NEWS CORP
Form 10-Q
November 09, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2012**

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

NEWS CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware	**26-0075658**
(State or Other Jurisdiction	**(I.R.S. Employer**

of Incorporation or Organization)	**Identification No.)**
1211 Avenue of the Americas, New York, New York	**10036**
(Address of Principal Executive Offices)	**(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 x 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 x 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 x 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 x

As of October 26, 2012, 1,546,011,394 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.

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UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	For the three months ended September 30, 2012	2011
Revenues	$ 8,136	$ 7,959
Operating expenses	(4,848)	(4,753)
Selling, general and administrative	(1,610)	(1,527)
Depreciation and amortization	(300)	(294)
Impairment and restructuring charges	(152)	(91)
Equity earnings of affiliates	190	121
Interest expense, net	(267)	(258)
Interest income	31	36
Other, net	1,375	(130)
Income before income tax expense	2,555	1,063
Income tax expense	(259)	(277)
Net income	2,296	786
Less: Net income attributable to noncontrolling interests	(63)	(48)
Net income attributable to News Corporation stockholders	$ 2,233	$ 738
Weighted average shares:		
Basic	2,366	2,607
Diluted	2,370	2,612
Net income attributable to News Corporation stockholders per share:		
Basic	$ 0.94	$ 0.28
Diluted	$ 0.94	$ 0.28

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

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NEWS CORPORATION

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(IN MILLIONS)

	For the three months ended September 30, 2012	2011
Net income	$ 2,296	$ 786
Other comprehensive income (loss):		
Foreign currency translation adjustments	279	(1,216)
Unrealized holding losses on securities	(1)	(122)
Benefit plan adjustments	14	14
Other comprehensive income (loss)	292	(1,324)
Comprehensive income (loss)	2,588	(538)
Less: Net income attributable to noncontrolling interests[(a)]	(63)	(48)
Less: Other comprehensive income attributable to noncontrolling interests	(1)	9
Comprehensive income (loss) attributable to News Corporation stockholders	$ 2,524	$ (577)

[(a)] Net income attributable to noncontrolling interests includes $22 million and $7 million relating to redeemable noncontrolling interests for the three months ended September 30, 2012 and 2011, respectively.

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

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CONSOLIDATED BALANCE SHEETS

(IN MILLIONS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	As of September 30, 2012 (unaudited)	As of June 30, 2012 (audited)
Assets:		
Current assets:		
Cash and cash equivalents	$ 12,007	$ 9,626
Receivables, net	6,634	6,608
Inventories, net	2,856	2,595
Other	770	619
Total current assets	22,267	19,448
Non-current assets:		
Receivables	464	387
Investments	4,725	4,968
Inventories, net	4,835	4,596
Property, plant and equipment, net	5,830	5,814
Intangible assets, net	7,128	7,133
Goodwill	13,190	13,174
Other non-current assets	1,237	1,143
Total assets	$ 59,676	$ 56,663
Liabilities and Equity:		
Current liabilities:		
Borrowings	$ 273	$ 273
Accounts payable, accrued expenses and other current liabilities	5,615	5,405
Participations, residuals and royalties payable	1,862	1,691
Program rights payable	1,292	1,368
Deferred revenue	1,003	880
Total current liabilities	10,045	9,617
Non-current liabilities:		
Borrowings	16,184	15,182
Other liabilities	3,693	3,650
Deferred income taxes	2,329	2,388
Redeemable noncontrolling interests	648	641
Commitments and contingencies		
Equity:		
Class A common stock[a]	15	15
Class B common stock[b]	8	8
Additional paid-in capital	16,016	16,140
Retained earnings and accumulated other comprehensive income	10,225	8,521
Total News Corporation stockholders equity	26,264	24,684
Noncontrolling interests	513	501

Total equity		26,777		25,185
Total liabilities and equity	$	59,676	$	56,663

(a) **Class A common stock**, $0.01 par value per share, 6,000,000,000 shares authorized, 1,555,194,481 shares and 1,584,519,372 shares issued and outstanding, net of 1,775,950,044 and 1,775,983,637 treasury shares at par at September 30, 2012 and June 30, 2012, 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 313,721,702 treasury shares at par at September 30, 2012 and June 30, 2012.

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

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UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN MILLIONS)

	For the three months ended September 30, 2012	2011
Operating activities:		
Net income	$ 2,296	$ 786
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	300	294
Amortization of cable distribution investments	21	24
Equity earnings of affiliates	(190)	(121)
Cash distributions received from affiliates	18	64
Impairment charges	35	
Other, net	(1,375)	130
Change in operating assets and liabilities, net of acquisitions:		
Receivables and other assets	(164)	(275)
Inventories, net	(465)	(537)
Accounts payable and other liabilities	234	59
Net cash provided by operating activities	710	424
Investing activities:		
Property, plant and equipment, net of acquisitions	(176)	(248)
Acquisitions, net of cash acquired	(227)	(67)
Investments in equity affiliates	69	(34)
Other investments	(30)	(78)
Proceeds from dispositions	1,825	334
Net cash provided by (used in) investing activities	1,461	(93)
Financing activities:		
Borrowings	988	
Repayment of borrowings		(32)
Issuance of shares	111	12
Repurchase of shares	(877)	(1,272)
Dividends paid	(52)	(23)
Other, net	9	
Net cash provided by (used in) financing activities	179	(1,315)
Net increase (decrease) in cash and cash equivalents	2,350	(984)
Cash and cash equivalents, beginning of year	9,626	12,680
Exchange movement on opening cash balance	31	(267)
Cash and cash equivalents, end of year	$ 12,007	$ 11,429

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

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NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

News Corporation, a Delaware corporation, with its subsidiaries (together, News Corporation or the Company), is a diversified global media company, which manages and reports its businesses in six segments: Cable Network Programming, Filmed Entertainment, Television, Direct Broadcast Satellite Television, Publishing and Other.

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments consisting only of normal recurring adjustments necessary for a fair presentation have been reflected in these unaudited consolidated financial statements. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2013.

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, 2012 as filed with the Securities and Exchange Commission (SEC) on August 14, 2012 and as amended on October 1, 2012 (the 2012 Form 10-K).

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

The Company has an investment in Sky Deutschland AG (Sky Deutschland) which it considers a variable interest entity (VIE). The Company s aggregate risk of loss related to this investment was approximately $510 million and $515 million as of September 30, 2012 and June 30, 2012, respectively, which consisted of debt and equity securities and a loan. (See Note 6 Investments)

The Company also has a consolidated investment in a VIE; however, the assets, liabilities, net income and cash flows attributable to this entity were not material to the Company in any of the periods presented.

The preparation of consolidated financial statements in conformity with GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

The Company s fiscal year ends on the Sunday closest to June 30. Fiscal 2013 and fiscal 2012 include 52 weeks. All references to September 30, 2012 and September 30, 2011 relate to the three months ended September 30, 2012 and October 2, 2011, respectively. For convenience purposes, the Company continues to date its financial statements as of September 30.

Certain fiscal 2012 amounts have been reclassified to conform to the fiscal 2013 presentation.

Recently Adopted and Recently Issued Accounting Guidance

Adopted

In the first quarter of fiscal 2013, the Company adopted Accounting Standards Update (ASU) 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income, (ASU 2011-05) which requires an entity to present total comprehensive income, the components of net income and the components of other comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. The adoption of ASU 2011-05 resulted in two separate but consecutive statements.

In the first quarter of fiscal 2013, the Company adopted ASU 2011-08, Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment (ASU 2011-08). Under ASU 2011-08 the Company has the option to make a qualitative assessment of whether it is more likely than not that a reporting unit s fair value is less than its carrying value before applying the two-step goodwill impairment model that is currently in place. If it is determined through the qualitative assessment that a reporting unit s fair value is more likely than not greater than its carrying value, the remaining impairment steps would be unnecessary.

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Issued

In July 2012, the Financial Accounting Standards Board (FASB) issued ASU 2012-02, Intangibles Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment (ASU 2012-02), which permits an entity to make a qualitative assessment of whether it is more likely than not that the fair value of a reporting unit s indefinite-lived intangible asset is less than the asset s carrying value before applying the two-step goodwill impairment model that is currently in place. If it is determined through the qualitative assessment that the fair value of a reporting unit s indefinite-lived intangible asset is more likely than not greater than the asset s carrying value, the remaining impairment steps would be unnecessary. The qualitative assessment is optional, allowing companies to go directly to the quantitative assessment. ASU 2012-02 is effective for the Company for annual and interim indefinite-lived intangible asset impairment tests performed beginning July 1, 2013, however, early adoption is permitted. The Company is currently evaluating the impact ASU 2012-02 will have on its consolidated financial statements.

In October 2012, the FASB issued ASU 2012-07, Accounting for Fair Value Information That Arises after the Measurement Date and Its Inclusion in the Impairment Analysis of Unamortized Film Costs (ASU 2012-07), which would have the effect of incorporating into the fair value measurement used for the impairment analysis of unamortized film costs only information that is known or knowable as of the measurement date, consistent with how information is incorporated into other fair value measurements. ASU 2012-07 is effective for the Company for impairment assessments performed on or after December 15, 2012. The Company is currently evaluating the impact ASU 2012-07 will have on its consolidated financial statements.

NOTE 2. ACQUISITIONS, DISPOSALS AND OTHER TRANSACTIONS

Fiscal 2013

Acquisitions

In July 2012, the Company acquired Thomas Nelson, Inc. (Thomas Nelson), one of the leading Christian book publishers in the United States, for approximately $200 million in cash. In accordance with Accounting Standards Codification (ASC) 350, Intangibles Goodwill and Other, the purchase price has been preliminarily allocated to intangibles. The amount allocated to intangibles is subject to change pending the completion of final valuations of certain assets and liabilities. A change in the purchase price allocation and any estimates of useful lives could result in a change in the value allocated to the intangible assets that could impact future amortization expense.

In August 2012, the Company entered into an agreement to acquire a 51% equity interest in Eredivisie Media & Marketing CV (EMM). EMM is a media company based in the Netherlands which holds the Dutch Premier League soccer rights and operates several channels in the Netherlands. EMM is owned by the 18 Dutch Premier League soccer clubs and the global TV production company Endemol. The acquisition is subject to regulatory clearances and other customary closing conditions.

In November 2012, the Company acquired the remaining 50% interest in ESPN STAR Sports (ESS) it did not already own for approximately $335 million in cash. ESS is the leading sports broadcaster in Asia and the Company now, through its wholly owned subsidiaries, owns 100% of ESS. Accordingly, the results of ESS will be included in the Company s consolidated results of operations in November 2012.

Other

In July 2011, the Company announced that it would close its publication, *The News of the World*, after allegations of phone hacking and payments to public officials. As a result of management s approval of the shutdown of *The News of the World*, the Company has reorganized portions of the U.K. newspaper business and has recorded restructuring charges in fiscal 2013 and 2012 primarily for termination benefits and certain organizational restructuring at the U.K. newspapers. (See Note 4 Restructuring Programs) The Company is subject to several ongoing investigations by U.K. and U.S. regulators and governmental authorities, including investigations into whether similar conduct may have occurred at the Company s subsidiaries outside of the U.K. The Company is cooperating with these investigations. In addition, the Company has admitted liability in a number of civil cases related to the phone hacking allegations and has settled a number of cases. The Company created an independently-chaired Management & Standards Committee (the MSC), which operates independently from NI Group Limited (News International) and has full authority to ensure cooperation with all relevant investigations and inquiries into *The News of the World* matters and all other related

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

issues across News International. The MSC conducts its own internal investigation where appropriate. The MSC has an independent Chairman, Lord Grabiner QC, and reports directly to Gerson Zweifach, Senior Executive Vice President and Group General Counsel of the Company. Mr. Zweifach reports to the independent members of the Board of Directors (the Board) through their representative Viet Dinh, an independent director and Chairman of the Company s Nominating and Corporate Governance Committee. The independent directors of the Board have retained independent outside counsel and are actively engaged in these matters. The MSC conducted an internal investigation of the three other titles at News International and engaged independent outside counsel to advise it on these investigations and all other matters it handles. News International has instituted governance reforms and issued certain enhanced policies to its employees. The Company has also engaged independent outside counsel to assist it in responding to U.S. governmental inquiries. (See Note 13 Commitments and Contingencies for a summary of the costs of *The News of the World* Investigations and Litigation.)

In May 2012, the Company renewed its existing FOX affiliation agreement with a major FOX affiliate group (Network Affiliate). As part of the transaction, the Company received a one-time payment of $25 million and an option to buy Network Affiliate s stations in any three of four markets or, if such option is not exercised, receive an additional $25 million cash payment. Further, Network Affiliate has an option to buy the Company s Baltimore station. Both options may be exercised at any time through March 30, 2013. Network Affiliate has exercised its option to purchase the Baltimore station.

In June 2012, the Company announced that it intends to pursue the separation of its publishing and its media and entertainment businesses into two distinct publicly traded companies. The global publishing company that would be created through the proposed transaction would consist of the Company s publishing businesses, its education division and other Australian assets. The global media and entertainment company would consist of the Company s cable and television assets, filmed entertainment, and direct satellite broadcasting businesses. Following the separation, each company would maintain two classes of common stock: Class A Common and Class B Common Voting Shares. The separation is expected to be completed in approximately one year from the date of announcement. In addition to final approval from the Board and stockholder approval, the completion of the separation will be subject to receipt of regulatory approvals, opinions from tax counsel and favorable rulings from certain tax jurisdictions regarding the tax-free nature of the transaction to the Company and to its stockholders, further due diligence as appropriate, and the filing and effectiveness of appropriate filings with the SEC.

At the end of fiscal 2012, the Company identified certain businesses as held for sale and reclassified the net assets to other current assets. In the three months ended September 30, 2012, as a result of revised projections, the Company recorded a $35 million non-cash impairment charge related to its assets held for sale to reduce the carrying value of these assets to fair value less cost to sell. The assets, liabilities and cash flows attributable to these businesses were not material to the Company in any of the periods presented and, accordingly, have not been presented separately.

Fiscal 2012

Acquisitions

In December 2011, the Company acquired the 67% equity interest it did not already own in Fox Pan American Sports LLC (FPAS) for approximately $400 million. FPAS, an international sports programming and production entity, which owns and operates Fox Sports Latin America network, a Spanish and Portuguese-language sports network distributed to subscribers in certain Caribbean and Central and South American nations, and partially through its ownership in FPAS, a 53% interest in Fox Deportes, a Spanish-language sports programming service distributed in the United States. As a result of this transaction, the Company now owns 100% of FPAS and Fox Deportes. Accordingly, the results of FPAS are included in the Company s consolidated results of operations beginning in December 2011.

The FPAS acquisition was accounted for in accordance with ASC 805, Business Combinations, which requires an acquirer to remeasure its previously held equity interest in an acquiree at its acquisition date fair value and recognize the resulting gain or loss in earnings. The carrying amount of the Company s previously held equity interest in FPAS was revalued to fair value at the acquisition date, resulting in a non-taxable gain of approximately $158 million which was included in Other, net in the consolidated statements of operations for the fiscal year ended June 30, 2012. In accordance with ASC 350 the excess purchase price preliminarily allocated to goodwill will not be amortized for the FPAS acquisition. The amount allocated to goodwill is subject to change pending the completion of final valuations of certain assets and liabilities. A future reduction in goodwill for additional value to be assigned to identifiable finite-lived intangible assets or tangible assets could reduce future earnings as a result of additional amortization.

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In May 2012, the Company acquired an approximate 23% interest in Latin America Pay Television (LAPTV), a partnership that distributes premium and basic television channels in Latin America, for approximately $64 million in cash. As a result of this transaction, the Company increased its interest in LAPTV to approximately 78% from the 55% it owned at June 30, 2011.

Disposals

In July 2011, the Company sold its majority interest in its outdoor advertising businesses in Russia and Romania (News Outdoor Russia) for cash consideration of approximately $360 million. In connection with the sale, the Company repaid $32 million of News Outdoor Russia debt. (See Note 9 Borrowings) The Company recorded a gain related to the sale of this business, which was included in Other, net in the unaudited consolidated statements of operations for the three months ended September 30, 2011. The gain on the sale and the net income, assets, liabilities and cash flow attributable to the News Outdoor Russia operations were not material to the Company in any of the periods presented and, accordingly, have not been presented separately.

In May 2012, the Company sold its former U.K. newspaper division headquarters located in East London, which it relocated from in August 2010, for consideration of approximately £150 million, of which £25 million was received on closing of the sale. The remaining £125 million is in the form of a secured note and the Company will receive £25 million on May 31, 2013, and annually thereafter until May 31, 2017. The Company recorded a loss of approximately $22 million on this transaction, which was included in Other, net in the consolidated statements of operations for the fiscal year ended June 30, 2012.

Other

In fiscal 2012, the Company entered into an asset acquisition agreement with a third party in exchange for a noncontrolling ownership interest in one of the Company s majority-owned Regional Sports Networks (RSN). The noncontrolling shareholder has a put option related to its ownership interest that is exercisable beginning in fiscal 2015. Since redemption of the noncontrolling interest is outside of the control of the Company, the Company has accounted for this put option in accordance with ASC 480-10-S99-3A, Distinguishing Liabilities from Equity (ASC 480-10-S99-3A), and has recorded the put option at its fair value as a redeemable noncontrolling interest in the consolidated balance sheets.

NOTE 3. RECEIVABLES, NET

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

The Company has receivables with original maturities greater than one year in duration principally related to the Company s sale of program rights in the television syndication markets within the Filmed Entertainment segment. Allowances for credit losses are established against these non-current receivables as necessary. As of September 30, 2012 and June 30, 2012, these allowances were not material.

Receivables, net consisted of:

	At September 30, 2012	At June 30, 2012
	(in millions)	
Total receivables	$ 8,072	$ 7,981
Allowances for returns and doubtful accounts	(974)	(986)

Total receivables, net	7,098	6,995
Less: current receivables, net	(6,634)	(6,608)
Non-current receivables, net	$ 464	$ 387

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NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. RESTRUCTURING PROGRAMS

Fiscal 2013

During the three months ended September 30, 2012, the Company recorded restructuring charges of $117 million, of which $112 million related to the newspaper businesses. The restructuring charges primarily relate to the reorganization of the Australian newspaper businesses which was announced at the end of fiscal 2012 and the continued reorganization of the U.K. newspaper business. The restructuring charges recorded in the first quarter of fiscal 2013 are primarily for termination benefits in Australia and contract termination payments in the U.K.

Fiscal 2012

During the three months ended September 30, 2011, the Company recorded restructuring charges of $91 million, of which $88 million related to the newspaper businesses. The Company reorganized portions of the U.K. newspaper business and recorded restructuring charges in the first quarter of fiscal 2012 primarily for termination benefits as a result of the shutdown of *The News of the World* and certain organizational restructurings at other newspapers.

