TWENTY-FIRST CENTURY FOX, INC.
Form 10-Q
February 09, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended December 31, 2016

or

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

Commission file number 001-32352

TWENTY-FIRST CENTURY FOX, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	26-0075658 (I.R.S. Employer Identification No.)
1211 Avenue of the Americas, New York, New York (Address of Principal Executive Offices)	10036 (Zip Code)

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

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

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

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

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

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

As of February 3, 2017, 1,052,313,784 shares of Class A Common Stock, par value $0.01 per share, and 798,520,953 shares of Class B Common Stock, par value $0.01 per share, were outstanding.

TWENTY-FIRST CENTURY FOX, INC.

FORM 10-Q

TABLE OF CONTENTS

TWENTY-FIRST CENTURY FOX, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	For the three months ended		For the six months ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Revenues	$ 7,682	$ 7,375	$ 14,188	$ 13,452
Operating expenses	(4,845)	(4,757)	(8,709)	(8,430)
Selling, general and administrative	(859)	(903)	(1,725)	(1,792)
Depreciation and amortization	(135)	(130)	(270)	(258)
Equity (losses) earnings of affiliates	(41)	12	(6)	47
Interest expense, net	(299)	(298)	(599)	(593)
Interest income	9	7	18	16
Other, net	(127)	(142)	(275)	(225)
Income from continuing operations before income tax expense	1,385	1,164	2,622	2,217
Income tax expense	(448)	(414)	(791)	(727)
Income from continuing operations	937	750	1,831	1,490
Loss from discontinued operations, net of tax	(1)	(2)	(7)	(5)
Net income	936	748	1,824	1,485
Less: Net income attributable to noncontrolling interests	(80)	(76)	(147)	(138)
Net income attributable to Twenty-First Century Fox, Inc. stockholders	$ 856	$ 672	$ 1,677	$ 1,347
EARNINGS PER SHARE DATA				
Income from continuing operations attributable to Twenty-First Century Fox, Inc. stockholders - basic and diluted	$ 857	$ 674	$ 1,684	$ 1,352
Weighted average shares				
Basic	1,853	1,958	1,857	1,983
Diluted	1,854	1,958	1,858	1,985
Income from continuing operations attributable to Twenty-First Century Fox, Inc. stockholders per share - basic and diluted	$ 0.46	$ 0.34	$ 0.91	$ 0.68
Net income attributable to Twenty-First Century Fox, Inc. stockholders per share - basic and diluted	$ 0.46	$ 0.34	$ 0.90	$ 0.68

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

1

TWENTY-FIRST CENTURY FOX, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(IN MILLIONS)

	For the three months ended December 31,		For the six months ended December 31,	
	2016	2015	2016	2015
Net income	$ 936	$ 748	$ 1,824	$ 1,485
Other comprehensive loss, net of tax				
Foreign currency translation adjustments	(153)	(99)	(151)	(165)
Cash flow hedges	5	12	13	16
Unrealized holding losses on securities	-	-	-	(4)
Benefit plan adjustments	34	6	43	10
Equity method investments	(104)	(139)	(163)	(226)
Other comprehensive loss, net of tax	(218)	(220)	(258)	(369)
Comprehensive income	718	528	1,566	1,116
Less: Net income attributable to noncontrolling interests[(a)]	(80)	(76)	(147)	(138)
Less: Other comprehensive loss attributable to noncontrolling interests	21	-	20	-
Comprehensive income attributable to Twenty-First Century Fox, Inc. stockholders	$ 659	$ 452	$ 1,439	$ 978

[(a)] Net income attributable to noncontrolling interests includes $43 million and $32 million for the three months ended December 31, 2016 and 2015, respectively, and $70 million and $60 million for the six months ended December 31, 2016 and 2015, respectively, relating to redeemable noncontrolling interests.

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

TWENTY-FIRST CENTURY FOX, INC.

CONSOLIDATED BALANCE SHEETS

(IN MILLIONS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	As of December 31, 2016 (unaudited)	As of June 30, 2016 (audited)
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,530	$ 4,424
Receivables, net	6,983	6,258
Inventories, net	3,507	3,291
Other	685	976
Total current assets	15,705	14,949
Non-current assets		
Receivables, net	490	389
Investments	3,616	3,863
Inventories, net	7,572	7,041
Property, plant and equipment, net	1,657	1,692
Intangible assets, net	6,635	6,777
Goodwill	12,720	12,733
Other non-current assets	812	749
Total assets	$ 49,207	$ 48,193
LIABILITIES AND EQUITY		
Current liabilities		
Borrowings	$ 80	$ 427
Accounts payable, accrued expenses and other current liabilities	3,156	3,181
Participations, residuals and royalties payable	1,613	1,672
Program rights payable	1,278	1,283
Deferred revenue	622	505
Total current liabilities	6,749	7,068
Non-current liabilities		
Borrowings	19,813	19,126
Other liabilities	3,803	3,678
Deferred income taxes	2,709	2,888

Redeemable noncontrolling interests	578	552
Commitments and contingencies		
Equity		
Class A common stock[(a)]	11	11
Class B common stock[(b)]	8	8
Additional paid-in capital	12,224	12,211
Retained earnings	4,479	3,575
Accumulated other comprehensive loss	(2,382)	(2,144)
Total Twenty-First Century Fox, Inc. stockholders' equity	14,340	13,661
Noncontrolling interests	1,215	1,220
Total equity	15,555	14,881
Total liabilities and equity	$ 49,207	$ 48,193

(a) Class A common stock, $0.01 par value per share, 6,000,000,000 shares authorized, 1,052,313,784 shares and 1,071,302,532 shares issued and outstanding, net of 123,687,371 treasury shares at par as of December 31, 2016 and June 30, 2016, respectively.

(b) Class B common stock, $0.01 par value per share, 3,000,000,000 shares authorized, 798,520,953 shares issued and outstanding, net of 356,993,807 treasury shares at par as of December 31, 2016 and June 30, 2016.

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

TWENTY-FIRST CENTURY FOX, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN MILLIONS)

	For the six months ended December 31, 2016	2015
OPERATING ACTIVITIES		
Net income	$ 1,824	$ 1,485
Less: Loss from discontinued operations, net of tax	(7)	(5)
Income from continuing operations	1,831	1,490
Adjustments to reconcile income from continuing operations to cash provided by operating activities		
Depreciation and amortization	270	258
Amortization of cable distribution investments	31	35
Equity-based compensation	62	119
Equity losses (earnings) of affiliates	6	(47)
Cash distributions received from affiliates	184	219
Other, net	275	225
CLT20 contract termination costs[a]	-	(420)
Deferred income taxes and other taxes	(71)	179
Change in operating assets and liabilities, net of acquisitions and dispositions		
Receivables	(874)	(923)
Inventories net of program rights payable	(803)	(792)
Accounts payable and accrued expenses	91	30
Other changes, net	221	(141)
Net cash provided by operating activities from continuing operations	1,223	232
INVESTING ACTIVITIES		
Property, plant and equipment	(117)	(92)
Acquisitions, net of cash acquired	-	(908)
Investments in equity affiliates	(7)	(86)
Other investments	(126)	(214)
Net cash used in investing activities from continuing operations	(250)	(1,300)
FINANCING ACTIVITIES		
Borrowings	879	1,124
Repayment of borrowings	(546)	(439)
Repurchase of shares	(619)	(3,202)
Dividends paid and distributions	(481)	(419)
Other financing activities, net	(44)	(51)

Net cash used in financing activities from continuing operations	(811)	(2,987)
Net decrease in cash and cash equivalents from discontinued operations	(15)	(10)
Net increase (decrease) in cash and cash equivalents	147	(4,065)
Cash and cash equivalents, beginning of year	4,424	8,428
Exchange movement on cash balances	(41)	(70)
Cash and cash equivalents, end of period	$ 4,530	$ 4,293

[(a)] See Note 5 – Restructuring Programs under the heading “Fiscal 2015” in the 2016 Form 10-K as defined in Note 1 – Basis of Presentation.

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

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

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

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

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

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

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

Recently Adopted and Recently Issued Accounting Guidance

Adopted

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

Issued

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

In October 2016, the FASB issued ASU 2016-16, “Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory” (“ASU 2016-16”). ASU 2016-16 requires an entity to recognize the income tax consequences of 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 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 objective of ASU 2017-01 is to clarify the definition of a business in order to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill and consolidation. 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.

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED 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 objective of ASU 2017-04 is to simplify how an entity is required to test goodwill for impairment. Under current GAAP, entities are required to test goodwill for impairment using a two-step approach. Under the amendments in ASU 2017-04, an entity should perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. ASU 2017-04 is effective for the Company for annual and interim reporting periods beginning July 1, 2020. The Company is currently evaluating the impact ASU 2017-04 will have on its consolidated financial statements.

NOTE 2. ACQUISITIONS, DISPOSALS AND OTHER TRANSACTIONS

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

Fiscal 2017

Acquisitions

Sky

In December 2016, the Company announced that it has reached agreement with Sky plc (“Sky”), in which the Company currently has an approximate 39% interest, on the terms of a recommended pre-conditional cash offer by the Company for the fully diluted share capital of Sky which the Company does not already own at a price of £10.75 per Sky share (approximately $15 billion in the aggregate) (the “Proposed Sky Acquisition”). The independent committee of Sky’s Board of Directors announced that it intends to recommend unanimously that unaffiliated Sky shareholders vote in favor of the Proposed Sky Acquisition. The Proposed Sky Acquisition is subject to customary closing conditions, including regulatory approvals and the approval of Sky’s shareholders, and is expected to close on or before December 31, 2017.

Also in December 2016, the Company entered into a co-operation agreement with Sky (the “Co-Operation Agreement”) pursuant to which the Company and Sky agreed to take certain steps to facilitate completion of the Proposed Sky Acquisition. The Co-Operation Agreement provides for a £200 million (approximately $250 million) break fee payable in cash by the Company in the event that regulatory approvals are not obtained prior to August 15, 2018, or in certain other circumstances described in the Co-Operation Agreement.

