years ended June 30,		
	2017	2016	2015
	(in millions)		
Related party revenue, net of expense	\$ 307	\$ 319	\$ 281

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The following table sets forth the amount of receivables due from and payable to related parties outstanding on the Balance Sheets:

	As of June 30,	
	2017	2016
	(in millions)	
Accounts receivable from related parties	\$ 92	\$ 86
Notes receivable from related parties	370	338
Accounts payable to related parties	13	31

NOTE 15. 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 following table summarizes the Company’s material firm commitments as of June 30, 2017:

	As of June 30, 2017				
	Total	Payments Due by Period			
		Less than 1 year	1- 3 years	3- 5 years	More than 5 years
	(in millions)				
Purchase obligations (a)	\$ 1,105	\$ 422	\$ 350	\$ 195	\$ 138
Sports programming rights (b)	1,287	223	502	427	135
Operating leases (c)					
Land and buildings	1,641	157	285	222	977
Plant and machinery	5	3	2	—	—
Borrowings (d)	380	103	277	—	—
Total commitments and contractual obligations	\$ 4,418	\$ 908	\$ 1,416	\$ 844	\$ 1,250

- (a) The Company has commitments under purchase obligations related to printing contracts, capital projects, marketing agreements, production services and other legally binding commitments.
- (b) The Company has sports programming rights commitments with National Rugby League, Football Federation Australia, Australian Rugby Union and International Cricket as well as certain other broadcast rights which are payable through fiscal 2023.
- (c) The Company leases office facilities, warehouse facilities, printing plants and equipment. These leases, which are classified as operating leases, are expected to be paid at certain dates through fiscal 2062. This amount includes approximately \$210 million of land and office facilities that have been subleased from 21st Century Fox.
- (d) Primarily represents the REA Facility based on the contractual maturity date of the various sub facilities included within the agreement. (See Note 9—Borrowings).

Contingencies

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

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The Company establishes an accrued liability for legal claims when it determines that a loss is both probable and the amount of the loss can be reasonably estimated. Once established, accruals are adjusted from time to time, as appropriate, in light of additional information. The amount of any loss ultimately incurred in relation to matters for which an accrual has been established may be higher or lower than the amounts accrued for such matters. Legal fees associated with litigation and similar proceedings are expensed as incurred. Except as otherwise provided below, for the contingencies disclosed for which there is at least a reasonable possibility that a loss may be incurred, the Company was unable to estimate the amount of loss or range of loss. The Company recognizes gain contingencies when the gain becomes realized or realizable.

News America Marketing

Valassis Communications, Inc.

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

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

Valassis subsequently filed a Notice of Violation of the order issued by the District Court in Valassis I. The Notice re-asserted claims of unlawful bundling and tying which the magistrate judge had previously recommended be dismissed from Valassis II, described below, on the grounds that such claims could only be brought before a panel of antitrust experts previously appointed in Valassis I (the “Antitrust Expert Panel”), and sought treble damages, injunctive relief and attorneys’ fees on those claims. On March 30, 2016, the District Court ordered that the Notice be referred to the Antitrust Expert Panel and further ordered that the case be administratively closed and that it may be re-opened following proceedings before the Antitrust Expert Panel.

- On November 8, 2013, Valassis also filed a new complaint in the U.S. District Court for the Eastern District of Michigan against the NAM Group alleging violations of federal and state antitrust laws and common law business torts (“Valassis II”). The complaint sought treble damages, injunctive relief and attorneys’ fees and costs. On December 19, 2013, the NAM Group filed a motion to dismiss the newly filed complaint, and on March 30, 2016, the District Court ordered that Valassis’s bundling and tying claims be dismissed without prejudice to Valassis’s rights to pursue relief for those claims in Valassis I and that all remaining claims in the NAM Group’s motion to dismiss be referred to the Antitrust Expert Panel. The District Court further ordered that the case be administratively closed and that it may be re-opened following proceedings before the Antitrust Expert Panel.

The Antitrust Expert Panel was convened and, on February 8, 2017, it recommended that the Notice of Violation in Valassis I be dismissed and the NAM Group’s counterclaims in Valassis II be dismissed with leave to replead three of the four counterclaims. The NAM Group filed an amended counterclaim on February 27, 2017. Valassis did not object to the Antitrust Expert Panel’s recommendation to dismiss Valassis I, and the parties are awaiting

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the District Court's order of dismissal. However, Valassis filed a motion with the District Court asserting that the referral of Valassis II to the Antitrust Expert Panel is no longer valid and seeking either to re-open Valassis II in the District Court or to transfer the case to the United States District Court for the Southern District of New York. The NAM Group opposed the motion, and the District Court heard arguments on April 13, 2017. While it is not possible at this time to predict with any degree of certainty the ultimate outcome of these actions, the NAM Group believes it has been compliant with applicable laws and intends to defend itself vigorously in both actions.

In-Store Marketing and FSI Purchasers

On February 29, 2016, the parties agreed to settle the litigation in the U.S. District Court for the Southern District of New York in which The Dial Corporation, Henkel Consumer Goods, Inc., H.J. Heinz Company, H.J. Heinz Company, L.P., Foster Poultry Farms, Smithfield Foods, Inc., HP Hood LLC and BEF Foods, Inc. alleged various claims under federal and state antitrust law against News Corporation, NAI, NAM FSI and NAM In-Store Services (collectively the "NAM Group"). Pursuant to the terms of the settlement, the NAM Group paid the plaintiffs and their attorneys approximately \$250 million during the fiscal year ended June 30, 2017, and the litigation was dismissed with prejudice. The NAM Group also settled related claims for approximately \$30 million in February 2016.

U.K. Newspaper Matters

Civil claims have been brought against the Company with respect to, among other things, voicemail interception and inappropriate payments to public officials at the Company's former publication, *The News of the World*, and at *The Sun*, and related matters (the "U.K. Newspaper Matters"). The Company has admitted liability in many civil cases and has settled a number of cases. The Company also settled a number of claims through a private compensation scheme which was closed to new claims after April 8, 2013.

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

The net expense related to the U.K. Newspaper Matters in Selling, general and administrative expenses was \$10 million, \$19 million and \$50 million for the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015, respectively. As of June 30, 2017, the Company has provided for its best estimate of the liability for the claims that have been filed and costs incurred, including liabilities associated with employment taxes, and has accrued approximately \$132 million, of which approximately \$82 million will be indemnified by 21st Century Fox, and a corresponding receivable was recorded in Other current assets on the Balance Sheet as of June 30, 2017. It is not possible to estimate the liability or corresponding receivable for any additional claims that may be filed given the information that is currently available to the Company. If more claims are filed and additional information becomes available, the Company will update the liability provision and corresponding receivable for such matters.

The Company is not able to predict the ultimate outcome or cost of the civil claims. It is possible that these proceedings and any adverse resolution thereof could damage its reputation, impair its ability to conduct its business and adversely affect its results of operations and financial condition.

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Zillow Settlement

On June 6, 2016, the parties agreed to settle the litigation in the Superior Court of the State of Washington in which Move, the National Association of Realtors[®] (“NAR”) and three related entities filed a complaint against Zillow, Inc. (“Zillow”), Errol Samuelson and Curt Beardsley alleging, among other things, misappropriation of trade secrets, tortious interference, breach of fiduciary duties and breach of contract. Pursuant to the terms of the settlement agreement and release, Zillow paid the plaintiffs \$130 million and the pending litigation was dismissed with prejudice. Under the terms of an agreement with Move, NAR received 10% of the settlement proceeds after deduction of Move’s litigation-related costs and fees, and Move received the remainder. As a result, the Company recognized a \$122 million gain in NAM Group and Zillow settlements, net in the Company’s Statement of Operations for the fiscal year ended June 30, 2016.

Other

The Company’s tax returns are subject to on-going review and examination by various tax authorities. Tax authorities may not agree with the treatment of items reported in the Company’s tax returns, and therefore the outcome of tax reviews and examinations can be unpredictable. The Company believes it has appropriately accrued for the expected outcome of uncertain tax matters and believes such liabilities represent a reasonable provision for taxes ultimately expected to be paid; however, these liabilities may need to be adjusted as new information becomes known and as tax examinations continue to progress. As subsidiaries of 21st Century Fox prior to the Separation, the Company and each of its domestic subsidiaries have joint and several liability with 21st Century Fox for the consolidated U.S. federal income taxes of the 21st Century Fox consolidated group relating to any taxable periods during which the Company or any of the Company’s domestic subsidiaries were a member of the 21st Century Fox consolidated group. Consequently, the Company could be liable in the event any such liability is incurred, and not discharged, by any other member of the 21st Century Fox consolidated group. In conjunction with the Separation, the Company entered into the Tax Sharing and Indemnification Agreement with 21st Century Fox, which requires 21st Century Fox to indemnify the Company for any such liability. Disputes or assessments could arise during future audits by the Internal Revenue Service (“IRS”) or other taxing authorities in amounts that the Company cannot quantify.

NOTE 16. RETIREMENT BENEFIT OBLIGATIONS

The Company’s employees participate in various defined benefit pension and postretirement plans sponsored by the Company and its subsidiaries. Plans in the U.S., U.K., Australia, and other foreign plans are accounted for as defined benefit pension plans. Accordingly, the funded and unfunded position of each plan is recorded in the Balance Sheets. Actuarial gains and losses that have not yet been recognized through income are recorded in Accumulated other comprehensive loss, net of taxes, until they are amortized as a component of net periodic benefit cost. The determination of benefit obligations and the recognition of expenses related to the plans are dependent on various assumptions. The major assumptions primarily relate to discount rates, expected long-term rates of return on plan assets and mortality rates. Management develops each assumption using relevant company experience in conjunction with market-related data for each individual country in which such plans exist. The funded status of the plans can change from year to year, but the assets of the funded plans have been sufficient to pay all benefits that came due in each of fiscal 2017, 2016 and 2015.

Summary of Funded Status

The Company uses a June 30 measurement date for all pension and postretirement benefit plans. The combined domestic and foreign pension and postretirement benefit plans resulted in a net pension and postretirement

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benefits liability of \$312 million and \$356 million at June 30, 2017 and 2016, respectively. The Company recognized these amounts in the Balance Sheets at June 30, 2017 and June 30, 2016 as follows:

	Pension Benefits				Postretirement benefits		Total	
	Domestic		Foreign		As of June 30,			
	2017	2016	2017	2016	2017	2016	2017	2016
	(in millions)							
Other non-current assets	\$ —	\$ —	\$ 17	\$ 4	\$ —	\$ —	\$ 17	\$ 4
Other current liabilities	—	—	(1)	(1)	(9)	(9)	(10)	(10)
Retirement benefit obligations	(91)	(109)	(120)	(124)	(108)	(117)	(319)	(350)
Net amount recognized	<u>\$ (91)</u>	<u>\$ (109)</u>	<u>\$ (104)</u>	<u>\$ (121)</u>	<u>\$ (117)</u>	<u>\$ (126)</u>	<u>\$ (312)</u>	<u>\$ (356)</u>

The following table sets forth the change in the projected benefit obligation, change in the fair value of the Company's plan assets and funded status:

	Pension Benefits				Postretirement Benefits		Total	
	Domestic		Foreign		As of June 30,			
	2017	2016	2017	2016	2017	2016	2017	2016
	(in millions)							
Projected benefit obligation, beginning of the year	\$ 396	\$ 382	\$ 1,201	\$ 1,272	\$ 126	\$ 133	\$ 1,723	\$ 1,787
Service cost	—	—	9	10	—	—	9	10
Interest cost	12	17	29	44	3	5	44	66
Benefits paid	(23)	(18)	(39)	(55)	(8)	(8)	(70)	(81)
Settlements ^(a)	(13)	(11)	(23)	(33)	—	—	(36)	(44)
Actuarial loss/(gain) ^(b)	(4)	28	54	153	(3)	(2)	47	179
Foreign exchange rate changes	—	—	(15)	(188)	—	(2)	(15)	(190)
Plan curtailments	—	(2)	—	(2)	—	—	—	(4)
Amendments, transfers and other	—	—	—	—	(1)	—	(1)	—
Projected benefit obligation, end of the year	<u>368</u>	<u>396</u>	<u>1,216</u>	<u>1,201</u>	<u>117</u>	<u>126</u>	<u>1,701</u>	<u>1,723</u>
Change in the fair value of plan assets for the Company's benefit plans:								
Fair value of plan assets, beginning of the year	287	302	1,080	1,204	—	—	1,367	1,506
Actual return on plan assets	23	14	83	107	—	—	106	121
Employer contributions	3	—	23	26	—	—	26	26
Benefits paid	(23)	(18)	(39)	(55)	—	—	(62)	(73)
Settlements ^(a)	(13)	(11)	(23)	(33)	—	—	(36)	(44)
Foreign exchange rate changes	—	—	(12)	(169)	—	—	(12)	(169)
Amendments, transfers and other	—	—	—	—	—	—	—	—
Fair value of plan assets, end of the year	<u>277</u>	<u>287</u>	<u>1,112</u>	<u>1,080</u>	<u>—</u>	<u>—</u>	<u>1,389</u>	<u>1,367</u>
Funded status	<u>\$ (91)</u>	<u>\$ (109)</u>	<u>\$ (104)</u>	<u>\$ (121)</u>	<u>\$ (117)</u>	<u>\$ (126)</u>	<u>\$ (312)</u>	<u>\$ (356)</u>

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- (a) Amounts related to payments made to former employees of the Company in full settlement of their deferred pension benefits.
- (b) Fiscal 2017 actuarial losses for the Company's foreign pension plans are primarily related to the decrease in discount rates used in measuring plan obligations as of June 30, 2017. Fiscal 2017 actuarial gains related to domestic pension plans primarily relate to the increase in discount rates for the U.S. plans used in measuring plan obligations as of June 30, 2017. Fiscal 2016 actuarial losses for the Company's pension plans are primarily related to the reduction in discount rates used in measuring plan obligations as of June 30, 2016.

Amounts recognized in Accumulated other comprehensive loss consist of:

	Pension Benefits				Postretirement Benefits		Total
	Domestic		Foreign		2017	2016	
	2017	2016	2017	2016			
	As of June 30, (in millions)						
Actuarial losses (gains)	\$ 142	\$ 158	\$ 453	\$ 452	\$ (1)	\$ 2	\$ 594
Prior service (benefit) cost	—	—	—	—	(31)	(34)	(31)
Net amounts recognized	<u>\$ 142</u>	<u>\$ 158</u>	<u>\$ 453</u>	<u>\$ 452</u>	<u>\$ (32)</u>	<u>\$ (32)</u>	<u>\$ 563</u>

Amounts in Accumulated other comprehensive loss expected to be recognized as a component of net periodic benefit cost in fiscal 2018 consist of:

	Pension Benefits		Postretirement Benefits		Total
	Domestic	Foreign	2017	2016	
	As of June 30, 2017 (in millions)				
Actuarial losses (gains)	\$ 5	\$ 17	\$ —	—	\$ 22
Prior service (benefit) cost	—	—	(3)	(3)	(3)
Net amounts recognized	<u>\$ 5</u>	<u>\$ 17</u>	<u>\$ (3)</u>	<u>\$ (3)</u>	<u>\$ 19</u>

Accumulated pension benefit obligations as of June 30, 2017 and 2016 were \$1,567 million and \$1,588 million, respectively. Below is information about funded and unfunded pension plans.

	Domestic Pension Benefits					
	Funded Plans		Unfunded Plans		Total	
	2017	2016	2017	2016	2017	2016
	As of June 30, (in millions)					
Projected benefit obligation	\$ 354	\$ 383	\$ 14	\$ 13	\$ 368	\$ 396
Accumulated benefit obligation	354	383	14	13	368	396
Fair value of plan assets	277	287	—	—	277	287

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	Foreign Pension Benefits					
	Funded Plans		Unfunded Plans		Total	
	As of June 30,					
	2017	2016	2017	2016	2017	2016
	(in millions)					
Projected benefit obligation	\$1,144	\$1,131	\$ 72	\$ 70	\$1,216	\$1,201
Accumulated benefit obligation	1,126	1,122	72	70	1,198	1,192
Fair value of plan assets	1,112	1,080	—	—	1,112	1,080

The accumulated benefit obligation exceeds the fair value of plan assets for all domestic pension plans. Below is information about foreign pension plans in which the accumulated benefit obligation exceeds the fair value of the plan assets.

	Unfunded Plans					
	Funded Plans		Unfunded Plans		Total	
	As of June 30,					
	2017	2016	2017	2016	2017	2016
	(in millions)					
Projected benefit obligation	\$550	\$821	\$ 72	\$ 70	\$ 622	\$ 891
Accumulated benefit obligation	550	821	72	70	622	891
Fair value of plan assets	509	773	—	—	509	773

Summary of Net Periodic Benefit Costs

The Company recorded \$1 million, \$8 million, and (\$4) million in net periodic benefit costs (income) in the Statements of Operations for the fiscal years ended June 30, 2017, 2016 and 2015, respectively. In fiscal 2017, the Company changed the method used to estimate the service and interest cost components of net periodic benefit costs (income) for its pension and other postretirement benefit plans. For fiscal 2016 and previous periods presented, the Company estimated the service and interest cost components utilizing a single weighted-average discount rate for each country derived from a yield curve used to measure the benefit obligation. The new method utilized a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to their underlying projected cash flows. The Company changed to the new method to provide a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows and their corresponding spot rates. The change is accounted for as a change in accounting estimate which is applied prospectively. This change in estimate is not expected to have a material impact on the Company's pension and postretirement net periodic benefit expense in future periods.

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

	Pension Benefits						Postretirement Benefits			Total		
	Domestic			Foreign								
	For the fiscal years ended June 30,											
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
	(in millions)											
Service cost benefits earned during the period	\$ —	\$ —	\$ 1	\$ 9	\$ 10	\$ 11	\$ —	\$ —	\$ —	\$ 9	\$ 10	\$ 12
Interest costs on projected benefit obligations	12	17	17	29	44	49	3	5	6	44	66	72
Expected return on plan assets	(18)	(19)	(22)	(57)	(62)	(71)	—	—	—	(75)	(81)	(93)
Amortization of deferred losses	5	4	3	16	14	13	—	—	—	21	18	16
Amortization of prior service costs	—	—	—	—	—	—	(4)	(7)	(13)	(4)	(7)	(13)
Settlements, curtailments and other	3	—	2	3	2	—	—	—	—	6	2	2
Net periodic benefits costs (income) - Total	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ 8</u>	<u>\$ 2</u>	<u>\$ (1)</u>	<u>\$ (2)</u>	<u>\$ (7)</u>	<u>\$ 1</u>	<u>\$ 8</u>	<u>\$ (4)</u>

	Pension Benefits						Postretirement Benefits		
	Domestic			Foreign					
	For the fiscal years ended June 30,								
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Additional information:									
Weighted-average assumptions used to determine benefit obligations									
Discount rate	3.8%	3.7%	4.5%	2.7%	2.9%	3.7%	3.5%	3.4%	4.2%
Rate of increase in future compensation	N/A	N/A	3.0%	2.8%	2.7%	2.9%	N/A	N/A	N/A
Weighted-average assumptions used to determine net periodic benefit cost									
Discount rate for PBO	3.8%	4.5%	4.5%	2.9%	3.7%	4.2%	3.4%	4.2%	4.0%
Discount rate for Service Cost	4.1%	4.5%	4.5%	3.1%	3.7%	4.2%	3.7%	4.2%	4.0%
Discount rate for Interest on PBO	3.0%	4.5%	4.5%	2.5%	3.7%	4.2%	2.6%	4.2%	4.0%
Discount rate for Interest on Service Cost	3.8%	4.5%	4.5%	2.9%	3.7%	4.2%	3.2%	4.2%	4.0%
Expected return on plan assets	6.5%	6.5%	7.0%	5.5%	5.5%	6.2%	N/A	N/A	N/A
Rate of increase in future compensation	N/A	3.0%	3.0%	2.7%	2.9%	3.6%	N/A	N/A	N/A

N/A—not applicable

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The following assumed health care cost trend rates as of June 30 were also used in accounting for postretirement benefits:

	Postretirement benefits	
	Fiscal 2017	Fiscal 2016
Health care cost trend rate	6.8%	6.7%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.6%	4.5%
Year that the rate reaches the ultimate trend rate	2027	2028

Assumed health care cost trend rates could have a significant effect on the amounts reported for the postretirement health care plan. The effect of a one percentage point increase and one percentage point decrease in the assumed health care cost trend rate would have the following effects on the results for fiscal 2017:

	Service and Interest Costs	Benefit Obligation
	(in millions)	
One percentage point increase	\$ —	\$ 3
One percentage point decrease	\$ —	\$ (2)

The following table sets forth the estimated benefit payments for the next five fiscal years, and in aggregate for the five fiscal years thereafter. The expected benefits are estimated based on the same assumptions used to measure the Company's benefit obligation at the end of the fiscal year and include benefits attributable to estimated future employee service:

	Expected Benefit Payments			
	Pension Benefits		Postretirement Benefits	Total
	Domestic	Foreign		
Fiscal year:	(in millions)			
2018	\$ 24	\$ 51	\$ 9	\$ 84
2019	21	48	9	78
2020	21	51	9	81
2021	21	52	9	82
2022	21	55	9	85
2023-2027	105	280	38	423

Plan Assets

The Company applies the provisions of ASC 715, which requires disclosures including: (i) investment policies and strategies; (ii) the major categories of plan assets; (iii) the inputs and valuation techniques used to measure plan assets; (iv) the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period; and (v) significant concentrations of risk within plan assets.

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The table below presents the Company's plan assets by level within the fair value hierarchy, as described in Note 2—Summary of Significant Accounting Policies, as of June 30, 2017 and 2016:

	As of June 30, 2017					As of June 30, 2016				
	Fair Value Measurements at Reporting Date Using					Fair Value Measurements at Reporting Date Using				
	Total	Level 1	Level 2	Level 3	NAV	Total	Level 1	Level 2	Level 3	NAV
(in millions)										
Assets										
Short-term investments	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Pooled funds: ^(a)										
Money market funds	1	—	1	—	—	—	—	—	—	—
Domestic equity funds	78	—	—	—	78	81	—	—	—	81
International equity funds	196	—	—	—	196	244	—	—	—	244
Domestic fixed income funds	151	—	—	—	151	160	—	—	—	160
International fixed income funds	642	—	—	—	642	618	—	—	—	618
Balanced funds	255	—	182	—	73	251	—	188	—	63
Other	66	55	—	11	—	13	2	—	11	—
Total	\$1,389	\$ 55	\$ 183	\$ 11	\$1,140	\$1,367	\$ 2	\$ 188	\$ 11	\$1,166

^(a) Open-ended pooled funds that are registered and/or available to the general public are valued at the daily published net asset value ("NAV"). Other pooled funds are valued at the NAV provided by the fund issuer.

The table below sets forth a summary of changes in the fair value of investments reflected as Level 3 assets as of June 30, 2017 and 2016:

	Level 3 Investments (in millions)
Balance, June 30, 2015	\$ 12
Actual return on plan assets:	
Relating to assets still held at end of period	—
Relating to assets sold during the period	—
Purchases, sales, settlements and issuances	(1)
Transfers in and out of Level 3	—
Balance, June 30, 2016	\$ 11
Actual return on plan assets:	
Relating to assets still held at end of period	—
Relating to assets sold during the period	—
Purchases, sales, settlements and issuances	—
Transfers in and out of Level 3	—
Balance, June 30, 2017	\$ 11

The Company's investment strategy for its pension plans is to maximize the long-term rate of return on plan assets within an acceptable level of risk in order to minimize the cost of providing pension benefits while maintaining adequate funding levels. The Company's practice is to conduct a periodic strategic review of its asset allocation. The Company's current broad strategic targets are to have a pension asset portfolio comprised of

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22% equity securities, 62% fixed income securities and 16% in cash and other investments. In developing the expected long-term rate of return, the Company considered the pension asset portfolio's past average rate of returns and future return expectations of the various asset classes. A portion of the other allocation is reserved in cash to provide for expected benefits to be paid in the short term. The Company's equity portfolios are managed in such a way as to achieve optimal diversity. The Company's fixed income portfolio is investment grade in the aggregate. The Company does not manage any assets internally.