Changes in the program liabilities were as follows:

	For the three months ended September 30,							
	2012				2011			
	One time termination benefits	Facility related costs	Other costs	Total	One time termination benefits	Facility related costs	Other costs	Total
	(in millions)							
Balance, beginning of period	$ 64	$ 185	$	$ 249	$ 27	$ 207	$	$ 234
Additions	64	2	51	117	74	3	14	91
Payments	(77)	(8)	(49)	(134)	(22)	(10)	(10)	(42)
Other			(1)	(1)	(5)	1	(3)	(7)
Balance, end of period	$ 51	$ 179	$ 1	$ 231	$ 74	$ 201	$ 1	$ 276

The Company expects to record an additional $65 million of restructuring charges, principally related to accretion on facility termination obligations through fiscal 2021 and additional termination benefits related to the newspaper businesses. At September 30, 2012, restructuring liabilities of approximately $82 million and $149 million were included in the consolidated balance sheets in other current liabilities and other liabilities, respectively. Amounts included in other liabilities primarily relate to facility termination obligations, which are expected to be paid through fiscal 2021.

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NOTE 5. INVENTORIES

The Company s inventories were comprised of the following:

	At September 30, 2012	At June 30, 2012
	(in millions)	
Programming rights	$ 4,527	$ 4,285
Books, DVDs, Blu-rays, paper and other merchandise	404	348
Filmed entertainment costs:		
Films:		
Released (including acquired film libraries)	755	846
Completed, not released	14	135
In production	756	502
In development or preproduction	141	140
	1,666	1,623
Television productions:		
Released (including acquired libraries)	582	561
In production	506	370
In development or preproduction	6	4
	1,094	935
Total filmed entertainment costs, less accumulated amortization[a]	2,760	2,558
Total inventories, net	7,691	7,191
Less: current portion of inventory, net[b]	(2,856)	(2,595)
Total noncurrent inventories, net	$ 4,835	$ 4,596

(a) Does not include $389 million and $397 million of net intangible film library costs as of September 30, 2012 and June 30, 2012, respectively, which are included in intangible assets subject to amortization in the consolidated balance sheets.

(b) Current inventory as of September 30, 2012 and June 30, 2012 is comprised of programming rights ($2,484 million and $2,279 million, respectively), books, DVDs, Blu-rays, paper and other merchandise.

NOTE 6. INVESTMENTS

The Company s investments were comprised of the following:

	Ownership Percentage	At September 30,	At June 30,

			2012	2012
			(in millions)	
Equity method investments:				
British Sky Broadcasting Group plc[a]	U.K. DBS operator	39%	$ 1,896	$ 1,710
Sky Network Television Ltd.[a]	New Zealand media company	44%	399	390
Sky Deutschland[a]	German pay-TV operator	49.9%	223	231
NDS Group Limited[b]	Digital technology company	%		492
Other equity method investments		various	954	904
Fair value of available-for-sale investments[c]		various	572	561
Other investments		various	681	680
Total Investments			$ 4,725	$ 4,968

[a] The market value of the Company s investment in British Sky Broadcasting Group plc (BSkyB), Sky Deutschland and Sky Network Television Ltd., of $7,783 million, $1,559 million and $719 million at September 30, 2012, respectively, were valued using quoted market prices.

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(b) In July 2012, the Company sold its 49% investment in NDS Group Limited (NDS) and the investment basis in NDS did not change significantly from June 30, 2012. See Other section below for more information on this transaction.

(c) Includes investments in publicly traded common stock, which were valued using quoted market prices, and the convertible bond issued by Sky Deutschland, which consists of the host and derivative financial instrument components. The convertible bond components were measured using the discounted cash flows and Black-Scholes valuation methods. Inputs to these valuation measures include observable market data such as stock prices and interest rates.

The cost basis, unrealized gains, unrealized losses and fair market value of available-for-sale investments are set forth below:

	At September 30, 2012	At June 30, 2012
	(in millions)	
Cost basis of available-for-sale investments	$ 278	$ 278
Accumulated gross unrealized gain	304	305
Accumulated gross unrealized loss	(10)	(22)
Fair value of available-for-sale investments	$ 572	$ 561
Net deferred tax liability[a]	$ 111	$ 108

(a) The net deferred tax liability includes $107 million related to unrealized gains recorded in comprehensive income as of September 30, 2012 and June 30, 2012.

BSkyB

During fiscal 2010, the Company announced that it had proposed to the board of directors of BSkyB, in which the Company currently has an approximate 39% interest, to make a cash offer for the BSkyB shares that the Company does not already own. On July 13, 2011, the Company announced that it no longer intended to make an offer for the BSkyB shares that the Company does not already own. As a result of the July 2011 announcement, the Company paid BSkyB a termination fee of approximately $63 million in accordance with a cooperation agreement between the parties. The termination fee was reflected in Other, net in the Company s unaudited consolidated statements of operations for the three months ended September 30, 2011.

In November 2011, BSkyB s shareholders and board of directors authorized a share repurchase program and in November 2012 they authorized an increase in the share repurchase program. The Company entered into an agreement with BSkyB under which, following any market purchases of shares by BSkyB, the Company will sell to BSkyB sufficient shares to maintain its approximate 39% interest subsequent to those market purchases, for a price equal to the price paid by BSkyB in respect of the relevant market purchases. BSkyB began repurchasing shares as part of this share repurchase program during the second quarter of fiscal 2012. As a result, during the three months ended September 30, 2012, the Company received cash consideration of approximately $93 million and recognized a gain of $75 million which was included in Equity earnings of affiliates in the Company s unaudited consolidated statements of operations.

Sky Deutschland

The Company s investment in Sky Deutschland consists of common stock, convertible bonds and loans.

The Company currently has the right to convert the bonds into 53.9 million underlying Sky Deutschland shares, subject to certain black-out periods. If not converted, the Company will have the option to redeem the bonds for cash upon their maturity in January 2015. The convertible bonds were separated into its host and derivative financial instrument components, both of which were recorded at their estimated fair value in Investments in the consolidated balance sheets. The change in estimated fair value of the derivative instrument of approximately $7 million and $(82) million was recorded in Other, net in the Company s unaudited consolidated statements of operations for the three months ended September 30, 2012 and 2011, respectively. The change in estimated fair value of the host was not material for the three months ended September 30, 2012 and 2011.

In February 2012, the Company agreed to backstop 300 million (approximately $395 million) of financing measures that were being initiated by Sky Deutschland. The first step of the financing was completed in February 2012, in which Sky Deutschland raised

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approximately 155 million, and the Company acquired 35.3 million additional shares of Sky Deutschland maintaining its ownership at 49.9%. The aggregate cost of the shares acquired by the Company was approximately 80 million (approximately $100 million) and the shares were newly registered shares issued pursuant to the capital increase. The second capital increase of 145 million (approximately $195 million) is expected to be raised by Sky Deutschland within the next six months and is planned through any or a combination of the following measures: a rights offering, a private placement, a loan provided by the Company and/or a convertible bond underlying Sky Deutschland shares. In the event that a convertible bond is issued, the remaining 145 million funding will be increased by the amount of interest payable on the bond from the date of issue until December 31, 2013. The Company s backstop commitment is subject to certain customary conditions such as the absence of a material adverse change in Sky Deutschland s business.

In addition to the financing measures noted above, the Company has also agreed to loan Sky Deutschland approximately $70 million to support the launch of a sports news channel which it expects to fund within fiscal 2013.

Other

In March 2012, the Company sold its 17% interest in Hathway Cable and Datacom Limited for approximately $71 million. The Company recorded a gain of approximately $23 million on this transaction which was included in Other, net in the consolidated statements of operations for the fiscal year ended June 30, 2012.

In May 2012, FOXTEL, a cable and satellite television service in Australia, in which the Company currently owns a 25% interest, purchased Austar United Communications Ltd to create a national subscription television service in Australia. The transaction was funded by FOXTEL bank debt and FOXTEL s shareholders made pro-rata capital contributions in the form of subordinated shareholder notes based on their respective ownership interest. The Company s share of the funding contribution was approximately $230 million. The subordinated shareholder note has a maximum term of 15 years, with interest payable on June 30th each year and at maturity. The subordinated shareholder note can be repaid in 10 years provided that FOXTEL s senior debt has been repaid. Upon maturity, the principal advanced will be repayable.

In May 2012, the Company acquired a 17% interest in Bona Film Group (Bona), a film distributor in China, for approximately $70 million in cash. As a result of this transaction, the Company has significant influence and therefore, accounts for its investment in Bona under the equity method of accounting.

In July 2012, the Company sold its 49% investment in NDS to Cisco Systems Inc. for approximately $1.9 billion, of which approximately $60 million has been set aside in escrow to satisfy any indemnification obligations. The Company recorded a gain of approximately $1.4 billion on this transaction which was included in Other, net in the unaudited consolidated statements of operations for the three months ended September 30, 2012.

In September 2012, the Company agreed to acquire Consolidated Media Holdings Ltd. (CMH), a media investment company that operates in Australia, for approximately $2 billion. CMH has a 25% interest in FOXTEL and a 50% interest in FOX Sports Australia, a producer of Australia s leading sports channels. The acquisition will double the Company s stakes in FOX Sports Australia and FOXTEL to 100% and 50%, respectively. The transaction was approved by CMH shareholders in October 2012 and by the Federal Court of Australia in November 2012, and is expected to close on November 19, 2012.

NOTE 7. 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). Additionally, in accordance with ASC 815, Derivatives and Hedging, the Company has included additional disclosures about the Company s derivatives and hedging activities (Level 2).

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

		Fair Value Measurements As of September 30, 2012		
Description	**Total**	**Quoted Prices in Active Markets for Identical Instruments (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(in millions)		
Assets				
Available-for-sale securities[a]	$ 572	$ 349	$ 223	$
Derivatives[b]	8		8	
Redeemable noncontrolling interests[c]	(648)			(648)
Total	**$ (68)**	**$ 349**	**$ 231**	**$ (648)**

		As of June 30, 2012		
Description	**Total**	**Quoted Prices in Active Markets for Identical Instruments (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(in millions)		
Assets				
Available-for-sale securities[a]	$ 561	$ 351	$ 210	$
Derivatives[b]	17		17	
Redeemable noncontrolling interests[c]	(641)			(641)
Total	**$ (63)**	**$ 351**	**$ 227**	**$ (641)**

(a) See Note 6 Investments.

(b) Represents derivatives associated with the Company s foreign exchange forward contracts designated as hedges.

(c) The Company accounts for the redeemable noncontrolling interests in accordance with ASC 480-10-S99-3A because their exercise is outside the control of the Company and, accordingly, as of September 30, 2012 and June 30, 2012, has included the fair value of the redeemable noncontrolling interests in the consolidated balance sheets. The majority of redeemable noncontrolling interests recorded at fair value are put arrangements held by the noncontrolling interests in two of the Company s majority-owned RSNs and in one of the Company s Asian general entertainment television joint ventures.

The Company utilizes the market, income or cost approaches or a combination of these valuation techniques for its Level 3 fair value measures. Inputs to such measures could include observable market data obtained from independent sources such as broker quotes and recent market transactions for similar assets. It is the Company s policy to maximize the use of observable inputs in the measurement of its Level 3 fair value measurements. 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. Examples of utilized unobservable inputs are future cash flows, long term growth rates and applicable discount rates.

Significant unobservable inputs used in the fair value measurement of the Company s redeemable noncontrolling interests are earnings before interest, taxes, depreciation and amortization (EBITDA) growth rates (3%-4% range) and discount rates (8%-9% range). Significant increases (decreases) in growth rates and multiples, assuming no change in discount rates, would result in a significantly higher (lower) fair value measurement. Significant decreases (increases) in discount rates, assuming no changes in growth rates and multiples, would result in a significantly higher (lower) fair value measurement.

The fair value of the redeemable noncontrolling interests in the RSNs were primarily determined by (i) applying a multiples-based formula that is intended to approximate fair value for one of the RSNs and (ii) using a discounted EBITDA valuation model, assuming a 9% discount rate for the other RSN. At September 30, 2012, the minority shareholder s put right in one of the RSNs is currently exercisable.

The fair value of the redeemable noncontrolling interest in the Asian general entertainment television joint venture was determined using a market approach. At September 30, 2012, the minority shareholder s put right is exercisable.

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The remaining redeemable noncontrolling interest is currently not exercisable and is not material.

The changes in redeemable noncontrolling interests classified as Level 3 measurements were as follows:

	For the three months ended September 30,	
	2012	2011
	(in millions)	
Beginning of period	$ (641)	$ (242)
Total gains (losses) included in net income	(22)	(7)
Total gains (losses) included in other comprehensive income		
Other	15	5
End of period	**$ (648)**	**$ (244)**

Financial Instruments

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

The aggregate fair value of the Company s borrowings at September 30, 2012 was approximately $20,263 million compared with a carrying value of $16,457 million and, at June 30, 2012, was approximately $18,300 million compared with a carrying value of $15,455 million. 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.

Foreign Currency Forward Contracts

The Company uses financial instruments designated as cash flow hedges primarily to hedge certain exposures to foreign currency exchange risks associated with the cost for producing or acquiring films and television programming abroad. The notional amount of foreign exchange forward contracts with foreign currency risk outstanding at September 30, 2012 and June 30, 2012 was $180 million and $294 million, respectively. As of September 30, 2012 and June 30, 2012, the fair values of the foreign exchange forward contracts of approximately $8 million and $17 million, respectively, were recorded in the underlying hedged balances. The Company s foreign currency forward contracts are valued using an income approach based on the present value of the forward rate less the contract rate multiplied by the notional amount.

The effective changes in fair value of derivatives designated as cash flow hedges for the three months ended September 30, 2012 and 2011 of $1 million and $46 million, respectively, were recorded in accumulated other comprehensive income with foreign currency translation adjustments. The ineffective changes in fair value of derivatives designated as cash flow hedges were immaterial. Amounts are reclassified from accumulated other comprehensive income when the underlying hedged item is recognized in earnings. During the three months ended September 30, 2012 and 2011, the Company reclassified gains (losses) of approximately $10 million and $(4) million, respectively, from other comprehensive income to net income. The Company expects to reclassify the cumulative change in fair value included in other comprehensive income within the next 24 months. Cash flows from the settlement of foreign exchange forward contracts offset cash flows from the underlying hedged item and are included in operating activities in the consolidated statements of cash flows.

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 at September 30, 2012 or June 30, 2012 due to the wide variety of customers, markets and geographic areas to which the Company s products and services are sold.

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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. At September 30, 2012, the Company did not anticipate nonperformance by any of the counterparties.

NOTE 8. GOODWILL AND OTHER INTANGIBLE ASSETS

The increase in the carrying value of Intangible assets, net and Goodwill of $11 million during the three months ended September 30, 2012 was primarily due to acquisitions at the Publishing segment and foreign currency adjustments. These increases were partially offset by amortization expense and an impairment at the Other segment.

NOTE 9. BORROWINGS

Notes Due 2022

In September 2012, News America Incorporated (NAI), a wholly-owned subsidiary of the Company, issued $1.0 billion of 3.00% Senior Notes due 2022. The net proceeds of approximately $988 million will be used for general corporate purposes.

Notes Due 2013

The Company has $273 million of 9.25% Senior Debentures due February 1, 2013 outstanding which is included in Borrowings within current liabilities as of September 30, 2012.

Other

In August 2006, the Company entered into a loan agreement with Raiffeisen Zentralbank Österreich AG (RZB), which was subsequently amended in September 2009. The Company repaid the outstanding balance of $32 million in July 2011 in connection with the disposal of News Outdoor Russia.

NOTE 10. FILM PRODUCTION FINANCING

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

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NOTE 11. STOCKHOLDERS EQUITY

The following table summarizes changes in equity:

	For the three months ended September 30, 2012			2011		
	News Corporation Stockholders	Noncontrolling Interests	Total Equity	News Corporation Stockholders	Noncontrolling Interests	Total Equity
	(in millions)					
Balance, beginning of period	$ 24,684	$ 501	$ 25,185	$ 30,069	$ 578	$ 30,647
Net income	2,233	41[a]	2,274	738	41[a]	779
Other comprehensive income (loss)	291	1	292	(1,315)	(9)	(1,324)
(Cancellation) issuance of shares, net	(687)		(687)	(1,204)		(1,204)
Dividends declared	(201)		(201)	(246)		(246)
Other	(56)	(30)[b]	(86)	(113)	(120)[b]	(233)
Balance, end of period	$ 26,264	$ 513	$ 26,777	$ 27,929	$ 490	$ 28,419

(a) Net income attributable to noncontrolling interests excludes $22 million and $7 million for the three months ended September 30, 2012 and 2011, respectively, relating to redeemable noncontrolling interests which are reflected in temporary equity.

(b) Other activity attributable to noncontrolling interests excludes $(15) million and $(5) million for the three months ended September 30, 2012 and 2011, respectively, relating to redeemable noncontrolling interests. The activity for the three months ended September 30, 2011 primarily relates to the disposal of News Outdoor Russia.

Dividends

The Company declared a dividend of $0.085 per share on both the Class A common stock, par value $0.01 per share (Class A Common Stock) and the Class B common stock, par value $0.01 per share (Class B Common Stock) in the three months ended September 30, 2012, which was paid in October 2012 to stockholders of record on September 12, 2012. The related total aggregate dividend paid to stockholders in October 2012 was approximately $200 million.

The Company declared a dividend of $0.095 per share on both the Class A Common Stock and the Class B Common Stock in the three months ended September 30, 2011, which was paid in October 2011 to stockholders of record on September 14, 2011. The related total aggregate dividend paid to stockholders in October 2011 was approximately $246 million.

Stock Repurchase Program

The Board had previously authorized a total stock repurchase program of $6 billion with a remaining authorized amount under the program of approximately $1.8 billion, excluding commissions as of June 30, 2011. In July 2011, the Company announced that the Board had authorized increasing the total amount of the stock repurchase program remaining by approximately $3.2 billion to $5 billion.

In May 2012, the Company announced that the Board approved a $5 billion increase to the Company s stock repurchase program for the repurchase of Class A Common Stock.

The remaining authorized amount under the Company s stock repurchase program at September 30, 2012, excluding commissions, was approximately $4.5 billion.