To provide financing in connection with the Proposed Sky Acquisition, the Company and 21st Century Fox America, Inc. (“21CFA”), a wholly-owned subsidiary of the Company, entered into a bridge credit agreement with the lenders party thereto (the “Bridge Credit Agreement”). The Bridge Credit Agreement provides for borrowings of up to £12.2 billion (approximately $15 billion). Fees under the Bridge Credit Agreement will be based on the Company’s long-term senior unsecured non-credit enhanced debt ratings. Given the current debt ratings, 21CFA will pay a commitment fee on undrawn funds of 0.1% and the initial interest rate on advances will be LIBOR plus 1.125% with subsequent increases every 90 days up to LIBOR plus 1.875%. 21CFA has also agreed to pay a duration fee on each of the 90th, 180th and 270th day after the funding of the loans in an amount equal to 0.50%, 0.75%, and 1.00%, respectively, of the aggregate principal amount of the advances and undrawn commitments outstanding at the time. The terms of the Bridge Credit Agreement also include the requirement that 21CFA maintain a certain leverage ratio and limitations with respect to secured indebtedness. While the Company has entered into the Bridge Credit Agreement, the Company intends to finance the Proposed Sky Acquisition by using a significant portion of the available cash on its balance sheet and obtaining permanent financing in the capital markets. Subsequent to December 31, 2016, the Company has purchased foreign currency exchange options to limit its foreign currency exchange rate risk in connection with the Proposed Sky Acquisition.

The Company believes that the Proposed Sky Acquisition will result in enhanced capabilities of the combined company which will be underpinned by a more geographically diverse and stable revenue base, and will create an improved balance between subscription, affiliate fee, advertising and content revenues.

Other

In February 2017, the Company announced that it anticipates receiving approximately $350 million in proceeds resulting from the Federal Communication Commission’s (“FCC”) recently completed reverse auction for broadcast spectrum. The anticipated proceeds reflect the FCC’s acceptance of one or more bids placed by the Company during the auction to relinquish spectrum used by certain of its television stations. The Company anticipates it will receive the proceeds before December 31, 2017.

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Fiscal 2016

Acquisitions

National Geographic Partners

In fiscal 2016, the Company, through 21CFA, and the National Geographic Society (“NGS”), formed the entity that became National Geographic Partners, LLC (“National Geographic Partners”), to which, in November 2015, the Company contributed $625 million in cash and the Company and NGS contributed their existing interests in NGC Network US, LLC, NGC Network International, LLC and NGC Network Latin America, LLC (collectively, “NGC Networks”). Prior to the transaction, the Company held a controlling interest in NGC Networks, a consolidated subsidiary. NGS also contributed its publishing, travel and certain other businesses (collectively, the “NGS Media Business”) to National Geographic Partners. As part of the transaction, National Geographic Partners also acquired the long-term license for the use of certain trademarks owned by NGS related to the NGC Networks and the NGS Media Business. The Company currently holds a 73% controlling interest in National Geographic Partners. The consideration transferred to NGS has been allocated as follows: approximately $510 million to indefinite-lived intangible assets related to the trademark license agreement, $105 million to intangible assets consisting primarily of subscriber relationships with useful lives of eight years, $60 million to goodwill on the transaction and other net assets of the NGS Media Business and $55 million to the additional interest in National Geographic Partners.

MAA Television Network

In December 2015, the Company acquired the entirety of the broadcast business of MAA Television Network Limited (“MAA TV”), an entity in India that broadcasts and operates Telugu language entertainment channels, for approximately $346 million in cash including payments toward non-compete agreements. The consideration transferred of approximately $285 million has been allocated, based on a valuation of MAA TV, as follows: approximately $90 million to intangible assets consisting of multi-channel video programming distributor (“MVPD”) affiliate agreements and relationships with useful lives of 11 years, advertiser relationships with useful lives of eight years and the MAA TV trade name with a useful life of 10 years; and the balance representing the goodwill on the transaction.

For the fiscal 2016 transactions, the majority of the goodwill is tax deductible and reflects the synergies and increased market penetration expected from combining the operations of the NGS Media Business and MAA TV with the Company.

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. INVENTORIES, NET

The Company's inventories were comprised of the following:

	As of December 31, 2016	As of June 30, 2016
	(in millions)	
Programming rights and other[a]	$6,827	$6,359
Filmed entertainment costs		
Films		
Released or completed	1,377	1,569
In production	1,000	825
In development or preproduction	253	196
	- 2,630	2,590
Television productions		
Released	1,013	1,067
In production, development or preproduction	609	316
	1,622	1,383
Total filmed entertainment costs, less accumulated amortization[b]	4,252	3,973
Total inventories, net	11,079	10,332
Less: current portion of inventories, net[c]	(3,507)	(3,291)
Total non-current inventories, net	$7,572	$7,041

[a] Other includes DVDs, Blu-rays and other merchandise.

[b] Does not include $257 million and $273 million of net intangible film library costs as of December 31, 2016 and June 30, 2016, respectively, which were included in intangible assets subject to amortization in the Consolidated Balance Sheets.

[c] Current portion of inventories, net as of December 31, 2016 and June 30, 2016 was comprised of programming rights ($3,426 million and $3,212 million, respectively), DVDs, Blu-rays and other merchandise.

NOTE 4. INVESTMENTS

The Company's investments were comprised of the following:

		Ownership percentage as of December 31, 2016	As of December 31, 2016	As of June 30, 2016
			(in millions)	
Sky[(a)(b)]	European direct broadcast satellite operator	39%	$2,788	$2,972
Endemol Shine Group[(b)]	Global multi-platform content provider	50%	361	445
Other investments		various	467	446
Total investments			$3,616	$3,863

(a) The Company's investment in Sky had a market value of $8.2 billion as of December 31, 2016 determined using its quoted market price on the London Stock Exchange (a Level 1 measurement as defined in Note 5 – Fair Value). The Company received dividends of approximately $170 million and $210 million from Sky for the six months ended December 31, 2016 and 2015, respectively. As part of the agreement for the Proposed Sky Acquisition, Sky will not pay any dividends in calendar year 2017 (See Note 2 – Acquisitions, Disposals and Other Transactions under the heading "Sky" for further discussion of this investment).

(b) Equity method investment.

8

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Hulu

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

NOTE 5. FAIR VALUE

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

The tables below present information about financial assets and liabilities carried at fair value on a recurring basis. As of December 31, 2016 and June 30, 2016, there were no assets or liabilities in the Level 1 category.

	Fair value measurements As of December 31, 2016		
	Total	Level 2	Level 3
	(in millions)		
Assets			
Derivatives[(a)]	$ 4	$ 4	$ -
Other[(b)]	15	-	15
Liabilities			
Derivatives[(a)]	(27)	(27)	-
Redeemable noncontrolling interests[(c)]	(578)	-	(578)
Total	$ (586)	$ (23)	$ (563)

As of June 30, 2016
Total

		Level 2	Level 3
	(in millions)		
Assets			
Derivatives[a]	$6	$6	$-
Liabilities			
Derivatives[a]	(50)	(50)	-
Other[b]	(36)	-	(36)
Redeemable noncontrolling interests[c]	(552)	-	(552)
Total	$(632)	$(44)	$(588)

[a] Represents derivatives associated with the Company’s foreign currency forward contracts and interest rate swap contracts.

[b] Primarily relates to past acquisitions, including contingent consideration arrangements.

[c] The Company accounts for redeemable noncontrolling interests in accordance with ASC 480-10-S99-3A, “Distinguishing Liabilities from Equity” (“ASC 480-10-S99-3A”), because their exercise is outside the control of the Company. The redeemable noncontrolling interests recorded at fair value are put arrangements held by the noncontrolling interests in certain of the Company’s majority-owned sports networks. The Company utilizes the market, income or cost approaches or a combination of these valuation techniques for its Level 3 fair value measures, using observable inputs such as market data obtained from independent sources. To the extent observable inputs are not available, the Company utilizes unobservable inputs based upon the assumptions market participants would use in valuing the asset (liability). As of December 31, 2016, one minority shareholder’s put right will become exercisable in March 2017 and one minority shareholder’s put right will become exercisable in July 2017. The remaining redeemable noncontrolling interests are currently not exercisable.

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Financial Instruments

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

	As of December 31, 2016	As of June 30, 2016
	(in millions)	
Borrowings		
Fair value	$23,035	$23,986
Carrying value	$19,893	$19,553

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

Foreign Currency Forward Contracts

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

	As of December 31, 2016	As of June 30, 2016
	(in millions)	
Cash Flow Hedges		
Notional amount	$248	$409
Fair value	$(21)	$(25)

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

	As of December 31, 2016	As of June 30, 2016
	(in millions)	
Economic Hedges		
Notional amount	$39	$ 44
Fair value	$-	$ -

Interest Rate Swap Contracts

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

	As of December 31, 2016	As of June 30, 2016
	(in millions)	
Cash Flow Hedges		
Notional amount	$690	$701
Fair value	$(2)	$(19)

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Concentrations of Credit Risk

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

The Company's receivables did not represent significant concentrations of credit risk as of December 31, 2016 or June 30, 2016 due to the wide variety of customers, markets and geographic areas to which the Company's products and services are sold.

The Company monitors its positions with, and the credit quality of, the financial institutions which are counterparties to its financial instruments. The Company is exposed to credit loss in the event of nonperformance by the counterparties to the agreements. As of December 31, 2016, the Company did not anticipate nonperformance by any of the counterparties.

NOTE 6. BORROWINGS

	As of December 31, 2016	As of June 30, 2016
	(in millions)	
Bank loans	$1,337	$1,446
Public debt		
Predecessor indentures	10,179	10,579
Senior notes issued under August 2009 indenture	8,550	7,700
Total public debt	18,729	18,279
Total principal amount	20,066	19,725
Less: unamortized discount and debt issuance costs[a]	(173)	(172)
Total borrowings	19,893	19,553
Less: current borrowings	(80)	(427)
Non-current borrowings	$19,813	$19,126

[a] The adoption of ASU 2015-03 resulted in a $172 million decrease in Other non-current assets and Non-current Borrowings in the Consolidated Balance Sheet as of June 30, 2016.

Senior Notes Issued

In November 2016, 21CFA issued $450 million of 3.375% Senior Notes due 2026 and $400 million of 4.750% Senior Notes due 2046. The net proceeds of $842 million will be used for general corporate purposes.

Senior Notes Retired

In October 2016, the Company retired $400 million of 8.00% Senior Notes.

Current Borrowings

Included in Borrowings within Current liabilities as of December 31, 2016 are principal payments on the Yankees Entertainment and Sports Network term loan facility of $80 million that are due in the next 12 months.