The Company's benefit plan weighted-average asset allocations, by asset category, are as follows:

Asset Category:	Pension benefits	
	As of June 30,	
	2017	2016
Equity securities	22%	26%
Debt securities	62%	62%
Cash and other	16%	12%
Total	<u>100%</u>	<u>100%</u>

Required pension plan contributions for the next fiscal year are expected to be approximately \$24 million; however, actual contributions may be affected by pension asset and liability valuation changes during the year. The Company will continue to make voluntary contributions as necessary to improve funded status.

NOTE 17. OTHER POSTRETIREMENT BENEFITS

Multiemployer Pension and Postretirement Plans

The Company contributes to various multiemployer defined benefit pension plans under the terms of collective bargaining agreements that cover certain of its union-represented employees, primarily at the newspaper businesses. The risks of participating in these multiemployer pension plans are different from single-employer pension plans in that (i) contributions made by the Company to the multiemployer pension plans may be used to provide benefits to employees of other participating employers; (ii) if the Company chooses to stop participating in certain of these multiemployer pension plans, it may be required to pay those plans an amount based on the underfunded status of the plan, which is referred to as a withdrawal liability; and (iii) actions taken by a participating employer that lead to a deterioration of the financial health of a multiemployer pension plan may result in the unfunded obligations of the multiemployer pension plan being borne by its remaining participating employers. While no multiemployer pension plan that the Company contributed to is individually significant to the Company, the Company was listed on certain Form 5500s as providing more than 5% of total contributions based on the current information available. The financial health of a multiemployer plan is indicated by the zone status, as defined by the Pension Protection Act of 2006, which represents the funded status of the plan as certified by the plan's actuary. In general, plans in the red zone are less than 65% funded, plans in the yellow zone are between 65% and 80% funded, and plans in the green zone are at least 80% funded. The funded status for two of the plans for which the Company was listed as providing more than 5% of total contributions reported green zone status for the most recent available plan year. The funded status for one of the plans for which the Company was listed as providing more than 5% of total contributions reported red zone status for the most recent available plan year. Total contributions made by the Company to multiemployer pension plans for each of the fiscal years ended June 30, 2017, 2016 and 2015 were approximately \$5 million.

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Defined Contribution Plans

The Company has defined contribution plans for the benefit of substantially all employees meeting certain eligibility requirements. Employer contributions to such plans were \$137 million, \$132 million and \$138 million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

Deferred Compensation Plan

The Company has non-qualified deferred compensation plans for the benefit of certain management employees. The investment funds offered to the participants generally correspond to the funds offered in the Company's 401(k) plan, and the account balance fluctuates with the investment returns on those funds. The unfunded obligations of the plans included in Other liabilities as of June 30, 2017 and 2016 were \$40 million and \$36 million, respectively, and the majority of these plans are closed to new employees.

NOTE 18. INCOME TAXES

(Loss) income from continuing operations before income tax expense (benefit) was attributable to the following jurisdictions:

	For the fiscal years ended		
	June 30,		
	2017	2016	2015
	(in millions)		
U.S.	\$ 84	\$(125)	\$148
Foreign	(699)	306	404
(Loss) income from continuing operations before income tax expense (benefit)	<u>\$(615)</u>	<u>\$ 181</u>	<u>\$552</u>

The significant components of the Company's income tax expense (benefit) were as follows:

	For the fiscal years ended		
	June 30,		
	2017	2016	2015
	(in millions)		
Current:			
U.S.			
Federal	\$ 1	\$ 15	\$ 35
State & local	4	5	11
Foreign	118	102	135
Total current tax	<u>123</u>	<u>122</u>	<u>181</u>
Deferred:			
U.S.			
Federal	57	(71)	16
State & local	(1)	(106)	1
Foreign	(151)	1	(13)
Total deferred tax	<u>(95)</u>	<u>(176)</u>	<u>4</u>
Total income tax expense (benefit) ^(a)	<u>\$ 28</u>	<u>\$ (54)</u>	<u>\$185</u>

^{a)} The Company recognized a tax benefit of approximately \$144 million upon reclassification of the Digital Education segment to discontinued operations in (Loss) income from discontinued operations, net of tax, in

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the Statement of Operations in fiscal year 2016. In addition, a tax benefit of \$30 million related to the operations of the Digital Education segment for the period was recorded to discontinued operations in (Loss) income from discontinued operations, net of tax, in the Statement of Operations in fiscal 2016. The tax expense (benefit) shown above excludes the tax benefit of the Company's digital education business. The Company will not have a current federal tax expense after accounting for the federal current tax benefits attributed to discontinued operations.

The reconciliation between the Company's actual effective tax rate and the statutory U.S. Federal income tax rate of 35% was:

	For the fiscal years ended		
	2017	June 30, 2016	2015
U.S. federal income tax rate	35%	35%	35%
State and local taxes, net	—	(8)	1
Effect of foreign operations ^(a)	(17)	(1)	(2)
Change in valuation allowance ^(b)	(7)	(62)	—
Income tax audit settlements ^(c)	(10)	—	—
Non-deductible goodwill and asset impairment ^(d)	(7)	—	—
Non-deductible compensation and benefits	(1)	3	1
R&D credits	1	(2)	(1)
Other, net	1	5	—
Effective tax rate ^(e)	<u>(5)%</u>	<u>(30)%</u>	<u>34%</u>

- ^(a) The Company's effective tax rate is impacted by the geographic mix of its pre-tax income. The Company's foreign operations are located primarily in Australia and the United Kingdom ("U.K.") which have lower income tax rates than the U.S. As indicated in the pre-tax income table above, for the fiscal year ended June 30, 2017, the Company recorded a pre-tax loss on a consolidated basis comprised of pre-tax income in the U.S. and pre-tax losses in foreign jurisdictions which includes impairments and write-downs of approximately \$1 billion. The losses in our foreign operations had the effect of reducing the tax benefit of consolidated pre-tax losses measured at the U.S. statutory rate by \$98 million resulting in a lower effective tax rate. For the fiscal years ended June 30, 2016 and June 30, 2015, the Company recorded pre-tax book income on a consolidated basis with pre-tax income in foreign jurisdictions. Accordingly, the effect of foreign operations at lower tax rates decreased the Company's effective tax rate.
- ^(b) For the fiscal year ended June 30, 2017, valuation allowance increased by \$40 million related to foreign net operating losses, which more likely than not will not be utilized. For the fiscal year ended June 30, 2016, included in the change in valuation allowance is a tax benefit of \$106 million related to the release of previously established valuation allowances related to certain U.S. Federal net operating losses and state deferred tax assets. This benefit was recognized in conjunction with management's plan to dispose of the Company's digital education business during fiscal 2016, as the Company now expects to generate sufficient U.S. taxable income to utilize these deferred tax assets prior to expiration.
- ^(c) In the fiscal year ended June 30, 2017, the Company reached an agreement with a foreign tax authority to settle certain tax issues related to fiscal years 2010 through 2015. As a result of the settlement, the Company recorded net income tax expense of \$63 million. See Uncertain Tax Positions below.
- ^(d) The Company recorded non-cash charges of \$48 million related to the impairment of Goodwill, which was non-deductible, and a write-down of \$360 million on U.K. fixed assets, a portion of which were non-deductible, which reduced the Company's tax benefit by \$12 million and \$29 million, respectively. These impairments and write-downs have an impact on our effective tax rate to the extent a tax benefit is not recorded.

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- (e) For the fiscal year ended June 30, 2017, the effective tax rate of (5)% represents income tax expense when compared to consolidated pre-tax book loss. For the fiscal year ended June 30, 2016, the effective tax rate of (30)% represents income tax benefit when compared to consolidated pre-tax book income. For the fiscal year ended June 30, 2015, the effective tax rate of 34% represents an income tax expense when compared to consolidated pre-tax book income. As a result, certain reconciling items between the U.S. federal income tax rate and the Company's effective tax rate may have the opposite impact.

The Company recognized current and deferred income taxes in the Balance Sheets at June 30, 2017 and 2016, respectively, as follows:

	<u>As of June 30,</u>	
	<u>2017</u>	<u>2016</u>
	(in millions)	
Deferred income tax assets	\$ 525	\$ 602
Deferred income tax liabilities	(61)	(171)
Net deferred tax assets	<u>\$ 464</u>	<u>\$ 431</u>

The significant components of the Company's deferred tax assets and liabilities were as follows:

	<u>As of June 30,</u>	
	<u>2017</u>	<u>2016</u>
	(in millions)	
Deferred tax assets:		
Accrued liabilities	\$ 80	\$ 185
Capital loss carryforwards	904	803
Retirement benefit obligations	101	112
Net operating loss carryforwards	473	580
Business credits	69	38
Other	284	213
Total deferred tax assets	<u>1,911</u>	<u>1,931</u>
Deferred tax liabilities:		
Asset basis difference and amortization	(204)	(421)
Other	(56)	(65)
Total deferred tax liabilities	<u>(260)</u>	<u>(486)</u>
Net deferred tax asset before valuation allowance	1,651	1,445
Less: valuation allowance (See Note 21—Valuation and Qualifying Accounts)	(1,187)	(1,014)
Net deferred tax assets	<u>\$ 464</u>	<u>\$ 431</u>

As of June 30, 2017, the Company had income tax Net Operating Loss Carryforwards (NOLs) (gross, net of uncertain tax benefits), in various jurisdictions as follows:

<u>Jurisdiction</u>	<u>Expiration</u>	<u>Amount (in millions)</u>
U.S. Federal	2021 to 2037	\$ 783
U.S. States	Various	530
Australia	Indefinite	239
U.K.	Indefinite	10
Other Foreign	Various	388

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Utilization of the NOLs is dependent on generating sufficient taxable income from our operations in each of the respective jurisdictions to which the NOLs relate, while taking into account tax filing methodologies and limitations and/or restrictions on our ability to use them. Certain of our U.S. Federal NOLs were acquired as part of the acquisitions of Move and Harlequin and are subject to limitations as promulgated under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). Section 382 of the Code limits the amount of NOL that we can use on an annual basis to offset consolidated U.S. taxable income. The NOLs are also subject to review by relevant tax authorities in the jurisdictions to which they relate.

The Company recorded a deferred tax asset of \$473 million and \$580 million (net of approximately \$46 million and \$53 million, respectively, of unrecognized tax benefits) associated with its NOLs as of June 30, 2017 and 2016, respectively. Significant judgment is applied in assessing our ability to realize our NOLs and other tax assets. Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize existing deferred tax assets within the applicable expiration period. On the basis of this evaluation, valuation allowances of \$149 million and \$97 million have been established to reduce the deferred tax asset associated with the Company's NOLs to an amount that will more likely than not be realized as of June 30, 2017 and 2016, respectively. In the fiscal year ended June 30, 2017, the increase in valuation allowance includes \$40 million related to certain accumulated net operating losses that were agreed to as part of a settlement with a foreign tax authority.

As of June 30, 2017, the Company had approximately \$2.0 billion and \$1.7 billion of capital loss carryforwards in Australia and the U.K., respectively, which may be carried forward indefinitely and which are subject to tax authority review. Realization of our capital losses is dependent on generating capital gain taxable income and satisfying certain continuity of business requirements. The Company recorded a deferred tax asset of \$904 million and \$803 million as of June 30, 2017 and 2016, respectively, for these capital loss carryforwards, however, it is more likely than not that the Company will not generate capital gain income in the normal course of business in these jurisdictions. Accordingly, valuation allowances of \$904 million and \$803 million have been established to reduce the capital loss carryforward deferred tax asset to an amount that will more likely than not be realized as of June 30, 2017 and 2016, respectively.

As of June 30, 2017, the Company had approximately \$36 million of U.S. Federal tax credit carryforwards which includes \$23 million of foreign tax credits and \$13 million of research and development credits which begin to expire in 2025 and 2036, respectively.

As of June 30, 2017, the Company had approximately \$26 million of non-U.S. tax credit carryforwards which expire in various amounts beginning in 2025 and \$7 million of state tax credit carryforwards (net of U.S. federal benefit), which expire in various amounts beginning in 2018. In accordance with the Company's accounting policy, a valuation allowance of \$7 million has been established to reduce the deferred tax asset associated with the Company's non-U.S. and state credit carryforwards to an amount that will more likely than not be realized as of June 30, 2017.

Tax Sharing and Indemnification Agreement

The Company entered into a Tax Sharing and Indemnification Agreement with 21st Century Fox that governs the Company's and 21st Century Fox's respective rights, responsibilities, and obligations with respect to tax liabilities and benefits, tax attributes, tax contests and other matters regarding income taxes, non-income taxes and related tax returns. Among other matters, as subsidiaries of 21st Century Fox prior to the Separation, the Company and each of its domestic subsidiaries have joint and several liability with 21st Century Fox for the consolidated U.S. federal income taxes of the 21st Century Fox consolidated group relating to any taxable

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periods during which the Company or any of such subsidiaries were a member of the 21st Century Fox consolidated group. Under the Tax Sharing and Indemnification Agreement, 21st Century Fox will indemnify the Company for any such liability.

The Tax Sharing and Indemnification Agreement provides that the Company will generally indemnify 21st Century Fox against taxes attributable to the Company's assets or operations for all tax periods or portions thereof after the Separation. For taxable periods or portions thereof prior to the Separation, 21st Century Fox will generally indemnify the Company against U.S. consolidated taxes attributable to such periods, and the Company will indemnify 21st Century Fox against the Company's separately filed U.S., state, and foreign taxes and foreign consolidated taxes for such periods.

Uncertain Tax Positions

The following table sets forth the change in the Company's unrecognized tax benefits, excluding interest and penalties:

	For the fiscal years ended June 30,		
	2017	2016 (in millions)	2015
Balance, beginning of period	\$ 86	\$ 129	\$ 58
Additions for prior year tax positions	107	6	79
Additions for current year tax positions	5	4	4
Reduction for prior year tax positions	(9)	(40)	(7)
Lapse of the statute of limitations	(8)	(2)	—
Settlement—cash	(21)	(2)	—
Settlement—tax attributes	(94)	—	—
Impact of currency translations	(2)	(9)	(5)
Balance, end of period	<u>\$ 64</u>	<u>\$ 86</u>	<u>\$ 129</u>

The Company recognizes interest and penalty charges related to unrecognized tax benefits as income tax expense, which is consistent with the recognition in prior reporting periods. The Company recognized interest and penalty charges of \$11 million and \$6 million for the fiscal years ended June 30, 2017 and June 30, 2015, respectively, and a benefit related to interest and penalties of \$1 million for the fiscal year ended June 30, 2016. The Company recorded liabilities for accrued interest and penalties of approximately \$3 million, \$6 million and \$8 million as of June 30, 2017, 2016, and 2015, respectively.

In fiscal year ended June 30, 2017, the Company reached an agreement with a foreign tax authority to settle certain tax issues related to fiscal years 2010 through 2015. As a result of the settlement, the Company recorded net income tax expense, including interest and penalties of \$63 million comprised of a current tax expense of \$20 million and a deferred tax expense of \$43 million.

The Company's tax returns are subject to on-going review and examination by various tax authorities. Tax authorities may not agree with the treatment of items reported in our tax returns, and therefore the outcome of tax reviews and examinations can be unpredictable. The Company is currently undergoing tax examinations in several states and foreign jurisdictions. The Company believes it has appropriately accrued for the expected outcome of uncertain tax matters and believes such liabilities represent a reasonable provision for taxes

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ultimately expected to be paid, however, the Company may need to accrue additional income tax expense and our liability may need to be adjusted as new information becomes known and as these tax examinations continue to progress, or as settlements or litigations occur.

The following is a summary of major tax jurisdictions for which tax authorities may assert additional taxes based upon tax years currently under audit and subsequent years that could be audited by the respective taxing authorities.

Jurisdiction	Fiscal Years Open to Examination
U.S. Federal	2009-2016
U.S. States	Various
Australia	2012-2016
U.K.	2011-2016

It is reasonably possible that uncertain tax positions may increase or decrease in the next fiscal year, however, actual developments in this area could differ from those currently expected. As of June 30, 2017, approximately \$34 million would affect the Company's effective income tax rate, if and when recognized in future fiscal years. It is reasonably possible, the amount of uncertain tax liabilities which may be resolved within the next fiscal year is between the range of approximately nil and \$19 million, a portion of which will affect our effective income tax rate, primarily as a result of the settlement of tax examinations and the lapsing of statutes of limitations.

Other

The Company has not provided for U.S. taxes on the undistributed earnings of foreign subsidiaries that are considered to be reinvested indefinitely. Calculation of the unrecognized deferred tax liability for temporary differences related to these earnings is not practicable. Undistributed earnings of foreign subsidiaries considered to be indefinitely reinvested amounted to approximately \$2.4 billion as of June 30, 2017. The amount of undistributed earnings reflects adjustments related to the Separation from 21st Century Fox that were finalized with the filing of our income tax returns in periods after the Separation.

During the fiscal years ended June 30, 2017, 2016 and 2015, the Company paid gross income taxes of \$132 million, \$103 million and \$134 million, respectively, and received income tax refunds of \$9 million, \$10 million and \$8 million, respectively.

NOTE 19. SEGMENT INFORMATION

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

- **News and Information Services** —The News and Information Services segment includes the Company's global print, digital and broadcast radio media platforms. These product offerings include the global print and digital versions of *The Wall Street Journal* and the Dow Jones Media Group, which includes *Barron's* and MarketWatch, as well as the Company's suite of professional information products, including Factiva, Dow Jones Risk & Compliance, Dow Jones Newswires, Dow Jones PEVC and DJX. The Company also owns, among other publications, *The Australian*, *The Daily Telegraph*, *Herald Sun* and *The Courier Mail* in Australia, *The Times*, *The Sunday Times*, *The Sun* and *The Sun on Sunday* in the U.K. and the *New York Post* in the U.S. This segment also includes News America Marketing, a leading provider of home-delivered shopper media, in-store marketing products and services and digital marketing solutions, including Checkout 51's mobile application, as well as Unruly, a leading global video advertising distribution platform, Wireless Group, operator of talkSPORT, the leading sports radio network in the U.K., and Storyful, a social media content agency.

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- **Book Publishing** —The Book Publishing segment consists of HarperCollins, the second largest consumer book publisher in the world, with operations in 18 countries and particular strengths in general fiction, nonfiction, children’s and religious publishing. HarperCollins owns more than 120 branded publishing imprints, including Harper, William Morrow, HarperCollins Children’s Books, Avon, Harlequin and Christian publishers Zondervan and Thomas Nelson, and publishes works by well-known authors such as Harper Lee, Patricia Cornwell, Chip and Joanna Gaines, Rick Warren, Sarah Young and Agatha Christie and popular titles such as *The Hobbit*, *Goodnight Moon*, *To Kill a Mockingbird*, *Jesus Calling* and *Hillbilly Elegy*.
- **Digital Real Estate Services** —The Digital Real Estate Services segment consists of the Company’s interests in REA Group, Move and DIAKRIT. REA Group is a publicly traded company listed on the Australian Securities Exchange (ASX: REA) that advertises property and property-related services on its websites and mobile applications across Australia and Asia, including iProperty.com. REA Group operates Australia’s leading residential and commercial property websites, realestate.com.au and realcommercial.com.au. The Company holds a 61.6% interest in REA Group.

Move is a leading provider of online real estate services in the U.S. and primarily operates realtor.com[®], a premier real estate information and services marketplace. Move offers real estate advertising solutions to agents and brokers, including its ConnectionsSM for Buyers and AdvantageSM Pro products. Move also offers a number of professional software and services products, including Top Producer[®], FiveStreet[®] and ListHubTM. The Company owns an 80% interest in Move, with the remaining 20% being held by REA Group.

- **Cable Network Programming** —The Cable Network Programming segment consists of FOX SPORTS Australia and Australian News Channel Pty Ltd (“ANC”). FOX SPORTS Australia is the leading sports programming provider in Australia, with eight high definition television channels distributed via cable, satellite and IP, several interactive viewing applications and broadcast rights to live sporting events in Australia including: National Rugby League, the domestic football league, international cricket, Australian Rugby Union and various motorsports programming.

ANC, acquired in December 2016, operates the SKY NEWS network, Australia’s 24-hour multi-channel, multi-platform news service. ANC channels are broadcast throughout Australia and New Zealand and available on Foxtel and Sky Television. ANC also owns and operates the international Australia Channel IPTV service and offers content across a variety of digital media platforms, including mobile, podcasts and social media websites.

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

Segment EBITDA is defined as revenues less operating expenses and selling, general and administrative expenses and excluding the impact from the NAM Group and Zillow legal settlements. Segment EBITDA does not include: depreciation and amortization, impairment and restructuring charges, equity (losses) earnings of affiliates, interest, net, other, net, income tax (expense) benefit and net income attributable to noncontrolling interests. Segment EBITDA may not be comparable to similarly titled measures reported by other companies, since companies and investors may differ as to what items should be included in the calculation of Segment EBITDA.

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

	For the fiscal years ended June 30,		
	2017	2016	2015
	(in millions)		
Revenues:			
News and Information Services	\$ 5,069	\$ 5,338	\$ 5,731
Book Publishing	1,636	1,646	1,667
Digital Real Estate Services	938	822	625
Cable Network Programming	494	484	500
Other	2	2	1
Total Revenues	8,139	8,292	8,524
Segment EBITDA:			
News and Information Services	\$ 414	\$ 214	\$ 603
Book Publishing	199	185	221
Digital Real Estate Services	324	344	201
Cable Network Programming	123	124	135
Other	(175)	(183)	(215)
Depreciation and amortization	(449)	(505)	(498)
Impairment and restructuring charges	(927)	(89)	(84)
Equity (losses) earnings of affiliates	(295)	30	58
Interest, net	39	43	56
Other, net	132	18	75
(Loss) income from continuing operations before income tax (expense) benefit	(615)	181	552
Income tax (expense) benefit	(28)	54	(185)
(Loss) income from continuing operations	\$ (643)	\$ 235	\$ 367

	For the fiscal years ended June 30,		
	2017	2016	2015
	(in millions)		
Depreciation and amortization:			
News and Information Services	\$ 283	\$ 347	\$ 365
Book Publishing	52	55	52
Digital Real Estate Services	78	69	44
Cable Network Programming	32	29	33
Other	4	5	4
Total Depreciation and amortization	\$ 449	\$ 505	\$ 498

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	For the fiscal years ended June 30,		
	2017	2016	2015
	(in millions)		
Capital expenditures:			
News and Information Services	\$ 165	\$ 174	\$ 238
Book Publishing	11	9	12
Digital Real Estate Services	66	64	45
Cable Network Programming	14	8	7
Other	—	1	6
Total Capital expenditures	<u>\$256</u>	<u>\$256</u>	<u>\$308</u>

	As of June 30,	
	2017	2016
	(in millions)	
Total assets:		
News and Information Services	\$ 6,142	\$ 6,728
Book Publishing	1,845	1,855
Digital Real Estate Services	2,307	2,158
Cable Network Programming	1,194	1,101
Other ^(a)	1,037	1,371
Investments	2,027	2,270
Total assets	<u>\$14,552</u>	<u>\$15,483</u>

^(a) The Other segment primarily includes Cash and cash equivalents.