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

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

On April 18, 2012, the Company announced that it suspended 50% of the voting rights of the Class B Common Stock held by stockholders who are not U.S. citizens (Non-U.S. Stockholders) in order to maintain compliance with U.S. law which states that no broadcast station licensee may be owned by a corporation if more than 25% of that corporation s stock was owned or voted by Non-U.S. Stockholders. The Company owns broadcast station licensees in connection with its ownership and operation of 27 U.S. television stations. On September 28, 2012, the Audit Committee of the Company s Board of Directors determined that approximately 32% of the Company s Class B Common Stock is owned by Non-U.S. Stockholders, and the combined ownership of Class A Common Stock and Class B Common Stock by Non-U.S. Stockholders is less than 25% of the combined outstanding shares of Class A Common Stock and Class B Common Stock. The Audit Committee reduced the previously-announced suspension of voting rights of shares of Class B Common Stock held by Non-U.S. Stockholders to 40%. This suspension of voting rights will remain in place for as long as the Company deems it necessary to maintain compliance with applicable U.S. law, and may be adjusted by the Audit Committee as it deems appropriate. However, the suspension will not apply in connection with any vote on any matter on which holders of Class A Common Stock shall be entitled to vote together with holders of Class B Common Stock as described in the Company s Restated Certificate of Incorporation. The suspension will not impact the rights of Non-U.S. Stockholders of Class B Common Stock to receive dividends and distributions.

Voting Agreement with the Murdoch Family Interests

On April 18, 2012, the Murdoch Family Trust and K. Rupert Murdoch (together the Murdoch Family Interests) entered into an agreement with the Company, whereby the Murdoch Family Interests agreed to limit their voting rights during the voting rights suspension period. Under this agreement, the Murdoch Family Interests will not vote or provide voting instructions with respect to a portion of their shares of Class B Common Stock to the extent that doing so would increase their percentage of voting power from what it was prior to the suspension of voting rights. Accordingly, after the suspension of voting rights, the aggregate percentage vote of the Murdoch Family Interests will remain initially at 39.7% of the outstanding shares of Class B Common Stock not subject to the suspension of voting rights, and the percentage vote may be adjusted as provided in the agreement with the Company.

NOTE 12. EQUITY BASED COMPENSATION

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

	For the three months ended September 30,	
	2012	2011
	(in millions)	
Equity-based compensation	$ 97	$ 51
Cash received from exercise of equity-based compensation	$ 93	$ 1

At September 30, 2012, the Company s total compensation cost related to restricted stock units (RSUs) and performance stock units (PSUs) not yet recognized for all equity-based compensation plans was approximately $330 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. However, certain performance based awards are recognized on an accelerated basis.

The intrinsic value of stock options exercised during the three months ended September 30, 2012 and 2011 was $20 million and nil, respectively. The intrinsic value of the stock options outstanding as of September 30, 2012 and June 30, 2012 was $35 million and $39 million, respectively.

At September 30, 2012 and June 30, 2012, the liability for cash-settled awards was approximately $129 million and $119 million, respectively.

The Company recognized a tax benefit on vested RSUs and stock options exercised of approximately $23 million and $10 million for the three months ended September 30, 2012 and 2011, respectively.

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Performance Stock Units

PSUs are fair valued on the date of grant and expensed using a straight-line method as the awards cliff vest at the end of the three year performance period. The Company also estimates the number of shares expected to vest which is based on management s determination of the probable outcome of the performance condition, which requires considerable judgment. The Company records a cumulative adjustment in periods that the Company s estimate of the number of shares expected to vest changes. Additionally, the Company ultimately adjusts the expense recognized to reflect the actual vested shares following the resolution of the performance conditions. The number of shares that will be issued upon vesting of PSUs can range from 0% to 200% (certain executives are limited to 150%) of the target award, based on the Company s three-year total shareholder return (TSR) as measured against the three-year TSR of the companies that comprise the Standard & Poor s 500 Index (excluding financial and energy sector companies) and other performance measures. The fair value of the PSUs is determined using a Monte Carlo simulation model.

In September 2011, certain executives of the Company responsible for various business units within the Company each received a grant of PSUs that has a three year performance measurement period beginning in July 2011. This award is subject to the achievement of pre-defined goals for operating profit, cash flow and key divisional performance indicators for the performance period. The majority of this award will be settled in shares of Class A Common Stock.

In August 2012 and 2011, the Compensation Committee approved a grant of PSUs that has a three year performance measurement period beginning for the fiscal years ending June 30, 2013 and 2012, respectively. For executive directors of the Company, each PSU represents the right to receive the U.S. dollar value of one share of Class A Common Stock in cash after the completion of the three year performance period, subject to the satisfaction of one or more pre-established objective performance measures determined by the Compensation Committee. These awards have a graded vesting and the expense recognition is accelerated.

In fiscal 2013 and 2012, a total of 1.1 million and 9.1 million target PSUs were granted, respectively, of which nil and 6.9 million, respectively, will be settled in shares of Class A Common Stock.

Restricted Stock Units

During the three months ended September 30, 2012 and 2011, approximately 1.2 million and 6.5 million RSUs were granted, respectively, of which 1.2 million and 6.3 million, respectively, will be settled in shares of Class A Common Stock. RSUs granted to executive directors and certain awards granted to employees in certain foreign locations are settled in cash.

During the three months ended September 30, 2012 and 2011, approximately 6.7 million and 8.0 million RSUs vested, respectively, of which approximately 5.9 million and 6.9 million, respectively, were settled in shares of Class A Common Stock, before statutory tax withholdings. The fair value of RSUs settled in shares of Class A Common Stock was approximately $137 million and $113 million for the three months ended September 30, 2012 and 2011, respectively. The remaining 0.8 million and 1.1 million RSUs settled during the three months ended September 30, 2012 and 2011, respectively, were settled in cash of approximately $18 million in both periods, before statutory tax withholdings.

NOTE 13. COMMITMENTS AND CONTINGENCIES

Commitments

The Company has commitments under certain firm contractual arrangements (firm commitments) to make future payments. These firm commitments secure the future rights to various assets and services to be used in the normal course of operations. The total firm commitments and future debt payments as of September 30, 2012 and June 30, 2012 were $68,726 million and $63,644 million, respectively. The increase from June 30, 2012 was primarily due to the renewal of rights to telecast certain MLB regular season and post season games through the 2021 MLB season and the issuance of 3.00% Senior Notes due 2022.

In October 2012, the Company signed an eight-year contract with NASCAR for the renewal of rights to telecast the Daytona 500 and the first third of the Sprint Cup Series through 2022.

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Guarantees

The Company s guarantees as of September 30, 2012 have not changed significantly from disclosures included in the 2012 Form 10-K.

In October 2012, the Company and the other joint-venture partners guaranteed the debt of an equity associate. The Company s maximum obligation under this guarantee is approximately $115 million.

Contingencies

Shareholder Litigation

Delaware

On March 16, 2011, a complaint seeking to compel the inspection of the Company s books and records pursuant to 8 Del. C. § 220, captioned Central Laborers Pension Fund v. News Corporation, was filed in the Delaware Court of Chancery. The plaintiff requested the Company s books and records to investigate alleged possible breaches of fiduciary duty by the directors of the Company in connection with the Company s purchase of Shine (the Shine Transaction). The Company moved to dismiss the action. On November 30, 2011, the court issued an order granting the Company s motion and dismissing the complaint. The plaintiff filed a notice of appeal on December 13, 2011. The Delaware Supreme Court heard argument on the fully-briefed appeal on April 18, 2012 and issued a decision on May 29, 2012 in which it affirmed the Court of Chancery s dismissal of the complaint.

Also on March 16, 2011, two purported shareholders of the Company, one of which was Central Laborers Pension Fund, filed a derivative action in the Delaware Court of Chancery, captioned The Amalgamated Bank v. Murdoch, et al. (the Amalgamated Bank Litigation). The plaintiffs alleged that both the directors of the Company and Rupert Murdoch as a controlling shareholder breached their fiduciary duties in connection with the Shine Transaction. The suit named as defendants all directors of the Company, and named the Company as a nominal defendant. Similar claims against the same group of defendants were filed in the Delaware Court of Chancery by a purported shareholder of the Company, New Orleans Employees Retirement System, on March 25, 2011 (the New Orleans Employees Retirement Litigation). Both the Amalgamated Bank Litigation and the New Orleans Employees Retirement Litigation were consolidated on April 6, 2011 (the Consolidated Action), with The Amalgamated Bank s complaint serving as the operative complaint. The Consolidated Action was captioned In re News Corp. Shareholder Derivative Litigation. On April 9, 2011, the court entered a scheduling order governing the filing of an amended complaint and briefing on potential motions to dismiss.

Thereafter, the plaintiffs in the Consolidated Action filed a Verified Consolidated Shareholder Derivative and Class Action Complaint (the Consolidated Complaint) on May 13, 2011, seeking declaratory relief and damages. The Consolidated Complaint largely restated the claims in The Amalgamated Bank s initial complaint and also raised a direct claim on behalf of a purported class of Company shareholders relating to the possible addition of Elisabeth Murdoch to the Company s Board. The defendants filed opening briefs in support of motions to dismiss the Consolidated Complaint on June 10, 2011, as contemplated by the court s scheduling order. On July 8, 2011, the plaintiffs filed a Verified Amended Consolidated Shareholder Derivative and Class Action Complaint (the Amended Complaint). In addition to the claims that were previously raised in the Consolidated Complaint, the Amended Complaint brought claims relating to the alleged acts of voicemail interception at *The News of the World* (the NoW Matter). Specifically, the plaintiffs claimed in the Amended Complaint that the directors of the Company failed in their duty of oversight regarding the NoW Matter.

On July 15, 2011, another purported stockholder of the Company filed a derivative action captioned Massachusetts Laborers Pension & Annuity Funds v. Murdoch, et al., in the Delaware Court of Chancery (the Mass. Laborers Litigation). The complaint names as defendants the directors of the Company and the Company as a nominal defendant. The plaintiffs claims are substantially similar to those raised by the Amended Complaint in the Consolidated Action. Specifically, the plaintiff alleged that the directors of the Company have breached their fiduciary duties by, among other things, approving the Shine Transaction and for failing to exercise proper oversight in connection with the NoW Matter. The plaintiff also brought a breach of fiduciary duty claim against Rupert Murdoch as controlling shareholder, and a waste claim against the directors of the Company. The action seeks as relief damages, injunctive relief, fees and costs. On July 25, 2011, the plaintiffs in the Consolidated Action requested that the court consolidate the Mass. Laborers Litigation into the Consolidated Action. On August 24, 2011, the Mass. Laborers

Litigation was consolidated with the Consolidated Action.

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On September 29, 2011, the plaintiffs filed a Verified Second Amended Consolidated Shareholder Derivative and Class Action Complaint (Second Amended Complaint). In the Second Amended Complaint, the plaintiffs removed their claims involving the possible addition of Elisabeth Murdoch to the Company s Board, added some factual allegations to support their remaining claims and added a claim seeking to enjoin a buyback of Common B shares to the extent it would result in a change of control. The Second Amended Complaint seeks declaratory relief, an injunction preventing the buyback of Class B shares, damages, pre- and post-judgment interest, fees and costs.

The defendants filed a motion to dismiss the Second Amended Complaint. The hearing on the defendants fully-briefed motion to dismiss was postponed to allow further briefing by plaintiffs after the Cohen Litigation, which is defined and described below, was consolidated with the Consolidated Action.

On March 2, 2012, another purported stockholder of the Company filed a derivative action captioned Belle M. Cohen v. Murdoch, et al., in the Delaware Court of Chancery (the Cohen Litigation). The complaint names as defendants the directors of the Company and the Company as a nominal defendant. The complaint s claims and allegations pertain to the NoW Matter and are substantially similar to the NoW Matter allegations raised in the Second Amended Complaint in the Consolidated Action. The complaint asserts causes of action against the defendants for alleged breach of fiduciary duty, gross mismanagement, contribution and indemnification, abuse of control, and waste of corporate assets. The action seeks as relief damages, fees and costs. On March 20, 2012, the Cohen Litigation was consolidated with the Consolidated Action.

On June 18, 2012, the plaintiffs in the Consolidated Action filed a Verified Third Amended Consolidated Shareholder Derivative Complaint (the Third Amended Complaint). The Third Amended Complaint alleges claims against director defendants for breach of fiduciary duty arising from the Shine Transaction; against Rupert Murdoch for breach of fiduciary duty as the purported controlling shareholder of the Company in connection with the Shine Transaction; against director defendants for breach of fiduciary duty arising from their purported failure to investigate illegal conduct in the NoW Matter and allegedly permitting the Company to engage in a cover up; against certain defendants for breach of fiduciary duty in their capacity as officers arising from a purported failure to investigate illegal conduct in the NoW Matter and allegedly permitting the Company to engage in a cover up; and against James Murdoch for breach of fiduciary duty for allegedly engaging in a cover up related to the NoW Matter. The class action claim asserted in the Second Amended Complaint pertaining to the buyback of Common B shares and the relief related to that claim were removed. The Third Amended Complaint seeks a declaration that the defendants violated their fiduciary duties, damages, pre- and post-judgment interest, fees and costs.

On July 18, 2012, the defendants renewed their postponed motion to dismiss in the Consolidated Action, and in support thereof, they filed supplemental briefing directed towards the allegations of the Third Amended Complaint. Plaintiffs response was filed on August 8, 2012. A hearing on the fully briefed motion was held in Chancery Court on September 19, 2012. The Court reserved decision.

On May 30, 2012, a purported stockholder of the Company filed a class action lawsuit in the Delaware Court of Chancery on behalf of all non-U.S. stockholders of the Company s Class B shares, captioned Första Ap-Fonden v. News Corporation, et al. The plaintiff alleges that, by temporarily suspending 50% of the voting rights of the Class B shares held by non-U.S. stockholders to remain in compliance with U.S. governing broadcast licenses (the Suspension), the Company and the Board violated the Company s charter and the General Corporation Law of the State of Delaware (DGCL) and the directors breached their fiduciary duties, both in approving the Suspension and in failing to monitor the Company s ownership by non-U.S. stockholders. The complaint named as defendants the Company and all directors of the Company at the time of the Suspension. The complaint sought a declaration that the defendants violated the Company s charter and the DGCL, a declaration that the directors breached their fiduciary duties, a declaration that the Suspension is invalid and unenforceable, an injunction of the Suspension, damages, fees, and costs. On June 11, 2012, the defendants filed an opening brief in support of a motion to dismiss the complaint in its entirety. On August 2, 2012, the plaintiff filed a Verified Amended and Supplemented Class Action Complaint (the Amended and Supplemented Complaint). The Amended and Supplemented Complaint seeks a declaration that the defendants violated the Company s charter and the DGCL, a declaration that the directors breached their fiduciary duties, a declaration that the Suspension is invalid and unenforceable, an injunction of the Suspension, a declaration that non-U.S. stockholders of the Company s Class B shares are entitled to vote all of their shares on the Proposed Separation Transaction, damages, fees, and costs. On August 28, 2012, the parties entered into a Memorandum of Understanding providing for an agreement in principle to settle the lawsuit (MOU). The MOU, which was filed with the Court on September 5, 2012, provides in pertinent part: (i) within 5 business days after receiving Court approval, the Company will file a petition with the FCC requesting permission to comply with law governing broadcast licenses for any meeting of stockholders by (a) determining the number of shares held by foreign stockholders that are present at the meeting and that would be entitled to vote but for the Suspension, and (b) counting as votes cast all voted shares held by foreign stockholders, up to a total of 25% of the shares voted; (ii) the Company s Audit Committee will determine on at least an annual basis the total number of voting shares held by non-U.S.

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citizens and will have the power to modify or eliminate any then-existing suspension; the Company will disclose this information in its annual proxy materials and (iii) the Company will not consent to amend, modify or terminate the Murdoch Family Interests agreement without prior approval of the Audit Committee, which in the case of any vote related to the Proposed Separation Transaction, must be unanimous. The settlement is subject to Court approval after notice to the stockholders and a hearing.

Southern District of New York

On July 18, 2011, a purported shareholder of the Company filed a derivative action captioned Shields v. Murdoch, et al. (Shields Litigation), in the United States District Court for the Southern District of New York. The plaintiff alleged violations of Section 14(a) of the Securities Exchange Act, as well as state law claims for breach of fiduciary duty, gross mismanagement, waste, abuse of control and contribution/indemnification arising from, and in connection with, the NoW Matter. The complaint names the directors of the Company as defendants and names the Company as a nominal defendant, and seeks damages and costs. On August 4, 2011, the plaintiff filed an amended complaint. The plaintiff seeks compensatory damages, an order declaring the October 15, 2010 shareholder vote on the election of the Company s directors void; an order setting an emergency shareholder vote date for election of new directors; an order requiring the Company to take certain specified corporate governance actions; and an order (i) putting forward a shareholder vote resolution for amendments to the Company s Article of Incorporation and (ii) taking such other action as may be necessary to place before shareholders for a vote on corporate governance policies that: (a) appoint a non-executive Chair of the Board who is not related to the Murdoch family or extended family; (b) appoint an independent Chair of the Board s Audit Committee; (c) appoint at least three independent directors to the Governance and Nominating Committees; (d) strengthen the Board s supervision of financial reporting processes and implement procedures for greater shareholder input into the policies and guidelines of the Board; and (e) appropriately test and strengthen the internal and audit control functions.

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 NoW Matter. 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 July 22, 2011, a purported shareholder of the Company filed a derivative action captioned Stricklin v. Murdoch, et al. (Stricklin Litigation), in the United States District Court for the Southern District of New York. The plaintiff brought claims for breach of fiduciary duty, gross mismanagement, and waste of corporate assets in connection with, among other things, (i) the NoW Matter; (ii) News America s purported payments to settle allegations of anti-competitive behavior; and (iii) the Shine Transaction. The action names as defendants the Company, Les Hinton, Rebekah Brooks, Paul Carlucci and the directors of the Company. On August 3, 2011, the plaintiff served a motion for expedited discovery and to appoint a conservator over the Company, which defendants objected to. The motion has not been formally calendared and there is no briefing schedule yet. On August 16, 2011, the plaintiffs filed an amended complaint. The plaintiff seeks various forms of relief including compensatory damages, injunctive relief, disgorgement, the award of voting rights to Class A shareholders, the appointment of a conservator over the Company to oversee the Company s responses to investigations and litigation related to the NoW Matter, fees and costs.

On August 10, 2011, a purported shareholder of the Company filed a derivative action captioned Iron Workers Mid-South Pension Fund v. Murdoch, et al. (Iron Workers Litigation), in the United States District Court for the Southern District of New York. The plaintiff brought claims for breach of fiduciary duty, waste of corporate assets, unjust enrichment and alleged violations of Section 14(a) of the Securities Exchange Act in connection with the NoW Matter. The action names as defendants the Company, Les Hinton, Rebekah Brooks and the directors of the Company. The plaintiff seeks various forms of relief including compensatory damages, voiding the election of the director defendants, an order requiring the Company to take certain specified corporate governance actions, injunctive relief, restitution, fees and costs.