Revolving Credit Agreement

In May 2015, 21CFA entered into a credit agreement (the "Credit Agreement") among 21CFA as Borrower, the Company as Parent Guarantor, the lenders party thereto (the "Lenders"), the issuing banks party thereto, JPMorgan Chase Bank, N.A. ("JPMorgan Chase") and Citibank, N.A. ("Citibank") as Co-Administrative Agents, JPMorgan Chase as Designated Agent and Bank of America, N.A. ("Bank of America") as Syndication Agent. The Credit Agreement, which was amended on December 22, 2016, provides a $1.4 billion unsecured revolving credit facility with a sub-limit of $250 million (or its equivalent in Euros) available for the issuance of letters of credit and a maturity date of May 2020. Under the Credit Agreement, the Company may request an increase in the amount of the credit facility up to a maximum amount of $2.0 billion and the Company may request that the maturity date be extended for up to two additional one-year periods. Borrowings are issuable in U.S. dollars only, while letters of credit are issuable in U.S. dollars or Euros. The material terms of the agreement include the requirement that the Company maintain specific leverage ratios and limitations

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

on secured indebtedness. Fees under the Credit Agreement will be based on the Company's long-term senior unsecured non-credit enhanced debt ratings. Given the current debt ratings, 21CFA pays a facility fee of 0.125% and an initial drawn cost of LIBOR plus 1.125%.

Bridge Credit Agreement

See Note 2 – Acquisitions, Disposals and Other Transactions under the heading "Sky".

NOTE 7. STOCKHOLDERS' EQUITY

The following tables summarize changes in stockholders' equity:

	For the three months ended December 31, 2016			For the six months ended December 31, 2016		
	Twenty-First Century Fox stockholders	Noncontrolling interests	Total equity	Twenty-First Century Fox stockholders	Noncontrolling interests	Total equity
	(in millions)					
Balance, beginning of period	$13,807	$ 1,248	$15,055	$13,661	$ 1,220	$14,881
Net income	856	37 (a)	893	1,677	77 (a)	1,754
Other comprehensive loss	(197)	(21)	(218)	(238)	(20)	(258)
Cancellation of shares, net	(138)	-	(138)	(528)	-	(528)
Dividends declared	-	-	-	(335)	-	(335)
Other	12	(49) (b)	(37)	103	(62) (b)	41
Balance, end of period	$14,340	$ 1,215	$15,555	$14,340	$ 1,215	$15,555

	For the three months ended December 31, 2015			For the six months ended December 31, 2015		
	Twenty-First Century Fox stockholders	Noncontrolling interests	Total equity	Twenty-First Century Fox stockholders	Noncontrolling interests	Total equity
	(in millions)					
Balance, beginning of period	$15,281	$ 974	$16,255	$17,220	$ 966	$18,186
Net income	672	44 (a)	716	1,347	78 (a)	1,425
Other comprehensive loss	(220)	-	(220)	(369)	-	(369)
Cancellation of shares, net	(1,331)	-	(1,331)	(3,157)	-	(3,157)
Dividends declared	-	-	-	(299)	-	(299)

Other	102	(27)[b]	75	(238)	(53)[b]	(291)
	-					
Balance, end of period	$14,504	$ 991	$15,495	$14,504	$ 991	$15,495

[a] Net income attributable to noncontrolling interests excludes $43 million and $32 million for the three months ended December 31, 2016 and 2015, respectively, and $70 million and $60 million for the six months ended December 31, 2016 and 2015, respectively, relating to redeemable noncontrolling interests which are reflected in temporary equity.

[b] Other activity attributable to noncontrolling interests excludes $(18) million and $(31) million for the three months ended December 31, 2016 and 2015, respectively, and $(44) million and $(64) million for the six months ended December 31, 2016 and 2015, respectively, relating to redeemable noncontrolling interests.

Comprehensive Income

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

	For the three months ended December 31, 2016			For the six months ended December 31, 2016		
	Before tax	Tax (provision) benefit	Net of tax	Before tax	Tax (provision) benefit	Net of tax
	(in millions)					
Foreign currency translation adjustments						
Unrealized losses	$(153)	$ -	$ (153)	$(151)	$ -	$ (151)
Other comprehensive loss	$(153)	$ -	$ (153)	$(151)	$ -	$ (151)
Cash flow hedges						
Unrealized gains	$2	$ (1)	$ 1	$13	$ (5)	$ 8
Amount reclassified on hedging activity[a]	5	(1)	4	7	(2)	5
Other comprehensive income	$7	$ (2)	$ 5	$20	$ (7)	$ 13
Benefit plan adjustments						
Reclassification adjustments realized in net income[b]	$54	$ (20)	$ 34	$68	$ (25)	$ 43
Other comprehensive income	$54	$ (20)	$ 34	$68	$ (25)	$ 43
Equity method investments						
Unrealized losses and reclassifications	$(156)	$ 52	$ (104)	$(223)	$ 60	$ (163)
Other comprehensive loss	$(156)	$ 52	$ (104)	$(223)	$ 60	$ (163)

	For the three months ended December 31, 2015			For the six months ended December 31, 2015		
	Before tax	Tax (provision) benefit	Net of tax	Before tax	Tax (provision) benefit	Net of tax
	(in millions)					
Foreign currency translation adjustments						
Unrealized losses	$(100)	$ 1	$ (99)	$(167)	$ 2	$ (165)
Other comprehensive loss	$(100)	$ 1	$ (99)	$(167)	$ 2	$ (165)
Cash flow hedges						
Unrealized gains	$20	$ (8)	$ 12	$21	$ (8)	$ 13
Amount reclassified on hedging activity[a]	-	-	-	3	-	3

Other comprehensive income	$20	$ (8)	$ 12	$24	$ (8)	$ 16
Gains and losses on securities						
Amount reclassified on sale of securities[c]	$-	$ -	$ -	$(7)	$ 3	$ (4)
Other comprehensive loss	$-	$ -	$ -	$(7)	$ 3	$ (4)
Benefit plan adjustments						
Unrealized losses	$-	$ -	$ -	$(2)	$ -	$ (2)
Reclassification adjustments realized in net income[b]	8	(2)	6	17	(5)	12
Other comprehensive income	$8	$ (2)	$ 6	$15	$ (5)	$ 10
Equity method investments						
Unrealized losses and reclassifications	$(108)	$ (31)	$ (139)	$(210)	$ (16)	$ (226)
Other comprehensive loss	$(108)	$ (31)	$ (139)	$(210)	$ (16)	$ (226)

[a] Reclassifications of amounts related to hedging activity are included in Revenues, Operating expenses, Selling, general and administrative expenses, Interest expense, net or Other, net, as appropriate, in the Unaudited Consolidated Statements of Operations for the three and six months ended December 31, 2016 and 2015 (See Note 5 – Fair Value for additional information regarding hedging activity).

[b] Reclassifications of amounts related to benefit plan adjustments are included in Selling, general and administrative expenses or Other, net, as appropriate, in the Unaudited Consolidated Statements of Operations for the three and six months ended December 31, 2016 and 2015.

[c] Reclassifications of amounts related to gains and losses on securities are included in Other, net in the Unaudited Consolidated Statements of Operations for the six months ended December 31, 2015.

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Earnings Per Share Data

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

	For the three months ended December 31,		For the six months ended December 31,	
	2016	2015	2016	2015
	(in millions)			
Income from continuing operations	$937	$750	$ 1,831	$ 1,490
Less: Net income attributable to noncontrolling interests	(80)	(76)	(147)	(138)
Income from continuing operations attributable to Twenty-First Century Fox stockholders	$857	$674	$ 1,684	$ 1,352

Stock Repurchase Program

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

As of December 31, 2016, the Company's remaining buyback authorization was approximately $3.1 billion representing approximately $110 million under the fiscal 2016 authorization and $3 billion under the fiscal 2017 authorization.

Dividends

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

	For the six months ended December 31,	
	2016	2015
Cash dividend per share	$ 0.18	$ 0.15

Subsequent to December 31, 2016, the Company declared a dividend of $0.18 per share on both the Class A Common Stock and Class B Common Stock, which is payable on April 19, 2017. The record date for determining dividend entitlements is March 15, 2017.

NOTE 8. EQUITY-BASED COMPENSATION

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

	For the three months ended December 31,		For the six months ended December 31,	
	2016	2015	2016	2015
	(in millions)			
Equity-based compensation	$ 20	$ 34	$ 62	$ 124
Intrinsic value of all settled equity-based awards	$ -	$ -	$ 69	$ 190
Tax benefit on vested equity-based awards	$ -	$ -	$ 25	$ 69

As of December 31, 2016, the Company's total estimated compensation cost related to equity-based awards, not yet recognized, was approximately $185 million, and is expected to be recognized over a weighted average period between one and two years. Compensation expense on all equity-based awards is generally recognized on a straight-line basis over the vesting period of the entire award.

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Performance Stock Units

The Company's stock based awards are granted in Class A Common Stock. During the six months ended December 31, 2016, approximately 7.3 million performance stock units ("PSUs") were granted and approximately 2.6 million PSUs vested.

During the six months ended December 31, 2015, approximately 6.2 million PSUs were granted and approximately 5.9 million PSUs vested.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Commitments

The Company has commitments under certain firm contractual arrangements ("firm commitments") to make future payments. These firm commitments secure the future rights to various assets and services to be used in the normal course of operations. The total firm commitments and future debt payments as of December 31, 2016 and June 30, 2016 were approximately $81 billion and $84 billion, respectively. The decrease from June 30, 2016 was primarily due to payments related to sports programming rights. In addition, the Company has made an offer to purchase the fully diluted share capital of Sky which the Company does not already own (See Note 2 – Acquisitions, Disposals and Other Transactions under the heading "Sky").

Contingent Guarantees

The Company's contingent guarantees as of December 31, 2016 have not changed significantly from disclosures included in the 2016 Form 10-K. Included in the Company's contingent guarantees as of December 31, 2016 and June 30, 2016 is $115 million of Hulu's $338 million five-year term loan which is due in October 2017. In addition, the Company is party to a capital funding agreement related to Hulu (See Note 4 – Investments under the heading "Hulu").

Contingencies

Shareholder Litigation

Southern District of New York

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

Other

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

The Company establishes an accrued liability for legal claims when the Company determines that a loss is both probable and the amount of the loss can be reasonably estimated. Once established, accruals are adjusted from time to time, as appropriate, in light of additional information. The amount of any loss ultimately incurred in relation to matters for which an accrual has been established

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

may be higher or lower than the amounts accrued for such matters. Any fees, expenses, fines, penalties, judgments or settlements which might be incurred by the Company in connection with the various proceedings could affect the Company's results of operations and financial condition.