	As of June 30,	
	2017	2016
	(in millions)	
Goodwill and intangible assets, net:		
News and Information Services	\$ 2,952	\$ 2,651
Book Publishing	835	869
Digital Real Estate Services	1,420	1,499
Cable Network Programming	912	898
Other	—	4
Total Goodwill and intangible assets, net	<u>\$6,119</u>	<u>\$5,921</u>

Geographic Segments

	For the fiscal years ended June 30,		
	2017	2016	2015
	(in millions)		
Revenues: ^(a)			
U.S. and Canada ^(b)	\$ 3,880	\$ 3,920	\$ 3,808
Europe ^(c)	1,671	1,873	1,982
Australasia and Other ^(d)	2,588	2,499	2,734
Total Revenues	<u>\$8,139</u>	<u>\$8,292</u>	<u>\$8,524</u>

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- (a) Revenues are attributed to region based on location of customer.
 (b) Revenues include approximately \$3.7 billion for fiscal 2017, \$3.8 billion for fiscal 2016 and \$3.6 billion for fiscal 2015 from customers in the U.S.
 (c) Revenues include approximately \$1.3 billion for fiscal 2017, \$1.5 billion for fiscal 2016 and \$1.6 billion for fiscal 2015 from customers in the U.K.
 (d) Revenues include approximately \$2.3 billion for fiscal 2017, \$2.3 billion for fiscal 2016 and \$2.3 billion for fiscal 2015 from customers in Australia.

	<u>As of June 30,</u>	
	<u>2017</u>	<u>2016</u>
	(in millions)	
Long-lived assets: ^(a)		
U.S. and Canada	\$ 960	\$1,058
Europe	560	939
Australasia and Other	546	804
Total long-lived assets	<u>\$2,066</u>	<u>\$2,801</u>

- (a) Reflects total assets less current assets, goodwill, intangible assets, investments and deferred income tax assets.

There is no material reliance on any single customer. Revenues are attributed to countries based on location of customers.

Australasia comprises Australia, Asia, Papua New Guinea and New Zealand.

NOTE 20. ADDITIONAL FINANCIAL INFORMATION

Other Current Assets

The following table sets forth the components of Other current assets included in the Balance Sheets:

	<u>As of June 30,</u>	
	<u>2017</u>	<u>2016</u>
	(in millions)	
Inventory ^(a)	\$208	\$218
Amounts due from 21st Century Fox	82	55
Prepayments and other current assets	<u>233</u>	<u>240</u>
Total Other current assets	<u>\$523</u>	<u>\$513</u>

- (a) Inventory as of June 30, 2017 and 2016 was primarily comprised of books, newsprint, printing ink, and programming rights.

Other Non-Current Assets

The following table sets forth the components of Other non-current assets included in the Balance Sheets:

	<u>As of June 30,</u>	
	<u>2017</u>	<u>2016</u>
	(in millions)	
Royalty advances to authors	\$298	\$311
Other	144	85
Total Other non-current assets	<u>\$442</u>	<u>\$396</u>

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Other Current Liabilities

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

	<u>As of June 30,</u>	
	<u>2017</u>	<u>2016</u>
	(in millions)	
Current tax payable	\$ 39	\$ 33
Royalties and commissions payable	152	179
Current portion of long-term debt	103	3
Other	306	251
Total Other current liabilities	\$600	\$466

Other, net

The following table sets forth the components of Other, net included in the Statements of Operations:

	<u>For the fiscal years</u>		
	<u>ended June 30,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
	(in millions)		
Gain on sale of REA Group's European business ^(a)	\$107	\$—	\$—
Gain on iProperty transaction ^(b)	—	29	—
Impairment of marketable securities and cost method investments ^(c)	(21)	(21)	(5)
Gain on sale of other businesses	19	2	—
Gain on sale of equity method investments	11	1	7
Gain on sale of marketable securities ^(d)	7	1	29
Dividends received from cost method investments	3	—	25
Gain on sale of cost method investments	—	—	15
Other	6	6	4
Total Other, net	\$132	\$ 18	\$ 75

^(a) The Company recognized a pre-tax gain of \$107 million for the fiscal year ended June 30, 2017 related to REA Group's sale of its European business. See Note 3—Acquisitions, Disposals and Other Transactions.

^(b) See Note 3—Acquisitions, Disposals and Other Transactions.

^(c) See Note 6—Investments.

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

NEWS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Accumulated Other Comprehensive Loss

The components of Accumulated other comprehensive loss were as follows:

	For the fiscal years ended June 30,		
	2017	2016	2015
	(in millions)		
Accumulated other comprehensive loss, net of tax:			
Unrealized holding gains (losses) on securities:			
Balance, beginning of year	\$ 20	\$ 19	\$ 24
Fiscal year activity ^(a)	(25)	1	(5)
Balance, end of year	(5)	20	19
Benefit Plan Adjustments:			
Balance, beginning of year	(445)	(413)	(384)
Fiscal year activity ^(b)	8	(32)	(29)
Balance, end of year	(437)	(445)	(413)
Foreign currency translation adjustments:			
Balance, beginning of year	(585)	(188)	971
Fiscal year activity ^(c)	75	(397)	(1,159)
Balance, end of year	(510)	(585)	(188)
Share of other comprehensive income from equity affiliates, net:			
Balance, beginning of year	(16)	—	(1)
Fiscal year activity ^(d)	4	(16)	1
Balance, end of year	(12)	(16)	—
Total accumulated other comprehensive loss, net of tax:			
Balance, beginning of year	(1,026)	(582)	610
Fiscal year activity, net of income taxes	62	(444)	(1,192)
Balance, end of year	<u>\$ (964)</u>	<u>\$ (1,026)</u>	<u>\$ (582)</u>

- ^(a) Net of income tax (benefit) expense of (\$10) million, nil and nil for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.
- ^(b) Net of income tax expense (benefit) of \$8 million, (\$14) million and (\$11) million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.
- ^(c) Excludes \$9 million, (\$1) million and (\$24) million relating to noncontrolling interests for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.
- ^(d) Net of income tax expense (benefit) of \$2 million, (\$7) million and \$1 million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

NEWS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21. VALUATION AND QUALIFYING ACCOUNTS

	Balance at beginning of year	Additions	Acquisitions and disposals	Utilization	Foreign exchange	Balance at end of year
(in millions)						
<u>Fiscal 2017</u>						
Allowances for returns and doubtful accounts	\$ (213)	\$ (603)	\$ (2)	\$ 611	\$ (1)	\$ (208)
Deferred tax valuation allowance	(1,014)	(92)	(92)	23	(12)	(1,187)
<u>Fiscal 2016</u>						
Allowances for returns and doubtful accounts	\$ (220)	\$ (566)	\$ (12)	\$ 582	\$ 3	\$ (213)
Deferred tax valuation allowance	(1,308)	(8)	109	114	79	(1,014)
<u>Fiscal 2015</u>						
Allowances for returns and doubtful accounts	\$ (175)	\$ (573)	\$ (68)	\$ 586	\$ 10	\$ (220)
Deferred tax valuation allowance	(1,393)	(102)	(186)	290	83	(1,308)

NEWS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22. QUARTERLY DATA (UNAUDITED)

For convenience purposes, all references to September 30, 2016 and September 30, 2015 refer to the three months ended October 2, 2016 and September 27, 2015, respectively. All references to December 31, 2016 and December 31, 2015 refer to the three months ended January 1, 2017 and December 27, 2015, respectively. All references to March 31, 2017 and March 31, 2016 refer to the three months ended April 2, 2017 and March 27, 2016, respectively.

	For the three months ended			
	September 30,	December 31,	March 31,	June 30,
	(in millions, except per share amounts)			
Fiscal 2017				
Revenues	\$ 1,965	\$ 2,116	\$ 1,978	\$2,080
Loss from continuing operations attributable to News Corporation stockholders ^(a)	(15)	(289)	(5)	(429)
Income from discontinued operations, net of tax ^(b)	—	—	—	—
Net loss attributable to News Corporation stockholders	(15)	(289)	(5)	(429)
Loss from continuing operations available to News Corporation stockholders per share— basic and diluted	\$ (0.03)	\$ (0.50)	\$ (0.01)	\$ (0.74)
Income from discontinued operations available to News Corporation stockholders per share—basic and diluted	—	—	—	—
Loss available to News Corporation stockholders per share—basic and diluted	<u>\$ (0.03)</u>	<u>\$ (0.50)</u>	<u>\$ (0.01)</u>	<u>\$ (0.74)</u>
Fiscal 2016				
Revenues	\$ 2,014	\$ 2,161	\$ 1,891	\$2,226
Income (loss) from continuing operations attributable to News Corporation stockholders ^(a)	129	87	(147)	95
Income (loss) from discontinued operations, net of tax ^(b)	46	(24)	(2)	(5)
Net income (loss) attributable to News Corporation stockholders	175	63	(149)	90
Income (loss) from continuing operations available to News Corporation stockholders per share—basic and diluted	\$ 0.22	\$ 0.15	\$ (0.26)	\$ 0.16
Income (loss) from discontinued operations available to News Corporation stockholders per share—basic and diluted	0.08	(0.04)	—	(0.01)
Income (loss) available to News Corporation stockholders per share—basic and diluted	<u>\$ 0.30</u>	<u>\$ 0.11</u>	<u>\$ (0.26)</u>	<u>\$ 0.15</u>

^(a) Income (loss) from continuing operations includes the impact of the following items:

- During the second quarter of fiscal 2017, the Company recognized a non-cash impairment charge of approximately \$310 million primarily related to the write-down of fixed assets at the Australian newspapers. (See Note 7—Property, Plant and Equipment). The Company also recognized a \$227 million non-cash write-down of the carrying value of its investment in Foxtel to fair value. (See Note 6—Investments).

During the second quarter of fiscal 2017, REA Group sold its European business which resulted in a pre-tax gain of \$120 million. The gain was partially offset in the third quarter of fiscal 2017 by \$13 million related to the impact of foreign currency fluctuations on the receipt of the sales proceeds, which were received in February 2017, and certain other currency translation impacts. (See Note 3—Acquisitions, Disposals and other Transactions). (See Note 7—Property, Plant and Equipment).

NEWS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- During the fourth quarter of fiscal 2017, the Company recognized approximately \$464 million in impairment charges, primarily related to the write-down of fixed assets at the U.K. newspapers. (See Note 7—Property, Plant and Equipment).
 - The \$106 million tax benefit recognized during the first quarter of fiscal 2016 related to the release of previously established valuation allowances related to certain U.S. federal net operating losses and state deferred tax assets. (See Note 18—Income Taxes).
 - In the third quarter of fiscal 2016, the Company recognized one-time costs of approximately \$280 million in connection with the settlement of certain litigation and related claims at News America Marketing. (See Note 15—Commitments and Contingencies).
 - In the fourth quarter of fiscal 2016, the Company recognized a gain of \$122 million in connection with the settlement of litigation with Zillow, which reflects settlement proceeds received from Zillow of \$130 million, less \$8 million paid to NAR. (See Note 15—Commitments and Contingencies).
- (b) Income (loss) from discontinued operations includes the impact of the following items:
- In the first quarter of fiscal 2016, the Company recognized a pre-tax non-cash impairment charge of \$76 million reflecting a write down of the digital education business to its fair value less costs to sell. Additionally, during the first quarter of fiscal 2016, the Company recognized a tax benefit of \$144 million upon reclassification of the Digital Education segment to discontinued operations. (See Note 4—Discontinued Operations and Note 18—Income Taxes).

NOTE 23. SUBSEQUENT EVENTS

In July 2017, REA Group acquired an 80.3% interest in Smartline Home Loans Pty Limited (“Smartline”) for A\$69 million in cash (approximately \$55 million). The minority shareholders have the option to sell the remaining 19.7% interest to REA Group beginning three years after closing at a price dependent on the financial performance of Smartline. If the option is not exercised, the minority interest will become mandatorily redeemable four years after closing. As a result, REA Group will recognize a liability in the first quarter of fiscal 2018 for the present value of the amount expected to be paid for the remaining interest based on the formula specified in the acquisition agreement. Smartline is one of Australia’s premier mortgage broking franchise groups, and the investment provides REA Group’s financial services business with greater scale and capability. The Company is currently in the process of evaluating the purchase accounting implications, and as a result, disclosures required under ASC 805-10-50-2(h) cannot be made at this time.

In August 2017, the Company declared a semi-annual cash dividend of \$0.10 per share for Class A Common Stock and Class B Common Stock. This dividend is payable on October 18, 2017 to stockholders of record as of September 13, 2017.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

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 Exchange Act) as of the end of the period covered by this Annual 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.

Management's Report on Internal Control Over Financial Reporting

Management's report and the report of the independent registered public accounting firm thereon are set forth on pages 79 and 80, respectively, and are incorporated herein by reference.

Changes in 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 fourth quarter of the fiscal year ended June 30, 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item with respect to the Company's Directors is contained in the Proxy Statement for the Company's 2017 Annual Meeting of Stockholders (the "Proxy Statement") to be filed with the SEC under the heading "Proposal No. 1: Election of Directors" and is incorporated by reference in this Annual Report.

The information required by this item with respect to the Company's executive officers is contained in the Proxy Statement under the heading "Executive Officers of News Corporation" and is incorporated by reference in this Annual Report.

The information required by this item with respect to compliance with Section 16(a) of the Exchange Act is contained in the Proxy Statement under the heading "Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated by reference in this Annual Report.

The information required by this item with respect to the Company's Standards of Business Conduct and Code of Ethics is contained in the Proxy Statement under the heading "Corporate Governance Matters—Corporate Governance Policies" and is incorporated by reference in this Annual Report.

The information required by this item with respect to the procedures by which security holders may recommend nominees to the Board of Directors is contained in the Proxy Statement under the heading "Corporate Governance Matters—Stockholder Recommendation of Director Candidates" and is incorporated by reference in this Annual Report.

The information required by this item with respect to the Company's Audit Committee, including the Audit Committee's members and its financial expert, is contained in the Proxy Statement under the heading "Corporate Governance Matters—Board Committees" and is incorporated by reference in this Annual Report.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item with respect to executive compensation and director compensation is contained in the Proxy Statement under the headings "Compensation Discussion and Analysis," "Executive Compensation" and "Director Compensation," respectively, and is incorporated by reference in this Annual Report.

The information required by this item with respect to compensation committee interlocks and insider participation is contained in the Proxy Statement under the heading "Compensation Committee Interlocks and Insider Participation" and is incorporated by reference in this Annual Report.

The compensation committee report required by this item is contained in the Proxy Statement under the heading "Report of the Compensation Committee" and is incorporated by reference in this Annual Report.

The information required by this item with respect to compensation policies and practices as they relate to the Company's risk management is contained in the Proxy Statement under the heading "Risks Related to Compensation Policies and Practices" and is incorporated by reference in this Annual Report.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item with respect to securities authorized for issuance under the Company's equity compensation plans is contained in the Proxy Statement under the heading "Equity Compensation Plan Information" and is incorporated by reference in this Annual Report.

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The information required by this item with respect to the security ownership of certain beneficial owners and management is contained in the Proxy Statement under the heading “Security Ownership of News Corporation” and is incorporated by reference in this Annual Report.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item with respect to transactions with related persons is contained in the Proxy Statement under the heading “Corporate Governance Matters—Related Person Transactions Policy” and is incorporated by reference in this Annual Report.

The information required by this item with respect to director independence is contained in the Proxy Statement under the headings “Corporate Governance Matters—Director Independence” and “Corporate Governance Matters—Board Committees” and is incorporated by reference in this Annual Report.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is contained in the Proxy Statement under the headings “Fees Paid to Independent Registered Public Accounting Firm” and “Audit Committee Pre-Approval Policies and Procedures” and is incorporated by reference in this Annual Report.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. The Company's Consolidated Financial Statements required to be filed as part of this Annual Report and the Reports of Independent Registered Public Accounting Firm are included in Part II, Item 8. Financial Statements and Supplementary Data.
2. All other financial statement schedules are omitted because the required information is not applicable, or because the information called for is included in the Company's Consolidated Financial Statements or the Notes to the Consolidated Financial Statements.
3. Exhibits—The exhibits listed on the accompanying Exhibit Index filed or incorporated by reference as part of this Annual Report and such Exhibit Index is incorporated herein by reference. On the Exhibit Index, a “±” identifies each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report, and such listing is incorporated herein by reference.

ITEM 16. FORM 10-K SUMMARY

None.

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<u>Signature</u>	<u>Title</u>	<u>Date</u>
<hr/> /s/ Ana Paula Pessoa Ana Paula Pessoa	Director	August 14, 2017
<hr/> /s/ Masroor Siddiqui Masroor Siddiqui	Director	August 14, 2017

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Exhibit Description</u>
2.1	Separation and Distribution Agreement, dated June 28, 2013, among News Corporation, New News Corporation and News Corp Holdings UK & Ireland. (Incorporated by reference to Exhibit 2.1 to the Current Report of News Corporation on Form 8-K (File No. 001-35769) filed with the Securities and Exchange Commission on July 3, 2013.)
2.2	Tax Sharing and Indemnification Agreement, dated June 28, 2013, between News Corporation and New News Corporation. (Incorporated by reference to Exhibit 2.3 to the Current Report of News Corporation on Form 8-K (File No. 001-35769) filed with the Securities and Exchange Commission on July 3, 2013.)
2.3	FOX SPORTS Trade Mark Licence. (Incorporated by reference to Exhibit 2.5 to the Current Report of News Corporation on Form 8-K (File No. 001-35769) filed with the Securities and Exchange Commission on July 3, 2013.)
2.4	FOX Trade Mark Licence. (Incorporated by reference to Exhibit 2.6 to the Current Report of News Corporation on Form 8-K (File No. 001-35769) filed with the Securities and Exchange Commission on July 3, 2013.)
3.1	Restated Certificate of Incorporation of News Corporation. (Incorporated by reference to Exhibit 3.1 to the Annual Report of News Corporation on Form 10-K (File No. 001-35769) filed with the Securities and Exchange Commission on September 20, 2013.)
3.2	Amended and Restated By-laws of News Corporation. (Incorporated by reference to Exhibit 3.2 to the Current Report of News Corporation on Form 8-K (File No. 001-35769) filed with the Securities and Exchange Commission on July 3, 2013.)
4.1	Second Amended and Restated Rights Agreement, dated as of June 18, 2015, between News Corporation and Computershare Trust Company, N.A., as Rights Agent. (Incorporated by reference to Exhibit 4.1 to the Current Report of News Corporation on Form 8-K (File No. 001-35769) filed with the Securities and Exchange Commission on June 18, 2015.)
10.1	Amended and Restated Employment Agreement, dated March 9, 2016, among News Corporation, NC Transaction, Inc. and Robert Thomson. (Incorporated by reference to Exhibit 10.1 to the Current Report of News Corporation on Form 8-K (File No. 001-35769) filed with the Securities and Exchange Commission on March 9, 2016.)±
10.2	Employment Agreement, dated February 23, 2017, between News Corporation and Susan Panuccio. (Incorporated by reference to Exhibit 10.3 to the Quarterly Report of News Corporation on Form 10-Q (File No. 001-35769) filed with the Securities and Exchange Commission on May 10, 2017.)±
10.3	Separation Agreement and General Release, dated February 24, 2017, by and between Bedi Ajay Singh and News Corporation. (Incorporated by reference to Exhibit 10.1 to the Quarterly Report of News Corporation on Form 10-Q (File No. 001-35769) filed with the Securities and Exchange Commission on May 10, 2017.)±
10.4	Consulting Agreement, dated February 24, 2017, by and between Bedi Ajay Singh and News Corporation. (Incorporated by reference to Exhibit 10.2 to the Quarterly Report of News Corporation on Form 10-Q (File No. 001-35769) filed with the Securities and Exchange Commission on May 10, 2017.)±
10.5	Amended and Restated Employment Agreement, dated March 9, 2016, among News Corporation, NC Transaction, Inc. and Bedi Ajay Singh. (Incorporated by reference to Exhibit 10.2 to the Current Report of News Corporation on Form 8-K (File No. 001-35769) filed with the Securities and Exchange Commission on March 9, 2016.)±

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<u>Exhibit Number</u>	<u>Exhibit Description</u>
10.6	Employment Agreement, dated February 9, 2015, between NC Transaction, Inc. and David Pitofsky. (Incorporated by reference to Exhibit 10.1 to the Quarterly Report of News Corporation on Form 10-Q (File No. 001-35769) filed with the Securities and Exchange Commission on May 6, 2015.)±
10.7	News Corporation 2013 Long-Term Incentive Plan, as amended and restated effective August 6, 2014. (Incorporated by reference to Exhibit 10.1 to the Current Report of News Corporation on Form 8-K (File No. 001-35769) filed with the Securities and Exchange Commission on August 11, 2014.)±
10.8	NC Transaction, Inc. Restoration Plan. (Incorporated by reference to Exhibit 10.8 to the Annual Report of News Corporation on Form 10-K (File No. 001-35769) filed with the Securities and Exchange Commission on September 20, 2013.)±
10.9	Form of Agreement for FY2015-2017 and FY2016-2018 Cash-Settled Performance Stock Units under the News Corporation 2013 Long-Term Incentive Plan. (Incorporated by reference to Exhibit 10.9 to the Annual Report of News Corporation on Form 10-K (File No. 001-35769) filed with the Securities and Exchange Commission on August 14, 2014.)±
10.10	Form of Agreement for FY2015-2017 and FY2016-2018 Stock-Settled Performance Stock Units under the News Corporation 2013 Long-Term Incentive Plan. (Incorporated by reference to Exhibit 10.10 to the Annual Report of News Corporation on Form 10-K (File No. 001-35769) filed with the Securities and Exchange Commission on August 14, 2014.)±
10.11	Letter Agreement, dated June 27, 2014, from News Corporation to K. Rupert Murdoch. (Incorporated by reference to Exhibit 10.12 to the Annual Report of News Corporation on Form 10-K (File No. 001-35769) filed with the Securities and Exchange Commission on August 14, 2014.)±
10.12	Form of Agreement for Cash-Settled Performance Stock Units under the News Corporation 2013 Long-Term Incentive Plan. (Incorporated by reference to Exhibit 10.9 to the Annual Report of News Corporation on Form 10-K (File No. 001-35769) filed with the Securities and Exchange Commission on August 12, 2016.)±
10.13	Form of Agreement for Stock-Settled Performance Stock Units under the News Corporation 2013 Long-Term Incentive Plan. (Incorporated by reference to Exhibit 10.10 to the Annual Report of News Corporation on Form 10-K (File No. 001-35769) filed with the Securities and Exchange Commission on August 12, 2016.)±
10.14	Form of Agreement for Stock-Settled Restricted Share Units under the News Corporation 2013 Long-Term Incentive Plan. (Incorporated by reference to Exhibit 10.11 to the Annual Report of News Corporation on Form 10-K (File No. 001-35769) filed with the Securities and Exchange Commission on August 12, 2016.)±
10.15	Credit Agreement, dated as of October 23, 2013, among News Corporation, as borrower, the lenders named therein, the initial issuing banks named therein, JPMorgan Chase Bank, N.A. and Citibank, N.A. as co-administrative agents, JPMorgan Chase Bank, N.A. as designated agent, Commonwealth Bank of Australia as syndication agent and J.P. Morgan Securities LLC, Citigroup Global Markets Inc. and Commonwealth Bank of Australia as joint lead arrangers and joint bookrunners. (Incorporated by reference to Exhibit 10.1 to the Current Report of News Corporation on Form 8-K (File No. 001-35769) filed with the Securities and Exchange Commission on October 29, 2013.)
10.16	Amendment No. 1, dated as of October 23, 2015, to the Credit Agreement, dated as of October 23, 2013, among News Corporation, as borrower, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A. and Citibank, N.A., as co-administrative agents, JPMorgan Chase Bank, N.A., as designated agent, and the other parties thereto. (Incorporated by reference to Exhibit 10.1 to the Current Report of News Corporation on Form 8-K (File No. 001-35769) filed with the Securities and Exchange Commission on October 26, 2015.)