The Wilder Litigation, the Stricklin Litigation and the Iron Workers Litigation are all now before the judge in the Shields Litigation. On November 21, 2011, the court issued an order setting a briefing schedule for the defendants motion to stay the Stricklin Litigation, the Iron Workers Litigation and the Shields Litigation pending the outcome of the consolidated action pending in the Delaware Court of Chancery. On December 8, 2011, the defendants and the Company, as a nominal defendant, served their motion to stay. Opposition briefs were served by Stricklin, Iron Workers and Shields. Reply briefs in support of the motion to stay were filed on January 24, 2012. On September 18, 2012, the Court denied the motion as to two of the cases and dismissed the third with leave to replead, which plaintiff has done. Specifically, on October 4, 2012, Stricklin filed a Second Amended Complaint that added a claim under Section 14(a) of the Securities Exchange Act challenging the disclosures in the Company s definitive proxy statements issued during the years of 2005 through 2012. The plaintiff seeks, among other things, to void the election of the director defendants at the Company s 2012

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annual meeting. The plaintiffs in Shields, Stricklin and Iron Workers have requested a pre-motion conference to address the potential consolidation of these derivative actions and a briefing schedule regarding the potential leadership structure for the plaintiffs. The pre-motion conference has not yet been scheduled. In the Wilder Litigation, 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 and Les Hinton, and expanded the class period to include February 15, 2011 to July 18, 2011. Defendants filed their motion to dismiss on September 25, 2012, and, according to the Court s current briefing schedule, plaintiffs opposition is due November 6, 2012 and defendants reply is due November 30, 2012.

The Company s management believes these shareholder claims are entirely without merit, and intends to vigorously defend these actions.

The News of the World Investigations and Litigation

U.K. and U.S. regulators and governmental authorities are conducting investigations initiated in 2011 after allegations of phone hacking and inappropriate payments to public officials at our former publication, *The News of the World*, and other related matters, including investigations into whether similar conduct may have occurred at the Company s subsidiaries outside of the U.K. The Company is cooperating with these investigations. It is possible that these proceedings could damage our reputation and might impair our ability to conduct our business.

The Company is not able to predict the ultimate outcome or cost associated with these investigations. Violations of law may result in civil, administrative or criminal fines or penalties. The Company has admitted liability in a number of civil cases related to the phone hacking allegations and has settled a number of cases. As of September 30, 2012, the Company has provided for its best estimate of the liability for the claims that have been filed. The Company has announced a process under which parties can pursue claims against the Company, and management believes that it is probable that additional claims will be filed. It is not possible to estimate the liability for such additional claims given the information that is currently available to the Company. If more claims are filed and additional information becomes available, the Company will update the liability provision 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. During the three months ended September 30, 2012 and 2011 the Company incurred $67 million and $17 million, respectively, in legal and professional fees related to *The News of the World* investigations and litigation described above and costs for related civil settlements, which were included in Selling, general and administrative expenses in the Company s unaudited consolidated statements of operations.

HarperCollins

Commencing on August 9, 2011, twenty-nine purported consumer class actions have been filed in the U.S. District Courts for the Southern District of New York and for the Northern District of California, which relate to the decisions by certain publishers, including HarperCollins Publishers L.L.C. (HarperCollins), to begin selling their eBooks pursuant to an agency relationship. The cases all involve allegations that certain named defendants in the book publishing and distribution industry, including HarperCollins, violated the antitrust and unfair competition laws by virtue of the switch to the agency model for eBooks. The actions seek as relief treble damages, injunctive relief and attorneys fees. The Judicial Panel on Multidistrict Litigation has transferred the various class actions to the Honorable Denise L. Cote in the Southern District of New York. On January 20, 2012, plaintiffs filed a consolidated amended complaint, again alleging that certain named defendants, including HarperCollins, violated the antitrust and unfair competition laws by virtue of the switch to the agency model for eBooks. Defendants filed a motion to dismiss on March 2, 2012. On May 15, 2012, Judge Cote denied defendants motion to dismiss. On June 22, 2012, Judge Cote held a status conference to address discovery and scheduling issues. On June 25, 2012, Judge Cote issued a scheduling order for the multi-district litigation going forward. Additional information about In re MDL Electronic Books Antitrust Litigation, Civil Action No. 11-md-02293 (DLC), can be found on Public Access to Court Electronic Records (PACER). While it is not possible to predict with any degree of certainty the ultimate outcome of these class actions, HarperCollins believes it was compliant with applicable antitrust and competition laws.

Following an investigation, on April 11, 2012, the Department of Justice (the DOJ) filed an action in the U.S. District Court for the Southern District of New York against certain publishers, including HarperCollins, and Apple, Inc. The DOJ s complaint alleges antitrust violations relating to defendants decisions to begin selling eBooks pursuant to an agency relationship. This case was assigned to Judge Cote. Simultaneously, the DOJ announced that it had reached a proposed settlement with three publishers, including HarperCollins, and filed a

Proposed Final Judgment and related materials detailing that agreement. Among other things, the Proposed Final Judgment requires that HarperCollins terminate its agreements with certain eBook retailers and places certain restrictions on any agreements subsequently entered into with such retailers. Pursuant to the Antitrust Procedures and Penalties Act, the Proposed Final Judgment could not be entered by Judge Cote for at least sixty days while the DOJ received public comments. The public comment

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period ended on June 25, 2012. Pursuant to Judge Cote s June 25, 2012 scheduling order, the DOJ s motion for entry of the Proposed Final Judgment was fully briefed by August 22, 2012, and on September 5, 2012, Judge Cote granted the DOJ s motion and entered the Final Judgment. A third party has filed a motion to intervene in the case for the purpose of appealing Judge Cote s decision entering the Final Judgment to the United States Court of Appeals for the Second Circuit. Additional information about the Final Judgment can be found on the DOJ s website.

Following an investigation, on April 11, 2012, 16 state Attorneys General led by Texas and Connecticut (the AGs) filed a similar action against certain publishers and Apple, Inc. in the Western District of Texas. On April 26, 2012, the AGs action was transferred to Judge Cote. On May 17, 2012, 33 AGs filed a second amended complaint. As a result of a memorandum of understanding agreed upon with the AGs for Texas and Connecticut, HarperCollins was not named as a defendant in this action. Pursuant to the terms of the memorandum of understanding, HarperCollins entered into a settlement agreement with the AGs for Texas, Connecticut and Ohio on June 11, 2012. By August 28, 2012, forty-nine states (all but Minnesota) and five U.S. territories had signed on to that settlement agreement. On August 29, 2012, the AGs simultaneously filed a complaint against HarperCollins and two other publishers, a motion for preliminary approval of that settlement agreement and a proposed distribution plan. On September 14, 2012, Judge Cote granted the AGs motion for preliminary approval of the settlement agreement and approved the AGs proposed distribution plan. Notice was subsequently sent to potential class members, and a fairness hearing scheduled for February 8, 2013. If the settlement agreement receives final approval, it would resolve all damage claims of individual citizens from those states and territories.

While the settlement agreement with the AGs is still subject to final approval by the court, the Company believes that the proposed settlement, as currently drafted, will not have a material impact on the results of operations or the financial position of the Company. However, the Company can make no assurances that the proposed settlement will receive final approval.

On October 12, 2012, HarperCollins received a Civil Investigative Demand from the Attorney General from the State of Minnesota. HarperCollins is cooperating with that investigation. While it is not possible to predict with any degree of certainty the ultimate outcome of the inquiry, HarperCollins believes it was compliant with applicable antitrust laws.

The European Commission is conducting an investigation into whether certain companies in the book publishing and distribution industry, including HarperCollins, violated the antitrust laws by virtue of the switch to the agency model for eBooks. Following discussions with the European Commission, the Office of Fair Trading closed its investigation in favor of the European Commission s investigation on December 6, 2011. HarperCollins currently is cooperating with the European Commission and working towards resolving its investigation.

While a proposed resolution has not been finalized with the European Commission, the Company believes that such a resolution, as currently contemplated, would not have a material impact on the results of operations or the financial position of the Company. However, the Company can make no assurances that such a resolution will be finalized.

Commencing on February 24, 2012, five purported consumer class actions were filed in the Canadian provinces of British Columbia, Quebec and Ontario, which relate to the decisions by certain publishers, including HarperCollins, to begin selling their eBooks in Canada pursuant to an agency relationship. The actions seek as relief special, general and punitive damages, injunctive relief and the costs of the litigations. While it is not possible to predict with any degree of certainty the ultimate outcome of these class actions, especially given their early stages, HarperCollins believes it was compliant with applicable antitrust and competition laws and intends to defend itself vigorously.

In early July 2012, HarperCollins Canada, a wholly-owned subsidiary of HarperCollins, learned that the Canadian Competition Bureau (CCB) had commenced an inquiry regarding the sale of eBooks in Canada. HarperCollins currently is cooperating with the CCB with respect to its inquiry. While it is not possible to predict with any degree of certainty the ultimate outcome of the inquiry, HarperCollins believes it was compliant with applicable antitrust laws.

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.

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NOTE 14. PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company sponsors non-contributory pension plans and retiree health and life insurance benefit plans covering specific groups of employees which are closed to new participants (with the exception of groups covered by collective bargaining agreements). The benefits payable for the Company s non-contributory pension plans are based primarily on a formula factoring both an employee s years of service and pay near retirement. Participant employees are vested in the pension plans after five years of service. The Company s policy for all pension plans is to fund amounts, at a minimum, in accordance with statutory requirements. Plan assets consist principally of common stocks, marketable bonds and government securities. The retiree health and life insurance benefit plans offer medical and/or life insurance to certain full-time employees and eligible dependents that retire after fulfilling age and service requirements.

The components of net periodic benefits costs were as follows:

	Pension Benefits		Postretirement Benefits	
	For the three months ended September 30,			
	2012	2011	2012	2011
	(in millions)			
Service cost benefits earned during the period	$ 32	$ 24	$ 1	$ 1
Interest costs on projected benefit obligation	41	44	4	4
Expected return on plan assets	(47)	(46)		
Amortization of deferred losses	24	13		
Other	1	4	(1)	(4)
Net periodic benefits costs	$ 51	$ 39	$ 4	$ 1
Cash contributions	$ 13	$ 16	$ 5	$ 5

NOTE 15. SEGMENT INFORMATION

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

Cable Network Programming, which principally consists of the production and licensing of programming distributed through cable television systems and direct broadcast satellite operators primarily in the United States, Latin America, Europe and Asia.

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.

Television, which principally consists of the broadcasting of network programming in the United States and the operation of 27 full power broadcast television stations, including 9 duopolies, in the United States (of these stations, 17 are affiliated with the FOX Broadcasting Company and 10 are affiliated with Master Distribution Service, Inc. (My Network TV)).

Direct Broadcast Satellite Television, which consists of the distribution of basic and premium programming services via satellite and broadband directly to subscribers in Italy.

Publishing, which principally consists of the Company s newspapers and information services, book publishing and integrated marketing services businesses. The newspapers and information services business principally consists of the publication of national newspapers in the United Kingdom, the publication of approximately 140 newspapers in Australia, the publication of a metropolitan newspaper and a national newspaper (with international editions) in the United States and the provision of information services. The book publishing business consists of the publication of English language books throughout the world and the integrated marketing services business consists of the publication of free-standing inserts and the provision of in-store marketing products and services in the United States and Canada.

Other, which principally consists of the Company s digital media properties and Amplify, the Company s education technology businesses.

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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 measures are segment operating income (loss) and segment operating income (loss) before depreciation and amortization.

Segment operating income (loss) does not include: Impairment and restructuring charges, equity earnings of affiliates, interest expense, net, interest income, other, net, income tax expense and net income attributable to noncontrolling interests. The Company believes that information about segment operating income (loss) assists all users of the Company s 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.

Segment operating income (loss) before depreciation and amortization is defined as segment operating income (loss) plus depreciation and amortization and the amortization of cable distribution investments and eliminates the variable effect across all business segments of depreciation and amortization. Depreciation and amortization expense includes the depreciation of property and equipment, as well as amortization of finite-lived intangible assets. Amortization of cable distribution investments represents a reduction against revenues over the term of a carriage arrangement and, as such, it is excluded from segment operating income (loss) before depreciation and amortization.

Total segment operating income and segment operating income (loss) before depreciation and amortization are non-GAAP measures and should be considered in addition to, not as a substitute for, net income (loss), cash flow and other measures of financial performance reported in accordance with GAAP. In addition, these measures do not reflect cash available to fund requirements. These measures exclude items, such as impairment and restructuring charges, which are significant components in assessing the Company s financial performance. Segment operating income (loss) before depreciation and amortization also excludes depreciation and amortization which are also significant components in assessing the Company s financial performance.

Management believes that total segment operating income and segment operating income (loss) before depreciation and amortization are appropriate measures for evaluating the operating performance of the Company s business. Total segment operating income and segment operating income (loss) before depreciation and amortization provide management, investors and equity analysts measures to analyze operating performance of the Company s business and its enterprise value against historical data and competitors data, although historical results, including total segment operating income and segment operating income (loss) before depreciation and amortization, may not be indicative of future results (as operating performance is highly contingent on many factors, including customer tastes and preferences).

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	For the three months ended September 30, 2012	2011
	(in millions)	
Revenues:		
Cable Network Programming	$ 2,449	$ 2,120
Filmed Entertainment	1,745	1,778
Television	959	923
Direct Broadcast Satellite Television	817	922
Publishing	2,018	2,069
Other	148	147
Total revenues	$ 8,136	$ 7,959
Segment operating income (loss):		
Cable Network Programming	$ 953	$ 775
Filmed Entertainment	400	347
Television	156	133
Direct Broadcast Satellite Television	23	119
Publishing	57	110
Other	(211)	(99)
Total segment operating income	1,378	1,385
Impairment and restructuring charges	(152)	(91)
Equity earnings of affiliates	190	121
Interest expense, net	(267)	(258)
Interest income	31	36
Other, net	1,375	(130)
Income before income tax expense	2,555	1,063
Income tax expense	(259)	(277)
Net income	2,296	786
Less: Net income attributable to noncontrolling interests	(63)	(48)
Net income attributable to News Corporation stockholders	$ 2,233	$ 738

Intersegment revenues, generated primarily by the Filmed Entertainment segment, of approximately $192 million and $256 million for the three months ended September 30, 2012 and 2011, respectively, have been eliminated within the Filmed Entertainment segment. Intersegment operating profit generated primarily by the Filmed Entertainment segment of approximately nil and $39 million for the three months ended September 30, 2012 and 2011, respectively, have been eliminated within the Filmed Entertainment segment.

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	For the three months ended September 30, 2012			
	Segment operating income (loss)	Depreciation and amortization	Amortization of cable distribution investments	Segment operating income (loss) before depreciation and amortization
	(in millions)			
Cable Network Programming	$ 953	$ 42	$ 21	$ 1,016
Filmed Entertainment	400	33		433
Television	156	21		177
Direct Broadcast Satellite Television	23	72		95
Publishing	57	115		172
Other	(211)	17		(194)
Total	$ 1,378	$ 300	$ 21	$ 1,699

	For the three months ended September 30, 2011			
	Segment operating income (loss)	Depreciation and amortization	Amortization of cable distribution investments	Segment operating income (loss) before depreciation and amortization
	(in millions)			
Cable Network Programming	$ 775	$ 37	$ 24	$ 836
Filmed Entertainment	347	39		386
Television	133	21		154
Direct Broadcast Satellite Television	119	74		193
Publishing	110	107		217
Other	(99)	16		(83)
Total	$ 1,385	$ 294	$ 24	$ 1,703

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	At September 30, 2012	At June 30, 2012
	(in millions)	
Total assets:		
Cable Network Programming	$ 15,079	$ 14,896
Filmed Entertainment	8,519	8,102
Television	6,319	6,110
Direct Broadcast Satellite Television	2,518	2,455
Publishing	11,089	10,913
Other	11,427	9,219
Investments	4,725	4,968
Total assets	$ 59,676	$ 56,663
Goodwill and Intangible assets, net:		
Cable Network Programming	$ 7,611	$ 7,626
Filmed Entertainment	2,528	2,531
Television	4,249	4,317
Direct Broadcast Satellite Television	563	554
Publishing	4,737	4,586
Other	630	693
Total goodwill and intangible assets, net	$ 20,318	$ 20,307

NOTE 16. ADDITIONAL FINANCIAL INFORMATION

Supplemental Cash Flows Information

	For the three months ended September 30, 2012	2011
	(in millions)	
Supplemental cash flows information:		
Cash received (paid) for income taxes	$ 96	$ (171)
Cash paid for interest	(262)	(255)
Purchase of other investments	(30)	(78)
Supplemental information on businesses acquired:		
Fair value of assets acquired	270	67
Cash acquired	2	2
Liabilities assumed	(44)	
Noncontrolling interest decrease	1	
Cash paid	(229)	(69)
Fair value of equity instruments issued to third parties		
Issuance of subsidiary common units		
Fair value of equity instruments consideration	$	$

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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 September 30, 2012	2011
	(in millions)	
Gain on sale of investment in NDS[a]	$ 1,446	$
Change in fair value of Sky Deutschland convertible securities[a]	7	(82)
BSkyB termination fee[a]		(63)
Other	(78)	15
Total Other, net	$ 1,375	$ (130)

[a] See Note 6 Investments

NOTE 17. SUPPLEMENTAL GUARANTOR INFORMATION

In May 2012, NAI, a 100% owned subsidiary of the Company as defined in Rule 3-10(h) of Regulation S-X, entered into a credit agreement (the Credit Agreement), among NAI as Borrower, the Company as Parent Guarantor, the lenders named therein, the initial issuing banks named therein, JPMorgan Chase Bank, N.A. (JPMorgan Chase) and Citibank, N.A. as Co-Administrative Agents, JPMorgan Chase as Designated Agent and Bank of America, N.A. as Syndication Agent. The Credit Agreement provides a $2 billion unsecured revolving credit facility with a sub-limit of $400 million (or its equivalent in Euros) available for the issuance of letters of credit and a maturity date of May 2017. Under the Credit Agreement, the Company may request an increase in the amount of the credit facility up to a maximum amount of $2.5 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 significant terms of the agreement include the requirement that the Company maintain specific leverage ratios and limitations 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, NAI pays a facility fee of 0.125% and an initial drawn cost of LIBOR plus 1.125%.

The Parent Guarantor presently guarantees the senior public indebtedness of NAI and the guarantee is full and unconditional. The supplemental condensed consolidating financial information of the Parent Guarantor should be read in conjunction with these consolidated financial statements.

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

The following condensed consolidating financial statements present the results of operations, financial position and cash flows of NAI, 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.