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

NOTE 10. SEGMENT INFORMATION

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

- Cable Network Programming, which principally consists of the production and licensing of programming distributed primarily through cable television systems, direct broadcast satellite operators, telecommunication companies and online video distributors in the U.S. and internationally.
- Television, which principally consists of the broadcasting of network programming in the U.S. and the operation of 28 full power broadcast television stations, including 11 duopolies, in the U.S. (of these stations, 17 are affiliated with the FOX Broadcasting Company ("FOX"), nine are affiliated with Master Distribution Service, Inc. ("MyNetworkTV"), one is affiliated with both The CW Television Network and MyNetworkTV and one is an independent station).
- Filmed Entertainment, which principally consists of the production and acquisition of live-action and animated motion pictures for distribution and licensing in all formats in all entertainment media worldwide, and the production and licensing of television programming worldwide.
- Other, Corporate and Eliminations, which principally consists of corporate overhead and eliminations and other businesses.

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

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

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

	For the three months ended		For the six months ended	
	December 31,		December 31,	
	2016	2015	2016	2015
	(in millions)			
Revenues				
Cable Network Programming	$3,967	$3,703	$ 7,777	$ 7,167
Television	1,918	1,716	2,956	2,765
Filmed Entertainment	2,269	2,361	4,176	4,146
Other, Corporate and Eliminations	(472)	(405)	(721)	(626)
Total revenues	$7,682	$7,375	$ 14,188	$ 13,452
Segment OIBDA				
Cable Network Programming	$1,330	$1,250	$ 2,714	$ 2,556
Television	376	279	567	475
Filmed Entertainment	389	302	700	451
Other, Corporate and Eliminations	(101)	(101)	(196)	(217)
Total Segment OIBDA	$1,994	$1,730	$ 3,785	$ 3,265
Amortization of cable distribution investments	(16)	(15)	(31)	(35)
Depreciation and amortization	(135)	(130)	(270)	(258)
Equity (losses) earnings of affiliates	(41)	12	(6)	47
Interest expense, net	(299)	(298)	(599)	(593)
Interest income	9	7	18	16
Other, net	(127)	(142)	(275)	(225)
Income from continuing operations before income tax expense	1,385	1,164	2,622	2,217
Income tax expense	(448)	(414)	(791)	(727)
Income from continuing operations	937	750	1,831	1,490
Loss from discontinued operations, net of tax	(1)	(2)	(7)	(5)
Net income	936	748	1,824	1,485
Less: Net income attributable to noncontrolling interests	(80)	(76)	(147)	(138)
Net income attributable to Twenty-First Century Fox stockholders	$856	$672	$ 1,677	$ 1,347

Intersegment revenues, generated by the Filmed Entertainment segment, of $445 million and $393 million for the three months ended December 31, 2016 and 2015, respectively, and of $678 million and $563 million for the six months ended December 31, 2016 and 2015, respectively, have been eliminated within the Other, Corporate and Eliminations segment.

	For the three months ended December 31,		For the six months ended December 31,	
	2016	2015	2016	2015
	(in millions)			
Depreciation and amortization				
Cable Network Programming	$83	$76	$ 165	$ 150
Television	28	29	57	59
Filmed Entertainment	20	20	40	40
Other, Corporate and Eliminations	4	5	8	9
Total depreciation and amortization	$135	$130	$ 270	$ 258

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Depreciation and amortization includes the amortization of definite lived intangible assets of $64 million and $59 million for the three months ended December 31, 2016 and 2015, respectively, and $130 million and $118 million for the six months ended December 31, 2016 and 2015, respectively.

	As of December 31, 2016	As of June 30, 2016
	(in millions)	
Assets		
Cable Network Programming	$25,022	$24,974
Television	7,784	6,959
Filmed Entertainment	10,482	9,579
Other, Corporate and Eliminations	2,303	2,818
Investments	3,616	3,863
Total assets	$49,207	$48,193

Revenues by Component

	For the three months ended December 31,		For the six months ended December 31,	
	2016	2015	2016	2015
	(in millions)			
Revenues				
Affiliate fees	$2,906	$2,696	$ 5,829	$ 5,382
Advertising	2,544	2,444	4,135	4,043
Content	2,032	2,033	3,901	3,758
Other	200	202	323	269
Total revenues	$7,682	$7,375	$ 14,188	$ 13,452

NOTE 11. ADDITIONAL FINANCIAL INFORMATION

Other, net

The following table sets forth the components of Other, net included in the Unaudited Consolidated Statements of Operations:

	For the three months ended December 31,		For the six months ended December 31,	
	2016	2015	2016	2015
	(in millions)			
Restructuring and other[a]	$(127)	$(44)	$(275)	$(126)
Investment impairment losses[b]	-	(98)	-	(99)
Total other, net	$(127)	$(142)	$(275)	$(225)

[a] Restructuring and other, for the three and six months ended December 31, 2016, is comprised of approximately $80 million and $190 million, respectively, of costs in connection with management and employee transitions and restructuring at several of the Company's business units and, for the six months ended December 31, 2016, approximately $35 million of costs related to settlements of pending and potential litigations following the July 2016 resignation of the Chairman and CEO of Fox News Channel after a public complaint was filed containing allegations of sexual harassment.

[b] See Note 7 – Investments in the 2016 Form 10-K under the heading "Other" for further discussion.

Receivables, net

Receivables are presented net of an allowance for returns and doubtful accounts, which is an estimate of amounts that may not be collectible. Allowances for returns and doubtful accounts as of December 31, 2016 and June 30, 2016 were $678 million and $576 million, respectively.

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Cash Flows Information

	For the six months ended December 31, 2016	2015
	(in millions)	
Supplemental cash flows information		
Cash paid for income taxes	$ (460)	$ (511)
Cash paid for interest	$ (597)	$ (583)
Supplemental information on acquisitions and additional investments		
Fair value of assets acquired	$ -	$ 1,018
Cash acquired	-	8
Liabilities assumed	-	(110)
Cash paid	-	(916)
Fair value of equity instruments issued to third parties	-	-
Issuance of subsidiary common units	-	-
Fair value of equity instruments consideration	$ -	$ -

NOTE 12. SUPPLEMENTAL GUARANTOR INFORMATION

The Parent Guarantor presently guarantees the senior public indebtedness of 21CFA and the guarantee is full and unconditional. The supplemental condensed consolidating financial information of the Parent Guarantor should be read in conjunction with these Unaudited Consolidated Financial Statements (See Note 6 – Borrowings).

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

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Statement of Operations

For the three months ended December 31, 2016

(in millions)

	21st Century Fox America, Inc.	Twenty-First Century Fox	Non-Guarantor	Reclassifications and Eliminations	Twenty-First Century Fox and Subsidiaries
Revenues	$ -	$ -	$ 7,682	$ -	$ 7,682
Expenses	(76)	-	(5,763)	-	(5,839)
Equity losses of affiliates	-	-	(41)	-	(41)
Interest expense, net	(411)	(189)	(20)	321	(299)
Interest income	1	1	328	(321)	9
Earnings from subsidiary entities	1,860	1,045	-	(2,905)	-
Other, net	(85)	-	(42)	-	(127)
Income from continuing operations before income tax expense	1,289	857	2,144	(2,905)	1,385
Income tax expense	(414)	-	(696)	662	(448)
Income from continuing operations	875	857	1,448	(2,243)	937
Loss from discontinued operations, net of tax	-	(1)	-	-	(1)
Net income	875	856	1,448	(2,243)	936
Less: Net income attributable to noncontrolling interests	-	-	(80)	-	(80)
Net income attributable to Twenty-First Century Fox stockholders	$ 875	$ 856	$ 1,368	$ (2,243)	$ 856
Comprehensive income attributable to Twenty-First Century Fox stockholders	$ 576	$ 659	$ 1,073	$ (1,649)	$ 659

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Statement of Operations

For the three months ended December 31, 2015

(in millions)

	21st Century Fox America, Inc.	Twenty-First Century Fox	Non-Guarantor	Reclassifications and Eliminations	Twenty-First Century Fox and Subsidiaries
Revenues	$ -	$ -	$ 7,375	$ -	$ 7,375
Expenses	(89)	-	(5,701)	-	(5,790)
Equity earnings of affiliates	-	-	12	-	12
Interest expense, net	(406)	(177)	(19)	304	(298)
Interest income	1	-	310	(304)	7
Earnings from subsidiary entities	1,781	851	-	(2,632)	-
Other, net	(121)	-	(21)	-	(142)
Income from continuing operations before income tax expense	1,166	674	1,956	(2,632)	1,164
Income tax expense	(412)	-	(694)	692	(414)
Income from continuing operations	754	674	1,262	(1,940)	750
Loss from discontinued operations, net of tax	-	(2)	-	-	(2)
Net income	754	672	1,262	(1,940)	748
Less: Net income attributable to noncontrolling interests	-	-	(76)	-	(76)
Net income attributable to Twenty-First Century Fox stockholders	$ 754	$ 672	$ 1,186	$ (1,940)	$ 672
Comprehensive income attributable to Twenty-First Century Fox stockholders	$ 469	$ 452	$ 999	$ (1,468)	$ 452

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Statement of Operations
For the six months ended December 31, 2016
(in millions)

	21st Century Fox America, Inc.	Twenty-First Century Fox	Non-Guarantor	Reclassifications and Eliminations	Twenty-First Century Fox and Subsidiaries
Revenues	$ -	$ -	$ 14,188	$ -	$ 14,188
Expenses	(165)	-	(10,539)	-	(10,704)
Equity losses of affiliates	(1)	-	(5)	-	(6)
Interest expense, net	(823)	(377)	(39)	640	(599)
Interest income	2	1	655	(640)	18
Earnings from subsidiary entities	3,475	2,060	-	(5,535)	-
Other, net	(159)	-	(116)	-	(275)
Income from continuing operations before income tax expense	2,329	1,684	4,144	(5,535)	2,622
Income tax expense	(702)	-	(1,250)	1,161	(791)
Income from continuing operations	1,627	1,684	2,894	(4,374)	1,831
Loss from discontinued operations, net of tax	-	(7)	-	-	(7)
Net income	1,627	1,677	2,894	(4,374)	1,824
Less: Net income attributable to noncontrolling interests	-	-	(147)	-	(147)
Net income attributable to Twenty-First Century Fox stockholders	$ 1,627	$ 1,677	$ 2,747	$ (4,374)	$ 1,677
Comprehensive income attributable to Twenty-First Century Fox stockholders	$ 1,244	$ 1,439	$ 2,433	$ (3,677)	$ 1,439

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Statement of Operations
For the six months ended December 31, 2015
(in millions)