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<u>Exhibit Number</u>	<u>Exhibit Description</u>
10.17	Amendment No. 2, dated as of July 13, 2016, to the Credit Agreement, dated as of October 23, 2013, among the Company, as borrower, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A. and Citibank, N.A., as co-administrative agents, JPMorgan Chase Bank, N.A., as designated agent, and the other parties thereto. (Incorporated by reference to Exhibit 10.1 to the Quarterly Report of News Corporation on Form 10-Q (File No. 001-35769) filed with the Securities and Exchange Commission on November 8, 2016.)
21.1	List of Subsidiaries.*
23.1	Consent of Ernst & Young LLP with respect to News Corporation.*
23.2	Consent of Ernst & Young with respect to Foxtel Group.*
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.**
99.1	Audited Financial Statements as of June 30, 2017 for Foxtel Group.*
101	The following financial information from the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 2017 formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations for the fiscal years ended June 30, 2017, 2016 and 2015; (ii) Consolidated Statements of Comprehensive Loss for the fiscal years ended June 30, 2017, 2016 and 2015; (iii) Consolidated Balance Sheets as of June 30, 2017 and 2016; (iv) Consolidated Statements of Cash Flows for the fiscal years ended June 30, 2017, 2016 and 2015; (v) Consolidated Statements of Equity for the fiscal years ended June 30, 2017, 2016 and 2015 and (vi) Notes to the Consolidated Financial Statements. *

* Filed herewith

** Furnished herewith

± Management contract or compensatory plan or arrangement

NEWS CORPORATION
List of Subsidiaries

NEWS LIMITED

1Form Online Pty Ltd	Australia
A.C.N. 000 024 028 Pty. Limited	Australia
A.C.N. 067 052 386 Pty Limited	Australia
A.C.N. 105 222 026 Pty Limited	Australia
A.C.N. 163 565 955 Pty Limited	Australia
Adhoc Pty Ltd as trustee for Whitsunday Times Unit Trust	Australia
Adhoc Pty. Ltd.	Australia
Advertiser Newspapers Pty Limited	Australia
Advertiser-News Weekend Publishing Company Pty. Limited	Australia
AH BR Pty Limited	Australia
Allied Press Limited	Papua New Guinea
APN AP National Sales Pty Ltd	Australia
APN Educational Media Pty Limited	Australia
APN Newspapers Pty Ltd	Australia
APN Printing Services Pty Ltd	Australia
ARM Events Pty Ltd	Australia
ARM Specialist Media Pty Ltd	Australia
Austin Bidco Pty Ltd	Australia
Austin Rollco Limited	Australia
Australian Independent Business Media Pty Ltd	Australia
Australian News Channel Pty Ltd	Australia
AWKO Pty Limited	Australia
Big Sea International Ltd	Hong Kong
Binni Pty Limited	Australia
Border Newspapers Pty. Ltd.	Australia
Brickz Research Sdn Bhd	Malaysia
Brisbane Broncos (Licence) Pty Limited	Australia
Brisbane Broncos Corporation Pty Ltd (Trustee)	Australia
Brisbane Broncos Corporation Trust	Australia
Brisbane Broncos Limited	Australia
Brisbane Broncos Management Corporation Pty Ltd	Australia
Brisbane Broncos Rugby League Club Ltd	Australia
Brisbane Professional Sports Investment Pty Ltd	Australia
Business Spectator Pty Ltd	Australia
Byron Shire News Pty Ltd	Australia
Cairns Digital Media Pty. Ltd.	Australia
Capricornia Newspapers Pty. Ltd.	Australia
Careerone Services Pty Limited	Australia
Central Queensland News Publishing Company Pty Ltd	Australia
Central Telegraph Pty Ltd	Australia
Chesterland Pty Ltd	Australia
Chinchilla Newspapers Pty. Ltd.	Australia
Coffs Coast Re Marketing Pty Ltd	Australia
Consolidated Media Holdings Pty Limited	Australia
Courier Newspaper Holdings Pty Limited	Australia
Courier Newspaper Management Holdings Pty Limited	Australia
Courier Newspaper Operations Pty Ltd	Australia
Dalby Herald Pty. Ltd.	Australia
Davies Brothers Pty Limited	Australia
Diakrit (Thailand) Co Ltd	Thailand

Diakrit 3D Co Ltd	Thailand
Diakrit Australia Pty Ltd	Australia
Diakrit Denmark ApS	Denmark
Diakrit Fastighetsmaklarservice AB	Sweden
Diakrit Holdings Co., Ltd	Thailand
Diakrit Interactive Media Aktiebolag	Sweden
Diakrit International (Thailand) Co., Ltd	Thailand
Diakrit International AB	Sweden
Diakrit International Limited	Hong Kong
Diakrit IT Services Co Ltd	Thailand
Diakrit Norge AS	Norway
Diakrit USA Inc	USA
Double Bay Newspapers Pty Ltd	Australia
Duvir Holdings Pty. Limited	Australia
Eastern Suburbs Newspaper Partnership	Australia
EP Securities Pty Limited	Australia
Finance 18.com Ltd	Hong Kong
Flagship Studio Co., Ltd	Thailand
Flatmates.com.au Pty Ltd	Australia
Fox Sports Australia B.V.	Netherlands
Fox Sports Australia Pty Limited	Australia
Fox Sports Streamco Pty Limited	Australia
Fox Sports Venue Pty Limited	Australia
FS (Australia) I Pty Limited	Australia
FS (Australia) II Pty Limited	Australia
Gatton Star Pty. Ltd.	Australia
Geelong Advertiser (Holdings) Proprietary Limited	Australia
Geelong Newspapers Proprietary Limited	Australia
General Newspapers Pty Ltd	Australia
Gladstone Newspaper Company Pty Ltd	Australia
GoHome H.K. Co. Ltd	Hong Kong
GoHome Macau Co Ltd	Hong Kong
Gold Coast Publications Pty. Limited	Australia
Gympie Times Pty. Ltd.	Australia
House18.com Services Ltd	Hong Kong
Hub Online Global Pty. Ltd	Australia
Info-Tools Ptd Ltd	Singapore
IPGA Management Services Sdn Bhd	Malaysia
IPKO Pty Limited	Australia
iProperty (Thailand) Co., Ltd	Thailand
iProperty Group Asia Pte Ltd	Australia
iProperty Group Pty Ltd	Australia
Iproperty.com Events Sdn Bhd	Malaysia
iProperty.com Malaysia Sdn Bhd	Malaysia
iProperty.com Pty Ltd	Australia
Iproperty.com Singapore Pte Ltd	Singapore
Kelly Publications Pty Ltd	Australia
Kid Ruang Yu Co., Ltd	Thailand
Kidspot.com.au Pty Ltd	Australia
Laurelgrove Pty Limited	Australia
Leader Associated Newspapers Pty. Ltd.	Australia
Leteno Pty Limited	Australia
Longbeach Publications Pty Ltd as trustee for The Longbeach Publications Unit Trust	Australia
Longbeach Publications Pty. Ltd.	Australia
Messenger Press Proprietary Limited	Australia
Mirror Newspapers Pty Limited	Australia

NAH Finance Pty Limited	Australia
National Rugby League Investments Pty Limited	Australia
Nationwide News Pty. Limited	Australia
Nationwide Newspapers Pty Limited	Australia
NCA Broadcasting Pty Ltd	Australia
NCA Ventures Pty Ltd	Australia
New Zealand News Channel Limited	New Zealand
News (NAPI) Pty Limited	Australia
News Australia Holdings Pty Limited	Australia
News Australia Pty Limited	Australia
News Classifieds Network (NCN) Pty Limited	Australia
News Corp Australia Holdings Pty Limited	Australia
News Corp Australia Investments Pty Limited	Australia
News Corp Australia Pty Limited	Australia
News Digital Media Pty Limited	Australia
News Finance Pty.	Australia
News Life Media Pty Limited	Australia
News Magazines Operations Pty Limited	Australia
News Pay TV Financing Pty Ltd	Australia
News Pay TV Investment Pty Limited	Australia
News Pay TV Pty Limited	Australia
News Print Media Pty Limited	Australia
News Publishers Holdings Pty. Limited	Australia
News Sports Programming Pty Limited	Australia
News TV Magazines Pty Limited	Australia
NL/HIA JV Pty Limited	Australia
North Coast News Pty Ltd	Australia
Northern Star Ltd	Australia
NOVII Pty Ltd	Australia
Observer Times (Hervey Bay) Pty. Ltd.	Australia
ozhomevalue Pty Limited	Australia
Pacific Sports Holdings Pty Limited	Australia
Pacific Sports International Pty Limited	Australia
Pay TV Management Pty Limited	Australia
Pay TV Partnership	Australia
PBL Management Pty Ltd	Australia
PBL Pay TV Pty Ltd	Australia
Perth Print Pty Ltd	Australia
Point Out Productions Pty Ltd	Australia
Post Courier Limited	Papua New Guinea
Prakard IPP Co Ltd	Thailand
Prakard.com (Hong Kong) Limited	Hong Kong
Primedia Limited	Hong Kong
Property Look Pty Limited	Australia
Property.com.au Pty Ltd	Australia
PT Web Marketing Indonesia	Indonesia
Punters Paradise Pty Limited	Australia
QP Ventures Pty Limited	Australia
Queensland Entertainment Services Pty Ltd	Australia
Queensland Newspapers Pty. Ltd.	Australia
REA Austin Pty Ltd	Australia
REA Group Consulting (Shanghai) Co. Limited	China
REA Group Europe Limited	United Kingdom
REA Group Hong Kong Ltd	Hong Kong
REA Group Ltd	Australia
REA HK Co Limited	Hong Kong

REA US Holding Co. Pty Ltd	Australia
Realestate.com.au Pty Limited	Australia
Royal Children's Hospital Good Friday Appeal Limited	Australia
Rugby International Pty Limited	Australia
Sabawin Pty Limited	Australia
Sabawin Pty Limited as trustee for Stanthorpe Newspaper Services Trust	Australia
SheSpot.com.au Pty Ltd	Australia
Sky Cable Pty Limited	Australia
Smart Expo Limited	Hong Kong
South Pacific Post Pty Ltd	Papua New Guinea
Sport by Numbers Pty Limited	Australia
Suburban Publications Pty Limited	Australia
Sunshine Coast Newspaper Company Pty. Ltd.	Australia
Sunshine Coast Publishing Pty Ltd	Australia
Super League Pty Limited	Australia
Television Broadcasters Investments Pty. Ltd.	Australia
The Bundaberg Newspaper Company Pty. Limited	Australia
The Cairns Post Proprietary Limited	Australia
The Courier-Mail Children's Fund Pty Ltd	Australia
The Daily Examiner Pty Ltd	Australia
The Geelong Advertiser Proprietary Limited	Australia
The Herald and Weekly Times Pty Limited	Australia
The Mackay Printing and Publishing Company Pty Limited	Australia
The Maryborough Hervey Bay Newspaper Company Pty Ltd	Australia
The North Queensland Newspaper Company Pty Limited	Australia
The Queensland Times Pty. Limited	Australia
The South Burnett Times Pty. Ltd.	Australia
The Tweed Newspaper Co Pty Ltd	Australia
The Warwick Newspaper Pty. Limited	Australia
Think iProperty Sdn Bhd	Malaysia
Times Publications Holdings Pty Limited	Australia
Toowoomba Newspapers Pty. Ltd.	Australia
United Media Pty Ltd	Australia
Way2Bet Pty Ltd	Australia
Web Effect Int. Pty. Limited	Australia
Wespre Pty Limited	Australia
Western Star Pty. Ltd.	Australia
Windfyr Pty Limited	Australia
Winston Investments Pty Ltd	Australia
NEWS CORP INVESTMENTS UK & IRELAND	United Kingdom
102.4 Wish FM Limited	United Kingdom
Admacroft Limited	United Kingdom
Allied Radio Limited	United Kingdom
Anotherway Unlimited Company	Ireland
Babstova Limited	Ireland
Capital Radio Productions Limited	Ireland
City Broadcasting Limited	Ireland
Coldstreame Seafood Limited	United Kingdom
Cork Media Enterprise Limited	Ireland
County Media Limited	Ireland
Direct Net Access Limited	United Kingdom
Eric Bemrose Limited	United Kingdom
Festival Records International Limited	United Kingdom
First Radio Sales Limited	United Kingdom
Forever Broadcasting Limited	United Kingdom
Grand Central Broadcasting Limited	United Kingdom

Handpicked Companies Limited	United Kingdom
Independent Radio Group Limited	United Kingdom
Independent Radio News Limited	United Kingdom
KIP Limited	United Kingdom
Main Street 1035 (Pty) Limited	South Africa
Muse Recruitment 1 Limited	United Kingdom
Muse Recruitment 2 Limited	United Kingdom
Muse Recruitment Holdings Limited	United Kingdom
News 2026 Limited	United Kingdom
News Collins Holdings Limited	United Kingdom
News Collins Limited	United Kingdom
News Corp Holdings UK & Ireland	United Kingdom
News Corp Investments I Limited	United Kingdom
News Corp Investments II Limited	United Kingdom
News Corp UK & Ireland Limited	United Kingdom
News Group Newspapers Limited	United Kingdom
News International Newspapers Limited	United Kingdom
News International Pension Trustees Limited	United Kingdom
News Ireland Limited	United Kingdom
News Logistics Limited	United Kingdom
News of the World Limited	United Kingdom
News Printers Assets Limited	United Kingdom
News Printers Group Limited	United Kingdom
News Printers Southern Limited	United Kingdom
News Promotions Limited	United Kingdom
News Property Three Limited	United Kingdom
News Solutions Limited	United Kingdom
News Telemedia Europe Limited	United Kingdom
News UK & Ireland Direct Limited	United Kingdom
News UK & Ireland Limited	United Kingdom
News UK & Ireland Newspapers Limited	United Kingdom
News UK & Ireland Recruitment Holdings Limited	United Kingdom
News UK & Ireland Trading Limited	United Kingdom
News UK Automotive Limited	United Kingdom
Newsett Limited	United Kingdom
Newsprinters (Broxbourne) Limited	United Kingdom
Newsprinters (Eurocentral) Limited	United Kingdom
Newsprinters (Knowsley) Limited	United Kingdom
Newsprinters Limited	United Kingdom
NGN Editorial Pension Trustees Limited	United Kingdom
Perfecttaste Limited	United Kingdom
Pulse FM Limited	United Kingdom
Radio County Sound Limited	Ireland
Radiowave (Blackpool) Limited	United Kingdom
Recruitment Northern Ireland Limited	United Kingdom
Secondpost Limited	United Kingdom
Secondpost.com Limited	United Kingdom
Shawnee Limited	Ireland
Signal Radio Limited	United Kingdom
Simply Zesty Limited	Ireland
Simply Zesty UK Limited	United Kingdom
Soccerbet Limited	United Kingdom
Sound Digital Limited	United Kingdom
Swansea Sound Limited	United Kingdom
Switchdigital (B&H) Limited	United Kingdom
Switchdigital (London) Limited	United Kingdom

Switchdigital (S&S) Limited	United Kingdom
Switchdigital (Scotland) Limited	United Kingdom
Talk Radio UK Limited	United Kingdom
talkSPORT Limited	United Kingdom
The Digital Radio Group (London) Limited	United Kingdom
The Independent Broadcasting Corporation	Ireland
The Internet Business Limited	United Kingdom
The Sun Limited	United Kingdom
The Sunday Times Limited	United Kingdom
The Sunday Times Whisky Club Limited	United Kingdom
The Times Limited	United Kingdom
The Times Literary Supplement Limited	United Kingdom
The Wireless Group (ILRS) Limited	United Kingdom
Times Crosswords Limited	United Kingdom
Times Media Limited	United Kingdom
Times Newspapers Holdings Limited	United Kingdom
Times Newspapers Limited	United Kingdom
Tower 107.4 FM Limited	United Kingdom
Tower Trustees Limited	United Kingdom
Treaty Radio Limited	Ireland
TWG Payments Limited	United Kingdom
U105 Limited	United Kingdom
Unruly Group Limited	United Kingdom
Unruly Holdings Limited	United Kingdom
Unruly Media AB	Sweden
Unruly Media AS	Norway
Unruly Media GmbH	Germany
Unruly Media K.K.	Japan
Unruly Media Limited	United Kingdom
Unruly Media Pte Ltd	Singapore
Unruly Media Pty Ltd	Australia
Unruly Media Sarl	France
Wire FM (1997) Limited	United Kingdom
Wireless Connect Limited	United Kingdom
Wireless Drive Limited	United Kingdom
Wireless Group Holdings Limited	United Kingdom
Wireless Group Limited	United Kingdom
Wireless Group Media (GB) Limited	United Kingdom
Wireless Group New Media Limited	United Kingdom
Wireless Radio (ROI) Limited	Ireland
Wireless Radio Limited	United Kingdom
Wolverhampton Area Radio Limited	United Kingdom
WorKazoo Limited	United Kingdom
HARPERCOLLINS PUBLISHERS L.L.C.	United States of America
Casa dos Livros Editora Ltda.	Brazil
Editora HR Ltda.	Brazil
Grupo Nelson Inc.	United States of America
HarperCollins Brasil Holdings Participações Societárias S.A.	Brazil
HarperCollins Christian Publishing, Inc.	United States of America
HarperCollins Mexico, SA de CV	Mexico
The Zondervan Corporation L.L.C.	United States of America
Thomas Nelson Export Inc.	United States of America
Vida Melhor Editora S.A.	Brazil
Vida Publishers L.L.C.	United States of America
Zondervan (Republica Dominicana) S.A	Dominican Republic
HARLEQUIN ENTERPRISES LIMITED	Canada

DEI CSEP, Inc.	United States of America
Harlequin Books S.A.	Switzerland
Harlequin Digital Sales Corporation	United States of America
Harlequin Enterprises (Australia) Pty Ltd.	Australia
Harlequin Enterprises II BV/Sarl	Luxembourg
Harlequin Holdings Inc.	United States of America
Harlequin Holdings S.A.	Switzerland
Harlequin Italia Srl	Italy
Harlequin Magazines Inc.	United States of America
Harlequin Products Inc.	United States of America
Harlequin Retail Inc.	United States of America
Harlequin Sales Corporation	United States of America
HarperCollins France S.A	France
HarperCollins Germany GmbH	Germany
HarperCollins Iberica S.A.	Spain
HarperCollins Italia S.p.A.	Italy
HarperCollins Nordic AB	Sweden
HarperCollins Polska S.P. Z.o.o.	Poland
KK HarperCollins Japan (aka Kabushiki Kaisha HarperCollins Japan)	Japan
HARPERCOLLINS (UK)	United Kingdom
Authonomy Ltd	United Kingdom
BookArmy Limited	United Kingdom
Cobuild Limited	United Kingdom
Collins Bartholomew Limited	United Kingdom
Dolphin Bookclub Limited	United Kingdom
Fourth Estate Limited	United Kingdom
George Allen & Unwin (Publishers) Limited	United Kingdom
Harlequin (UK) Limited	United Kingdom
Harlequin Enterprises UK Limited	United Kingdom
Harlequin India Private Limited	India
Harper Collins Publishers India Limited	India
HarperCollins Canada Limited	Canada
HarperCollins Investments (UK) Limited	United Kingdom
HarperCollins Publishers (Holdings) Pty. Limited	Australia
HarperCollins Publishers (New Zealand) Limited	New Zealand
HarperCollins Publishers Australia Pty. Limited	Australia
HarperCollins Publishers Holdings (New Zealand)	New Zealand
HarperCollins Publishers Limited	United Kingdom
HarperCollins Publishers Ltd	Canada
HarperCollins Publishers Middle East Books Trading LLC	United Arab Emirates
HarperCollins Publishers Pension Trustee Co. Limited	United Kingdom
Leckie & Leckie Limited	United Kingdom
Letts Educational Limited	United Kingdom
Marshall Pickering Holdings Limited	United Kingdom
Mills & Boon Limited	United Kingdom
Pollokshields Printing Services Limited	United Kingdom
Thorsons Publishers Limited	United Kingdom
Thorsons Publishing Group Limited	United Kingdom
Times Books Group Limited	United Kingdom
Times Books Limited	United Kingdom
Toptrack Learning Ltd	United Kingdom
Unwin Hyman Limited	United Kingdom
William Collins Holdings Limited	United Kingdom
William Collins International Limited	United Kingdom
William Collins Sons & Company Limited	United Kingdom
NEWS PREFERRED HOLDINGS INC.	United States of America

Alesia Holdings, Inc.	United States of America
Amplify Education Holding, Inc.	United States of America
Benevolus Holdings LLC	United States of America
Checkout 51 Mobile ULC	Canada
Evergreen Trading Company L.L.C.	United States of America
Freedom Platform L.L.C.	United States of America
Freedom Platform ULC	Canada
FS Australia II LLC	United States of America
FS Australia Partnership	Australia
HarperCollins US LLC	United States of America
Heritage Media L.L.C.	United States of America
Heritage Media Services L.L.C.	United States of America
Magpie Holdings, Inc.	United States of America
Mosaic Media Ventures Pvt. Ltd.	India
NC Audience Exchange, LLC	United States of America
NC Transaction, Inc.	United States of America
NC UK Holdings Inc	United States of America
NCIH LLC	United States of America
News Alesia UK Limited	United Kingdom
News America Marketing Digital L.L.C.	United States of America
News America Marketing FSI L.L.C.	United States of America
News America Marketing In-Store L.L.C.	United States of America
News America Marketing In-Store Services L.L.C.	United States of America
News America Marketing Interactive L.L.C.	United States of America
News America Marketing Properties L.L.C.	United States of America
News Australia Holdings LLC	United States of America
News Australia Holdings Partnership	Australia
News Australia Investments Pty Ltd	Australia
News Collins Holdings Partnership	Australia
News Corp Australia Partnership	Australia
News Corp Investments LLC	United States of America
News FHC Holdings, LLC	United States of America
News Finance Inc.	United States of America
News Group/Times Newspapers U.K., Inc.	United States of America
News Interactive Media Australia Pty Limited	Australia
News Limited of Australia, Inc.	United States of America
News Marketing Canada Corp.	Canada
News UK Finance Holdings I LLC	United States of America
News UK Finance Holdings II LLC	United States of America
NNC Insurance Services, Inc.	United States of America
NTS Technology Services Private Limited	India
NWS Digital Asia Pte. Limited	Singapore
NWS Digital India Private Limited	India
NYP Holdings, Inc.	United States of America
NYP Realty Corp.	United States of America
Ruby Newco LLC	United States of America
Smart Source Direct L.L.C.	United States of America
Storyful Americas, LLC	United States of America
Storyful Limited	Ireland
The Daily Holdings, Inc.	United States of America
Unruly Media Inc.	United States of America
MOVE, INC.	United States of America
Homebuilder.com (Delaware), Inc.	United States of America
Homestore, Inc.	United States of America
Move Sales, Inc.	United States of America
Moving.com, Inc.	United States of America

National New Homes Co., Inc.	United States of America
RealSelect, Inc.	United States of America
The Enterprise of America, Ltd	United States of America
Top Producer Systems Company	Canada
Welcome Wagon International Inc.	United States of America
DOW JONES & COMPANY, INC.	United States of America
Betten Financial News BV	Netherlands
DJBI, LLC	United States of America
Dow Jones & Company (Australia) PTY Limited	Australia
Dow Jones & Company (Malaysia) Sdn. Bhd.	Malaysia
Dow Jones & Company (Schweiz) GMBH	Switzerland
Dow Jones & Company (Singapore) PTE Limited	Singapore
Dow Jones (Japan) K.K.	Japan
Dow Jones Advertising (Shanghai) Co. Limited	China
Dow Jones AER Company, Inc.	United States of America
Dow Jones Business Interactive (U.K.) Limited	United Kingdom
Dow Jones Canada, Inc.	Canada
Dow Jones Colombia S.A.S.	Colombia
Dow Jones Consulting (Shanghai) Limited	China
Dow Jones Consulting India Private Limited	India
Dow Jones Distribution Co. (Asia), Inc.	United States of America
Dow Jones Do Brasil Serviços Econômicos Ltda.	Brazil
Dow Jones Haber Ajansi Anonim Sirketi	Turkey
Dow Jones Information Services International (HK) Ltd.	Hong Kong
Dow Jones International GMBH	Germany
Dow Jones International Ltd.	United Kingdom
Dow Jones Italia SRL	Italy
Dow Jones NBV Bulgaria EOOD	Bulgaria
Dow Jones Nederland BV	Netherlands
Dow Jones News GmbH	Germany
Dow Jones News Services (Proprietary) Limited	South Africa
Dow Jones Newswires Holdings, Inc.	United States of America
Dow Jones Publishing Company (Asia), Inc.	United States of America
Dow Jones Publishing Company (Europe), Inc.	United States of America
Dow Jones Services Limited	United Kingdom
Dow Jones Southern Holding Company, Inc.	United States of America
Dow Jones Trademark Holdings LLC	United States of America
Dow Jones WSJA Philippines, Inc.	Philippines
eFinancialNews Holdings Limited	United Kingdom
eFinancialNews Inc.	United States of America
eFinancialNews Limited	United Kingdom
Factiva (Australia) Pty Limited	Australia
Factiva (France) S.A.R.L.	France
Factiva Business Information (Spain), S.L.	Spain
Factiva Limited	United Kingdom
Factiva LLC	United States of America
Factiva, Inc.	United States of America
Generate Canada ULC	Canada
Generate, Inc.	United States of America
Kronberger Verlagsgesellschaft GmbH	Germany
MarketWatch, Inc.	United States of America
MF—Dow Jones News S.r.l.	Italy
Review Publishing Company Limited	Hong Kong
The Wall Street Journal Europe Holding, Inc.	United States of America
The Wall Street Journal Europe, SPRL	Belgium
VentureOne Corporation	United States of America
Wall Street Journal India Publishing Private Limited	India

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-189932) pertaining to the News Corporation 2013 Long-Term Incentive Plan, and

(2) Registration Statement (Form S-8 No. 333-200315) pertaining to the registration of common stock of News Corporation in connection with The Move, Inc. 2011 Incentive Plan, as amended; The Move, Inc. 2002 Stock Incentive Plan, as amended; The Move.com, Inc. 2000 Stock Incentive Plan; The Move, Inc. 1999 Stock Incentive Plan, as amended; The iPlace, Inc. 2001 Equity Incentive Plan; and the Hessel 2000 Stock Option Plan;

of our reports dated August 14, 2017, with respect to the consolidated financial statements and the effectiveness of internal control over financial reporting of News Corporation, included in this Annual Report (Form 10-K) of News Corporation for the year ended June 30, 2017.