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Supplemental Condensed Consolidating Statement of Operations

For the three months ended September 30, 2012

(in millions)

	News America Incorporated	News Corporation	Non-Guarantor	Reclassifications and Eliminations	News Corporation and Subsidiaries
Revenues	$	$	$ 8,136	$	$ 8,136
Expenses	(123)		(6,787)		(6,910)
Equity earnings (losses) of affiliates	(1)		191		190
Interest expense, net	(379)	(115)	(8)	235	(267)
Interest income		2	264	(235)	31
Earnings (losses) from subsidiary entities	1,225	2,342		(3,567)	
Other, net	(4)	4	1,375		1,375
Income (loss) before income tax expense	718	2,233	3,171	(3,567)	2,555
Income tax (expense) benefit	(73)		(321)	135	(259)
Net income (loss)	645	2,233	2,850	(3,432)	2,296
Less: Net income attributable to noncontrolling interests			(63)		(63)
Net income (loss) attributable to News Corporation stockholders	$ 645	$ 2,233	$ 2,787	$ (3,432)	$ 2,233
Comprehensive income (loss) attributable to News Corporation stockholders	$ 621	$ 2,524	$ 2,866	$ (3,487)	$ 2,524

See notes to supplemental guarantor information

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NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Statement of Operations

For the three months ended September 30, 2011

(in millions)

	News America Incorporated	News Corporation	Non-Guarantor	Reclassifications and Eliminations	News Corporation and Subsidiaries
Revenues	$	$	$ 7,959	$	$ 7,959
Expenses	(77)		(6,588)		(6,665)
Equity earnings (losses) of affiliates	(2)		123		121
Interest expense, net	(372)	(336)	(3)	453	(258)
Interest income	1	2	486	(453)	36
Earnings (losses) from subsidiary entities	113	1,137		(1,250)	
Other, net	13	(65)	(78)		(130)
Income (loss) before income tax expense	(324)	738	1,899	(1,250)	1,063
Income tax (expense) benefit	84		(495)	134	(277)
Net income (loss)	(240)	738	1,404	(1,116)	786
Less: Net income attributable to noncontrolling interests			(48)		(48)
Net income (loss) attributable to News Corporation stockholders	$ (240)	$ 738	$ 1,356	$ (1,116)	$ 738
Comprehensive income (loss) attributable to News Corporation stockholders	$ (156)	$ (577)	$ (16)	$ 172	$ (577)

See notes to supplemental guarantor information

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NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Balance Sheet

At September 30, 2012

(in millions)

	News America Incorporated	News Corporation	Non-Guarantor	Reclassifications and Eliminations	News Corporation and Subsidiaries
ASSETS:					
Current assets:					
Cash and cash equivalents	$ 554	$ 8,211	$ 3,242	$	$ 12,007
Receivables, net	14	1	6,619		6,634
Inventories, net			2,856		2,856
Other	34	9	727		770
Total current assets	602	8,221	13,444		22,267
Non-current assets:					
Receivables	19		445		464
Inventories, net			4,835		4,835
Property, plant and equipment, net	117		5,713		5,830
Intangible assets, net			7,128		7,128
Goodwill			13,190		13,190
Other	368		869		1,237
Investments					
Investments in associated companies and other investments	96	54	4,575		4,725
Intragroup investments	49,354	52,585		(101,939)	
Total investments	49,450	52,639	4,575	(101,939)	4,725
TOTAL ASSETS	$ 50,556	$ 60,860	$ 50,199	$ (101,939)	$ 59,676
LIABILITIES AND EQUITY					
Current liabilities:					
Borrowings	$ 273	$	$	$	$ 273
Other current liabilities	480	201	9,091		9,772
Total current liabilities	753	201	9,091		10,045
Non-current liabilities:					
Borrowings	16,184				16,184
Other non-current liabilities	474		5,548		6,022
Intercompany	25,979	34,395	(60,374)		

Redeemable noncontrolling interests			648		648
Total equity	7,166	26,264	95,286	(101,939)	26,777
TOTAL LIABILITIES AND EQUITY	$ 50,556	$ 60,860	$ 50,199	$ (101,939)	$ 59,676

See notes to supplemental guarantor information

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NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Balance Sheet

At June 30, 2012

(in millions)

	News America Incorporated	News Corporation	Non-Guarantor	Reclassifications and Eliminations	News Corporation and Subsidiaries
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 561	$ 6,005	$ 3,060	$	$ 9,626
Receivables, net	1	9	6,598		6,608
Inventories, net			2,595		2,595
Other	17	14	588		619
Total current assets	579	6,028	12,841		19,448
Non-current assets:					
Receivables	19		368		387
Inventories, net			4,596		4,596
Property, plant and equipment, net	119		5,695		5,814
Intangible assets, net			7,133		7,133
Goodwill			13,174		13,174
Other	334	2	807		1,143
Investments:					
Investments in associated companies and other investments	95	39	4,834		4,968
Intragroup investments	49,266	49,953		(99,219)	
Total investments	49,361	49,992	4,834	(99,219)	4,968
TOTAL ASSETS	$ 50,412	$ 56,022	$ 49,448	$ (99,219)	$ 56,663
LIABILITIES AND EQUITY					
Current liabilities:					
Borrowings	$ 273	$	$	$	$ 273
Other current liabilities	510		8,834		9,344
Total current liabilities	783		8,834		9,617
Non-current liabilities:					
Borrowings	15,182				15,182
Other non-current liabilities	384		5,654		6,038
Intercompany	27,470	31,338	(58,808)		

Redeemable noncontrolling interests			641		641
Total equity	6,593	24,684	93,127	(99,219)	25,185
TOTAL LIABILITIES AND EQUITY	$ 50,412	$ 56,022	$ 49,448	$ (99,219)	$ 56,663

See notes to supplemental guarantor information

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NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Statement of Cash Flows

For the three months ended September 30, 2012

(in millions)

	News America Incorporated	News Corporation	Non-Guarantor	Reclassifications and Eliminations	News Corporation and Subsidiaries
Operating activities:					
Net cash provided by (used in) operating activities	$ (994)	$ 2,987	$ (1,283)	$	$ 710
Investing activities:					
Property, plant and equipment, net of acquisitions			(176)		(176)
Investments	(1)	(15)	(172)		(188)
Proceeds from dispositions			1,825		1,825
Net cash provided by (used in) investing activities	(1)	(15)	1,477		1,461
Financing activities:					
Borrowings	988				988
Issuance of shares		111			111
Repurchase of shares		(877)			(877)
Dividends paid			(52)		(52)
Other, net			9		9
Net cash provided by (used in) financing activities	988	(766)	(43)		179
Net increase (decrease) in cash and cash equivalents	(7)	2,206	151		2,350
Cash and cash equivalents, beginning of period	561	6,005	3,060		9,626
Exchange movement on opening cash balance			31		31
Cash and cash equivalents, end of period	$ 554	$ 8,211	$ 3,242	$	$ 12,007

See notes to supplemental guarantor information

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NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Statement of Cash Flows

For the three months ended September 30, 2011

(in millions)

	News America Incorporated	News Corporation	Non-Guarantor	Reclassifications and Eliminations	News Corporation and Subsidiaries
Operating activities:					
Net cash provided by (used in) operating activities	$ 412	$ 44	$ (32)	$	$ 424
Investing activities:					
Property, plant and equipment, net of acquisitions	(8)		(240)		(248)
Investments	(2)	(63)	(114)		(179)
Proceeds from dispositions		11	323		334
Net cash used in investing activities	(10)	(52)	(31)		(93)
Financing activities:					
Repayment of borrowings			(32)		(32)
Issuance of shares		12			12
Repurchase of shares		(1,272)			(1,272)
Dividends paid			(23)		(23)
Net cash used in financing activities		(1,260)	(55)		(1,315)
Net (decrease) increase in cash and cash equivalents	402	(1,268)	(118)		(984)
Cash and cash equivalents, beginning of period	360	7,816	4,504		12,680
Exchange movement on opening cash balance			(267)		(267)
Cash and cash equivalents, end of period	$ 762	$ 6,548	$ 4,119	$	$ 11,429

See notes to supplemental guarantor information

NEWS CORPORATION

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 NAI 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.

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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, and Section 27A of the Securities Act of 1933, as amended. The words expect, estimate, anticipate, predict, believe and similar expressions and variations thereof are intended to identify forward-looking statements. These statements appear in a number of places in this document and include statements regarding the intent, belief or current expectations of News Corporation, its directors or its officers with respect to, among other things, trends affecting News Corporation 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. News Corporation 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 News Corporation with the Securities and Exchange Commission (SEC). This section should be read together with the unaudited consolidated financial statements of News Corporation and related notes set forth elsewhere herein and News Corporation s Annual Report on Form 10-K for the fiscal year ended June 30, 2012 as filed with the SEC on August 14, 2012 and as amended on October 1, 2012 (the 2012 Form 10-K).

INTRODUCTION

Management s discussion and analysis of financial condition and results of operations is intended to help provide an understanding of News Corporation and its subsidiaries (together, News Corporation or the Company) financial condition, changes in financial condition and results of operations. This discussion is organized as follows:

- ***Overview of the Company s Business*** This section provides a general description of the Company s businesses, as well as developments that have occurred to date during fiscal 2013 that the Company believes are important in understanding its results of operations and financial condition or to disclose known trends.

- ***Results of Operations*** This section provides an analysis of the Company s results of operations for the three months ended September 30, 2012 and 2011. 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 have an impact on the comparability of the results being analyzed.

- ***Liquidity and Capital Resources*** This section provides an analysis of the Company s cash flows for the three months ended September 30, 2012 and 2011. Included in the discussion of outstanding debt is a discussion of the amount of financial capacity available to fund the Company s future commitments and obligations, as well as a discussion of other financing arrangements.

OVERVIEW OF THE COMPANY S BUSINESS

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

- **Cable Network Programming**, which principally consists of the production and licensing of programming distributed through cable television systems and direct broadcast satellite operators primarily in the United States, Latin America, Europe and Asia.

- **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.

- **Television**, which principally consists of the broadcasting of network programming in the United States and the operation of 27 full power broadcast television stations, including 9 duopolies, in the United States (of these stations, 17 are affiliated with the FOX Broadcasting Company (FOX) and 10 are affiliated with Master Distribution Service, Inc. (MyNetworkTV)).

Direct Broadcast Satellite Television, which consists of the distribution of basic and premium programming services via satellite and broadband directly to subscribers in Italy.

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Publishing, which principally consists of the Company s newspapers and information services, book publishing and integrated marketing services businesses. The newspapers and information services business principally consists of the publication of national newspapers in the United Kingdom, the publication of approximately 140 newspapers in Australia, the publication of a metropolitan newspaper and a national newspaper (with international editions) in the United States and the provision of information services. The book publishing business consists of the publication of English language books throughout the world and the integrated marketing services business consists of the publication of free-standing inserts and the provision of in-store marketing products and services in the United States and Canada.

Other, which principally consists of the Company s digital media properties and Amplify, the Company s education technology businesses.

Television and Cable Network Programming

The Company s television operations primarily consist of FOX, MyNetworkTV and the 27 television stations owned by the Company.

The television operations derive revenues primarily from the sale of advertising and to a lesser extent retransmission consent revenue. Adverse changes in general market conditions for advertising may affect revenues. The U.S. television broadcast environment is highly competitive and the primary methods of competition are the development and acquisition of popular programming. Program success is measured by ratings, which are an indication of market acceptance, with the top rated programs commanding the highest advertising prices. FOX is a broadcast network and MyNetworkTV is a programming distribution service, airing original and off-network programming. FOX and MyNetworkTV compete with broadcast networks, such as ABC, CBS, NBC and The CW Television Network, independent television stations, cable and Direct Broadcast Satellite Television program services, as well as other media, including DVDs, Blu-rays, video games, print and the Internet for audiences, programming and, in the case of FOX, advertising revenues. In addition, FOX and MyNetworkTV compete with the other broadcast networks and other programming distribution services to secure affiliations with independently owned television stations in markets across the United States. ABC, NBC and CBS each broadcasts a significantly greater number of hours of programming than FOX and, accordingly, may be able to designate or change time periods in which programming is to be broadcast with greater flexibility than FOX. In addition, future technological developments may affect competition within the television marketplace.

Retransmission consent rules provide a mechanism for the television stations owned by the Company to seek and obtain payment from multi-channel video programming distributors who carry broadcasters signals. Retransmission consent revenue consists of per subscriber-based compensatory fees paid to the Company from cable and satellite distribution systems for FOX and MyNetworkTV as well as a portion of the retransmission consent revenue the affiliates generate for their retransmission of FOX.

The television stations owned and operated by the Company compete for programming, audiences and advertising revenues with other television stations and cable networks in their respective coverage areas and, in some cases, with respect to programming, with other station groups, and in the case of advertising revenues, with other local and national media. The competitive position of the television stations owned by the Company is largely influenced by the quality and strength of FOX and MyNetworkTV programming, and, in particular, the prime-time viewership of the respective network.

The Company s U.S. cable network operations primarily consist of the Fox News Channel (FOX News), FX Networks, LLC (FX), Regional Sports Networks (RSNs), the National Geographic Channels, SPEED and the Big Ten Network. The Company s international cable networks consist of the Fox International Channels (FIC) and STAR. FIC produces and distributes entertainment, factual, sports, and movie channels through distribution channels in Europe, Africa, Asia and Latin America using several brands, including Fox, Fox Crime, Fox Life and National Geographic Channel. STAR s owned and affiliated channels are distributed in the following countries and regions: India; Greater China; Indonesia; the rest of South East Asia; Pakistan; the Middle East and Africa; the United Kingdom and Europe; and North America.

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

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The Company s cable networks compete for carriage on cable television systems, direct broadcast satellite systems and other distribution systems with other program services. A primary focus of competition is for distribution of the Company s cable network channels that are not already distributed by particular cable television or direct broadcast satellite systems. For such program services, distributors make decisions on the use of bandwidth based on various considerations, including amounts paid by programmers for launches, subscription fees payable by distributors and appeal to the distributors subscribers.

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

The Company has several multi-year sports rights agreements, including contracts with the National Football League (NFL) through fiscal 2022, contracts with the National Association of Stock Car Auto Racing (NASCAR) for certain races and exclusive rights for certain ancillary content through calendar year 2022, a contract with Major League Baseball (MLB) through calendar year 2021 and other sports rights contracts. These contracts provide the Company with the broadcast rights to certain U.S. national sporting events during their respective terms. The costs of these sports contracts are charged to expense based on the ratio of each period s operating profit to estimated total operating profit for the remaining term of the contract.

The profitability of these long-term U.S. national sports contracts is based on the Company s best estimates at September 30, 2012 of attributable revenues and costs; such estimates may change in the future and such changes may be significant. Should revenues decline from estimates applied at September 30, 2012, additional amortization of rights may be recorded. Should revenues improve as compared to estimated revenues, the Company may have an improved operating profit related to the contract, which may be recognized over the remaining contract term.

While the Company seeks to ensure compliance with federal indecency laws and related Federal Communications Commission (FCC) regulations, the definition of indecency is subject to interpretation and there can be no assurance that the Company will not broadcast programming that is ultimately determined by the FCC to violate the prohibition against indecency. Such programming could subject the Company to regulatory review or investigation, fines, adverse publicity or other sanctions, including the loss of station licenses.

Filmed Entertainment

The Filmed Entertainment segment derives revenue from the production and distribution of live-action and animated motion pictures and television series. In general, motion pictures produced or acquired for distribution by the Company are exhibited in U.S. and foreign theaters, followed by home entertainment, including sale and rental of DVDs and Blu-rays, video-on-demand and pay-per-view television, on-line and mobile distribution, premium subscription television, network television and basic cable and syndicated television exploitation. Television series initially produced for the networks and first-run syndication are generally licensed to domestic and international markets concurrently and subsequently released in seasonal DVD and Blu-ray box sets and made available via digital distribution platforms. More successful series are later syndicated in domestic markets. The length of the revenue cycle for television series will vary depending on the number of seasons a series remains in active production and, therefore, may cause fluctuations in operating results. License fees received for television exhibition (including international and U.S. premium television and basic cable television) are recorded as revenue in the period that licensed films or programs are available for such exhibition, which may cause substantial fluctuations in operating results.

The revenues and operating results of the Filmed Entertainment segment are significantly affected by the timing of the Company s theatrical and home entertainment releases, the number of its original and returning television series that are aired by television networks and the number of its television series in off-network syndication. Theatrical and home entertainment release dates are determined by several factors, including timing of vacation and holiday periods and competition in the marketplace. The distribution windows for the release of motion pictures theatrically and in various home entertainment products and services (including subscription rentals, rental kiosks and Internet streaming services), have been compressing and may continue to change in the future. A further reduction in timing between theatrical and home entertainment releases could adversely affect the revenues and operating results of this segment.

The Company enters into arrangements with third parties to co-produce many of its theatrical productions. These arrangements, which are referred to as co-financing arrangements, take various forms. The parties to these arrangements include studio and non-studio entities, both domestic and foreign. In several of these agreements, other parties control certain distribution rights. The Filmed Entertainment segment records the amounts received for the sale of an economic interest as a reduction of the cost of the film, as the

investor assumes full risk for that portion of the film asset acquired in these transactions. The substance of these arrangements is that the third-party investors own an interest in the film and, therefore, receive a participation based on the respective third-party investor s interest in the profits or losses incurred on the film. Consistent with the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 926 Entertainment Films (ASC 926), the estimate of a third-party investor s interest in profits or losses incurred on the film i determined by reference to the ratio of actual revenue earned to date in relation to total estimated ultimate revenues.

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

The Company competes with other film studios, such as Disney, Paramount, Sony, Universal, Warner Bros. and independent film producers in the production and distribution of motion pictures, DVDs and Blu-rays. As a producer and distributor of television programming, the Company competes with studios, television production groups and independent producers and syndicators, such as Disney, Sony, NBC Universal, Warner Bros. and Paramount Television, to sell programming both domestically and internationally. The Company also competes to obtain creative talent and story properties, which are essential to the success of the Company s filmed entertainment businesses.

Direct Broadcast Satellite Television

The Direct Broadcast Satellite Television (DBS) segment s operations consist of SKY Italia, which provides basic and premium programming services via satellite directly to subscribers in Italy. SKY Italia derives revenues principally from subscriber fees. The Company believes that the quality and variety of programming, audio and interactive programming including personal video recorders, quality of picture including high definition channels, access to service, customer service and price are the key elements for gaining and maintaining market share. SKY Italia s competition includes companies that offer video, audio, interactive programming, telephony, data and other information and entertainment services, including broadband Internet providers, digital terrestrial transmission (DTT) services, wireless companies and companies that are developing new media technologies.

SKY Italia s most significant operating expenses are those related to the acquisition of entertainment, movie and sports programming and subscribers and the expenses related to operating the technical facilities. Operating expenses related to sports programming are generally recognized over the course of the related sport season, which may cause fluctuations in the operating results of this segment.