	21st Century Fox America, Inc.	Twenty-First Century Fox	Non-Guarantor	Reclassifications and Eliminations	Twenty-First Century Fox and Subsidiaries
Revenues	$ -	$ -	$ 13,452	$ -	$ 13,452
Expenses	(195)	-	(10,285)	-	(10,480)
Equity (losses) earnings of affiliates	(1)	-	48	-	47
Interest expense, net	(804)	(353)	(39)	603	(593)
Interest income	1	2	616	(603)	16
Earnings from subsidiary entities	3,233	1,703	-	(4,936)	-
Other, net	(108)	-	(117)	-	(225)
Income from continuing operations before income tax expense	2,126	1,352	3,675	(4,936)	2,217
Income tax expense	(697)	-	(1,205)	1,175	(727)
Income from continuing operations	1,429	1,352	2,470	(3,761)	1,490
Loss from discontinued operations, net of tax	-	(5)	-	-	(5)
Net income	1,429	1,347	2,470	(3,761)	1,485
Less: Net income attributable to noncontrolling interests	-	-	(138)	-	(138)
Net income attributable to Twenty-First Century Fox stockholders	$ 1,429	$ 1,347	$ 2,332	$ (3,761)	$ 1,347
Comprehensive income attributable to Twenty-First Century Fox stockholders	$ 954	$ 978	$ 1,886	$ (2,840)	$ 978

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Balance Sheet

As of December 31, 2016

(in millions)

	21st Century Fox America, Inc.	Twenty-First Century Fox	Non-Guarantor	Reclassifications and Eliminations	Twenty-First Century Fox and Subsidiaries
ASSETS					
Current assets					
Cash and cash equivalents	$ 3	$ 2,597	$ 1,930	$ -	$ 4,530
Receivables, net	31	-	6,953	(1)	6,983
Inventories, net	-	-	3,507	-	3,507
Other	72	-	613	-	685
Total current assets	106	2,597	13,003	(1)	15,705
Non-current assets					
Receivables, net	15	-	475	-	490
Inventories, net	-	-	7,572	-	7,572
Property, plant and equipment, net	214	-	1,443	-	1,657
Intangible assets, net	-	-	6,635	-	6,635
Goodwill	-	-	12,720	-	12,720
Other non-current assets	242	-	570	-	812
Investments					
Investments in associated companies and other investments	173	37	3,406	-	3,616
Intragroup investments	102,438	57,788	-	(160,226)	-
Total investments	102,611	57,825	3,406	(160,226)	3,616
Total assets	$ 103,188	$ 60,422	$ 45,824	$ (160,227)	$ 49,207
LIABILITIES AND EQUITY					
Current liabilities					
Borrowings	$ -	$ -	$ 80	$ -	$ 80
Other current liabilities	492	48	6,130	(1)	6,669

Total current liabilities	492	48	6,210	(1)	6,749
Non-current liabilities					
Borrowings	18,560	-	1,253	-	19,813
Other non-current liabilities	619	-	5,893	-	6,512
Intercompany	38,114	46,034	(84,148)	-	-
Redeemable noncontrolling interests	-	-	578	-	578
Total equity	45,403	14,340	116,038	(160,226)	15,555
Total liabilities and equity	$ 103,188	$ 60,422	$ 45,824	$ (160,227)	$ 49,207

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Balance Sheet

As of June 30, 2016

(in millions)

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

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

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Statement of Cash Flows

For the six months ended December 31, 2016

(in millions)

	21st Century Fox America, Inc.	Twenty-First Century Fox	Non-Guarantor	Reclassifications and Eliminations	Twenty-First Century Fox and Subsidiaries
OPERATING ACTIVITIES					
Net cash (used in) provided by operating activities from continuing operations	$ (966)	$ 1,552	$ 637	$ -	$ 1,223
INVESTING ACTIVITIES					
Property, plant and equipment	(9)	-	(108)	-	(117)
Investments	(85)	-	(48)	-	(133)
Net cash used in investing activities from continuing operations	(94)	-	(156)	-	(250)
FINANCING ACTIVITIES					
Borrowings	842	-	37	-	879
Repayment of borrowings	(400)	-	(146)	-	(546)
Repurchase of shares	-	(619)	-	-	(619)
Dividends paid and distributions	-	(335)	(146)	-	(481)
Other financing activities, net	(25)	(20)	1	-	(44)
Net cash provided by (used in) financing activities from continuing operations	417	(974)	(254)	-	(811)
Discontinued operations					
Net decrease in cash and cash equivalents from discontinued operations	(15)	-	-	-	(15)
Net (decrease) increase in cash and cash equivalents	(658)	578	227	-	147
Cash and cash equivalents, beginning of year	661	2,019	1,744	-	4,424
Exchange movement on cash balances	-	-	(41)	-	(41)

Cash and cash equivalents, end of period	$ 3	$ 2,597	$ 1,930	$ -	$ 4,530

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Statement of Cash Flows

For the six months ended December 31, 2015

(in millions)

	21st Century Fox America, Inc.	Twenty-First Century Fox	Non-Guarantor	Reclassifications and Eliminations	Twenty-First Century Fox and Subsidiaries
OPERATING ACTIVITIES					
Net cash (used in) provided by operating activities from continuing operations	$ (605)	$ 284	$ 553	$ -	$ 232
INVESTING ACTIVITIES					
Property, plant and equipment	(4)	-	(88)	-	(92)
Investments	(171)	(586)	(451)	-	(1,208)
Net cash used in investing activities from continuing operations	(175)	(586)	(539)	-	(1,300)
FINANCING ACTIVITIES					
Borrowings	987	-	137	-	1,124
Repayment of borrowings	(200)	-	(239)	-	(439)
Repurchase of shares	-	(3,202)	-	-	(3,202)
Dividends paid and distributions	-	(299)	(120)	-	(419)
Other financing activities, net	-	(45)	(6)	-	(51)
Net cash provided by (used in) financing activities from continuing operations	787	(3,546)	(228)	-	(2,987)
Discontinued operations					
Net decrease in cash and cash equivalents from discontinued operations	(10)	-	-	-	(10)
Net decrease in cash and cash equivalents	(3)	(3,848)	(214)	-	(4,065)
Cash and cash equivalents, beginning of year	767	5,913	1,748	-	8,428
Exchange movement on cash balances	-	-	(70)	-	(70)

Cash and cash equivalents, end of period	$ 764	$ 2,065	$ 1,464	$ -	$ 4,293

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Notes to Supplemental Guarantor Information

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

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

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

INTRODUCTION

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

- Results of Operations - This section provides an analysis of the Company's results of operations for the three and six months ended December 31, 2016 and 2015. This analysis is presented on both a consolidated and a segment basis. In addition, a brief description is provided of significant transactions and events that impact the comparability of the results being analyzed.
- Liquidity and Capital Resources - This section provides an analysis of the Company's cash flows for the six months ended December 31, 2016 and 2015, as well as a discussion of the Company's outstanding debt and commitments, both firm and contingent, that existed as of December 31, 2016. Included in the discussion of outstanding debt is a discussion of the amount of financial capacity available to fund the Company's future commitments and obligations, as well as a discussion of other financing arrangements.

RESULTS OF OPERATIONS

Results of Operations—For the three and six months ended December 31, 2016 versus the three and six months ended December 31, 2015

The following table sets forth the Company's operating results for the three and six months ended December 31, 2016, as compared to the three and six months ended December 31, 2015.

	For the three months ended December 31,			For the six months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
	(in millions, except %)					
Revenues						
Affiliate fees	$2,906	$2,696	8 %	$5,829	$5,382	8 %
Advertising	2,544	2,444	4 %	4,135	4,043	2 %
Content	2,032	2,033	-	3,901	3,758	4 %
Other	200	202	(1)%	323	269	20 %
Total revenues	7,682	7,375	4 %	14,188	13,452	5 %
Operating expenses	(4,845)	(4,757)	2 %	(8,709)	(8,430)	3 %
Selling, general and administrative	(859)	(903)	(5)%	(1,725)	(1,792)	(4)%
Depreciation and amortization	(135)	(130)	4 %	(270)	(258)	5 %
Equity (losses) earnings of affiliates	(41)	12	**	(6)	47	**
Interest expense, net	(299)	(298)	-	(599)	(593)	1 %
Interest income	9	7	29 %	18	16	13 %
Other, net	(127)	(142)	11 %	(275)	(225)	(22)%
Income from continuing operations before income tax expense	1,385	1,164	19 %	2,622	2,217	18 %
Income tax expense	(448)	(414)	8 %	(791)	(727)	9 %
Income from continuing operations	937	750	25 %	1,831	1,490	23 %
Loss from discontinued operations, net of tax	(1)	(2)	(50)%	(7)	(5)	40 %
Net income	936	748	25 %	1,824	1,485	23 %
Less: Net income attributable to noncontrolling interests	(80)	(76)	5 %	(147)	(138)	7 %
Net income attributable to Twenty-First Century Fox stockholders	$856	$672	27 %	$1,677	$1,347	24 %

** not meaningful

Overview – The Company's revenues increased 4% and 5% for the three and six months ended December 31, 2016, respectively, as compared to the corresponding periods of fiscal 2016, primarily due to higher affiliate fee and advertising revenues. The increases in affiliate fee revenue were primarily attributable to higher average rates per subscriber across most channels, and the increases in advertising revenue were led by two additional games and higher ratings of the Major League Baseball ("MLB") World Series and higher ratings at Fox News Channel ("Fox News").

Lower entertainment ratings at the Fox Broadcasting Company ("FOX") partially offset these advertising revenue increases for the six months ended December 31, 2016. Also contributing to the increase in the six months ended December 31, 2016, as compared to the corresponding period of fiscal 2016, was higher content revenue primarily related to subscription video-on-demand ("SVOD") revenue from television productions. These revenue increases are net of decreases of approximately $80 million and $160 million due to the strengthening of the U.S. dollar against local currencies for the three and six months ended December 31, 2016, respectively, as compared to the corresponding periods of fiscal 2016.

Operating expenses increased 2% and 3% for the three and six months ended December 31, 2016, respectively, as compared to the corresponding periods of fiscal 2016, primarily due to higher operating expenses as a result of the acquisition of the publishing, travel and certain other businesses (the "NGS Media Business") in November 2015 from the National Geographic Society (See Note 2 – Acquisitions, Disposals and Other Transactions to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century Fox under the heading "National Geographic Partners") and higher programming rights amortization at the Cable Network Programming and Television segments partially offset by lower marketing costs at the Filmed Entertainment segment.

Selling, general and administrative expenses decreased 5% and 4% for the three and six months ended December 31, 2016, respectively, as compared to the corresponding periods of fiscal 2016, primarily due to lower compensation expense.