/s/ Ernst & Young LLP

New York, New York

August 14, 2017

Consent of Independent Auditors

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-189932) pertaining to the News Corporation 2013 Long-Term Incentive Plan,
- (2) Registration Statement (Form S-8 No. 333-200315) pertaining to the registration of common stock of News Corporation in connection with The Move, Inc. 2011 Incentive Plan, as amended; The Move, Inc. 2002 Stock Incentive Plan, as amended; The Move.Com, Inc. 2000 Stock Incentive Plan; The Move, Inc. 1999 Stock Incentive Plan, as amended; The iPlace, Inc. 2001 Equity Incentive Plan; and The Hessel 2000 Stock Option Plan;

of our report dated August 11, 2017, with respect to the combined financial statements of the Foxtel Group, which is comprised of Foxtel Partnership, Foxtel Management Pty Ltd, Customer Services Pty Ltd, Foxtel Cable Television Pty Ltd, Foxtel Television Partnership and their controlled entities, included in this Annual Report (Form 10-K) for the year ended June 30, 2017.

/s/ Ernst & Young

Sydney, Australia
August 11, 2017

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

I, Robert J. Thomson, certify that:

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

August 14, 2017

By: /s/ Robert J. Thomson

Robert J. Thomson

Chief Executive Officer and Director

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

I, Susan Panuccio, certify that:

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

August 14, 2017

By: /s/ Susan Panuccio

Susan Panuccio
Chief Financial Officer

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

In connection with the Annual Report of News Corporation on Form 10-K for the fiscal year ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, the undersigned officers of News Corporation, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

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

August 14, 2017

By: /s/ Robert J. Thomson
Robert J. Thomson
Chief Executive Officer and Director

By: /s/ Susan Panuccio
Susan Panuccio
Chief Financial Officer

FOXTEL GROUP
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Report of Independent Auditors**To the Members of Sky Cable Pty Limited**

We have audited the accompanying combined financial statements of the Foxtel Group, which is comprised of Foxtel Partnership, Foxtel Management Pty Ltd, Customer Services Pty Ltd, Foxtel Cable Television Pty Ltd, Foxtel Television Partnership and their controlled entities. The combined financial statements comprise the combined balance sheets as of June 30, 2017 and 2016, and the related combined statements of operations, comprehensive income, cash flows and partners' deficit for each of the three years in the period ended June 30, 2017, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the Foxtel Group at June 30, 2017 and 2016, and the combined results of its operations and its cash flows for each of the three years in the period ended June 30, 2017 in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young

Sydney, Australia

August 11, 2017

FOXTEL GROUP
COMBINED STATEMENTS OF OPERATIONS
(IN THOUSANDS OF AUSTRALIAN DOLLARS)

	For the years ended June 30,		
	2017	2016	2015
Revenues (including \$891,213, \$817,527 and \$745,291, respectively from related parties)	\$ 3,199,572	\$ 3,265,100	\$ 3,175,928
Operating expenses (including \$832,090, \$779,462 and \$669,086, respectively to related parties)	(1,832,764)	(1,774,997)	(1,634,821)
Selling, general and administrative	(610,610)	(663,504)	(636,826)
Depreciation and amortization	(285,576)	(318,380)	(381,426)
Impairment and restructuring charges (Note 3)	(83,029)	(9,855)	—
Other, net (Note 5)	(77,000)	—	—
Equity earnings / (losses) of affiliates	4,876	(8,043)	1,374
Interest expense, net	(211,905)	(223,513)	(217,911)
Foreign exchange and other gains / (losses) on hedges, net	109	547	(3,442)
Income before income tax expense	103,673	267,355	302,876
Income tax expense	(23,977)	(22,700)	(31,824)
Net income	79,696	244,655	271,052
Less: Net loss/(income) attributable to noncontrolling interests	447	418	(205)
Net income attributable to Foxtel Group	<u>\$ 80,143</u>	<u>\$ 245,073</u>	<u>\$ 270,847</u>

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

FOXTEL GROUP
COMBINED STATEMENTS OF COMPREHENSIVE INCOME
(IN THOUSANDS OF AUSTRALIAN DOLLARS)

Statements of comprehensive income

	<u>For the years ended June 30,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net income	\$ 79,696	\$ 244,655	\$ 271,052
Other comprehensive (loss) / income:			
Net change in the fair value of cash flow hedges taken to equity (\$nil tax impact)	(15,526)	(32,182)	4,494
Unrealized holding gain / (loss) on securities (\$nil tax impact)	20,533	(30,800)	—
Unrealized holding loss on securities recycled to profit and loss (\$nil tax impact)	10,267	—	—
Other comprehensive income /(loss)	15,274	(62,982)	4,494
Comprehensive income	94,970	181,673	275,546
Less: Net loss / (income) attributable to noncontrolling interests	447	418	(205)
Comprehensive income attributable to Foxtel Group	<u>\$ 95,417</u>	<u>\$ 182,091</u>	<u>\$ 275,341</u>

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

FOXTEL GROUP
COMBINED BALANCE SHEETS
(IN THOUSANDS OF AUSTRALIAN DOLLARS)

	As of June 30,	
	2017	2016
Assets:		
Current assets:		
Cash and cash equivalents	\$ 30,426	\$ 40,418
Receivables, net (including \$29,506 and \$27,134 due from related parties) (Note 2 and 11)	365,800	363,092
Inventories, net (Note 4)	256,071	263,197
Derivative financial instruments (Note 9)	—	23,941
Prepayments (including \$1,935 and \$nil due from related parties) (Note 11)	159,767	101,788
Other current assets	22,570	14,659
Total current assets	<u>834,634</u>	<u>807,095</u>
Non-current assets:		
Inventories, net (Note 4)	181,884	153,854
Investments (Note 5)	5,000	50,841
Derivative financial instruments (Note 9)	128,900	177,936
Property and equipment, net (Note 6)	944,744	918,614
Intangible assets, net (Note 7)	8,329	8,329
Goodwill (Note 7)	1,933,197	1,933,197
Deferred income taxes (Note 10)	49,501	53,617
Prepayments (including \$21,429 and \$nil due from related parties) (Note 11)	21,496	—
Other non-current assets	317	291
Total assets	<u><u>\$ 4,108,002</u></u>	<u><u>\$ 4,103,774</u></u>
Liabilities and Equity:		
Current liabilities:		
Borrowings (Note 8)	\$ —	\$ 97,003
Trade payables (third parties)	357,172	360,153
Trade payables (related parties) (Note 11)	146,256	156,220
Accrued expenses and other payables	276,472	211,832
Income tax payable	—	2,357
Deferred revenue	122,700	135,705
Derivative financial instruments (Note 9)	12,860	1,593
Other current liabilities	70,068	55,119
Total current liabilities	<u>985,528</u>	<u>1,019,982</u>
Non-current liabilities:		
Borrowings (third parties) (Note 8)	2,145,232	2,271,196
Borrowings (related parties) (Note 8 and 11)	962,351	902,580
Derivative financial instruments (Note 9)	37,738	71,545
Deferred revenue	85,602	70,406
Deferred income taxes (Note 10)	117	12
Other non-current liabilities	94,995	66,584
Commitments and contingencies (Note 12)	<u>—</u>	<u>—</u>
Deficit: (Note 2)		
Partners' capital	1,057,650	1,057,650
Accumulated deficit	(1,213,660)	(1,293,803)
Accumulated other comprehensive loss	(47,201)	(62,475)
Total Foxtel Group's deficit	<u>(203,211)</u>	<u>(298,628)</u>
Noncontrolling interest	(350)	97
Total deficit	<u>(203,561)</u>	<u>(298,531)</u>
Total liabilities and equity	<u><u>\$ 4,108,002</u></u>	<u><u>\$ 4,103,774</u></u>

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

FOXTEL GROUP
COMBINED STATEMENTS OF CASH FLOWS
(IN THOUSANDS OF AUSTRALIAN DOLLARS)

	For the years ended June 30,		
	2017	2016	2015
Cash flows from operating activities:			
Net income	\$ 79,696	\$ 244,655	\$ 271,052
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	285,576	318,380	381,426
Impairment and restructuring charges	5,252	—	—
Fair value measurement on listed securities (Ten Network Holdings)	77,000	—	—
Equity (earnings) / losses of affiliates	(4,876)	8,043	(1,374)
Deferred income taxes	4,221	(4,106)	1,746
Fair value adjustments and foreign currency translation	(5,895)	(12,838)	(23,182)
Non cash interest accrued on loan from partners	59,771	—	—
Changes in operating assets and liabilities, net of acquisitions:			
Receivables, prepayments and other, net	(90,120)	(167,354)	(22,019)
Inventories, net	(20,905)	50,367	(141,673)
Trade payables and other liabilities	44,237	84,566	89,911
Net cash provided by operating activities	433,957	521,713	555,887
Cash flows from investing activities:			
Payments for property and equipment	(341,873)	(379,585)	(378,819)
Purchase of listed securities (Ten Network Holdings)	—	(77,000)	—
Sale of shares in subsidiary	—	1,000	—
Loan to equity method investee	(3,000)	(11,175)	(3,885)
Distributions from equity investee	8,400	8,750	8,050
Net cash used in investing activities	(336,473)	(458,010)	(374,654)
Cash flows from financing activities:			
Proceeds from borrowings	224,000	369,000	784,000
Other	76,003	—	—
Repayment of borrowings	(404,879)	(360,305)	(708,129)
Payment of establishment fees	(2,800)	—	(2,550)
Payment of partners distributions	—	(73,000)	(250,000)
Payment of dividends to noncontrolling interests	—	(239)	—
Net cash used in financing activities	(107,676)	(64,544)	(176,679)
Net (decrease) / increase in cash and cash equivalents	(10,192)	(841)	4,554
Cash and cash equivalents, beginning of year	40,418	40,688	34,152
Exchange movement on opening cash balance	200	571	1,982
Cash and cash equivalents, end of year	\$ 30,426	\$ 40,418	\$ 40,688
Supplemental disclosure:			
Interest paid—excluding net cash flows on economic hedges (undesignated swaps)	(152,493)	(197,685)	(210,564)
Interest paid—net cash flows on economic hedges (undesignated swaps)	(5,786)	(12,291)	(26,624)
Tax paid	(25,092)	(34,237)	(45,473)
Noncash investing and financing activities:			
Noncash interest accrued on loan from partners	59,771	—	—

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

FOXTEL GROUP
COMBINED STATEMENTS OF PARTNERS' DEFICIT
(IN THOUSANDS OF AUSTRALIAN DOLLARS)

	Partners' capital	Accumulated deficit	Accumulated other comprehensive (loss) / income	Total Foxtel Group's deficit	Noncontrolling interests	Total deficit
Balance, June 30, 2014	\$1,057,650	\$(1,486,293)	\$ (3,987)	\$ (432,630)	\$ 119	\$(432,511)
Net income	—	270,847	—	270,847	205	271,052
Other comprehensive income:						
Net change in the fair value of cash flow hedges taken to equity (\$nil tax impact)	—	—	4,494	4,494	—	4,494
Other comprehensive loss	—	—	4,494	4,494	—	4,494
Partners distribution	—	(250,000)	—	(250,000)	—	(250,000)
Balance, June 30, 2015	\$1,057,650	\$(1,465,446)	\$ 507	\$ (407,289)	\$ 324	\$(406,965)
Net income	—	245,073	—	245,073	(418)	244,655
Transactions with non-controlling interests	—	(430)	—	(430)	430	—
Other comprehensive income:						
Unrealized holding (losses) gains on securities (\$nil tax impact)	—	—	(30,800)	(30,800)	—	(30,800)
Net change in the fair value of cash flow hedges taken to equity (\$nil tax impact)	—	—	(32,182)	(32,182)	—	(32,182)
Other comprehensive income	—	—	(62,982)	(62,982)	—	(62,982)
Partners distribution	—	(73,000)	—	(73,000)	—	(73,000)
Dividends to noncontrolling interest	—	—	—	—	(239)	(239)
Balance, June 30, 2016	\$1,057,650	\$(1,293,803)	\$ (62,475)	\$ (298,628)	\$ 97	\$(298,531)
Net income	—	80,143	—	80,143	(447)	79,696
Other comprehensive income:						
Unrealized holding gain on securities (\$nil tax impact)	—	—	20,533	20,533	—	20,533
Unrealized holding loss on securities recycled to the P/L (\$nil tax impact)	—	—	10,267	10,267	—	10,267
Net change in the fair value of cash flow hedges taken to equity (\$nil tax impact)	—	—	(15,526)	(15,526)	—	(15,526)
Other comprehensive income	—	—	15,274	15,274	—	15,274
Balance, June 30, 2017	<u>1,057,650</u>	<u>(1,213,660)</u>	<u>(47,201)</u>	<u>(203,211)</u>	<u>(350)</u>	<u>(203,561)</u>

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

FOXTEL GROUP
NOTES TO THE COMBINED FINANCIAL STATEMENTS
(ALL AMOUNTS ARE IN AUSTRALIAN DOLLARS UNLESS OTHERWISE STATED)

NOTE 1. DESCRIPTION OF BUSINESS

The Foxtel Group (see definition in Note 2, Basis of presentation and principles of combination) is the largest pay-TV provider in Australia. It is owned equally by Sky Cable Pty Limited, a subsidiary of News Corporation (hereafter both entities will be referred to as “News Corp”) and Telstra Media Pty Limited, a subsidiary of Telstra Corporation Limited (hereafter both entities will be referred to as “Telstra”), an Australian ASX-listed Telecommunications company (collectively referred to as “Partners”). The Foxtel Group had more than 2.8 million subscribing households throughout Australia as of June 30, 2017 through cable, satellite and IP distribution.

Foxtel delivers 200 channels (including standard definition channels, high definition versions of some of those channels, and audio and interactive channels) covering news, sports, general entertainment, movies, documentaries, music and children’s programming. Foxtel’s premium content includes FOX SPORTS Australia’s suite of sports channels such as FOX SPORTS 501, FOX LEAGUE, FOX SPORTS 503, FOX FOOTY, FOX SPORTS 505, FOX SPORTS 506, FOX SPORTS MORE and FOX SPORTS NEWS, and television content from HBO, FOX and Universal, among others. Foxtel also owns and operates 30 channels, including general entertainment and movie channels, and sources an extensive range of movie programming through arrangements with major U.S. studios. Foxtel’s channels are distributed to subscribers via both Telstra’s hybrid fibrecoaxial cable network and a long-term contracted satellite platform provided by Optus. Cable and satellite distribution is enabled by Foxtel’s set-top boxes, including the iQ3. Foxtel also offers versions of its services via the Internet through Foxtel Now, an Internet television service available on a number of compatible devices (including mobile phones, tablets, personal computers, Chromecast, Telstra TV, Sony PlayStation, Xbox One and select smart TVs), and Foxtel App, an Internet television service that allows subscribers to watch Foxtel channels via mobile devices and tablets. Foxtel also offers a triple play bundle product, which consists of Foxtel’s existing pay-TV services, sold together with broadband and/or home phone services.

The Foxtel Group generates revenue primarily through subscription revenue as well as advertising revenue. For the fiscal year ended June 30, 2017 the Foxtel Group recorded revenues of \$3.2 billion, net income before income taxes of \$103.7 million, net interest expense of \$285.6 million, depreciation and amortization of \$277.9 million, foreign exchange and other gains on hedges, net of \$0.1 million, impairment and restructuring of \$83.0 million, other, net of \$77.0 million and equity earnings of affiliates, of \$4.9 million. Net cash provided by operating activities for the fiscal year ended June 30, 2017 was \$434.0 million. The Foxtel Group made cash distributions to partners of \$nil in aggregate and paid interest of \$35.0 million in aggregate on shareholder loans.

The Foxtel Group is a combination of corporate and partnership entities. At June 30, 2017, News Corp and Telstra equally own the Foxtel Group. Since inception, the partners’ have contributed \$1.1 billion in capital to the Foxtel Group through one of the partnership structures, the Foxtel Partnership (a general partnership) which was used to fund the initial startup losses and required investments of the Foxtel Group. The Foxtel Group has assessed the ability to make distributions based on financial performance, available cash and undrawn debt facilities. Net cash provided by operating activities has been \$1.5 billion over the three year period ending June 30, 2017. Approved distributions to partners over the same three year period have totalled \$323.0 million and are made from the accumulated profit account of the Foxtel Partnership. The combined financial statements of the Foxtel Group report an accumulated deficit at June 30, 2017 of \$1.2 billion as the total returns to partners since inception are in excess of the aggregated earnings of the combined group in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”).

In May 2012, the Foxtel Group purchased Austar United Communications Pty Limited (“AUSTAR”) a subscription television business providing satellite and digital television services in regional and rural Australia.

FOXTEL GROUP
NOTES TO THE COMBINED FINANCIAL STATEMENTS
(ALL AMOUNTS ARE IN AUSTRALIAN DOLLARS UNLESS OTHERWISE STATED)

This combination created a national subscription television service in Australia. The AUSTAR transaction was funded by the Foxtel Group bank debt (“term debt”) and the partners made pro-rata capital contributions in the form of subordinated shareholder notes (“loan”) based on their respective ownership interest. These loans amounted to \$962.4 million and \$902.6 million as at June 30, 2017 and June 30, 2016 respectively. This term debt is in the form of Australian dollar floating interest term debt and US private placement debt, predominantly denominated in US\$ with fixed interest rate. This debt exposes the Foxtel Group to foreign exchange currency rate risk and interest rate risk. The Foxtel Group uses a portfolio of interest rate swaps and cross currency interest rate swaps to mitigate exposure to these risks. The Foxtel Group also enter into foreign exchange contracts to convert US\$ cost exposures to the Australian dollar. Where possible, the Foxtel Group designates all derivatives to qualify for hedge accounting in U.S. GAAP.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of combination

The financial statements are prepared in accordance with U.S. GAAP and present, on a combined basis, the historical Australian dollar results of operations, comprehensive income, financial position and cash flows of the Foxtel Partnership, Foxtel Management Pty Ltd, Customer Services Pty Ltd, Foxtel Cable Television Pty Ltd, the Foxtel Television Partnership and their controlled entities, which collectively comprise the “Foxtel Group” or “the Group.”

Controlled entities are all those entities over which the Foxtel Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights and variable interest entities in which the Foxtel Group is the primary beneficiary. Controlled entities are fully consolidated from the date on which control is transferred to the Foxtel Group. They are de-consolidated from the date that control ceases. All intercompany transactions and accounts within the Foxtel Group and its controlled entities have been eliminated. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Foxtel Group.

An entity is considered a variable interest entity (“VIE”) if it meets the criteria outlined in ASC 810, “Consolidation”, which are: (i) the entity has equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support; (ii) the entity has equity investors that, as a group, lack the characteristics of a controlling financial interest; or (iii) the legal entity is structured with non-substantive voting rights.

The Foxtel Group consolidates a VIE when it is considered the primary beneficiary and has both the power to direct the activities that most significantly impact the VIE’s economic performance and a right to receive benefits or the obligation to absorb losses of the entity that could be potentially significant to the VIE.

Reclassifications

No reclassifications have been made in the current year.

Liquidity and partnership equity

The Foxtel Group’s combined financial statements have been prepared in accordance with U.S. GAAP on a going concern basis. The going concern basis assumes that assets are realized and liabilities are extinguished in the ordinary course of business at amounts disclosed in the combined financial statements.

FOXTEL GROUP
NOTES TO THE COMBINED FINANCIAL STATEMENTS
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The Foxtel Group contains corporate and partnership structures. The partners' capital of the Foxtel Group of \$1.1 billion as of June 30, 2017 has been raised through the partnership structures (general partnerships). Distributions to partners are recorded against the accumulated profit account of the partnership paying the distribution. Approved returns of \$323.0 million in aggregate have been made to partners over the past three years. Over the same period, net cash provided by operating activities has been \$1.5 billion. The Foxtel Group has assessed the ability to make distributions based on financial performance, available cash and undrawn debt facilities. This method of providing returns has resulted in negative aggregate net current assets of \$150.9 million. The partners are obliged, under the terms of the partnership agreements, to contribute capital to the partnerships in order to achieve the business plan approved by the Partners and as such this contribution would fund any liability that the group does not meet from cash from operations through at least the next twelve months in the absence of any alternative funding options. In addition, aggregate net assets (excluding Borrowings from related parties) are \$758.8 million and the Foxtel Group has available undrawn debt facilities of \$284.7 million at June 30, 2017. Based on these factors, the Foxtel Group believes that the going concern basis of preparation is supported. The combined financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Foxtel Group be unable to continue as a going concern. Such adjustments could be material.