The continued challenging economic environment in Italy has contributed to a reduction in consumer spending and has posed challenges for subscriber retention and growth. If this trend continues, it could have a material effect on the operating results of the DBS segment.

Publishing

The Company s Publishing segment consists of the Company s newspapers and information services, book publishing and integrated marketing services businesses and the related digital formats.

Revenue is derived from the sale of advertising space, newspapers, books and subscriptions, as well as licensing. Adverse changes in general market conditions for advertising may affect revenues. Circulation and subscription revenues can be greatly affected by changes in the prices of the Company s and/or competitors products, as well as by promotional activities.

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

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

Like other newspaper publishing groups, the Company faces challenges to its traditional print business model from new media formats and shifting consumer preferences. The Company is also exposed to the impact of long-term structural movements in advertising spending as digital advertising rates are lower due to the additional supply of available advertisements, especially impacting classified advertising. These new media formats could impact the Company s performance, positively or negatively.

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

Other

The Other segment consists primarily of:

Digital Media Group

The Company sells advertising, sponsorships and subscription services on the Company s various digital media properties. Significant expenses associated with the Company s digital media properties include development costs, advertising and promotional expenses, salaries, employee benefits and other routine overhead.

Education Group

Amplify, the Company s education technology businesses, is dedicated to improving K-12 education by creating digital products and services that empower teachers, students and parents in new ways. Amplify is focused on transforming teaching and learning by creating and scaling digital innovations in three areas: analytics and assessment, content and curriculum and distribution and delivery. Amplify focuses on educational analytics and formative assessment through Wireless Generation, Inc. (Wireless Generation). Significant expenses associated with the Company s education technology businesses include salaries, employee benefits and other routine overhead.

Other Business Developments

In July 2011, the Company announced that it would close its publication, *The News of the World*, after allegations of phone hacking and payments to public officials. As a result of management s approval of the shutdown of *The News of the World*, the Company has reorganized portions of the U.K. newspaper business and has recorded restructuring charges in fiscal 2013 and 2012 primarily for termination benefits and certain organizational restructuring at the U.K. newspapers. The Company is subject to several ongoing investigations by U.K. and U.S. regulators and governmental authorities, including investigations into whether similar conduct may have occurred at the Company s subsidiaries outside of the U.K. The Company is cooperating with these investigations. In addition, the Company has admitted liability in a number of civil cases related to the phone hacking allegations and has settled a number of cases. The Company created an independently-chaired Management & Standards Committee (the MSC), which operates independently from NI Group Limited (News International) and has full authority to ensure cooperation with all relevant investigations and inquiries into *The News of the World* matters and all other related issues across News International. The MSC conducts its own internal investigation where appropriate. The MSC has an independent Chairman, Lord Grabiner QC, and reports directly to Gerson Zweifach, Senior Executive Vice President and Group General Counsel of the Company. Mr. Zweifach reports to the independent members of the Board of Directors (the Board) through their representative Viet Dinh, an independent director and Chairman of the Company s Nominating and Corporate Governance Committee. The independent directors of the Board have retained independent outside counsel and are actively engaged in these matters. The MSC conducted an internal investigation of the three other titles at News International and engaged independent outside counsel to advise it on these investigations and all other matters it handles. News International has instituted governance reforms and issued certain enhanced policies to its employees. The Company has also engaged independent outside counsel to assist it in responding to U.S. governmental inquiries.

In February 2012, the Company agreed to backstop 300 million (approximately $395 million) of financing measures that are being initiated by Sky Deutschland AG (Sky Deutschland), of which 145 million (approximately $195 million) remains as of September 30, 2012.

In June 2012, the Company announced that it intends to pursue the separation of its publishing and its media and entertainment businesses into two distinct publicly traded companies. The global publishing company that would be created through the proposed transaction would consist of the Company s publishing businesses, its education division and other Australian assets. The global media and entertainment company would consist of the Company s cable and television assets, filmed entertainment, and direct satellite broadcasting businesses. Following the separation, each company would maintain two classes of common stock: Class A Common and Class B Common Voting Shares. The separation is expected to be completed in approximately one year from the date of announcement. In addition to final approval from the Board and stockholder approval, the completion of the separation will be subject to receipt of regulatory approvals, opinions from tax counsel and favorable rulings from certain tax jurisdictions regarding the tax-free nature of the transaction to the Company and to its stockholders, further due diligence as appropriate, and the filing and effectiveness of appropriate filings with the SEC.

In July 2012, the Company acquired Thomas Nelson, Inc. (Thomas Nelson), one of the leading Christian book publishers in the United States, for approximately $200 million in cash.

In July 2012, the Company sold its 49% investment in NDS Group Limited (NDS) to Cisco Systems Inc. for approximately $1.9 billion in total consideration.

In August 2012, the Company entered into an agreement to acquire a 51% equity interest in Eredivisie Media & Marketing CV (EMM). EMM is a media company based in the Netherlands which holds the Dutch Premier League soccer rights and operates several channels in the Netherlands. EMM is owned by the 18 Dutch Premier League soccer clubs and the global TV production company Endemol. The acquisition is subject to regulatory clearances and other customary closing conditions.

In September 2012, the Company agreed to acquire Consolidated Media Holdings Ltd. (CMH), a media investment company that operates in Australia, for approximately $2 billion. CMH has a 25% interest in FOXTEL and a 50% interest in FOX Sports Australia, a producer of Australia s leading sports channels. The acquisition will double the Company s stakes in FOX Sports Australia and FOXTEL to 100% and 50%, respectively. The transaction was approved by CMH shareholders in October 2012 and by the Federal Court of Australia in November 2012, and is expected to close on November 19, 2012.

In November 2012, the Company acquired the remaining 50% interest in ESPN STAR Sports (ESS) it did not already own for approximately $335 million in cash. ESS is the leading sports broadcaster in Asia and the Company now, through its wholly owned subsidiaries, owns 100% of ESS. Accordingly, the results of ESS will be included in the Company s consolidated results of operations in November 2012.

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RESULTS OF OPERATIONS

Results of Operations For the three months ended September 30, 2012 versus the three months ended September 30, 2011

The following table sets forth the Company s operating results for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011.

	For the three months ended September 30,		
	2012	**2011**	**% Change**
	(in millions, except %)		
Revenues	$ 8,136	$ 7,959	2%
Operating expenses	(4,848)	(4,753)	2%
Selling, general and administrative	(1,610)	(1,527)	5%
Depreciation and amortization	(300)	(294)	2%
Impairment and restructuring charges	(152)	(91)	67%
Equity earnings of affiliates	190	121	57%
Interest expense, net	(267)	(258)	3%
Interest income	31	36	(14)%
Other, net	1,375	(130)	**
Income before income tax expense	**2,555**	**1,063**	**
Income tax expense	(259)	(277)	(6)%
Net income	2,296	786	**
Less: Net income attributable to noncontrolling interests	(63)	(48)	31%
Net income attributable to News Corporation stockholders	**$ 2,233**	**$ 738**	**

** not meaningful

Overview The Company s revenues increased 2% for the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012, primarily due to higher net affiliate and advertising revenues at the Cable Network Programming segment, partially offset by decreased revenues at the DBS segment resulting from unfavorable foreign exchange fluctuations.

Operating expenses increased 2% for the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012, primarily due to higher sports programming costs at the Cable Network Programming, Television and DBS segments, and the inclusion of operating expenses resulting from the consolidation of Fox Pan American Sports LLC (FPAS) and the acquisition of Thomas Nelson. These increases were partially offset by decreased operating expenses at the Filmed Entertainment segment resulting from lower production amortization costs.

Selling, general and administrative expenses increased 5% for the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012, primarily due to $67 million of legal and professional fees related to *The News of the World* investigations and litigation and costs for related civil settlements and the inclusion of expenses resulting from the consolidation of FPAS.

Depreciation and amortization increased 2% for the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012, primarily due to additional amortization from the consolidation of FPAS at the Cable Networking Programming segment. These increases were partially offset by favorable foreign exchange fluctuations.

Impairment and restructuring charges At the end of fiscal 2012, the Company identified certain businesses as held for sale. During the three months ended September 30, 2012, the Company recorded a $35 million non-cash impairment charge related to its assets held for sale to reduce the carrying value of these assets to estimated fair value less cost to sell.

During the three months ended September 30, 2012, the Company recorded restructuring charges of $117 million, of which $112 million related to the newspaper businesses. The restructuring charges primarily relate to the reorganization of the Australian newspaper businesses which was announced at the end of fiscal 2012 and the continued reorganization of the U.K. newspaper business. The restructuring charges recorded in the first quarter of fiscal 2013 are primarily for termination benefits in Australia and contract termination payments in the U.K.

During the three months ended September 30, 2011, the Company recorded approximately $91 million of restructuring charges, of which $88 million related to the newspaper businesses. The Company commenced the reorganization of portions of the newspaper business and recorded a restructuring charge primarily for termination benefits as a result of the shutdown of *The News of the World* and certain organizational restructurings at other newspapers.

Equity earnings of affiliates Equity earnings of affiliates increased $69 million for the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012, primarily due to a $75 million gain on the sale of a portion of the Company s British Sky Broadcasting Group plc investment in accordance with its share repurchase program and improved results from Sky Deutschland, partially offset by the sale of the Company s investment in NDS in July 2012.

	For the three months ended September 30,		
	2012	2011	% Change
	(in millions, except %)		
DBS equity affiliates	$ 213	$ 123	73%
Cable channel equity affiliates	4		**
Other equity affiliates	(27)	(2)	**
Total Equity earnings of affiliates	$ 190	$ 121	57%

** not meaningful

Interest expense, net Interest expense, net increased $9 million for the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012, primarily due to higher public debt due to the issuance of $1.0 billion of 3.00% Senior Notes due 2022.

Other, net

	For the three months ended September 30,	
	2012	2011
	(in millions)	
Gain on sale of investment in NDS[(a)]	$ 1,446	$
Change in fair value of Sky Deutschland convertible securities[(a)]	7	(82)
BSkyB termination fee[(a)]		(63)
Other	(78)	15
Total Other, net	$ 1,375	$ (130)

(a) See Note 6 Investments to the accompanying unaudited consolidated financial statements.

Income tax expense The Company s effective income tax rate for the three months ended September 30, 2012 was lower than the statutory rate of 35%, primarily due to the utilization of foreign tax credits in connection with the NDS sale and permanent differences.

The effective income tax rate for the three months ended September 30, 2011 was 26% which was lower than the statutory rate of 35%, primarily due to the sale of interests in subsidiaries and permanent differences.

Net income Net income increased for the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012, primarily due to the gain on the sale of the Company s investment in NDS.

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Net income attributable to noncontrolling interests Net income attributable to noncontrolling interests increased for the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012, primarily due to the issuances of additional noncontrolling interests at the Company s cable businesses.

Segment Analysis

The following table sets forth the Company s revenues and segment operating income (loss) for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011.

	For the three months ended September 30,		
	2012	2011	% Change
	(in millions, except %)		
Revenues:			
Cable Network Programming	$ 2,449	$ 2,120	16%
Filmed Entertainment	1,745	1,778	(2)%
Television	959	923	4%
Direct Broadcast Satellite Television	817	922	(11)%
Publishing	2,018	2,069	(2)%
Other	148	147	1%
Total revenues	**$ 8,136**	**$ 7,959**	**2%**
Segment operating income (loss):			
Cable Network Programming	$ 953	$ 775	23%
Filmed Entertainment	400	347	15%
Television	156	133	17%
Direct Broadcast Satellite Television	23	119	(81)%
Publishing	57	110	(48)%
Other	(211)	(99)	**
Total segment operating income	**$ 1,378**	**$ 1,385**	**(1)%**

** not meaningful

Management believes that total segment operating income 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 and allocate resources within the Company s businesses. Total segment operating income provides management, investors and equity analysts a measure to analyze operating performance of each of the Company s business segments and its enterprise value against historical data and competitors data, although historical results may not be indicative of future results (as operating performance is highly contingent on many factors, including customer tastes and preferences). The following table reconciles total segment operating income to income before income tax expense.

	For the three months ended September 30,	
	2012	2011
	(in millions)	
Total segment operating income	$ 1,378	$ 1,385
Impairment and restructuring charges	(152)	(91)
Equity earnings of affiliates	190	121

Interest expense, net	(267)	(258)
Interest income	31	36
Other, net	1,375	(130)
Income before income tax expense	$ 2,555	$ 1,063

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Cable Network Programming (30% and 27% of the Company s consolidated revenues in the first three months of fiscal 2013 and 2012, respectively)

For the three months ended September 30, 2012, revenues at the Cable Network Programming segment increased $329 million, or 16%, as compared to the corresponding period of fiscal 2012, primarily due to higher net affiliate and advertising revenues, partially offset by unfavorable foreign exchange fluctuations, primarily at FIC and STAR. The strengthening of the U.S dollar against the local currencies resulted in a revenue decrease of approximately $67 million for the three months ended September 30, 2012, as compared to the corresponding period of fiscal 2012.

Domestic net affiliate revenues increased 16% for the three months ended September 30, 2012, primarily due to higher average rates per subscriber at the RSNs, FOX News and FX. For the three months ended September 30, 2012, domestic advertising revenues increased 8% primarily due to higher pricing at FOX News and FX and higher MLB advertising revenues. Also contributing to the increase in domestic affiliate and advertising revenues was the launch of Fox Sports San Diego.

For the three months ended September 30, 2012, international net affiliate revenues increased 25%, primarily due to higher subscribers at FIC and the consolidation of FPAS partially offset by foreign exchange fluctuations. International advertising revenues improved on a local currency basis, but decreased 1% for the three months ended September 30, 2012. The decrease in international advertising revenues was primarily due to foreign exchange fluctuations and was partially offset by higher advertising revenues in Latin America due to the consolidation of FPAS.

For the three months ended September 30, 2012, operating income at the Cable Network Programming segment increased $178 million, or 23%, as compared to the corresponding period of fiscal 2012, primarily due to the revenue increases noted above, partially offset by a $151 million increase in expenses, primarily due to higher sports programming costs and the consolidation of FPAS. Contributing to the sports programming increase were new contracts to broadcast cricket matches at Star India, mixed martial arts matches and additional U.S college football games. Also contributing to the increase was the launch of Fox Sports San Diego and other MLB contractual rights increases. The strengthening of the U.S. dollar against local currencies resulted in an operating income decrease of approximately $30 million for the three months ended September 30, 2012, as compared to the corresponding period of fiscal 2012.

Filmed Entertainment (21% and 22% of the Company s consolidated revenues in the first three months of fiscal 2013 and 2012, respectively)

For the three months ended September 30, 2012, revenues at the Filmed Entertainment segment decreased $33 million, or 2%, as compared to the corresponding period of fiscal 2012, primarily due to lower home entertainment revenues at Fox Filmed Entertainment and lower licensing revenues from *Avatar*. The three months ended September 30, 2011, included the home entertainment releases of *Rio* and *X-Men: First Class* with no comparable titles in the corresponding period of fiscal 2013. These revenue decreases were partially offset by increased worldwide theatrical revenues resulting from the success of *Ice Age: Continental Drift* in the three months ended September 30, 2012, compared to the corresponding fiscal 2012 period which included the worldwide theatrical release of *Rise of the Planet of the Apes.* These revenue decreases were also partially offset by increased digital distribution revenue related to the timing of content availability to Netflix.

For the three months ended September 30, 2012, operating income at the Filmed Entertainment segment increased $53 million, or 15%, as compared to the corresponding period of fiscal 2012, primarily due to lower production amortization costs partially offset by the revenue decreases noted above.

Television (12% of the Company s consolidated revenues in the first three months of fiscal 2013 and 2012)

For the three months ended September 30, 2012, revenues at the Television segment increased $36 million, or 4%, as compared to the corresponding period of fiscal 2012, primarily due to higher retransmission consent revenues and higher political advertising revenues at the Company s television stations due to the 2012 Presidential election. These revenue increases were partially offset by lower advertising revenues at FOX primarily due to lower primetime ratings, the absence of the Emmy® Awards, which was broadcast on FOX in fiscal 2012 and the impact of the broadcast of the Summer Olympics on a different network.

For the three months ended September 30, 2012, operating income at the Television segment increased $23 million, or 17%, as compared to the corresponding period of fiscal 2012, primarily due to the revenue increases noted above, partially offset by an increase in sports programming and production costs principally related to the launch of Saturday night college football broadcasts.

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Direct Broadcast Satellite Television (10% and 11% of the Company s consolidated revenues in the first three months of fiscal 2013 and 2012, respectively)

For the three months ended September 30, 2012, SKY Italia s revenues decreased $105 million, or 11%, as compared to the corresponding period of fiscal 2012. For the three months ended September 30, 2012, revenues, on a local currency basis, were relatively consistent with the corresponding period of fiscal 2012 as higher subscription revenues were offset by lower activation fees and pay per view revenue. SKY Italia had a net decrease of approximately 40,000 subscribers during the first quarter of fiscal 2013, which decreased SKY Italia s total subscriber base to 4.9 million at September 30, 2012, reflecting the continued challenging economic environment in Italy. The total churn for three months ended September 30, 2012 was approximately 169,000 subscribers on an average subscriber base of 4.9 million, as compared to churn of approximately 157,000 subscribers on an average subscriber base of 5.0 million in the corresponding period of fiscal 2012. Subscriber churn for the period represents the number of SKY Italia subscribers whose service was disconnected during the period. During the three months ended September 30, 2012, the strengthening of the U.S. dollar against the Euro resulted in a revenue decrease of approximately $107 million as compared to the corresponding period of fiscal 2012.

Average revenue per subscriber (ARPU) of approximately 41 in the three months ended September 30, 2012 increased from approximately 40 reported in the corresponding period of fiscal 2012, primarily due to a price increase. SKY Italia calculates ARPU by dividing total subscriber-related revenues for the period by the average subscribers for the period and dividing that amount by the number of months in the period. Subscriber-related revenues are comprised of total subscription revenue, pay-per-view revenue and equipment rental revenue for the period. Average subscribers are calculated for the respective periods by adding the beginning and ending subscribers for the period and dividing by two.

Subscriber acquisition costs per subscriber (SAC) of approximately 415 in the three months ended September 30, 2012 increased from the corresponding period of fiscal 2012, primarily due to higher marketing costs on a per subscriber basis, although total marketing expense was flat as compared to the corresponding prior period. SAC is calculated by dividing total subscriber acquisition costs for a period by the number of gross SKY Italia subscribers added during the period. Subscriber acquisition costs include the cost of the commissions paid to retailers and other distributors, the cost of equipment sold directly by SKY Italia to subscribers and the costs related to installation and acquisition advertising net of any upfront activation fee. SKY Italia excludes the value of equipment capitalized under SKY Italia s equipment lease program, as well as payments and the value of returned equipment related to disconnected lease program subscribers from subscriber acquisition costs.