Equity (losses) earnings of affiliates – Equity (losses) earnings of affiliates decreased $53 million for the three and six months ended December 31, 2016, as compared to the corresponding periods of fiscal 2016. The decreases were primarily due to lower equity earnings for Sky plc ("Sky"), including a decrease in operating results and the impact of the strengthening of the U.S. dollar against the Pound Sterling, and higher losses at Endemol Shine Group and Hulu, LLC ("Hulu").

	For the three months ended December 31,			For the six months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
	(in millions, except %)					
Sky	$65	$100	(35)%	$162	$210	(23)%
Other equity affiliates	(106)	(88)	(20)%	(168)	(163)	(3)%
Equity (losses) earnings of affiliates	$(41)	$12	**	$(6)	$47	**

** not meaningful

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

Income tax expense – The Company's effective income tax rate for the three and six months ended December 31, 2016 was 32% and 30%, respectively, as compared to the statutory rate of 35%. For the three months ended December 31, 2016, the rate was lower than the statutory rate primarily due to a 2% benefit from domestic production activities and other permanent items. For the six months ended December 31, 2016, the rate was lower than the statutory rate primarily due to a 2% benefit from domestic production activities, a 2% benefit related to the Company's foreign operations and other permanent items.

The Company's effective income tax rate for the three and six months ended December 31, 2015 was 36% and 33%, respectively, as compared to the statutory rate of 35%. For the three months ended December 31, 2015, the rate was higher than the statutory rate primarily due to additional valuation allowances related to capital losses partially offset by an income tax benefit due to tax credits related to the Company's foreign operations and permanent items. For the six months ended December 31, 2015, the rate was lower than the statutory rate primarily due to a 4% income tax benefit due to tax credits related to the Company's foreign operations and permanent items partially offset by a charge of 2% for valuation allowances related to capital losses.

Net income – Net income increased for the three and six months ended December 31, 2016, as compared to the corresponding periods of fiscal 2016, primarily due to higher operating results partially offset by lower contributions from the Company's equity affiliates.

Segment Analysis

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

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

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

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

The following table reconciles Total Segment OIBDA to Income from continuing operations before income tax expense for the three and six months ended December 31, 2016, as compared to the three and six months ended December 31, 2015.

	For the three months ended December 31,			For the six months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
	(in millions, except %)					
Revenues	$7,682	$7,375	4 %	$14,188	$13,452	5 %
Operating expenses	(4,845)	(4,757)	2 %	(8,709)	(8,430)	3 %
Selling, general and administrative	(859)	(903)	(5)%	(1,725)	(1,792)	(4)%
Amortization of cable distribution investments	16	15	7 %	31	35	(11)%
Total Segment OIBDA	1,994	1,730	15 %	3,785	3,265	16 %
Amortization of cable distribution investments	(16)	(15)	7 %	(31)	(35)	(11)%
Depreciation and amortization	(135)	(130)	4 %	(270)	(258)	5 %
Equity (losses) earnings of affiliates	(41)	12	**	(6)	47	**
Interest expense, net	(299)	(298)	-	(599)	(593)	1 %
Interest income	9	7	29 %	18	16	13 %
Other, net	(127)	(142)	11 %	(275)	(225)	(22)%
Income from continuing operations before income tax expense	$1,385	$1,164	19 %	$2,622	$2,217	18 %

** not meaningful

The following tables set forth the Company's Revenues and Segment OIBDA for the three and six months ended December 31, 2016, as compared to the three and six months ended December 31, 2015.

	For the three months ended December 31,			For the six months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
	(in millions, except %)					
Revenues						
Cable Network Programming	$3,967	$3,703	7 %	$7,777	$7,167	9 %
Television	1,918	1,716	12 %	2,956	2,765	7 %
Filmed Entertainment	2,269	2,361	(4)%	4,176	4,146	1 %

Other, Corporate and Eliminations	(472)	(405)	(17)%	(721)	(626)	(15)%
Total revenues	$7,682	$7,375	4 %	$14,188	$13,452	5 %

	For the three months ended December 31,			For the six months ended December 31,		
	2016	2015	% Change	2016	2015	% Change
	(in millions, except %)					
Segment OIBDA						
Cable Network Programming	$1,330	$1,250	6 %	$2,714	$2,556	6 %
Television	376	279	35 %	567	475	19 %
Filmed Entertainment	389	302	29 %	700	451	55 %
Other, Corporate and Eliminations	(101)	(101)	-	(196)	(217)	10 %
					-	
Total Segment OIBDA	$1,994	$1,730	15 %	$3,785	$3,265	16 %

Cable Network Programming (55% and 53% of the Company's consolidated revenues in the first six months of fiscal 2017 and 2016, respectively)

For the three and six months ended December 31, 2016, revenues at the Cable Network Programming segment increased $264 million, or 7%, and $610 million, or 9%, respectively, as compared to the corresponding periods of fiscal 2016, primarily due to higher affiliate fee, advertising and content and other revenues as shown below:

	For the three months ended December 31, 2016			For the six months ended December 31, 2016		
	% Increase (Decrease)			% Increase (Decrease)		
	Domestic	International	Consolidated	Domestic	International	Consolidated
Affiliate fees	7 %	5 %	7 %	7 %	7 %	7 %
Advertising	12 %	(6) %	3 %	9 %	(1) %	5 %
Content and other	27 %	15 %	23 %	42 %	21 %	35 %
Total	10 %	2 %	7 %	10 %	5 %	9 %

These revenue increases are net of decreases of approximately $60 million and $125 million due to the strengthening of the U.S. dollar against local currencies, primarily in Latin America, for the three and six months ended December 31, 2016, respectively, as compared to the corresponding periods of fiscal 2016.

For the three and six months ended December 31, 2016, Segment OIBDA at the Cable Network Programming segment increased $80 million, or 6%, and $158 million, or 6%, respectively, as compared to the corresponding periods of fiscal 2016, primarily due to the revenue increases noted above partially offset by increased expenses of $184 million, or 8%, and $452 million, or 10%, respectively. These Segment OIBDA increases are net of decreases of approximately $25 million and $55 million due to the strengthening of the U.S. dollar against local currencies for the three and six months ended December 31, 2016, respectively, as compared to the corresponding periods of fiscal 2016. The incremental revenues related to the NGS Media Business as a result of the acquisition were approximately $55 million and $140 million, for the three and six months ended December 31, 2016, respectively, as compared to the corresponding periods of fiscal 2016, and the incremental expenses were approximately $55 million and $140 million, respectively.

Domestic Channels

For the three and six months ended December 31, 2016, domestic affiliate fee revenue increased primarily due to higher average rates per subscriber led by FX Networks, Fox News and the Regional Sports Networks ("RSNs") partially offset by lower average subscribers. Also contributing to the increase was Fox Sports 1 ("FS1") due to higher average rates per subscriber and higher average subscribers. For the three and six months ended December 31, 2016, domestic advertising revenue increased primarily due to higher ratings at Fox News and higher ratings for the broadcasts of the MLB postseason games at FS1 partially offset by lower ratings at FX Networks. The increases in domestic content and other revenues for the three and six months ended December 31, 2016, were primarily due to the acquisition of the NGS Media Business.

For the three and six months ended December 31, 2016, domestic channels OIBDA increased 12% and 10%, respectively, as compared to the corresponding periods of fiscal 2016, primarily due to the revenue increases noted above partially offset by higher expenses. Operating expenses increased by approximately $130 million and $260 million for the three and six months ended December 31, 2016, respectively, as compared to the corresponding periods of fiscal 2016, primarily due to the acquisition of the NGS Media Business, higher programming costs, including higher MLB rights amortization at FS1, increased National Basketball Association (“NBA”) rights amortization at the RSNs, and costs related to the launch of new programming at the National Geographic Channels. Also contributing to the higher programming costs, for the six months ended December 31, 2016, was higher MLB rights amortization at the RSNs.

International Channels

For the three and six months ended December 31, 2016, international affiliate fee revenues increased as a result of local currency growth of 12% and 14%, respectively, led by additional subscribers, higher rates and new channels in Latin America and Europe at Fox Networks Group International (“FNGI”) and increases at STAR India (“STAR”), partially offset by the adverse impact of the strengthening of the U.S. dollar against local currencies. For the three and six months ended December 31, 2016, international advertising revenues decreased as a result of local currency growth at FNGI being more than offset by the adverse impact of the strengthening of the U.S. dollar against local currencies and lower local currency advertising revenue at STAR due to the effect of the Indian government’s demonetization initiatives on the general advertising market and a decrease in viewership. The increases in international content and other revenues for the three and six months ended December 31, 2016 were primarily due to higher network and syndication revenues in Latin America at FNGI.

For the three and six months ended December 31, 2016, international channels OIBDA decreased 13% and 10%, respectively, as compared to the corresponding periods of fiscal 2016, primarily due to the local currency results being adversely impacted by the strengthening of the U.S. dollar against local currencies. Operating expenses increased by approximately $55 million and $165 million for the three and six months ended December 31, 2016, respectively, as compared to the corresponding periods of fiscal 2016, primarily due to higher sports programming rights amortization, led by higher soccer rights at FNGI, and an increase in entertainment programming rights amortization. Also contributing to the increase in sports programming rights amortization, for the six months ended December 31, 2016, was the broadcast of the Rio Olympics in fiscal 2017.

Television (21% of the Company's consolidated revenues in the first six months of fiscal 2017 and 2016)

For the three and six months ended December 31, 2016, revenues at the Television segment increased $202 million, or 12%, and $191 million, or 7%, respectively, as compared to the corresponding periods of fiscal 2016, primarily due to higher affiliate fee and advertising revenues. Also contributing to the increase in revenues was higher content and other revenues. Affiliate fee revenue increased 19% and 18% as a result of higher retransmission consent rates for the three and six months ended December 31, 2016, respectively, as compared to the corresponding periods of fiscal 2016. Content and other revenues increased over 100% for the three and six months ended December 31, 2016, as compared to the corresponding periods of fiscal 2016, primarily due to higher SVOD revenue at FOX and revenues generated by the television stations to permit the commercial use of adjacent wireless spectrum in one of the Company's markets. Advertising revenue increased 6% for the three months ended December 31, 2016, as compared to the corresponding period of fiscal 2016, primarily due to two additional games and higher ratings of the MLB World Series, higher political advertising related to the 2016 elections and additional broadcasts of college football games, including the Pac-12 Championship, partially offset by lower ratings for the broadcast of the National Football League ("NFL") regular season. Advertising revenue remained constant for the six months ended December 31, 2016, as compared to the corresponding period of fiscal 2016, as the increases noted above were offset by lower local advertising resulting from the broadcast of the Rio Olympics on a competitor network, the absence of the Emmy Awards and the Fédération Internationale de Football Association ("FIFA") Women's World Cup events and lower entertainment ratings at FOX.