Business combinations

Business combinations are accounted for utilizing the guidance of Accounting Standards Codification ("ASC") 805, "Business Combinations". The purchase price of an acquisition is allocated to the assets acquired, including intangible assets and liabilities assumed, based on their respective fair values at the acquisition date. Any pre-acquisition contingencies, including contingent consideration, are recognized and measured at fair value (if possible) and liabilities related to contingent consideration are remeasured at fair value in each subsequent reporting period. The excess of the cost of an acquired entity over the net of the amounts assigned to the assets acquired and liabilities assumed is recognized as goodwill. The net assets and results of operations of an acquired entity are included in the Foxtel Group's combined financial statements from the acquisition date.

The total cost of business combinations and integration related costs was \$38 thousand for fiscal 2017. The Foxtel Group did not incur any costs during 2016 and 2015.

Use of estimates

The preparation of the Foxtel Group's combined financial statements is in conformity with U.S. GAAP and requires management to make estimates and assumptions that affect the amounts that are reported in the combined financial statements and accompanying disclosures. Areas where management uses subjective judgment include, but are not limited to, determining the provision for accounts receivable, fair value hierarchy of financial instruments, fair value of financial instruments, estimation of useful lives of long-lived and intangible assets, impairment of goodwill and estimation of useful lives of other indefinite-lived intangible assets, amortization period of deferred installation revenue and installation costs, amortization period of programming rights, accounting for deferred income taxes, other than temporary assessment for unrealized losses on available-for-sale securities and assessing the valuation of the assets and liabilities assumed in a business combination and provision for closure costs (included in other payables). Actual results could differ from those estimates.

There were no changes in accounting estimates during fiscal 2017. For the fiscal year ended June 30, 2016, the Foxtel Group reassessed the useful lives of its cable and satellite installation and upgrade assets from four to six years. The useful lives of such assets are based on the average customer life and useful life of cable and

FOXTEL GROUP
NOTES TO THE COMBINED FINANCIAL STATEMENTS
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satellite equipment. The impact on the change in useful life of the installation and upgrade assets to the combined statements of operations was a \$81.7 million reduction in the depreciation and amortisation expense and an increase in net income for the fiscal year ended June 30, 2016. The impact of this change also resulted in a higher 'property and equipment, net' line item and a lower 'accumulated deficit' line item on the combined balance sheets.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Concentrations of Credit Risk

Cash and cash equivalents are maintained with several financial institutions. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and, therefore, bear minimal credit risk.

The Foxtel Group has no significant concentrations of credit risk in trade receivables, as trade receivable balances are made up of a large number of individually immaterial balances. The risk is mitigated by the Foxtel Group's assessment of its customers' creditworthiness and its ongoing monitoring process of outstanding balances. The Foxtel Group maintains reserves for estimated credit losses and these losses have generally been within expectations. Trade receivables (related parties) include amounts owing from Telstra as of June 30, 2017 and June 30, 2016 of \$22.7 million and \$13.2 million, respectively. This balance was within its terms of trade and no impairment was made as of June 30, 2017 or June 30, 2016, respectively. There are no guarantees against this receivable however management closely monitors the receivable balance on a monthly basis and is in regular contact with Telstra to mitigate risk. Beginning in fiscal 2013, the Foxtel Group initiated a program whereby a portion of the monthly Telstra receivable is factored to a financial institution with no recourse. The receivables factored under this program are derecognized from the Foxtel Group's combined balance sheet and the Foxtel Group has no continuing involvement. The costs of factoring of \$3.4 million and \$3.9 million were recorded in the combined statements of operations during the fiscal year ended June 30, 2017 and 2016, respectively.

The Foxtel Group monitors its positions with, and the credit quality of, the financial institutions which are counterparties to its financial instruments. The Foxtel Group would be exposed to the risk of credit loss in the event of nonperformance by the counterparties to the agreements. At June 30, 2017, the Foxtel Group did not anticipate nonperformance by any of the counterparties.

Receivables

Trade and other receivables are carried at net realizable value and are presented net of an allowance for doubtful accounts, which is an estimate of amounts that may not be collectible. The Foxtel Group's receivables did not represent significant concentrations of credit risk as of June 30, 2017 or 2016 due to the high number of low valued receivables with debtors which have limited history of default with the Foxtel Group. No customer individually represented greater than 10% of the total accounts receivable as of June 30, 2017 or 2016. Other receivables are mainly comprised of Goods and Services Tax ("GST") receivables, licensing fees and sub-licensing fees receivables. The allowances for doubtful accounts is estimated based on historical experience, significant financial difficulties of the debtor, delinquency in payments (more than 60 days overdue), current economic trends and specific identification of certain receivables that are at risk of not being paid. Receivable balances are written off after all collection effort has ceased.

FOXTEL GROUP
NOTES TO THE COMBINED FINANCIAL STATEMENTS
(ALL AMOUNTS ARE IN AUSTRALIAN DOLLARS UNLESS OTHERWISE STATED)

Receivables, net consist of:

	As of June 30,	
	2017	2016
	(in thousands)	
Trade receivables	\$ 304,965	\$ 316,165
Trade receivables (related parties)	29,506	27,134
Other receivables	41,455	35,192
Income tax receivable	2,978	—
Allowances for doubtful accounts	(13,104)	(15,399)
Current receivables, net	<u>\$ 365,800</u>	<u>\$ 363,092</u>

There are no allowances recorded against receivables from related parties for all periods presented.

Inventories

Inventory principally consists of acquired program rights which are recorded at the lower of amortized cost or net realizable value. In accordance with ASC 920, "Entertainment-Broadcasters," costs incurred in acquiring program rights are capitalized and amortized over the license period or projected useful life of the programming. Program rights and the related liabilities are recorded at the gross amounts of the liabilities when the license period has begun, the cost of the program is determinable and the program is accepted and available for airing. Any program rights that do not meet the criteria to be recorded are included in the commitments disclosure. All program rights and production costs for Foxtel Group produced content (original programming) are amortized on the straight-line basis over the period in which an economic benefit is expected to be derived based on the timing of the Foxtel Group's usage of and benefit from such programming. If estimates of future cash flows are insufficient or if there is no plan to broadcast certain programming, an impairment charge is recognized in the combined statements of operations.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and include all direct costs and certain indirect costs associated with new subscriber installations, other property and equipment, technical equipment, and digital set top units. Depreciation on equipment is provided using the straight-line method over an estimated useful life of the assets as follows:

Leasehold improvements	4 to 7 years
Technical equipment	5 to 7 years
Digital set top units and installations	3 to 7 years
Other property and equipment	2 to 7 years

Leasehold improvements are amortized using the straight-line method over the shorter of their useful lives or the life of the lease. Costs associated with the repair and maintenance of property are expensed as incurred and betterment that extends the useful life of property and equipment are capitalized as additions to the related assets. Retirement, sale and disposals of assets are recorded by removing the cost and related accumulated depreciation with any resulting gain or loss reflected in the combined statements of operations. Changes in circumstances, such as technological advances or changes to Foxtel Group's business model or capital strategy could result in the actual useful lives differing from the Foxtel Group's estimates. In those cases where the Foxtel Group determines that the useful life should be shortened, the Foxtel Group would depreciate the asset over its revised remaining useful life, thereby increasing depreciation expense.

FOXTEL GROUP
NOTES TO THE COMBINED FINANCIAL STATEMENTS
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In accordance with ASC 350-40 “Internal-use Software”, the Foxtel Group capitalizes certain costs incurred in connection with developing or obtaining internal use software. Costs incurred in the preliminary project stage are expensed. All direct costs incurred to develop internal use software during the development stage are capitalized and amortized using the straight-line method over the useful lives, estimated to be 2.5 years. Costs such as maintenance and training are expensed as incurred.

Leases

In accordance with ASC 840, “Leases”, leases for a lessee are classified at the inception date as either a capital lease or an operating lease.

For operating leases, minimum lease payments, including minimum scheduled rent increases, are recognized as rent expense on a straight-line basis over the applicable lease terms. The term used for straight-line rent expense is calculated initially from the date that possession is obtained of the leased premises through the expected lease termination date. Certain lease agreements contain rent holidays which are considered in determining a straight-line rent expense to be recorded over the lease term. The terms of the leases do not contain, contingent rent, or purchase options. There are no restrictions placed upon the Foxtel Group by entering into these leases.

Goodwill and intangible assets

Goodwill

Goodwill represents the excess of the purchase price over the amounts assigned to the fair value of the identifiable tangible and intangible assets acquired and the liabilities assumed of an acquired business. In accordance with ASC 350, “Goodwill and Other Intangible Assets”, (“ASC 350”) recorded goodwill amounts and other indefinite-lived intangible assets are not amortized, but rather are tested for impairment annually or more frequently if indicators of impairment are present.

Intangible assets

Intangible assets with finite useful lives are carried at cost less accumulated amortization and any recorded impairment. Intangible assets acquired in a business combination are recognized initially at fair value at the date of acquisition. Intangible assets with finite useful lives are amortized using the straight-line method of amortization that reflects the estimated pattern in which the economic benefits of the intangible asset are to be consumed.

Investments

Equity method investments

Investments in and advances to equity or joint ventures in which the Foxtel Group can exercise significant influence, but does not own a majority equity interest or control, are accounted for using either the equity method of accounting in accordance with ASC 323 “Investments—Equity Method and Joint Ventures” or the fair value option in accordance with ASC 825, “Financial Instruments” (“ASC 825”). When the Foxtel Group owns an interest between 20% and 50%, it is presumed that the Foxtel Group is able to exercise significant influence.

Under the equity method of accounting the Foxtel Group includes its investment and amounts due to and from its equity method investments in its balance sheets. The Foxtel Group’s statements of operations include the Foxtel Group’s share of the investees’ (losses) / earnings and the Foxtel Group’s statements of cash flows include all cash received from or paid to the equity investee.

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The Foxtel Group's investments are comprised of a 35% investment in Nickelodeon Australia and Nickelodeon Australia Management Pty Ltd and a 50% investment in Presto TV Pty Limited (until September 30, 2016, refer to Note 3). These investments are accounted for under the equity method of accounting.

On September 21, 2016, the Foxtel Group was considered to have significant influence over its 13.84% investment in Ten Network Holdings Limited ('Ten'). The Foxtel Group elected the fair value option under ASC 825 and adjusted the carrying value of the Ten investment to fair value at each reporting period. This adjustment is recorded in net income. On March 15, 2017, the Foxtel Group lost the ability to exercise significant influence over Ten. Under ASC 825, the Foxtel Group is required to continue to measure its equity interest in Ten at fair value, recorded in net income (other, net) (note 5).

Other investments

Investments in which the Foxtel Group has no significant influence (generally less than a 20% ownership interest) or does not have the ability to exercise significant influence are designated as available-for-sale securities if a readily determinable market value exists. Such investments in listed securities are measured at fair value based on quoted market prices. Unrealized gains and losses on investments in listed securities are included in Accumulated other comprehensive (loss) income (AOCI), net of applicable taxes and other adjustments, until the investment is sold or considered impaired. If an investment's fair value is not readily determinable, the Foxtel Group accounts for its investment at cost.

Impairment assessments

In accordance with ASC 350, the Foxtel Group's goodwill is tested annually during the fourth quarter for impairment or earlier if events occur or circumstances change that would more likely than not reduce the fair value below its carrying amount. In assessing goodwill for impairment, the Foxtel Group has the option to first perform a qualitative assessment to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Foxtel Group determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, the Foxtel Group is not required to perform any additional tests in assessing goodwill for impairment. However, if the Foxtel Group concludes otherwise or elects not to perform the qualitative assessment, then it is required to perform the first step of a two-step impairment test. Under the two-step impairment test, the first step of the impairment test involves comparing the fair value of the reporting unit with its carrying amount, including goodwill. Fair value is primarily determined by computing the future discounted cash flows expected to be generated by the reporting unit. If the reporting unit's carrying value exceeds its fair value, goodwill may be impaired. If this occurs, the Foxtel Group performs the second step of the goodwill impairment test to determine the amount of impairment loss. The fair value of the reporting unit is allocated to its assets and liabilities in a manner similar to a purchase price allocation in order to determine the implied fair value of the reporting unit's goodwill. If the implied goodwill fair value is less than its carrying value, the difference is recognized as an impairment loss. Qualitative goodwill impairment tests were performed as of June 30, 2017 and 2016. No material impairment loss was recorded for any of the years presented.

ASC 360, "Property, Plant and Equipment" and ASC 350 require that the Foxtel Group periodically reviews the carrying amounts of its long-lived assets, including property and equipment and finite-lived intangible assets, to determine whether current events or circumstances indicate that such carrying amounts may not be recoverable. If the carrying amount of the asset is greater than the expected undiscounted cash flows to be generated by such asset, an impairment adjustment is recognized if the carrying value of such asset exceeds its

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fair value. The Foxtel Group generally measures fair value by considering sale prices for similar assets or by discounting estimated future cash flows using an appropriate discount rate. Considerable management judgment is necessary to estimate the fair value of assets; accordingly, actual results could vary significantly from such estimates. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell. No impairment charge was recorded for any of the years presented.

Equity method investments are regularly reviewed to determine whether a significant event or change in circumstances has occurred that may impact the fair value of each investment. If the fair value of the investment has dropped below the carrying amount, management considers several factors when determining whether an other-than-temporary decline in market value has occurred, including the length of time and extent to which the market value has been below cost, the financial condition and near-term prospects of the issuer, the intent and ability of the Foxtel Group to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value and other factors influencing the fair market value, such as general market conditions.

The Foxtel Group also regularly reviews investments in listed securities for other-than-temporary impairment based on criteria that include the extent to which the investment's carrying value exceeds its related market value, the duration of the market decline, the Foxtel Group's ability to hold until recovery and the financial strength and specific prospects of the issuer of the security.

As of June 30, 2017 and 2016, investments (equity method and other) were not impaired.

Accrued employee liabilities

The liability for long service leave is recognized in other current and other non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least twelve months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted where applicable using market yields at the reporting date. Accrued liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are recognized in other current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Borrowings

Loans and borrowings are initially recognized at the fair value of the consideration received. Transaction costs are recorded within current borrowings (current portion) and non-current borrowings (long-term portion) on the combined balance sheets. They are subsequently measured at amortized cost using the effective interest method. Where there is an unconditional right to defer settlement of the liability for at least twelve months after the reporting date, the loans or borrowings are classified as non-current.

Debt may also be considered extinguished when it has been modified and the terms of new debt instruments and old debt instruments are substantially different, as that term is defined in the debt modification guidance in ASC 470-50 "Debt—Modifications and Extinguishments".

Revenue recognition

Revenue is recognized when persuasive evidence of an arrangement exists, the fees are fixed or determinable, the product or service has been delivered and collectability is reasonably assured. The Foxtel Group considers the terms of each arrangement to determine the appropriate accounting treatment.

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Subscriber revenue

Subscriber revenue represents a majority of the Foxtel Group's revenues and is earned from pay television broadcast services, broadband and home phone services. Revenue is recognized in the period that the services are provided. Non-refundable subscriptions billed before the underlying service is provided to the customer are recorded as deferred revenue on the combined balance sheets. This revenue is then recognized in the combined statements of operations over the service period.

Other revenues

Advertising revenue is recognized in the period in which the advertising is broadcast. Installation revenue represents revenue earned from the installation of the Foxtel Group's equipment and the connections to broadband and for home phone services at subscribers' premises, which is recognized to the extent of subscriber acquisition costs expensed. Any amounts exceeding subscriber acquisition costs are deferred within deferred revenue on the combined balance sheets and amortized over the average life of the subscriber. Television facilities and service revenue represents revenues earned from the Foxtel Group's services and are recognized in the period the services are provided, net of returns, trade allowances and duties and taxes paid.

Multiple-element arrangements

The Foxtel Group bundles and sells its cable, internet and phone services to its customers as part of a single arrangement. As each of the services included in the bundles are considered to be its own unit of accounting, the Foxtel Group accounts for each deliverable separately.

A separate unit of accounting exists where the deliverable has value to the customer on a stand-alone basis and any undelivered items cannot be terminated by the customer without incurring charges if the delivered item was returned.

The revenue to be recognized is allocated to each of the separate units based on the relative selling prices of each unit. If there is neither vendor specific objective evidence nor third party evidence for the selling price, then the item is measured based on the best estimate of the selling price of that unit. When allocating revenue to the separate units within an arrangement, the amount allocated to a delivered item is limited to the amount that is not contingent upon the delivery of additional items or meeting other specified performance conditions (non-contingent amount). The non-contingent revenue allocated to each unit is then recognized in accordance with the revenue recognition policies above.

Subscriber acquisition costs

Subscriber acquisition costs primarily consist of amounts paid for third-party customer acquisitions, which consist of the cost of commissions paid to authorized retailers and dealers for subscribers added through their respective distribution channels and the cost of hardware and installation subsidies for subscribers. All costs, including hardware, installation and commissions, are expensed upon activation. However, where legal ownership of the equipment is retained, the cost of the equipment and direct and indirect installation costs are capitalized and depreciated over the useful life. Additional components of subscriber acquisition costs include the cost of print, radio and television advertising, which are expensed as incurred.

Operating expenses

Operating expenses on the combined statements of operations include costs related to satellite and broadband transmission costs, license and production costs, studio and engineering expense, and installation

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costs. Costs incurred for shipping and handling are reflected in 'Operating expenses' in the combined statements of operations.

Advertising expenses

The Foxtel Group expenses advertising costs as incurred in accordance with ASC 720-35, "Other Expenses—Advertising Cost." Advertising and promotional expenses recognized totaled \$114.3 million, \$110.0 million and \$120.5 million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively. Advertising expenses are recognized in 'Selling, general and administrative' in the combined statements of operations.

Translation of foreign currencies

The combined financial statements are presented in Australian dollars which is the Foxtel Group's functional and reporting currency. Foreign transactions are translated into Australian dollars using the current rate method. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at closing rates on the period end date are recognized in the combined statements of operations within 'Foreign exchange and other gains / (losses) on hedges, net'.

Income tax

Foxtel Partnership and Foxtel Television Partnership are taxed as a pass-through for Australian income tax purposes. The results of operations are included in the tax returns of the respective partners and not taxed at the Foxtel Group level.

The Foxtel Group includes a number of stand-alone taxpayers (Customer Services Pty Limited, Foxtel Cable Television Pty Limited, Foxtel Management Pty Limited, Multi Channel Network Pty Limited and Main Event Pty Limited) and two separate Australian tax consolidated groups, the Foxtel Holdings Pty Limited tax consolidated group and the XYZnetworks Pty Limited tax consolidated group (all collectively referred to as the "Foxtel taxpayers"). XYZnetworks is equally owned by Foxtel Partnership and Foxtel Holdings Pty Limited. The provision of income taxes for these entities is computed using the asset and liability method, pursuant to ASC 740, "Accounting for Income Taxes" ("ASC 740"). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credits carried forward. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the combined statements of operations in the period that includes the enactment date. ASC 740 requires an assessment of whether valuation allowances are needed against deferred tax assets based upon consideration of all available evidence using a "more likely than not" standard.

GST and other similar taxes

Revenues, expenses, assets (except receivables) and liabilities (except payables) are recognized net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognized as part of the cost of the acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST fully recoverable from, or payable to, the tax authority is included in other receivables or payables in the combined balance sheets.

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Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Fair value measurements

In accordance with ASC 820, “Fair Value Measurements” (“ASC 820”), the Foxtel Group measures assets and liabilities using inputs from the following three levels of the fair value hierarchy: (i) inputs that are quoted prices in active markets for identical assets or liabilities (“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) unobservable inputs that require the entity to use its own best estimates about market participant assumptions (“Level 3”).

The Foxtel Group holds financial instruments that are considered to be Level 1 and Level 2 measurements and are measured at fair value on a recurring basis, including derivative instruments (see Note 9—Financial Instruments and Fair Value). There were no assets or liabilities classified as Level 3 at June 30, 2017 and 2016.

All carrying values of financial instruments reflect their fair value with the exception of:

- the 2009 U.S. private placement borrowings which is carried at amortized cost of \$97.5 million at June 30, 2017 and \$200.0 million at June 30, 2016;
- a portion of the 2012 U.S. private placement borrowings which is carried at amortized cost adjusted for fair value interest rate risk of \$180.8 million at June 30, 2017 and \$194.8 million at June 30, 2016. Prior to October 17, 2014, the entire US\$500.0 million 2012 U.S. private placement borrowings was measured at amortized cost adjusted for fair value interest rate risk.
- a portion of the 2012 U.S. private placement borrowings which is carried at amortized cost of \$465.6 million at June 30, 2017 and \$480.1 million at June 30, 2016. Prior to October 17, 2014, the entire US\$500.0 million 2012 U.S. private placement borrowings was measured at amortized cost adjusted for fair value interest rate risk.

The fair value of the 2009 U.S. private placement borrowing at June 30, 2017 and June 30, 2016 was \$105.2 million and \$217.5 million, respectively. The fair value of the 2012 U.S. private placement borrowing at June 30, 2017 and June 30, 2016 was \$669.7 million and \$729.6 million, respectively. The fair value of the remaining borrowings is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments. The derivative financial instruments are recorded at estimated fair value and the listed securities are recorded at fair value based on the quoted prices in active markets. The carrying values of cash and cash equivalents (Level 1), receivables and trade and other payables approximate their fair values due to their short-term nature.

Financial instruments and derivatives

ASC 815, “Derivatives and Hedging” (“ASC 815”), requires derivative instrument (including certain derivative instruments embedded in other contracts) to be recorded on the combined balance sheet at fair value as either an asset or a liability. ASC 815 also requires that changes in the fair value of recorded derivatives be recognized currently in the combined statements of operations unless specific hedge accounting criteria are met.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair

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value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

For derivatives that will be accounted for as hedging instruments, the Foxtel Group formally designates and documents, at inception, the financial instrument as a hedge of a specific underlying exposure, the risk management objective and the strategy for undertaking the hedge transaction. In addition, the Foxtel Group formally assesses, both at the inception and at least quarterly thereafter, whether the financial instruments used in hedging transactions are effective at offsetting changes in either the fair values or cash flows of the related underlying exposures. Any ineffective portion of a financial instrument's change in fair value is immediately recognized into earnings.

The Foxtel Group determines the fair values of its derivatives using standard valuation models. The notional amounts of the derivative financial instruments do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure to the financial risks described above. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates and foreign currency exchange rates. The Foxtel Group does not view the fair values of its derivatives in isolation, but rather in relation to the fair values or cash flows of the underlying hedged transactions or other exposures. All of the Foxtel Group's derivatives are straightforward over-the-counter instruments with liquid markets. The carrying values of the derivatives reflect the impact of legally enforceable master netting agreements which allow the Foxtel Group to net settle positive and negative positions with the same counterparty. As the Foxtel Group does not intend to settle any derivatives at their net positions, derivative instruments are presented gross in the combined balance sheets.

The Foxtel Group has established strict counterparty credit guidelines whereby transactions are limited to financial institutions of investment grade or better and exposure limits are tiered with the majority of exposure falling within the AAA to AA- bucket. The Foxtel Group monitors counterparty exposures regularly and reviews any downgrade in credit rating immediately. To mitigate pre settlement risk, minimum credit standards become more stringent as the duration of the derivative financial instrument increases. In addition, the Foxtel Group's master netting agreements reduce credit risk by permitting the Foxtel Group to net settle for transactions with the same counterparty. To minimize the concentration of credit risk, the Foxtel Group enters into derivative transactions with a portfolio of financial institutions. Based on these factors, the Foxtel Group considers the risk of counterparty default to be minimal. The maximum amount of loss due to credit exposure is equivalent to the value of derivatives in an asset position as of June 30, 2017.