For the three months ended September 30, 2012, SKY Italia s operating income decreased $96 million, or 81%, as compared to the corresponding period of fiscal 2012. On a local currency basis, expenses were higher by 12% primarily due to an increase in sports programming costs resulting from the inclusion of $70 million in rights cost associated with the broadcast of the Summer Olympics. During the three months ended September 30, 2012, the strengthening of the U.S. dollar against the Euro did not have a material impact on operating income.

Publishing (25% and 26% of the Company s consolidated revenues in the first three months of fiscal 2013 and 2012, respectively)

For the three months ended September 30, 2012, revenues at the Publishing segment decreased $51 million, or 2%, as compared to the corresponding period of fiscal 2012, primarily due to lower advertising revenues. The revenue decreases were partially offset by the inclusion of revenues from Thomas Nelson which was acquired in fiscal 2013 and increased revenues at the U.K. newspapers primarily due to the launch of the Sunday edition of *The Sun* in February 2012 and third party printing contracts. The strengthening of the U.S. dollar against local currencies resulted in a revenue decrease of approximately $17 million for the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012.

For the three months ended September 30, 2012, operating income at the Publishing segment decreased $53 million, or 48%, as compared to the corresponding period of fiscal 2012, primarily due to the revenue decreases noted above and the inclusion of expenses at Thomas Nelson.

Other (2% of the Company s consolidated revenues in the first three months of fiscal 2013 and 2012)

For the three months ended September 30, 2012, revenues at the Other segment increased approximately $1 million, or 1%, as compared to the corresponding period of fiscal 2012, primarily due to higher online advertising revenues at REA Group, the Company s Australian online real estate advertising service, and higher revenues at the Company s education business, partially offset by the absence of revenues from News Outdoor Russia which was sold in July 2011.

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For the three months ended September 30, 2012, operating results at the Other segment decreased $112 million, as compared to the corresponding period of fiscal 2012, primarily due to the impact of legal and professional fees related to *The News of the World* investigations and litigation and costs for related civil settlements, higher stock based compensation expense and increased operating losses of $15 million at the Company s education business, reflecting higher product development costs.

LIQUIDITY AND CAPITAL RESOURCES

Current Financial Condition

The Company s principal source of liquidity is internally generated funds. The Company also has a five-year unused $2 billion revolving credit facility, which expires in May 2017, and has access to various film co-production alternatives to supplement its cash flows. In addition, the Company has access to the worldwide capital markets, subject to market conditions. As of September 30, 2012, 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 products.

The principal uses of cash that affect the Company s liquidity position include the following: investments in the production and distribution of new feature films and television programs; the acquisition of and payments under programming rights for entertainment and sports programming; paper purchases; operational expenditures including employee costs; capital expenditures; interest expenses; income tax payments; investments in associated entities; dividends; acquisitions; debt repayments; and stock repurchases. The capitalization of the global publishing company that would be created through the proposed separation of the Company s publishing and media and entertainment businesses into two distinct publicly traded companies may affect the Company s liquidity position.

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

Sources and Uses of Cash

Net cash provided by operating activities for the three months ended September 30, 2012 and 2011 was as follows (in millions):

For the three months ended September 30,	**2012**	**2011**
Net cash provided by operating activities	$ 710	$ 424

The increase in net cash provided by operating activities during the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012 primarily reflects lower sports rights payments at the DBS segment, higher advertising receipts at the Television segment and lower income taxes paid. These increases were partially offset by lower advertising receipts at the Publishing segment.

Net cash provided by (used in) investing activities for the three months ended September 30, 2012 and 2011 was as follows (in millions):

For the three months ended September 30,	**2012**	**2011**
Net cash provided by (used in) investing activities	$ 1,461	$ (93)

The change in net cash provided by investing activities during the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012 was primarily due to the net cash proceeds received from the sale of NDS.

Net cash provided by (used in) financing activities for the three months ended September 30, 2012 and 2011 was as follows (in millions):

For the three months ended September 30,	**2012**	**2011**

Net cash provided by (used in) financing activities	$ 179	$ (1,315)

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The change in net cash provided by financing activities during the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012 was primarily due to the issuance of $1.0 billion of 3.00% Senior Notes due 2022 and lower share repurchases during the three months ended September 30, 2012 as compared to the corresponding period of fiscal 2012.

The Company currently has approximately $4.5 billion remaining of the $10 billion stock repurchase program. The Company may repurchase the remaining amount under the stock repurchase program in fiscal 2013 and expects to fund this through a combination of cash generated by operations and cash on hand.

Debt Instruments

The following table summarizes borrowings and repayment of borrowings for the three months ended September 30, 2012 and 2011.

	For the three months ended September 30, 2012	2011
	(in millions)	
Borrowings:		
Notes due September 2022[a]	988	
Total borrowings	$ 988	$
Repayment of borrowings:		
Bank loans[a]		(32)
Total repayment of borrowings	$	$ (32)

[a] See Note 9 Borrowings to the accompanying unaudited consolidated financial statements for further discussion.

Ratings of the Public Debt

The table below summarizes the Company s credit ratings as of September 30, 2012.

Rating Agency	Senior Debt	Outlook
Moody s	Baa1	Stable
S&P	BBB+	CreditWatch/Negative

Revolving Credit Agreement

In May 2012, NAI entered into a credit agreement (the Credit Agreement), among NAI as Borrower, the Company as Parent Guarantor, the lenders named therein, the initial issuing banks named therein, JPMorgan Chase Bank, N.A. (JPMorgan Chase) and Citibank, N.A. as Co-Administrative Agents, JPMorgan Chase as Designated Agent and Bank of America, N.A. as Syndication Agent. The Credit Agreement provides a $2 billion unsecured revolving credit facility with a sub-limit of $400 million (or its equivalent in Euros) available for the issuance of letters of credit and a maturity date of May 2017. Under the Credit Agreement, the Company may request an increase in the amount of the credit facility up to a maximum amount of $2.5 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 significant terms of the agreement include the requirement that the Company maintain specific leverage ratios and limitations 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, NAI pays a facility fee of 0.125% and an initial drawn cost of LIBOR plus 1.125%.

Commitments

The Company has commitments under certain firm contractual arrangements (firm commitments) to make future payments. These firm commitments secure the future rights to various assets and services to be used in the normal course of operations. The total firm commitments and future debt payments as of September 30, 2012 and June 30, 2012 were $68,726 million and $63,644 million, respectively. The increase from June 30, 2012 was primarily due to the renewal of rights to telecast certain MLB regular season and post season games through the 2021 MLB season and the issuance of 3.00% Senior Notes due 2022.

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In October 2012, the Company signed an eight-year contract with NASCAR for the renewal of rights to telecast the Daytona 500 and the first third of the Sprint Cup Series through 2022.

Guarantees

The Company s guarantees as of September 30, 2012 have not changed significantly from disclosures included in the 2012 Form 10-K.

In October 2012, the Company and the other joint-venture partners guaranteed the debt of an equity associate. The Company s maximum obligation under this guarantee is approximately $115 million.

Contingencies

Other than as disclosed in the notes to the accompanying unaudited consolidated financial statements, the Company is party to several other purchase and sale arrangements which become exercisable over the next ten years by the Company or the counter-party to the agreement. None of these arrangements that become or are exercisable in the next twelve months are material. 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, Distinguishing Liabilities from Equity. Accordingly, the fair values of such purchase arrangements are classified in redeemable noncontrolling interests.

As disclosed in the notes to the accompanying unaudited consolidated financial statements, U.K. and U.S. regulators and governmental authorities are conducting investigations after allegations of phone hacking and inappropriate payments to public officials at our former publication, *The News of the World*, and other related matters, including investigations into whether similar conduct may have occurred at the Company s subsidiaries outside of the U.K. The Company is cooperating with these investigations. It is possible that these proceedings could damage our reputation and might impair our ability to conduct our business.

The Company is not able to predict the ultimate outcome or cost associated with these investigations. Violations of law may result in civil, administrative or criminal fines or penalties. The Company has admitted liability in a number of civil cases related to the phone hacking allegations and has settled a number of cases. At September 30, 2012, the Company has provided for its best estimate of the liability for the claims that have been filed. The Company has announced a process under which parties can pursue claims against the Company, and management believes that it is probable that additional claims will be filed. It is not possible to estimate the liability for such additional claims given the information that is currently available to the Company. If more claims are filed and additional information becomes available, the Company will update the liability provision 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.

Intangible Assets

The Company has a significant amount of intangible assets, including goodwill, FCC licenses, and other copyright products and trademarks. Intangible assets acquired in business combinations are recorded at their estimated fair value at the date of acquisition. Goodwill is recorded as the difference between the cost of acquiring an entity and the estimated fair values assigned to its tangible and identifiable intangible net assets and is assigned to one or more reporting units for purposes of testing for impairment. The judgments made in determining the estimated fair value assigned to each class of intangible assets acquired, their reporting unit, as well as their useful lives can significantly impact net income.

The Company accounts for its business acquisitions under the purchase method of accounting. The total cost of acquisitions is allocated to the underlying net assets, based on their respective estimated fair values. The excess of the purchase price over the estimated fair values of the tangible net assets acquired is recorded as intangibles. Amounts recorded as goodwill are assigned to one or more reporting units. Determining the fair value of assets acquired and liabilities assumed requires management s judgment and

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often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives and market multiples, among other items. Identifying reporting units and assigning goodwill to them requires judgment involving the aggregation of business units with similar economic characteristics and the identification of existing business units that benefit from the acquired goodwill. The Company allocates goodwill to disposed businesses using the relative fair value method.

Carrying values of goodwill and intangible assets with indefinite lives are reviewed at least annually for possible impairment in accordance with ASC 350, Intangibles Goodwill and Other. The Company s impairment review is based on, among other methods, a discounted cash flow approach that requires significant management judgments. The Company uses its judgment in assessing whether assets may have become impaired between annual valuations. Indicators such as unexpected adverse economic factors, unanticipated technological change or competitive activities, loss of key personnel and acts by governments and courts, may signal that an asset has become impaired.

The Company uses direct valuation methods to value identifiable intangibles for purchase accounting and impairment testing. The direct valuation method used for FCC licenses requires, among other inputs, the use of published industry data that are based on subjective judgments about future advertising revenues in the markets where the Company owns television stations. This method also involves the use of management s judgment in estimating an appropriate discount rate reflecting the risk of a market participant in the U.S. broadcast industry. The resulting fair values for FCC licenses are sensitive to these long-term assumptions and any variations to such assumptions could result in an impairment to existing carrying values in future periods and such impairment could be material.

The Company s goodwill impairment reviews are determined using a two-step process. The first step of the process is to compare the fair value of a reporting unit with its carrying amount, including goodwill. In performing the first step, the Company determines the fair value of a reporting unit by primarily using a discounted cash flow analysis and market-based valuation approach methodologies. Determining fair value requires the exercise of significant judgments, including judgments about appropriate discount rates, long-term growth rates, relevant comparable company earnings multiples and the amount and timing of expected future cash flows. The cash flows employed in the analyses are based on the Company s estimated outlook and various growth rates have been assumed for years beyond the long-term business plan period. Discount rate assumptions are based on an assessment of the risk inherent in the future cash flows of the respective reporting units. In assessing the reasonableness of its determined fair values, the Company evaluates its results against other value indicators, such as comparable public company trading values. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired and the second step of the impairment review is not necessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment review is required to be performed to estimate the implied fair value of the reporting unit s goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the estimated fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the estimated fair value of the reporting unit was the purchase price paid. The implied fair value of the reporting unit s goodwill is compared with the carrying amount of that goodwill. If the carrying amount of the reporting unit s goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

As a result of the fiscal 2012 annual impairment review performed, the Company recorded non-cash impairment charges of approximately $2.8 billion ($2.4 billion, net of tax) during the fiscal year ended June 30, 2012. The charges consisted of a write-down of goodwill of $1.5 billion and a write-down of indefinite-lived intangible assets of $1.3 billion. The Publishing and Other segments have reporting units with goodwill that continue to be at risk for future impairment. Goodwill was $2.2 billion as of September 30, 2012 at these reporting units where goodwill is at risk for future impairment. The Company will continue to monitor its goodwill and intangible assets for possible future impairment.

Recent Accounting Pronouncements

See Note 1 Basis of Presentation to the accompanying unaudited consolidated financial statements for discussion of recent accounting pronouncements.

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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 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 Company conducts operations in four principal currencies: the U.S. dollar; the British pound sterling; the Euro; and the Australian dollar. These currencies operate as the functional currency for the Company s U.S., United Kingdom, Italian and Australian operations, respectively. Cash is managed centrally within each of the four regions with net earnings reinvested locally and working capital requirements met from existing liquid funds. To the extent such funds are not sufficient to meet working capital requirements, draw downs in the appropriate local currency are available from intercompany borrowings. Since earnings of the Company s Australian, United Kingdom and Italian operations are expected to be reinvested in those businesses indefinitely, the Company does not hedge its investment in the net assets of those foreign operations.

At September 30, 2012, the Company s outstanding financial instruments with foreign currency exchange rate risk exposure had an aggregate fair value of $148 million (including the Company s non-U.S. dollar-denominated fixed rate debt). The potential increase in the fair values of these instruments resulting from a 10% adverse change in quoted foreign currency exchange rates would be approximately $22 million at September 30, 2012.

Interest Rates

The Company s current financing arrangements and facilities include approximately $16,457 million of outstanding fixed-rate debt and the Credit Agreement, which carries variable interest. 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 debt will impact interest expense, as well as the amount of cash required to service such debt. As of September 30, 2012, substantially all of the Company s financial instruments with exposure to interest rate risk were denominated in U.S. dollars and had an aggregate fair value of approximately $20,263 million. The potential change in fair market value for these financial instruments from an adverse 10% change in quoted interest rates across all maturities, often referred to as a parallel shift in the yield curve, would be approximately $862 million at September 30, 2012.

Stock Prices

The Company has common stock investments in several publicly traded companies that are subject to market price volatility. These investments principally represent the Company s equity method affiliates and had an aggregate fair value of approximately $10,474 million as of September 30, 2012. A hypothetical decrease in the market price of these investments of 10% would result in a fair value of approximately $9,426 million. Such a hypothetical decrease would result in a before tax decrease in comprehensive income of approximately $35 million, as any changes in fair value of the Company s equity method affiliates are not recognized unless deemed other-than-temporary.

Credit Risk

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

The Company s receivables did not represent significant concentrations of credit risk at September 30, 2012 or June 30, 2012 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. At September 30, 2012, the Company did not anticipate nonperformance by any of the counterparties.

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ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

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

(b) Internal Control Over Financial Reporting

There has been no change in the Company s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act) during the Company s first quarter of fiscal 2013 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART II

ITEM 1. LEGAL PROCEEDINGS

Shareholder Litigation

Delaware

On March 16, 2011, a complaint seeking to compel the inspection of the Company s books and records pursuant to 8 Del. C. § 220, captioned Central Laborers Pension Fund v. News Corporation, was filed in the Delaware Court of Chancery. The plaintiff requested the Company s books and records to investigate alleged possible breaches of fiduciary duty by the directors of the Company in connection with the Company s purchase of Shine (the Shine Transaction). The Company moved to dismiss the action. On November 30, 2011, the court issued an order granting the Company s motion and dismissing the complaint. The plaintiff filed a notice of appeal on December 13, 2011. The Delaware Supreme Court heard argument on the fully-briefed appeal on April 18, 2012 and issued a decision on May 29, 2012 in which it affirmed the Court of Chancery s dismissal of the complaint.

Also on March 16, 2011, two purported shareholders of the Company, one of which was Central Laborers Pension Fund, filed a derivative action in the Delaware Court of Chancery, captioned The Amalgamated Bank v. Murdoch, et al. (the Amalgamated Bank Litigation). The plaintiffs alleged that both the directors of the Company and Rupert Murdoch as a controlling shareholder breached their fiduciary duties in connection with the Shine Transaction. The suit named as defendants all directors of the Company, and named the Company as a nominal defendant. Similar claims against the same group of defendants were filed in the Delaware Court of Chancery by a purported shareholder of the Company, New Orleans Employees Retirement System, on March 25, 2011 (the New Orleans Employees Retirement Litigation). Both the Amalgamated Bank Litigation and the New Orleans Employees Retirement Litigation were consolidated on April 6, 2011 (the Consolidated Action), with The Amalgamated Bank s complaint serving as the operative complaint. The Consolidated Action was captioned In re News Corp. Shareholder Derivative Litigation. On April 9, 2011, the court entered a scheduling order governing the filing of an amended complaint and briefing on potential motions to dismiss.

Thereafter, the plaintiffs in the Consolidated Action filed a Verified Consolidated Shareholder Derivative and Class Action Complaint (the Consolidated Complaint) on May 13, 2011, seeking declaratory relief and damages. The Consolidated Complaint largely restated the claims in The Amalgamated Bank s initial complaint and also raised a direct claim on behalf of a purported class of Company shareholders relating to the possible addition of Elisabeth Murdoch to the Company s Board. The defendants filed opening briefs in support of motions to dismiss the Consolidated Complaint on June 10, 2011, as contemplated by the court s scheduling order. On July 8, 2011, the plaintiffs filed a Verified Amended Consolidated Shareholder Derivative and Class Action Complaint (the Amended Complaint). In addition to the claims that were previously raised in the Consolidated Complaint, the Amended Complaint brought claims relating to the alleged acts of voicemail interception at *The News of the World* (the NoW Matter). Specifically, the plaintiffs claimed in the Amended Complaint that the directors of the Company failed in their duty of oversight regarding the NoW Matter.

On July 15, 2011, another purported stockholder of the Company filed a derivative action captioned Massachusetts Laborers Pension & Annuity Funds v. Murdoch, et al., in the Delaware Court of Chancery (the Mass. Laborers Litigation). The complaint names as defendants the directors of the Company and the Company as a nominal defendant. The plaintiffs claims are substantially similar to those raised by the Amended Complaint in the Consolidated Action. Specifically, the plaintiff alleged that the directors of the Company have breached their fiduciary duties by, among other things, approving the Shine Transaction and for failing to exercise proper oversight in connection with the NoW Matter. The plaintiff also brought a breach of fiduciary duty claim against Rupert Murdoch as controlling shareholder, and a waste claim against the directors of the Company. The action seeks as relief damages, injunctive relief, fees and costs. On July 25, 2011, the plaintiffs in the Consolidated Action requested that the court consolidate the Mass. Laborers Litigation into the Consolidated Action. On August 24, 2011, the Mass. Laborers Litigation was consolidated with the Consolidated Action.