For the three and six months ended December 31, 2016, Segment OIBDA at the Television segment increased $97 million, or 35%, and $92 million, or 19%, respectively, as compared to the corresponding periods of fiscal 2016, primarily due to the revenue increases noted above partially offset by higher expenses of $105 million, or 7%, and $99 million, or 4%, respectively, as compared to the corresponding periods of fiscal 2016. Operating expenses increased by approximately $125 million for the three and six months ended December 31, 2016, as compared to the corresponding periods of fiscal 2016, primarily due to higher programming rights amortization at FOX, including the NFL, MLB, college football and entertainment programming rights. Also contributing to the increases in operating expenses were higher advertising and promotion costs related to entertainment programming at FOX. The increases in operating expenses noted above were partially offset by a decrease in selling, general and administrative expenses.

Filmed Entertainment (29% and 31% of the Company's consolidated revenues in the first six months of fiscal 2017 and 2016, respectively)

For the three months ended December 31, 2016, revenues at the Filmed Entertainment segment decreased $92 million, or 4%, as compared to the corresponding period of fiscal 2016, primarily due to lower worldwide theatrical revenue partially offset by higher SVOD revenue from television productions. For the six months ended December 31, 2016, revenues at the Filmed Entertainment segment increased $30 million, or 1%, as compared to the corresponding period of fiscal 2016, primarily due to higher SVOD revenue from television productions led by the licensing of Homeland, partially offset by lower worldwide theatrical and home entertainment revenues. For the three and six months ended December 31, 2016, revenues included the worldwide theatrical release of Trolls, the worldwide theatrical and home entertainment performances of Miss Peregrine's Home for Peculiar Children and Independence Day: Resurgence, and the worldwide home entertainment performance of Ice Age: Collision Course, as compared to the corresponding periods of fiscal 2016, which included the worldwide theatrical releases of The Martian and The Peanuts Movie and the worldwide theatrical and home entertainment performance of Maze Runner: The Scorch Trials. For the six months ended December 31, 2016, revenues also included the worldwide theatrical performance of Ice Age: Collision Course.

For the three and six months ended December 31, 2016, Segment OIBDA at the Filmed Entertainment segment increased $87 million, or 29%, and $249 million, or 55% respectively, as compared to the corresponding periods of fiscal 2016, primarily due to lower expenses of $179 million, or 9%, and $219 million, or 6%, respectively, as compared to the corresponding periods of fiscal 2016. Operating expenses decreased by approximately $170 million and $190 million for the three and six months ended December 31, 2016, respectively, as compared to the corresponding periods of fiscal 2016, primarily due to lower marketing costs due to the number and mix of theatrical releases in the current period compared to the prior year combined with lower production amortization and participation costs related to motion picture productions partially offset by higher production amortization related to television productions.

LIQUIDITY AND CAPITAL RESOURCES

Current Financial Condition

The Company's principal source of liquidity is internally generated funds. The Company also has an unused $1.4 billion revolving credit facility, as amended, which expires in May 2020, and has access to various film co-financing alternatives to supplement its cash flows. In addition, the Company has access to the worldwide capital markets, subject to market conditions. As of December 31, 2016, the Company was in compliance with all of the covenants under the revolving credit facility, and it does not anticipate any violation of such covenants. The Company's internally generated funds are highly dependent upon the state of the advertising markets and public acceptance of its film and television productions.

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

In addition to the acquisitions, sales and possible acquisitions disclosed elsewhere, the Company has evaluated, and expects to continue to evaluate, possible acquisitions and dispositions of certain businesses and assets. Such transactions may be material and may involve cash, the Company's securities or the assumption of additional indebtedness (See Note 2 – Acquisitions, Disposals and Other Transactions to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century Fox under the headings "Sky" and "Other").

Sources and Uses of Cash

Net cash provided by operating activities for the six months ended December 31, 2016 and 2015 was as follows (in millions):

For the six months ended December 31,	2016	2015
Net cash provided by operating activities from continuing operations	$1,223	$232

The increase in net cash provided by operating activities during the six months ended December 31, 2016, as compared to the corresponding period of fiscal 2016, primarily reflects higher operating results and the absence of the CLT20 contract termination costs (See Note 5 – Restructuring Programs in the 2016 Form 10-K under the heading "Fiscal 2015").

Net cash used in investing activities for the six months ended December 31, 2016 and 2015 was as follows (in millions):

For the six months ended December 31,	2016	2015
Net cash used in investing activities from continuing operations	$(250)	$(1,300)

The decrease in net cash used in investing activities during the six months ended December 31, 2016, as compared to the corresponding period of fiscal 2016, was primarily due to the comparative effect of the cash used for the National Geographic Partners and MAA Television Network transactions in fiscal 2016 (See Note 2 – Acquisitions, Disposals and Other Transactions to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century

Fox under the heading “Fiscal 2016”).

Net cash used in financing activities for the six months ended December 31, 2016 and 2015 was as follows (in millions):

For the six months ended December 31,	2016	2015
Net cash used in financing activities from continuing operations	$(811)	$(2,987)

The decrease in net cash used in financing activities during the six months ended December 31, 2016, as compared to the corresponding period of fiscal 2016, was primarily due to fewer shares repurchased partially offset by a decrease in net borrowings.

Stock Repurchase Program

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

Debt Instruments

The following table summarizes cash from borrowings and cash used in repayment of borrowings for the six months ended December 31, 2016 and 2015.

	For the six months ended December 31,	
	2016	2015
	(in millions)	
Borrowings		
Notes due 2026 and 2046[(a)]	$ 842	$ -
Notes due 2025 and 2045	-	987
Bank loans[(b)]	37	137
Total borrowings	$ 879	$ 1,124
Repayment of borrowings		
Notes due October 2016[(a)]	$ (400)	$ -
Notes due October 2015	-	(200)
Bank loans[(b)]	(146)	(239)
	-	
Total repayment of borrowings	$ (546)	$ (439)

(a) See Note 6 – Borrowings to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century Fox under the headings “Senior Notes Issued” and “Senior Notes Retired”.

(b) The fiscal 2017 borrowings and repayments were related to the Yankees Entertainment and Sports Network (the “YES Network”) secured revolving credit facility. The fiscal 2016 activity includes $137 million in borrowings and $217 million in repayments under the YES Network secured revolving credit facility.

Ratings of the public debt

The table below summarizes the Company’s credit ratings as of December 31, 2016.

Rating Agency	Senior Debt	Outlook
Moody's	Baa1	Stable
Standard & Poor's[(a)]	BBB+	Watch negative

(a) Standard & Poor’s changed the outlook of the company’s public debt from Stable to Watch negative in December 2016 following the Company’s announcement of the proposed Sky acquisition (See Note 2 – Acquisitions, Disposals and Other Transactions to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century Fox under the heading “Sky”).

Revolving Credit Agreement

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

Bridge Credit Agreement

See Note 2 – Acquisitions, Disposals and Other Transactions to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century Fox under the heading “Sky”.

Commitments, Contingent Guarantees and Contingencies

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

Recent Accounting Pronouncements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

Foreign Currency Exchange Rates

The U.S. dollar is the functional currency of the Company's U.S. operations and continues to be the principal currency in which the Company conducts its operations. For operations outside the U.S., the respective local currency is generally the functional currency. In most regions where the Company operates, the net earnings of wholly owned subsidiaries are reinvested locally and working capital requirements are met from existing liquid funds. To the extent such funds are not sufficient to meet working capital requirements, draw downs in the appropriate local currency are available from intercompany borrowings. The Company uses foreign currency forward contracts, primarily denominated in Canadian dollars, Pounds Sterling, Brazilian Reals and Euros to hedge certain exposures to foreign currency exchange rate risks associated with revenues, the cost of producing or acquiring films and television programming as well as its investment in certain equity method investments. Subsequent to December 31, 2016, the Company has purchased foreign currency exchange options to limit its foreign currency exchange rate risk in connection with the proposed Sky plc acquisition (See Note 2 – Acquisitions, Disposals and Other Transactions to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century Fox under the heading "Sky"). Information on the derivative financial instruments with exposure to foreign currency exchange rate risk is presented below:

	As of December 31, 2016	As of June 30, 2016
	(in millions)	
Notional Amount (Foreign currency purchases and sales)		
Foreign currency purchases	$201	$152
Foreign currency sales	86	301
Aggregate notional amount	$287	$453
Notional Amount (Hedge type)		
Cash flow hedges	$248	$409
Economic hedges	39	44
Aggregate notional amount	$287	$453
Fair Value		
Total fair value of financial instruments with foreign currency exchange rate risk: liability	$(21)	$(25)

Sensitivity Analysis		
Potential change in fair values resulting from a 10% adverse change in quoted foreign currency exchange rates: loss	$(12)	$(15)

Interest Rates

The Company's current financing arrangements and facilities include approximately $18.7 billion of outstanding fixed-rate debt and, at the Yankees Entertainment and Sports Network, approximately $1.3 billion of outstanding variable-rate bank debt, before adjustments for unamortized discount and debt issuance costs. As of December 31, 2016, the notional amount of interest rate swap contracts outstanding was $690 million and the fair value of the interest rate swap contracts outstanding was a liability of $2 million.

Fixed and variable-rate debts are impacted differently by changes in interest rates. A change in the interest rate or yield of fixed-rate debt will only impact the fair market value of such debt, while a change in the interest rate of variable-rate debt will impact interest expense, as well as the amount of cash required to service such debt. As of December 31, 2016, all of the Company's financial instruments with exposure to interest rate risk were denominated in U.S. dollars. Information on financial instruments with exposure to interest rate risk is presented below:

	As of December 31, 2016	As of June 30, 2016
	(in millions)	
Fair Value		
Total fair value of financial instruments with exposure to interest rate risk: liability[a]	$(23,037)	$(24,005)
Sensitivity Analysis		
Potential change in fair values resulting from a 10% adverse change in quoted interest rates: loss	$(894)	$(805)

[a] The change in the fair values of the Company's financial instruments with exposure to interest rate risk is primarily due to the effect of changes in interest rates partially offset by higher average debt outstanding.

Stock Prices

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

	As of December 31, 2016	As of June 30, 2016
	(in millions)	
Fair Value		
Total fair value of common stock investments	$8,228	$7,596
Sensitivity Analysis		
Potential change in fair values resulting from a 10% adverse change in quoted market prices: loss[a]	$(823)	$(760)

[a] A hypothetical decrease would not result in a material before tax adjustment recognized in the Unaudited Consolidated Statements of Operations, as any changes in fair value of the Company's equity method affiliates are

not recognized unless the fair value declines below the investment's carrying value and the decline is deemed other-than-temporary.