Cash flow hedges

Cash flow hedges are used to mitigate the Foxtel Group's exposure to variability in cash flows that is attributable to particular risk associated with a highly probable forecast transaction or a recognized asset or liability which could affect income or expenses. The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income, whilst the ineffective portion is recognized in the combined statements of operations within 'Foreign exchange and other gains / (losses) on hedges, net'. Amounts taken to equity remain in equity and are amortized to earnings when the hedged forecast transaction impacts income and are recorded within the same line item in the combined statements of operations to which the hedged item relates.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedging relationship is highly effective so that it can continue to be designated as a cash flow

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hedge. If the forecasted transaction is no longer expected to occur, amounts recognized in equity are transferred to the combined statements of operations within 'Foreign exchange and other gains / (losses) on hedges, net'. If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is de-designated as a hedge, amounts previously recognized in equity remain in equity until the hedged forecast transaction affects earnings at which time the amounts are recorded in earnings within the same line item in the combined statements of operations to which the hedged item relates.

Fair value hedges

Fair value hedges are used to mitigate the Foxtel Group's exposure to changes in the fair value of a recognized asset or liability, or an identified portion thereof that is attributable to a particular risk and could affect income or expenses. The hedged item is adjusted for gains and losses attributable to the risk being hedged and the derivative is remeasured to fair value. Gains and losses from both are taken to the combined statements of operations within 'Foreign exchange and other gains / (losses) on hedges, net'.

Fair value hedge accounting is discontinued if the hedging instrument is sold, terminated, expires, exercised, no longer meets the criteria for hedge accounting or is de-designated as a hedge.

Economic hedges

Derivatives not designated in accounting hedge relationships are referred to as economic hedges. Economic hedges are those derivatives which Foxtel Group uses to mitigate their exposure to variability in the cash flows of a forecast transaction or the fair value of a recognized asset or liability, but which do not qualify for hedge accounting in accordance with ASC 815. The economic hedges are accounted for at fair value by recording the unrealized mark-to-market (fair value adjustment) in each period in the combined statements of operations within 'Foreign exchange and other gains / (losses) on hedges, net'. Realized gains and losses on the economic hedges arising from the periodic cash flows and settlements that take place on these economic hedges (for example, interest or other cash flows) are also recorded in the combined statements of operations within 'Foreign exchange and other gains / (losses) on hedges, net'.

Comprehensive income

Comprehensive income is defined to include all changes in partners' equity except those resulting from investments by partners and distributions to partners. Among other disclosures, ASC 220, "Comprehensive Income" requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements.

Recently issued accounting pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 removes inconsistencies and differences in existing revenue requirements between GAAP and International Financial Reporting Standards ("IFRS") and requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, delaying the effective date for adoption. ASU 2014-09 is now effective for interim and annual reporting periods beginning after July 1, 2018; however, early adoption is permitted. Once effective, ASU 2014-09 can be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initial adoption recognized at the date of initial application.

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The FASB has also issued several standards which provide additional clarification and implementation guidance on the previously issued ASU 2014-09 and have the same effective date as the original standard.

The Group is currently evaluating the overall impact that ASU 2014-09 will have on the Group's financial statements, as well as the expected timing and method of adoption. The company continues to evaluate the available transition methods giving consideration to the comparability of our financial statements and the application of the new standard to our contractual arrangements. We plan to select a transition method by the end of calendar year 2017. The company has established an implementation team, including external advisers, and has commenced the review of the Group's revenue portfolio. Discussions regarding changes to the Group's current accounting policies and practices remain ongoing and preliminary conclusions are subject to change.

In August 2014, the FASB issued Accounting Standards Update ("ASU") 2014-15, "Presentation of Financial Statements—Going Concern (Subtopic 205-40) ("ASU 2014-15"). ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, ASU 2014-15 provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The adoption did not have an impact on the Group's financial statements.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"). The amendments in ASU 2016-01 address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 is effective for the Company for annual and interim reporting periods beginning July 1, 2018. As of June 30, 2017, the Company has no available-for-sale securities.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). The amendments in ASU 2016-02 address certain aspects in lease accounting, with the most significant impact for lessees. The amendments in ASU 2016-02 require lessees to recognize all leases on the balance sheet by recording a right-of-use asset and a lease liability, and lessor accounting has been updated to align with the new requirements for lessees. The new standard also provides changes to the existing sale-leaseback guidance. ASU 2016-02 is effective for the Company for annual and interim reporting periods beginning July 1, 2019. The Company is currently evaluating the impact ASU 2016-02 will have on its financial statements.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). The amendments in ASU 2016-13 require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. ASU 2016-13 is effective for the Company for annual and interim reporting periods beginning July 1, 2020. The Company is currently evaluating the impact ASU 2016-13 will have on its financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)" ("ASU 2016-15"). The amendments in ASU 2016-15 address eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash Flows, and other Topics. ASU 2016-15 is effective for the Company for annual and interim reporting periods beginning July 1, 2018. The Company does not expect the adoption of ASU 2016-15 to have a significant impact on its financial statements.

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In October 2016, the FASB issued ASU 2016-16, “Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory” (“ASU 2016-16”). The amendments in ASU 2016-16 require an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The amendments in ASU 2016-16 eliminate the exception for an intra-entity transfer of an asset other than inventory. ASU 2016-16 is effective for the Company for annual and interim reporting periods beginning July 1, 2018. The Company is currently evaluating the impact ASU 2016-16 will have on its financial statements.

In October 2016, the FASB issued ASU 2016-17, “Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control” (“ASU 2016-17”). The amendments in ASU 2016-17 require that if a reporting entity satisfies the first condition of a primary beneficiary in a variable interest entity (“VIE”), a reporting entity should include all of its direct variable interests in a VIE and, on a proportionate basis, its indirect variable interests in a VIE held through related parties, including related parties that are under common control with the reporting entity, when assessing whether it satisfies the second characteristic of a primary beneficiary. If, after performing that assessment, a reporting entity that is the single decision maker of a VIE concludes that it does not have the characteristics of a primary beneficiary, the amendments continue to require that reporting entity to evaluate whether it and one or more of its related parties under common control, as a group, have the characteristics of a primary beneficiary. If the single decision maker and its related parties that are under common control, as a group, have the characteristics of a primary beneficiary, then the party within the related party group that is most closely associated with the VIE is the primary beneficiary. ASU 2016-17 is effective for the Company for annual and interim reporting periods beginning July 1, 2017. The Company does not expect the adoption of ASU 2016-17 to have a significant impact on its financial statements.

In November 2016, the FASB issued ASU 2016-18, “Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)” (“ASU 2016-18”). The amendments in ASU 2016-18 require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for the Company for annual and interim reporting periods beginning July 1, 2018. The Company does not have any restricted cash balances as at 30 June 2017.

In January 2017, the FASB issued ASU 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business” (“ASU 2017-01”). The amendments in ASU 2017-01 provide a screen to determine when a set of assets and activities is not a business. Under the screen, when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. ASU 2017-01 is effective for the Company for annual and interim reporting periods beginning July 1, 2018. The Company is currently evaluating the impact ASU 2017-01 will have on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, “Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment” (“ASU 2017-04”). The amendments in ASU 2017-04 eliminate Step 2 from the goodwill impairment test and instead require an entity to perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and to recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value. The loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. As permitted by ASU 2017-04, the Company early-adopted this standard and applied it prospectively to reduce the complexity and costs of evaluating goodwill for impairment.

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NOTE 3. IMPAIRMENT AND RESTRUCTURING

Impairment charges

On September 30, 2016, the Foxtel Group acquired Seven West Media ('Seven')'s 50% interest in Presto TV for \$1 in cash and \$16.3 million in forgiven liabilities. Presto TV was a provider of subscription video on demand ('SVOD') services in the Australian market and complemented the Group's existing streaming offerings like Foxtel Play. The Foxtel Group previously owned 50% of Presto TV through a joint venture arrangement with Seven before the acquisition.

Under the acquisition method of accounting, the total consideration was allocated to net assets based upon the fair values as of the date of completion. The excess of the total consideration over the fair value of the net assets acquired was recorded as goodwill. Concurrently, the Foxtel Group announced its intentions to cease Presto operations in January 2017, which included the recently acquired Presto TV and also Presto movies which was wholly owned by the Foxtel Group. The Presto business was subsequently wound down on January 31, 2017.

Presto exit costs recorded in earnings (in thousands):

Goodwill impairment	\$ 2,547
Content rights and other Presto assets written off	67,509
Redundancies	528
Total	<u>70,584</u>

Restructuring charges

The Foxtel Group recognized restructuring charges totaling \$12.4 million, \$9.9 million and \$nil for the fiscal years ended June 30, 2017, 2016 and 2015, respectively. These charges were related to employee termination benefits.

There were no business combinations or significant disposals in the fiscal years ended June 30, 2016 and 2015.

NOTE 4. INVENTORIES

The Foxtel Group's inventories were comprised of the following:

	<u>As of June 30,</u>	
	<u>2017</u>	<u>2016</u>
	(in thousands)	
Programming rights	\$ 859,404	\$ 850,909
Accumulated amortization	(421,449)	(433,858)
Total inventories, net	437,955	417,051
Less: non-current portion	(181,884)	(153,854)
Current inventories, net	<u>\$ 256,071</u>	<u>\$ 263,197</u>

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NOTE 5. INVESTMENTS

The Foxtel Group's investments were comprised of the following:

	Ownership percentage as of June 30, 2017	As of June 30,	
		2017	2016
(in thousands)			
Equity method investments	various	5,000	\$ 4,641
Investment in listed securities	13.84%	—	46,200
		<u>\$ 5,000</u>	<u>\$ 50,841</u>

During fiscal 2016, the Foxtel Group purchased an approximate 13.84% interest in Ten Network Holdings Limited for approximately \$77.0 million and recorded an unrealized loss of approximately \$30.8 million in 'Other comprehensive income, net' for the fiscal year ended June 30, 2016 for subsequent changes in fair value.

In the period from July 1, 2016 to September 21, 2016 the Foxtel Group recorded an unrealized gain of \$20.5 million in AOCI, net for changes in fair value. On September 21, 2016, the Foxtel Group was considered to have significant influence over its 13.84% investment in Ten Network Holdings Limited ('Ten') due to a change in the composition of the Foxtel board which indirectly increased Foxtel's common directors on the Ten board. At that date, The Foxtel Group elected to adopt the irrevocable fair value option under ASC 825 and adjusted the carrying value of the Ten investment to fair value at each reporting period based on quoted market prices. On March 15, 2017, the Foxtel Group lost the ability to exercise significant influence over Ten following the resignation of a Foxtel director from the Ten board. Under ASC 825, the Foxtel Group is required to continue to measure its equity interest in Ten at fair value. This adjustment is recorded in net income. The total loss from fair value changes in this investment included in earnings (other, net) during the period is \$77 million including \$10.3 million being the net unrealized loss recycled from AOCI.

NOTE 6. PROPERTY AND EQUIPMENT

The Foxtel Group's property and equipment were comprised of the following:

	As of June 30,	
	2017	2016
(in thousands)		
Leasehold improvements	\$ 90,063	\$ 88,502
Technical equipment	467,988	428,881
Digital set top units and installations	1,947,681	2,042,000
Other property and equipment	123,608	79,876
	<u>\$ 2,629,340</u>	<u>\$ 2,639,259</u>
Less: accumulated depreciation and amortization	(1,684,596)	(1,720,645)
Total property and equipment, net	<u>\$ 944,744</u>	<u>\$ 918,614</u>

Depreciation and amortization related to property and equipment was \$285.6 million, \$262.7 million and \$320.6 million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

NOTE 7. GOODWILL AND OTHER INTANGIBLE ASSETS

There were no changes in the carrying value of goodwill of \$1,933.2 million for the fiscal years ended June 30, 2017, 2016 and 2015.

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Except as noted in Note 3, there were no impairments of goodwill for the fiscal years ended June 30, 2017, 2016 and 2015.

The carrying values of the Foxtel Group's intangible assets and related accumulated amortization were as follows:

	<u>As of June 30,</u>	
	<u>2017</u>	<u>2016</u>
	(in thousands)	
Intangible Assets Not Subject to Amortization		
Brand and tradenames	\$ 8,329	\$ 8,329
Total Intangible Assets Not Subject to Amortization	<u>8,329</u>	<u>8,329</u>
Intangible Assets Subject to Amortization		
Customer contracts (a)	—	—
Total Intangible Assets Subject to Amortization	<u>—</u>	<u>—</u>
Total Intangible Assets, Net	<u>\$ 8,329</u>	<u>\$ 8,329</u>

(a) The customer contracts were acquired as part of the Austar acquisition. As at 30 June 2017 and 2016 customer contracts had been fully amortized with accumulated amortization of \$259.4 million.

Amortization expenses related to amortizable intangible assets, net was \$nil, \$55.7 million and \$60.8 million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

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NOTE 8. BORROWINGS

The Foxtel Group's borrowings were comprised of the following:

	Interest rate at June 30 2017	Due date at June 30 2017	Outstanding	
			As of June 30,	
			2017	2016
(in thousands)				
Term debt facility (a)	3.32%	Oct 9, 2017	\$ —	\$ 400,000
Term debt facility 2013 (a)	3.21%	Apr 7, 2019	300,000	300,000
Term debt facility 2014—tranche 1 (a)	3.21%	May 30, 2019	200,000	200,000
Working capital facility (a)		June 30, 2018	—	80,000
Working capital facility 2017 (a)	3.46%	Jul 3, 2020	3,997	—
Term debt facility 2014—tranche 2	3.31%	Jan 31, 2020	200,000	200,000
Term debt facility 2015	3.36%	Jul 31, 2020	400,000	218,000
Term debt facility 2016	3.86%	Sept 11, 2021	202,000	—
US private placement 2009—tranche 2	5.83%	Sept 24, 2016	—	99,316
US private placement 2009—tranche 3	6.20%	Sept 24, 2019	97,523	100,658
US private placement 2012—USD portion—tranche 1	3.68%	Jul 25, 2019	195,046	201,315
US private placement 2012—USD portion—tranche 2	4.27%	Jul 25, 2022	260,061	268,421
US private placement 2012—USD portion—tranche 3	4.42%	Jul 25, 2024	195,046	201,315
US private placement 2012—AUD portion	7.04%	Jul 25, 2022	100,000	100,000
Loan from partners	10.50%	Jul 15, 2027	962,351	902,580
Lease liability	Various	Various	—	161
Total			\$3,116,024	\$3,271,766
US private placement 2012—fair value adjustment (b)			(3,823)	3,908
Debt issue costs			(4,618)	(4,895)
Total borrowings			\$3,107,583	\$3,270,779
Less: current portion			—	(97,003)
Long-term borrowings			\$3,107,583	\$3,173,776

(a) The facility bears interest at a floating rate of BBSY plus an applicable margin of between 1.45% and 2.10% per annum payable quarterly.

(b) This captures the following elements:

- The fair value adjustments arising from the entire U.S. private placement 2012 borrowings since inception to October 17, 2014.
- On October 17, 2014, the Foxtel Group de-designated a portion of the fair value hedge related to the U.S. private placement 2012 borrowings, and re-designated this portion of the cross currency interest rate swaps together with a number of interest rates swaps ("Combined swaps") as a cash flow hedge. As a result, a fair value adjustment, relating to the portion of debt now designated as cash flow hedge, will accrete the debt back to par value over the remaining life of the borrowings.

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- The fair value adjustments arising from the portion of the U.S. private placement 2012 borrowings which remains designated as a fair value hedge subsequent to October 17, 2014.

Working capital and term debt facilities

Unrestricted access was provided to the following lines of credit:

	As of June 30,	
	2017	2016
	(in thousands)	
Total facilities:		
Term debt facility	\$ —	\$ 400,000
Working capital facility	—	100,000
Working capital facility 2017	100,000	—
Term debt facility 2013	300,000	300,000
Term debt facility 2014—tranche 1	200,000	200,000
Term debt facility 2014—tranche 2	200,000	200,000
Term debt facility 2015	400,000	400,000
Term debt facility 2016	400,000	—
Used at the reporting date:		
Term debt facility	—	400,000
Working capital facility	—	89,187
Working capital facility 2017	13,278	—
Term debt facility 2013	300,000	300,000
Term debt facility 2014—tranche 1	200,000	200,000
Term debt facility 2014—tranche 2	200,000	200,000
Term debt facility 2015	400,000	218,000
Term debt facility 2016	202,000	—
Amounts available remaining:	\$ 284,722	\$ 192,813

Total commitment fees related to the above facilities amounted to \$1.0 million and \$1.1 million for the fiscal years ended June 30, 2017 and 2016, respectively. The working capital facility has been drawn down by borrowings and also utilized through the provision of bank guarantees as outlined in Note 12.

2017 Update

On September 12, 2016, the group entered into a refinancing agreement with a syndicate of banks in terms of which \$400,000,000 of current debt facilities held with the syndicate with a maturity of October 2016 were refinanced to mature in September 2021. The interest rate on this facility equals the bank bill rate plus a margin of 2.10% as at June 30, 2017.

On June 30, 2017, the group entered into an agreement with CBA to refinance the \$100,000,000 working capital facility, that was due to mature in June 2018. The maturity date for the new facility is July 2020. The interest rate on this facility equals the bank bill rate plus an applicable margin of 1.7% as at June 30, 2017.

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2016 Update

There were no changes in external debt in fiscal 2016. Refer to the “loans from partners” section below for details on change to shareholders loan. During the year, the Foxtel Group made various drawdown and repayments on the working capital facility.

U.S. private placement (Senior unsecured notes)

On September 24, 2009, the Foxtel Group entered into a U.S. dollar private placement fixed interest loan for US\$180.0 million. The entire loan and interest are economically hedged by a series of cross currency interest rate swaps held by the combined Foxtel Group. The Foxtel Group made repayments of US\$31.0 million on September 24, 2014 and US\$74.0 million on September 24, 2016.

On May 23, 2012, the Foxtel Group entered into a firm commitment for funding by way of a private placement in the amount of US\$500.0 million and A\$100.0 million. The funds were drawn down on July 25, 2012. In relation to the US\$ component, the foreign currency fixed interest loan and interest payments were hedged by a series of cross currency interest rate swaps designated as fair value hedges. On October 17, 2014, a portion of the US\$ component was de-designated from its fair value hedge relationship and re-designated into a cash flow hedge relationship using a combination of cross currency interest rate swaps and newly entered interest rate swaps (refer to as “Combined swaps”). The remaining portion of the US\$ component which was not de-designated remains in a fair value hedge relationship. At June 30, 2017, of the US\$500.0 million debt, US\$138.6 million is in a fair value hedge relationship, US\$357.2 million is in a cash flow hedge relationship. The remaining US\$4.2 million is the fair value adjustment required to accrete the loan back to its par value at maturity date.

Covenants, Collateral and Unamortized borrowing costs

The Foxtel Group’s external borrowings (term debt, facilities and U.S. private placement) require the Foxtel Group to comply with specified financial and non-financial covenants calculated in accordance with Australian International Financial Reporting Standards. These covenants include restrictions on undertaking future transactions, incurring liens, undertaking transactions with related parties, making repayments of other loans, having fundamental business changes and entering into certain other financing arrangements. The financial debt covenants include maximum levels of total debt to Earnings Before Interest, Tax, Depreciation and Amortization (“EBITDA”) and minimum levels of interest cover (EBITDA to total interest expense) ratios. In the event of default, the liability of the partners is limited to the assets of the Foxtel Partnership and Foxtel Television Partnership. The Foxtel Group is in compliance with these covenants as of June 30, 2017. There were no assets pledged as collateral for any of the borrowings.

Unamortized borrowing costs (representing the costs of acquiring external loan facilities) of \$4.6 million and \$4.9 million are capitalized against borrowings as of June 30, 2017 and 2016, respectively. Of this amount, \$nil and \$2.5 million have been netted against current borrowings and \$4.6 million and \$2.4 million has been netted against non—current borrowings as of June 30, 2017 and 2016, respectively. The amortized borrowing costs recorded in the combined statements of operations were \$3.1 million, \$2.9 million and \$5.6 million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

Loans from partners

In addition to the facilities outlined in the table above, the Foxtel Group has a subordinated note facility granted expressly for the purpose of the AUSTAR acquisition of which it was equally provided by controlled

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entities of Telstra and by controlled entities of News Corporation. The original note entitled each of the two investors a 12.0% per annum fixed return. During fiscal 2016, the note was modified to reduce the interest rate from 12.0% to 10.5% per annum with effect from July 1, 2015. The loan is repayable within 15 years and three months of drawdown (April 15, 2012) and can be repaid within 10 years and three months of drawdown subject to prior repayment of senior debt (consisting of bank facilities and U.S. private placement debt). The loan from partners is \$962.4 million and \$902.6 million as of June 30, 2017 and 2016 respectively. The movement between the two years represents interest payable of \$59.8 million which has been capitalized as part of the loan during the fiscal year ended June 30, 2017.

Original currencies of borrowings

Borrowings are payable in the following currencies:

Original currencies of borrowings	As of June 30,	
	2017	2016
	(in thousands)	
United States Dollars ("US\$") (a)	\$ 743,853	\$ 874,933
Australian Dollars	2,368,348	2,400,741
Total borrowings (excluding debt issue costs)	\$ 3,112,201	\$ 3,275,674

(a) The US\$ borrowings as of June 30, 2017 and 2016 was US\$575.0 million and US\$649.0 million respectively. These US\$ borrowings have been re measured to Australian dollar equivalents using the spot rate at the combined balance sheets date. Included within the June 30, 2017 balance is also a fair value adjustment associated with the U.S. private placement 2012 of \$(3.8 million).

Of the impact of foreign currency movements on borrowings during the fiscal year ended June 30, 2017, a loss of approximately \$19.5 million was recorded in foreign exchange and other gains / (losses) on hedges, net.

Future maturities

The following table summarizes the Foxtel Group's debt maturities and capital lease obligations as of June 30, 2017:

Future maturities Years Ending June 30,	Debt Maturities
2018	\$ —
2019	500,000
2020	492,569
2021	403,997
2022	202,000
Thereafter	1,517,458
Debt, excluding capital leases, fair value adjustments and debt issue costs	\$ 3,116,024
Amounts representing fair value adjustments	(3,823)
Amounts representing debt issue costs	(4,618)
Total debt	\$ 3,107,583

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NOTE 9. FINANCIAL INSTRUMENTS AND FAIR VALUE

The Foxtel Group is directly and indirectly affected by changes in certain market conditions. These changes in market conditions may adversely impact the Foxtel Group's financial performance and are referred to as "market risks." When deemed appropriate, the Foxtel Group uses derivative instruments as a risk management tool to mitigate the potential impact of these market risks. The primary market risks managed by the Foxtel Group through the use of derivative instruments include:

- foreign currency exchange rate risk: arising through foreign currency borrowing, payments for license fees, and capital expenditures (predominately digital set top units); and
- interest rate risk: arising from floating rate borrowings.

The Foxtel Group uses derivative financial instruments such as cross currency interest rate swaps, interest rate swaps and foreign exchange contracts to hedge certain risk exposures. The Foxtel Group does not use derivative financial instruments for trading or speculative purposes.

Financial risk management is carried out by the Foxtel Group's treasury department ("Treasury") under policies approved by the Board of Directors ("Board"). These policies include identification and analysis of the risk exposure of the Foxtel Group and appropriate procedures, controls and risk limits. Treasury identifies, evaluates and enters into derivative transactions for the Foxtel Group.

The Foxtel Group formally designates all qualifying derivatives in hedge relationships ("hedges") and applies hedge accounting where possible. However, all derivatives entered into by the Foxtel Group pre-July 1, 2012 did not qualify for hedge accounting under U.S. GAAP. These hedges are nevertheless economically hedging exposures arising on forecast transactions or recognized assets and liabilities, in line with the Foxtel Group's risk mitigation strategy. As a result, the changes in fair value of these hedges have been, and will continue to be, included as a component of net income in each reporting period, within 'Foreign exchange and other gains / (losses) on hedges, net'.

Hedges are classified as current or non-current based on their maturity.

The accounting for gains and losses that result from changes in the fair values of derivative instruments depends on whether the derivatives have been designated and qualify as hedging instruments and the type of hedging relationships.

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The fair values of the Foxtel Group's derivative instruments which were valued using level 2 measurements and the line items on the combined balance sheets to which they were recorded are summarized as follows:

	<u>Derivative Assets</u>		<u>Derivative Liabilities</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
	(in thousands)		(in thousands)	
Derivatives designated as hedging instruments:				
Foreign currency derivatives	\$ —	\$ 13,319	\$ (14,297)	\$ (5,552)
Interest rate derivatives	—	—	(36,301)	(55,941)
Cross currency interest rate derivatives	37,865	52,786	—	—
Combined swaps	79,035	104,534	—	—
Total derivatives designated as hedging instruments	<u>\$ 116,900</u>	<u>\$ 170,639</u>	<u>\$ (50,598)</u>	<u>\$ (61,493)</u>
Derivatives not designated as hedging instruments:				
Interest rate derivatives	\$ —	\$ —	\$ —	\$ (11,645)
Cross currency interest rate derivatives	12,000	31,238	—	—
Total derivatives not designated as hedging instruments	<u>\$ 12,000</u>	<u>\$ 31,238</u>	<u>\$ —</u>	<u>\$ (11,645)</u>
Total derivatives	<u><u>\$ 128,900</u></u>	<u><u>\$ 201,877</u></u>	<u><u>\$ (50,598)</u></u>	<u><u>\$ (73,138)</u></u>
Represented in the combined balance sheets as follows:				
Current	\$ —	\$ 23,941	\$ (12,860)	\$ (1,593)
Non-current	128,900	177,936	(37,738)	(71,545)

Cash flow hedging strategy

Management has a risk management policy to hedge at least 50% of expected operating foreign currency transactions for the subsequent 24 months, subject to approval by the chief financial officer ("CFO") and to hedge 100% of the foreign exchange risk on foreign currency borrowings. Adjustments to the level of hedged exposure can be approved by the CFO upon recommendation by the Treasury Manager. The maximum hedged term of a forecasted foreign currency transaction is in respect of foreign currency borrowings which are hedged to July 2024.

The total notional value of foreign exchange contract derivatives that have been designated and qualify for the Foxtel Group's foreign currency cash flow hedging program was US\$182 million and US\$271.0 million as of June 30, 2017 and 2016, respectively. Foreign exchange contract derivatives are entered into to mitigate currency exchange risk in relation to payments for license fees and capital expenditures (predominately digital set top units).

The Foxtel Group monitors the mix of short-term debt and long-term debt regularly and manages the risk of interest rate fluctuations through the use of derivative financial instruments including forward starting instruments. 50% – 100% of the expected exposures on floating rate Australian dollar debt (including Term Debt, bridging facility and revolving working capital facility) in years 1 – 2, 50% – 80% of the exposures in years 3 – 5 and 50% of years 6 – 10 are hedged. The Foxtel Group has entered into interest rate swap agreements and has designated these as accounting hedges in conjunction with the Foxtel Group's interest rate cash flow hedging program. The objective of this hedging program is to mitigate the risk of adverse changes in benchmark interest rates on the Foxtel Group's future interest payments. The total notional value of these interest rate swap agreements that were designated and qualified for the Foxtel Group's interest rate cash flow hedging program

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was \$700.0 million as of June 30, 2017 and 2016, respectively. The maximum hedged term over which the Foxtel Group is hedging exposure to variability in interest payments is to September 2022.

On October 17, 2014, the Foxtel Group entered into interest rate swap agreements to mitigate the risk of interest rate fluctuations on the Foxtel Group's U.S. dollar private placement 2012 borrowings, which up to this date were hedged under designated cross-currency interest rate swap agreements. The Foxtel Group, de-designated a portion of the cross-currency interest rate swaps, and formally re-designated them in a qualifying combined notional swap together with the new interest rate swap agreements. The total notional value of the Combined swaps that were designated and qualified for the Foxtel Group's hedging program was US\$357.2 million as of June 30, 2017. The maximum hedged term over which the Foxtel Group is hedging exposure to variability in interest payments is to July 2024.

Total notional value of foreign exchange contract derivatives where the cash flow hedging relationships have been discontinued was \$nil million during the fiscal year ended June 30, 2017. There were no interest rate swaps or Combined swaps where the cash flow hedging relationship was discontinued during the fiscal years ended June 30, 2017 and June 30, 2016.

The following table presents the pre-tax impact (\$nil tax impact) that changes in the fair values of derivatives designated as cash flow hedges had on AOCI and earnings during the fiscal years ended June 30, 2017, 2016 and 2015:

	Gains / (losses) recognized in OCI on derivatives for the years ended (effective portion)			Gains / (losses) reclassified from AOCI into income for the years ended		
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2017	June 30, 2016	June 30, 2015
	(in thousands)			(in thousands)		
Derivatives designated as cash flow hedging instruments:						
Foreign currency	\$ (10,252)	\$ 8,794	\$ 49,662	(13,372)	(20,616)	\$ (14,163)
Interest rate	9,007	(32,076)	(24,902)	10,632	5,302	1,216
Combined swaps	(26,088)	22,849	47,725	14,547	(16,435)	(55,044)
Total	<u>\$ (27,333)</u>	<u>\$ (433)</u>	<u>\$ 72,485</u>	<u>\$ 11,807</u>	<u>\$ (31,749)</u>	<u>-\$ 67,991</u>

During each of the fiscal years presented, the amounts recognized in earnings on derivative instruments designated as cash flow hedges related to the ineffective portion were not material, and the Foxtel Group did not exclude any component of the changes in fair value of the derivative instruments from the assessment of hedge effectiveness.

As of June 30, 2017, the Foxtel Group estimates that approximately \$15.4 million of net derivative gains related to its cash flow hedges included in AOCI will be reclassified into earnings within the next 12 months on the assumption that the exchange rate and interest rates are identical to June 30, 2017.

Fair value hedging strategy

The Foxtel Group's primary interest rate risk arises from long-term debt. Borrowings issued at fixed rates and in US dollars expose the Foxtel Group to fair value interest rate risk and currency rate risk. The Foxtel Group manages fair value interest rate risk and currency rate risk through the use of cross-currency interest rate swaps

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under which the Foxtel Group exchanges fixed interest payments equivalent to the interest payments on the US\$ denominated debt for floating rate Australian dollar denominated interest payments. The changes in fair values of derivatives designated as fair value hedges and the offsetting changes in fair values of the hedged items are recognized in earnings. As of June 30, 2017, such adjustments decreased the carrying value of long-term debt by \$6.6 million. As described under cash flow hedging strategy, on October 17, 2014, the Foxtel Group entered into interest rate swaps designed to mitigate the Foxtel Group's exposure to floating rate interest payments on a portion of the cross-currency interest rate swaps relating to the U.S. private placement 2012 debt. This resulted in a de-designation of a portion of cross-currency interest rate swaps on this date, as the rate exposure was re-designated in a cash flow hedge. The total notional value of cross-currency interest rate derivatives that related to fair value hedges of this type was US\$138.6 million as of June 30, 2017 and June 30, 2016 respectively which relates to the U.S. private placement 2012 debt.

Economic (non-designated) hedging strategy

In addition to derivative instruments that are designated and qualify for hedge accounting, the Foxtel Group also uses certain derivatives not designated as accounting hedges to mitigate foreign currency and interest rate risk. These are referred to as economic hedges. The changes in fair value of economic hedges are immediately recognized into earnings.

The total notional value of foreign exchange derivatives related to the Foxtel Group's foreign currency economic hedges (excluding those that were de-designated during the year) was US\$ nil as of June 30, 2017 and 2016. The total notional value of interest rate derivatives related to the Foxtel Group's interest rate economic hedges was \$nil and \$749.9 million as of June 30, 2017 and 2016, respectively, which primarily relates to the term debt facilities. The total notional value of cross currency interest rate derivatives related to the Foxtel Group's fair value interest rate risk economic hedges was US\$75.0 million and US\$149.0 million as of June 30, 2017 and 2016 respectively, which relate to the U.S. private placement 2009 debt.

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Summary of foreign exchange and other gains / (losses) on hedges, net

The following table presents the pre-tax impact (\$nil tax impact) that changes in the fair values of all derivatives had on earnings during the fiscal years ended June 30, 2017, 2016 and 2015:

	(Losses) / Gains for the years ended		
	June 30, 2017	June 30, 2016	June 30, 2015
	(in thousands)		
Interest on economic hedges	\$ (5,786)	\$ (12,291)	\$ (26,624)
Fair value adjustments on economic hedges (b)	(7,592)	19,059	59,874
Foreign currency remeasurement on borrowings not designated in a hedge relationship (spot retranslation) (b)	13,737	(6,680)	(39,661)
Ineffectiveness on interest rate swaps designated as cash flow hedges (b)	—	(2)	(109)
Ineffectiveness on combined swaps designated as cash flow hedges (b)	588	2	93
Fair value hedge (a)(b)			
Foreign exchange remeasurement on borrowings designated as fair value hedge	5,793	(6,214)	12,997
Fair value adjustment on borrowings designated as fair value hedge	8,290	(10,372)	(89,637)
Fair value adjustment on derivative designated as fair value hedge	(14,921)	17,045	79,625
Total foreign exchange and other gains / (losses) on hedges, net	<u>\$ 109</u>	<u>\$ 547</u>	<u>\$ (3,442)</u>

- (a) The net impact of the fair value adjustment on borrowings and corresponding fair value adjustment on the derivative designated as a fair value hedge on earnings was \$0.8 million loss and \$0.5 million gain for the fiscal years ended June 30, 2017 and 2016, respectively. Overall, the combined impact on earnings from the borrowing and the hedging instrument was \$0.8 million loss, \$0.5 million gain and \$3.0 million gain for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.
- (b) These represent the non-cash fair value adjustments and foreign currency translation adjustments as disclosed on the combined statements of cash flow within 'Fair value adjustments and foreign currency translation' of (\$5.9 million), (\$12.8 million) and (\$23.2 million) for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

Fair value measurement

In accordance with ASC 815 "Derivatives and Hedging", the Foxtel Group has included additional disclosures about the Foxtel Group's derivatives and hedging activities (Level 2). There were no assets or liabilities classified as Level 3 as of June 30, 2017 and 2016. Level 1 incorporates cash and cash equivalents and equity investments recorded at fair value as per Note 5.

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The tables below present information about items on which fair value measurements have been made:

	Fair Value Measurements using inputs considered as (Level 2)	
	As of June 30	
	2016	2015
	(in thousands)	
Assets		
Cross currency interest rate swap contracts—fair value hedges	\$ 37,865	\$ 52,786
Cross currency interest rate swap contracts—economic hedges	12,000	31,238
Combined swaps	79,035	104,534
Foreign currency exchange contracts—cash flow hedges	—	13,319
Total assets	\$ 128,900	\$ 201,877
Liabilities		
Interest rate swap contracts—economic hedges	\$ —	\$ (11,645)
Foreign currency exchange contracts—cash flow hedges	(14,297)	(5,552)
Interest rate swap contracts—cash flow hedges	(36,301)	(55,941)
Total liabilities	\$ (50,598)	\$ (73,138)

There were no transfers between levels of the fair value hierarchy during any of the periods presented. Specific valuation techniques used to value level 2 financial instruments include:

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at each reporting date; and
- The fair value of cross currency interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves and determined using forward exchange rates at each reporting date.

NOTE 10. INCOME TAX

The Foxtel Group has no operations in jurisdictions other than Australia. Significant components of the Foxtel Group's provision for income taxes from continuing operations were as follows:

	For the years ended June 30,		
	2017	2016	2015
	(in thousands)		
Current	\$ 19,756	\$ 26,806	\$ 30,078
Deferred	4,221	(4,106)	1,746
Total income tax expense	\$ 23,977	\$ 22,700	\$ 31,824

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The reconciliation of the effective income tax rate on continuing operations with the statutory income tax rate was:

	For the years ended June 30,		
	2017	2016	2015
Australian income tax	30%	30%	30%
Permanent differences and other	(4%)	(1%)	1%
Partnership income not subject to tax at Foxtel Group level*	(4%)	(20%)	(20%)
Change in valuation allowance	1%	(1%)	0%
Effective income tax rate	<u>23%</u>	<u>8%</u>	<u>11%</u>

* Partnership income was impacted by the fair valuation of listed investments (Ten Network Holdings) (Note 5) and Presto exit costs (Note 3)

The following is a summary of the components of the deferred tax accounts:

Deferred tax

	As at June 30,	
	2017	2016
(in thousands)		
Deferred tax assets:		
Net operating loss carryforwards	\$ 49,988	\$ 62,429
Accrued liabilities and deferred revenue	34,040	34,187
Provision for doubtful debts	1,324	1,619
Other	4,544	2,652
Total deferred tax assets	<u>\$ 89,896</u>	<u>\$ 100,887</u>
Deferred tax liabilities		
Property and equipment	(15,297)	(21,626)
Intangible assets	—	(1,794)
Other	(3,928)	(3,684)
Total deferred tax liabilities	<u>\$ (19,225)</u>	<u>\$ (27,104)</u>
Net deferred tax asset before valuation allowance	\$ 70,671	\$ 73,783
Less: valuation allowance	(21,287)	(20,178)
Net deferred tax assets	<u>\$ 49,384</u>	<u>\$ 53,605</u>
Represented in the combined balance sheet as follows:		
Deferred income taxes—asset	49,501	53,617
Deferred income taxes—liability	(117)	(12)
Net deferred tax assets	<u>\$ 49,384</u>	<u>\$ 53,605</u>

The Foxtel Group includes a number of stand-alone taxpayers (Customer Services Pty Limited, Foxtel Cable Television Pty Limited, Foxtel Management Pty Limited, Multi-Channel Network Pty Limited and Main Event Pty Limited) and two separate Australian tax consolidated groups, the Foxtel Holdings Pty Limited tax consolidated group and the XYZnetworks Pty Limited tax consolidated group (all collectively referred to as the “Foxtel taxpayers”). The table above and disclosures below represent the deferred income taxes for the Foxtel taxpayers.

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At June 30, 2017, the Foxtel taxpayers had approximately \$166.6 million (2016: \$208.1 million) of net operating loss carryforwards available to offset future taxable income. These net operating loss carryforwards have an unlimited carryforward period subject to the satisfaction of the loss testing rules (i.e. continuity of ownership test ("COT") or failing COT, the same business test). The Foxtel Group utilized the benefits of prior year operating loss carryforwards in the amount of \$41.5 million and \$51.4 million for the fiscal years ended June 30, 2017 and 2016, respectively. The net operating losses have been carried forward by the Foxtel taxpayers since the AUSTAR acquisition on May 23, 2012.

Franking credits available for subsequent periods, based on a tax rate of 30%, amounted to \$52.5 million (2016: \$34.5 million) for the fiscal year ended June 30, 2017.

Realization of the net deferred tax assets of \$49.4 million is dependent upon the Foxtel taxpayers' ability to generate future taxable income in the relevant tax jurisdiction to obtain benefit from the reversal of temporary differences and net operating loss carryforwards. The amount of deferred taxes considered realizable is subject to adjustment in future periods if estimates of future taxable income are reduced. As of June 30, 2017, deferred tax assets of two controlled entities were not considered to be realizable and therefore a full valuation allowance has been established.

Uncertain tax positions are accounted for in accordance with accounting standards that require management's assessment of the expected treatment of a tax position taken in a filed tax return, or planned to be taken in a future tax return, that has not been reflected in measuring income tax expense for financial reporting purposes. Until such positions are sustained by the taxing authorities, the Foxtel Group would not recognize the tax benefits resulting from such positions and would report the tax effect as a liability in the Foxtel Group's combined balance sheets. The Foxtel Group has elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of income tax expense, in the combined statements of operations. As of June 30, 2017, the Foxtel Group had no unrecognized tax benefits or interest or penalties recorded for any of the periods presented. The tax years ended 2010 through 2017 for Foxtel Holdings and 2010 through 2017 for all other entities remain open to examination by the major taxing jurisdiction in which the entities are subject to tax.

NOTE 11. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Foxtel Group enters into transactions with related parties. Related parties consist of partners, entities owned by partners and equity method investees.

Revenue transactions with these related parties include primarily subscriber revenue for resale and distribution of the Foxtel Group products and other revenue. Payment of goods and services from related parties includes purchases of and license fees for programming content, contributions to marketing and television production costs, telephony and internet and networking costs.

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The following table sets forth the transactions with related parties during the year:

	For the years ended June 30,		
	2017	2016	2015
	(in thousands)		
Revenue			
From partners or partners' owned entities	\$ 870,606	\$ 788,123	\$ 735,600
From equity investees	20,607	29,404	9,691
	<u>\$ 891,213</u>	<u>\$ 817,527</u>	<u>\$ 745,291</u>
Operating expenses			
To partners or partners' owned entities	\$ 794,216	\$ 738,363	\$ 643,989
To equity investees	37,875	41,099	25,097
	<u>\$ 832,090</u>	<u>\$ 779,462</u>	<u>\$ 669,086</u>
Other transactions from partners or partners' owned entities			
Distributions	\$ —	\$ 73,000	\$ 250,000
Dividends—ordinary shares	—	239	—
Dividends—preference shares	—	114	—
Interest paid to partners	35,000	94,771	108,310
Interest accrued on loan from partners	59,771	—	—

The following table sets forth the amount of accounts receivable due from and payable to related parties outstanding on the combined balance sheets:

	As of June 30,	
	2017	2016
	(in thousands)	
Receivable from and prepaid to related parties (current):		
From partners or partners' owned entities	\$ 31,279	\$ 18,716
From equity investees	162	8,418
	<u>\$ 31,441</u>	<u>\$ 27,134</u>
Receivable from and prepaid to related parties (non current):		
From partners or partners' owned entities	\$ 21,429	\$ —
Trade and other payable to related parties (current):		
To partners or partners' owned entities	\$ 143,283	\$ 151,403
To equity investees	2,973	4,817
	<u>\$ 146,256</u>	<u>\$ 156,220</u>

Except for loans from partners as disclosed above, balances with related parties are unsecured, interest-free and repayable upon demand.

NOTE 12. COMMITMENTS AND CONTINGENCIES

The Foxtel Group 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

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in the normal course of operations. The following table summarizes the Foxtel Group's material firm commitments as of June 30, 2017:

	As of June 30, 2017				
	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in thousands)				
Operating lease (a)					
Transmission costs (b)	\$ 778,617	\$ 103,299	\$ 180,863	\$ 170,267	\$ 324,188
Property leases	78,870	18,180	31,550	21,491	7,649
Other	4,007	1,616	1,901	490	—
Other commitments					
Minimum subscriber guarantees (c)	276,884	125,844	147,040	4,000	—
Programming costs (d)	460,120	244,615	147,856	67,649	—
Broadcasting rights (e)	1,380,996	218,727	549,490	488,247	124,532
Capital expenditure (f)	87,919	87,919	—	—	—
Sports sponsorship	3,713	1,744	1,856	113	—
Other	42,097	15,761	16,904	5,611	3,821
Funding commitments to equity investee	3,500	—	3,500	—	—
Total	\$ 3,116,723	\$ 817,705	\$ 1,080,960	\$ 757,868	\$ 460,190
Long term liabilities (Note 8)					
Borrowings—related parties	962,351	—	—	—	962,351
Borrowings—external	2,153,673	—	992,569	605,997	555,107
Total commitments and contractual obligations	\$ 6,232,747	\$ 817,705	\$ 2,073,529	\$ 1,363,865	\$ 1,977,648

- (a) The Foxtel Group leases property, motor vehicles, IT and equipment which are classified as operating leases. Leases are for multiple years and may contain renewal options. The operating lease expense including the satellite service agreements was approximately \$127.3 million, \$124.3 million and \$124.5 million for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.
- (b) Satellite expenditures in respect of payments for transmission services. During fiscal 2016, the Foxtel Group renewed its satellite transponder services arrangements to 2028. The transponder services arrangements are accounted for as operating leases.
- (c) Operating expenditures in respect of minimum subscriber guarantees payable for license fees to third parties are based on the contracted period.
- (d) Programming expenditures in respect of payments committed to various suppliers for programming content. The 7 year HBO agreement was amended in Fiscal 2017 to include extended VOD and library rights as well as the use of the HBO brand for an additional \$52m.
- (e) Broadcasting rights are primarily in respect of AFL sporting rights. A new 6 year AFL deal for \$1.2 billion commencing during the 2017 fiscal year was novated to the Foxtel Group from News Corp Australia in fiscal 2016.
- (f) Capital expenditures in respect of digital set top boxes, satellite dishes and other ancillary electronic components.

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The Foxtel Group also has certain contractual arrangements in relation to certain investees that would require the Foxtel Group to make payments or provide funding if certain circumstances occur (“contingent guarantees”). The Foxtel Group does not expect that these contingent guarantees will result in any material amounts being paid by the Foxtel Group in the foreseeable future. The timing of the amounts presented in the table below reflect when the maximum contingent guarantees will expire and does not indicate that the Foxtel Group expects to incur an obligation to make payments during that time frame.

Guarantees

	As of June 30, 2017				
	Guarantees expiration per year				
	Total	Less than 1 year	1- 3 years (in thousands)	3- 5 years	More than 5 years
Bank guarantees (a)	\$9,281	\$ 1,118	\$1,896	\$4,007	\$ 2,260

(a) The Foxtel Group has outstanding bank guarantees expiring in favour of the landlords of the Foxtel Group’s leased office premises, issued by a financial institution. The Foxtel Group may be obligated to contribute funding to the banks in event of default on their lease payments. These guarantees have varying terms which extend through the life of the lease. There is no obligation booked as of June 30, 2017 as the event of default is remote.

Contingencies

The Foxtel Group could be involved in routine litigation and contingencies through the ordinary course of its business. A provision for litigation would be accrued when information available to the Foxtel Group indicates that it is probable a liability has been incurred and the amount of loss can be reasonably estimated. For the limited routine litigation that arises from the ordinary course of business, the Foxtel Group is currently unable to estimate the reasonably possible loss or a range of reasonably possible losses as the proceedings are in the early stages and there is a lack of clear or consistent interpretation of laws specific to the industry-specific complaints among different jurisdictions. As a result, there is considerable uncertainty regarding the timing or ultimate resolution of such matters, which includes eventual loss, fine, penalty or business impact, if any, and therefore, an estimate for the reasonably possible loss or a range of reasonably possible losses cannot be made. However, the Foxtel Group believes that such matters, individually and in the aggregate, when finally resolved, are not reasonably likely to have a material adverse effect on the Foxtel Group’s combined statements of operations, balance sheets, or statements of cash flow.

NOTE 13. SUBSEQUENT EVENTS

In accordance with ASC 855, “Subsequent Events”, the Foxtel Group evaluated subsequent events through August 11, 2017, which was also the date that these combined financial statements were issued.

No matters or circumstances have arisen since June 30, 2017 that have significantly affected, or may significantly affect the Foxtel Group’s operations, the results of those operations, or the Foxtel Group’s state of affairs.