Concentrations of Credit Risk

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

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

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

(b) Internal Control Over Financial Reporting

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

PART II

ITEM 1. LEGAL PROCEEDINGS
Shareholder Litigation

Southern District of New York

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

Other

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

ITEM 1A. RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company has significant operations in a number of foreign jurisdictions and certain of the Company operations are conducted in foreign currencies. The Company has acquired and may in the future acquire assets and businesses using foreign currencies. The value of these currencies fluctuates relative to the U.S. dollar. For example, in fiscal 2016, the U.S. dollar appreciated in relation to the Euro, the Canadian dollar, the Mexican Peso, the Brazilian Real, the Indian Rupee and the Pound Sterling. As a result, the Company is exposed to exchange rate fluctuations, which could have an adverse effect on its cash flows and results of operations in a given period or in specific markets. As part of the Proposed Sky Acquisition, the Company will be obligated to pay the Sky shareholders cash consideration in Pounds Sterling thereby increasing the Company's exposure to exchange rate fluctuations for Pounds Sterling. Even though the Company uses foreign currency derivative instruments to hedge certain exposures to foreign currency exchange rate risks, and has purchased foreign currency exchange options to limit its foreign currency exchange rate risk in connection with the Proposed Sky Acquisition, the use of such derivative instruments may not be effective in reducing the adverse financial effects of unfavorable movements in foreign exchange rates. In addition, countries where we have operations, including in Latin America, may be classified in the future to be highly inflationary economies, requiring special accounting and financial reporting treatment for such operations.

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

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

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

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

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

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

The Company owns broadcast station licensees in connection with its ownership and operation of U.S. television stations. Under U.S. law, no broadcast station licensee may be owned by a corporation if more than 25% of its stock is owned or voted by non-U.S.

persons, their representatives, or by any other corporation organized under the laws of a foreign country. The Company's Restated Certificate of Incorporation authorizes the Board of Directors to prevent, cure or mitigate the effect of stock ownership above the applicable foreign ownership threshold by taking any action including: refusing to permit any transfer of common stock to or ownership of common stock by a non-U.S. stockholder; voiding a transfer of common stock to a non-U.S. stockholder; suspending rights of stock ownership if held by a non-U.S. stockholder; or redeeming common stock held by a non-U.S. stockholder. The Company is currently in compliance with applicable U.S. law and continues to monitor its foreign ownership based on its assessment of the information reasonably available to it, but it is not able to predict whether it will need to take action pursuant to its Restated Certificate of Incorporation. The FCC could review the Company's compliance with applicable U.S. law in connection with its consideration of the Company's renewal applications for licenses to operate the broadcast stations the Company owns.

The Company Could Be Subject to Significant Additional Tax Liabilities.

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

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

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

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

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

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

Increased volatility and disruptions in the financial markets could make it more difficult and more expensive for the Company to refinance outstanding indebtedness and obtain new financing, including financing for the Proposed Sky Acquisition. While the Company has entered into the Bridge Credit Agreement, we intend to obtain permanent financing in the capital markets to fund a portion of the purchase price for the Proposed Sky Acquisition in lieu of utilizing funds available under the Bridge Credit Agreement, but we cannot guarantee that the Company will obtain such permanent financing on terms that are acceptable to the Company or at all. If we are not successful in obtaining permanent financing due to market conditions or other factors and utilize funds under the Bridge Credit Agreement, we will incur significantly higher borrowing costs, which may have a significant adverse impact on our business. See Note 2 – Acquisitions, Disposals and Other Transactions to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century Fox under the heading “Sky”.

Disruptions in the financial markets can also adversely affect the Company’s lenders, insurers, customers and counterparties, including vendors, retailers and film co-financing partners. For instance, the inability of the Company’s counterparties to obtain capital on acceptable terms could impair their ability to perform under their agreements with the Company and lead to negative effects on the Company, including business disruptions, decreased revenues and increases in bad debt expenses.

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

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

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

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

The Company’s Pending Acquisition of Sky Involves a Number of Risks, including, among others, the Risk that the Proposed Sky Acquisition is Not Completed on a Timely Basis, or at All, and Risks Associated with the Company’s Use of a Significant Portion of its Cash and Taking on Significant Additional Indebtedness

The Proposed Sky Acquisition is subject to the satisfaction (or waiver) of certain pre-conditions (including the receipt of certain regulatory approvals from the European Commission on terms satisfactory to the Company and, if either a European intervention notice or an intervention notice has been issued under UK law, approval of the UK Secretary of State), and of certain conditions (including the sanction of the scheme of arrangement to implement the Proposed Sky Acquisition by the High Court of Justice of England and Wales and the approval of Sky’s shareholders, as well as the receipt of various other antitrust and foreign investment approvals, other regulatory consents and waivers and the scheme of arrangement becoming effective by October 15, 2018).

The Company cannot predict with certainty whether and when any of the pre-conditions or conditions will be satisfied. If the Proposed Sky Acquisition does not receive, or timely receive, the required regulatory approvals and clearances and shareholder approval, such delay or failure to complete the acquisition and the acquisition process may cause uncertainty or other negative consequences, including, in the event that certain regulatory approvals are not obtained prior to August 15, 2018, or in certain other circumstances described in the Co-Operation Agreement, the payment of a £200 million break fee payable in cash by the Company, that may materially and adversely affect the

Company’s business, financial condition and results of operations and, the price per share for the Company’s common stock could be negatively impacted. If regulatory authorities seek to impose any material conditions in connection with granting any approvals required to complete the Proposed Sky Acquisition, our business and results of operations may be adversely affected.

In addition, the Proposed Sky Acquisition will require the use of a significant portion of the Company’s cash and increase the amount of debt on the Company’s balance sheet leading to substantial additional interest expense. These factors could limit the Company’s flexibility to respond to changing business and economic conditions and reduce funds available for working capital, capital expenditures, acquisitions and other general corporate purposes. If the Proposed Sky Acquisition is completed but the financial performance of the Company after the acquisition does not meet management’s current expectations, the Company’s ability to reduce its level of indebtedness may be adversely impacted. More information regarding risks related to financing the Proposed Sky Acquisition is set forth above in the risk factor describing the Company’s exposure to risks associated with weak domestic and global economic conditions and increased volatility and disruption in the financial markets.

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

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

As of December 31, 2016, the Company's remaining buyback authorization was approximately $3.1 billion representing approximately $110 million under the fiscal 2016 authorization and $3 billion under the fiscal 2017 authorization.

Below is a summary of the Company's repurchases of its Class A Common Stock during the three months ended December 31, 2016:

	Total number of shares repurchased	Average price per share	Total cost of repurchase (in millions)
October	304,887	$ 22.96	$ 7
November	3,125,772	27.83	87
December	1,371,174	27.71	38
Total	4,801,833		$ 132

The Company did not repurchase any of its Class B Common Stock during the three months ended December 31, 2016.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

46

ITEM 6. EXHIBITS
(a) Exhibits.

2.1 Co-Operation Agreement between Twenty-First Century Fox, Inc. and Sky plc, dated December 15, 2016. (Incorporated by reference to Exhibit 2.1 to the Current Report of the Registrant on Form 8-K (File No. 001-32352) filed with the Securities and Exchange Commission on December 16, 2016.)

4.1 Registration Rights Agreement, dated as of November 18, 2016, by and among 21st Century Fox America, Inc., Twenty-First Century Fox, Inc. and J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Goldman, Sachs & Co. and Morgan Stanley & Co. LLC.*

4.2 Form of Notes representing $450,000,000 principal amount of 3.375% Senior Notes due 2026, dated November 18, 2016.*

4.3 Form of Notes representing $400,000,000 principal amount of 4.750% Senior Notes due 2046, dated November 18, 2016.*

10.1 Bridge Credit Agreement, dated as of December 15, 2016, among 21st Century Fox America, Inc. as borrower, Twenty-First Century Fox, Inc. as parent guarantor, the lenders party thereto, Goldman Sachs Bank USA, Deutsche Bank AG Cayman Islands Branch and J.P. Morgan Europe Limited as co-administrative agents, J.P. Morgan Europe Limited as designated agent, Goldman Sachs Bank USA, Deutsche Bank Securities Inc. and JPMorgan Chase Bank, N.A. as joint lead arrangers and joint bookrunners and the other parties from time to time party thereto. (Incorporated by reference to Exhibit 10.1 to the Current Report of the Registrant on Form 8-K (File No. 001-32352) filed with the Securities and Exchange Commission on December 16, 2016.)

10.2 Letter Agreement, dated December 19, 2016, between 21st Century Fox America, Inc. and David F. DeVoe.*

10.3 Form of First Amendment, dated as of December 22, 2016, to the Amended and Restated Credit Agreement, dated as of May 21, 2015, by and among, 21st Century Fox America, Inc., Twenty-First Century Fox, Inc., and the lenders and issuing banks party thereto, JPMorgan Chase Bank, N.A. and Citibank, N.A. as co-administrative agents, JPMorgan Chase Bank, N.A. as designated agent, Bank of America, N.A. as syndication agent, J.P. Morgan Securities LLC, Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated as joint lead arrangers and joint bookrunners and Deutsche Bank Securities Inc. and Goldman Sachs Bank USA, as co-documentation agents. (Incorporated by reference to Exhibit 10.1 to the Current Report of the Registrant on Form 8-K (File No. 001-32352) filed with the Securities and Exchange Commission on December 22, 2016.)

12.1 Ratio of Earnings to Fixed Charges.*

31.1 Chief Executive Officer Certification required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended.*

31.2 Chief Financial Officer Certification required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended.*

32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes Oxley Act of 2002.**

101 The following financial information from the Company’s Quarterly Report on Form 10-Q for the quarter ended December 31, 2016 formatted in eXtensible Business Reporting Language: (i) Unaudited Consolidated Statements of Operations for the three and six months ended December 31, 2016 and 2015; (ii) Unaudited Consolidated Statements of Comprehensive Income for the three and six months ended December 31, 2016 and 2015; (iii) Consolidated Balance Sheets as of December 31, 2016 (unaudited) and June 30, 2016 (audited); (iv) Unaudited Consolidated Statements of Cash Flows for the six months ended December 31, 2016 and 2015; and (v) Notes to the Unaudited Consolidated Financial Statements.*

* Filed herewith.
** Furnished herewith.

SIGNATURE

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

TWENTY-FIRST CENTURY FOX, INC.
(Registrant)

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

Date: February 8, 2017