On September 29, 2011, the plaintiffs filed a Verified Second Amended Consolidated Shareholder Derivative and Class Action Complaint (Second Amended Complaint). In the Second Amended Complaint, the plaintiffs removed their claims involving the possible addition of Elisabeth Murdoch to the Company s Board, added some factual allegations to support their remaining claims and added a claim seeking to enjoin a buyback of Common B shares to the extent it would result in a change of control. The Second Amended Complaint seeks declaratory relief, an injunction preventing the buyback of Class B shares, damages, pre- and post-judgment interest, fees and costs.

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The defendants filed a motion to dismiss the Second Amended Complaint. The hearing on the defendants fully-briefed motion to dismiss was postponed to allow further briefing by plaintiffs after the Cohen Litigation, which is defined and described below, was consolidated with the Consolidated Action.

On March 2, 2012, another purported stockholder of the Company filed a derivative action captioned Belle M. Cohen v. Murdoch, et al., in the Delaware Court of Chancery (the Cohen Litigation). The complaint names as defendants the directors of the Company and the Company as a nominal defendant. The complaint s claims and allegations pertain to the NoW Matter and are substantially similar to the NoW Matter allegations raised in the Second Amended Complaint in the Consolidated Action. The complaint asserts causes of action against the defendants for alleged breach of fiduciary duty, gross mismanagement, contribution and indemnification, abuse of control, and waste of corporate assets. The action seeks as relief damages, fees and costs. On March 20, 2012, the Cohen Litigation was consolidated with the Consolidated Action.

On June 18, 2012, the plaintiffs in the Consolidated Action filed a Verified Third Amended Consolidated Shareholder Derivative Complaint (the Third Amended Complaint). The Third Amended Complaint alleges claims against director defendants for breach of fiduciary duty arising from the Shine Transaction; against Rupert Murdoch for breach of fiduciary duty as the purported controlling shareholder of the Company in connection with the Shine Transaction; against director defendants for breach of fiduciary duty arising from their purported failure to investigate illegal conduct in the NoW Matter and allegedly permitting the Company to engage in a cover up; against certain defendants for breach of fiduciary duty in their capacity as officers arising from a purported failure to investigate illegal conduct in the NoW Matter and allegedly permitting the Company to engage in a cover up; and against James Murdoch for breach of fiduciary duty for allegedly engaging in a cover up related to the NoW Matter. The class action claim asserted in the Second Amended Complaint pertaining to the buyback of Common B shares and the relief related to that claim were removed. The Third Amended Complaint seeks a declaration that the defendants violated their fiduciary duties, damages, pre- and post-judgment interest, fees and costs.

On July 18, 2012, the defendants renewed their postponed motion to dismiss in the Consolidated Action, and in support thereof, they filed supplemental briefing directed towards the allegations of the Third Amended Complaint. Plaintiffs response was filed on August 8, 2012. A hearing on the fully briefed motion was held in Chancery Court on September 19, 2012. The Court reserved decision.

On May 30, 2012, a purported stockholder of the Company filed a class action lawsuit in the Delaware Court of Chancery on behalf of all non-U.S. stockholders of the Company s Class B shares, captioned Första Ap-Fonden v. News Corporation, et al. The plaintiff alleges that, by temporarily suspending 50% of the voting rights of the Class B shares held by non-U.S. stockholders to remain in compliance with U.S. governing broadcast licenses (the Suspension), the Company and the Board violated the Company s charter and the General Corporation Law of the State of Delaware (DGCL) and the directors breached their fiduciary duties, both in approving the Suspension and in failing to monitor the Company s ownership by non-U.S. stockholders. The complaint named as defendants the Company and all directors of the Company at the time of the Suspension. The complaint sought a declaration that the defendants violated the Company s charter and the DGCL, a declaration that the directors breached their fiduciary duties, a declaration that the Suspension is invalid and unenforceable, an injunction of the Suspension, damages, fees, and costs. On June 11, 2012, the defendants filed an opening brief in support of a motion to dismiss the complaint in its entirety. On August 2, 2012, the plaintiff filed a Verified Amended and Supplemented Class Action Complaint (the Amended and Supplemented Complaint). The Amended and Supplemented Complaint seeks a declaration that the defendants violated the Company s charter and the DGCL, a declaration that the directors breached their fiduciary duties, a declaration that the Suspension is invalid and unenforceable, an injunction of the Suspension, a declaration that non-U.S. stockholders of the Company s Class B shares are entitled to vote all of their shares on the Proposed Separation Transaction, damages, fees, and costs. On August 28, 2012, the parties entered into a Memorandum of Understanding providing for an agreement in principle to settle the lawsuit (MOU). The MOU, which was filed with the Court on September 5, 2012, provides in pertinent part: (i) within 5 business days after receiving Court approval, the Company will file a petition with the FCC requesting permission to comply with law governing broadcast licenses for any meeting of stockholders by (a) determining the number of shares held by foreign stockholders that are present at the meeting and that would be entitled to vote but for the Suspension, and (b) counting as votes cast all voted shares held by foreign stockholders, up to a total of 25% of the shares voted; (ii) the Company s Audit Committee will determine on at least an annual basis the total number of voting shares held by non-U.S. citizens and will have the power to modify or eliminate any then-existing suspension; the Company will disclose this information in its annual proxy materials and (iii) the Company will not consent to amend, modify or terminate the Murdoch Family Interests agreement without prior approval of the Audit Committee, which in the case of any vote related to the Proposed Separation Transaction, must be unanimous. The settlement is subject to Court approval after notice to the stockholders and a hearing.

Southern District of New York

On July 18, 2011, a purported shareholder of the Company filed a derivative action captioned Shields v. Murdoch, et al. (Shields Litigation), in the United States District Court for the Southern District of New York. The plaintiff alleged violations of Section 14(a)

of the Securities Exchange Act, as well as state law claims for breach of fiduciary duty, gross mismanagement, waste, abuse of control and contribution/indemnification arising from, and in connection with, the NoW Matter. The complaint names the directors of the Company as defendants and names the Company as a nominal defendant, and seeks damages and costs. On August 4, 2011, the plaintiff filed an amended complaint. The plaintiff seeks compensatory damages, an order declaring the October 15, 2010 shareholder vote on the election of the Company s directors void; an order setting an emergency shareholder vote date for election of new directors; an order requiring the Company to take certain specified corporate governance actions; and an order (i) putting forward a shareholder vote resolution for amendments to the Company s Article of Incorporation and (ii) taking such other action as may be necessary to place before shareholders for a vote on corporate governance policies that: (a) appoint a non-executive Chair of the Board who is not related to the Murdoch family or extended family; (b) appoint an independent Chair of the Board s Audit Committee; (c) appoint at least three independent directors to the Governance and Nominating Committees; (d) strengthen the Board s supervision of financial reporting processes and implement procedures for greater shareholder input into the policies and guidelines of the Board; and (e) appropriately test and strengthen the internal and audit control functions.

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 NoW Matter. 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 July 22, 2011, a purported shareholder of the Company filed a derivative action captioned Stricklin v. Murdoch, et al. (Stricklin Litigation), in the United States District Court for the Southern District of New York. The plaintiff brought claims for breach of fiduciary duty, gross mismanagement, and waste of corporate assets in connection with, among other things, (i) the NoW Matter; (ii) News America s purported payments to settle allegations of anti-competitive behavior; and (iii) the Shine Transaction. The action names as defendants the Company, Les Hinton, Rebekah Brooks, Paul Carlucci and the directors of the Company. On August 3, 2011, the plaintiff served a motion for expedited discovery and to appoint a conservator over the Company, which defendants objected to. The motion has not been formally calendared and there is no briefing schedule yet. On August 16, 2011, the plaintiffs filed an amended complaint. The plaintiff seeks various forms of relief including compensatory damages, injunctive relief, disgorgement, the award of voting rights to Class A shareholders, the appointment of a conservator over the Company to oversee the Company s responses to investigations and litigation related to the NoW Matter, fees and costs.

On August 10, 2011, a purported shareholder of the Company filed a derivative action captioned Iron Workers Mid-South Pension Fund v. Murdoch, et al. (Iron Workers Litigation), in the United States District Court for the Southern District of New York. The plaintiff brought claims for breach of fiduciary duty, waste of corporate assets, unjust enrichment and alleged violations of Section 14(a) of the Securities Exchange Act in connection with the NoW Matter. The action names as defendants the Company, Les Hinton, Rebekah Brooks and the directors of the Company. The plaintiff seeks various forms of relief including compensatory damages, voiding the election of the director defendants, an order requiring the Company to take certain specified corporate governance actions, injunctive relief, restitution, fees and costs.

The Wilder Litigation, the Stricklin Litigation and the Iron Workers Litigation are all now before the judge in the Shields Litigation. On November 21, 2011, the court issued an order setting a briefing schedule for the defendants motion to stay the Stricklin Litigation, the Iron Workers Litigation and the Shields Litigation pending the outcome of the consolidated action pending in the Delaware Court of Chancery. On December 8, 2011, the defendants and the Company, as a nominal defendant, served their motion to stay. Opposition briefs were served by Stricklin, Iron Workers and Shields. Reply briefs in support of the motion to stay were filed on January 24, 2012. On September 18, 2012, the Court denied the motion as to two of the cases and dismissed the third with leave to replead, which plaintiff has done. Specifically, on October 4, 2012, Stricklin filed a Second Amended Complaint that added a claim under Section 14(a) of the Securities Exchange Act challenging the disclosures in the Company s definitive proxy statements issued during the years of 2005 through 2012. The plaintiff seeks, among other things, to void the election of the director defendants at the Company s 2012 annual meeting. The plaintiffs in Shields, Stricklin and Iron Workers have requested a pre-motion conference to address the potential consolidation of these derivative actions and a briefing schedule regarding the potential leadership structure for the plaintiffs. The pre-motion conference has not yet been scheduled. In the Wilder Litigation, 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 and Les Hinton, and expanded the class period to include February 15, 2011 to July 18, 2011. Defendants filed their motion to dismiss on September 25, 2012, and, according to the Court s current briefing schedule, plaintiffs opposition is due November 6, 2012 and defendants reply is due November 30, 2012.

The Company s management believes these shareholder claims are entirely without merit, and intends to vigorously defend these actions.

The News of the World Investigations and Litigation

U.K. and U.S. regulators and governmental authorities are conducting investigations initiated in 2011 after allegations of phone hacking and inappropriate payments to public officials at our former publication, *The News of the World*, and other related matters, including investigations into whether similar conduct may have occurred at the Company s subsidiaries outside of the U.K. The Company is cooperating with these investigations. It is possible that these proceedings could damage our reputation and might impair our ability to conduct our business.

The Company is not able to predict the ultimate outcome or cost associated with these investigations. Violations of law may result in civil, administrative or criminal fines or penalties. The Company has admitted liability in a number of civil cases related to the phone hacking allegations and has settled a number of cases. As of September 30, 2012, the Company has provided for its best estimate of the liability for the claims that have been filed. The Company has announced a process under which parties can pursue claims against the Company, and management believes that it is probable that additional claims will be filed. It is not possible to estimate the liability for such additional claims given the information that is currently available to the Company. If more claims are filed and additional information becomes available, the Company will update the liability provision 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.

HarperCollins

Commencing on August 9, 2011, twenty-nine purported consumer class actions have been filed in the U.S. District Courts for the Southern District of New York and for the Northern District of California, which relate to the decisions by certain publishers, including HarperCollins Publishers L.L.C. (HarperCollins), to begin selling their eBooks pursuant to an agency relationship. The cases all involve allegations that certain named defendants in the book publishing and distribution industry, including HarperCollins, violated the antitrust and unfair competition laws by virtue of the switch to the agency model for eBooks. The actions seek as relief treble damages, injunctive relief and attorneys fees. The Judicial Panel on Multidistrict Litigation has transferred the various class actions to the Honorable Denise L. Cote in the Southern District of New York. On January 20, 2012, plaintiffs filed a consolidated amended complaint, again alleging that certain named defendants, including HarperCollins, violated the antitrust and unfair competition laws by virtue of the switch to the agency model for eBooks. Defendants filed a motion to dismiss on March 2, 2012. On May 15, 2012, Judge Cote denied defendants motion to dismiss. On June 22, 2012, Judge Cote held a status conference to address discovery and scheduling issues. On June 25, 2012, Judge Cote issued a scheduling order for the multi-district litigation going forward. Additional information about In re MDL Electronic Books Antitrust Litigation, Civil Action No. 11-md-02293 (DLC), can be found on Public Access to Court Electronic Records (PACER). While it is not possible to predict with any degree of certainty the ultimate outcome of these class actions, HarperCollins believes it was compliant with applicable antitrust and competition laws.

Following an investigation, on April 11, 2012, the Department of Justice (the DOJ) filed an action in the U.S. District Court for the Southern District of New York against certain publishers, including HarperCollins, and Apple, Inc. The DOJ s complaint alleges antitrust violations relating to defendants decisions to begin selling eBooks pursuant to an agency relationship. This case was assigned to Judge Cote. Simultaneously, the DOJ announced that it had reached a proposed settlement with three publishers, including HarperCollins, and filed a Proposed Final Judgment and related materials detailing that agreement. Among other things, the Proposed Final Judgment requires that HarperCollins terminate its agreements with certain eBook retailers and places certain restrictions on any agreements subsequently entered into with such retailers. Pursuant to the Antitrust Procedures and Penalties Act, the Proposed Final Judgment could not be entered by Judge Cote for at least sixty days while the DOJ received public comments. The public comment period ended on June 25, 2012. Pursuant to Judge Cote s June 25, 2012 scheduling order, the DOJ s motion for entry of the Proposed Final Judgment was fully briefed by August 22, 2012, and on September 5, 2012, Judge Cote granted the DOJ s motion and entered the Final Judgment. A third party has filed a motion to intervene in the case for the purpose of appealing Judge Cote s decision entering the Final Judgment to the United States Court of Appeals for the Second Circuit. Additional information about the Final Judgment can be found on the DOJ s website.

Following an investigation, on April 11, 2012, 16 state Attorneys General led by Texas and Connecticut (the AGs) filed a similar action against certain publishers and Apple, Inc. in the Western District of Texas. On April 26, 2012, the AGs action was transferred to Judge Cote. On May 17, 2012, 33 AGs filed a second amended complaint. As a result of a memorandum of understanding agreed upon with the AGs for Texas and Connecticut, HarperCollins was not named as a defendant in this action. Pursuant to the terms of the memorandum of understanding, HarperCollins entered into a settlement agreement with the AGs for Texas, Connecticut and Ohio on June 11, 2012. By August 28, 2012, forty-nine states (all but Minnesota) and five U.S. territories had signed on to that settlement agreement. On August 29, 2012, the AGs simultaneously filed a complaint against HarperCollins and two

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other publishers, a motion for preliminary approval of that settlement agreement and a proposed distribution plan. On September 14, 2012, Judge Cote granted the AGs motion for preliminary approval of the settlement agreement and approved the AGs proposed distribution plan. Notice was subsequently sent to potential class members, and a fairness hearing scheduled for February 8, 2013. If the settlement agreement receives final approval, it would resolve all damage claims of individual citizens from those states and territories.

While the settlement agreement with the AGs is still subject to final approval by the court, the Company believes that the proposed settlement, as currently drafted, will not have a material impact on the results of operations or the financial position of the Company. However, the Company can make no assurances that the proposed settlement will receive final approval.

On October 12, 2012, HarperCollins received a Civil Investigative Demand from the Attorney General from the State of Minnesota. HarperCollins is cooperating with that investigation. While it is not possible to predict with any degree of certainty the ultimate outcome of the inquiry, HarperCollins believes it was compliant with applicable antitrust laws.

The European Commission is conducting an investigation into whether certain companies in the book publishing and distribution industry, including HarperCollins, violated the antitrust laws by virtue of the switch to the agency model for eBooks. Following discussions with the European Commission, the Office of Fair Trading closed its investigation in favor of the European Commission s investigation on December 6, 2011. HarperCollins currently is cooperating with the European Commission and working towards resolving its investigation.

While a proposed resolution has not been finalized with the European Commission, the Company believes that such a resolution, as currently contemplated, would not have a material impact on the results of operations or the financial position of the Company. However, the Company can make no assurances that such a resolution will be finalized.

Commencing on February 24, 2012, five purported consumer class actions were filed in the Canadian provinces of British Columbia, Quebec and Ontario, which relate to the decisions by certain publishers, including HarperCollins, to begin selling their eBooks in Canada pursuant to an agency relationship. The actions seek as relief special, general and punitive damages, injunctive relief and the costs of the litigations. While it is not possible to predict with any degree of certainty the ultimate outcome of these class actions, especially given their early stages, HarperCollins believes it was compliant with applicable antitrust and competition laws and intends to defend itself vigorously.

In early July 2012, HarperCollins Canada, a wholly-owned subsidiary of HarperCollins, learned that the Canadian Competition Bureau (CCB) had commenced an inquiry regarding the sale of eBooks in Canada. HarperCollins currently is cooperating with the CCB with respect to its inquiry. While it is not possible to predict with any degree of certainty the ultimate outcome of the inquiry, HarperCollins believes it was compliant with applicable antitrust laws.

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.

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, broadcast and cable networks, newspapers, integrated marketing services, digital media properties and direct broadcast satellite services. 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, broadcast and cable networks and circulation levels for the Company s newspapers 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, digital distribution models for

books 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 are increasing the number of media and entertainment choices available to audiences and may cause changes in consumer behavior that could affect the attractiveness of the Company s offerings to viewers, advertisers and/or distributors. A decrease in advertising expenditures or reduced demand for the Company s offerings can lead to a reduction in pricing and advertising spending, which could have an adverse effect on the Company s businesses and assets.

Global Economic Conditions May Have a Continuing Adverse Effect on the Company s Business.

The United States and global economies have undergone a period of economic uncertainty, which caused, among other things, a general tightening in the credit markets, limited access to the credit markets, lower levels of liquidity, increases in the rates of default and bankruptcy, lower consumer and business spending and lower consumer net worth. The resulting pressure on the labor and retail markets and the downturn in consumer confidence weakened the economic climate in certain markets in which the Company does business and has had and may continue to have an adverse effect on the Company s business, results of operations, financial condition and liquidity. A continued decline in these economic conditions could further impact the Company s business, reduce the Company s advertising and other revenues and negatively impact the performance of its motion pictures and home entertainment releases, television operations, newspapers, books and other consumer products. In addition, these conditions could also impair the ability of those with whom the Company does business to satisfy their obligations to the Company. As a result, the Company s results of operations may be adversely affected. Although the Company believes that its operating cash flow and current access to capital and credit markets, including the Company s existing credit facility, will give it the ability to meet its financial needs for the foreseeable future, there can be no assurance that continued or increased volatility and disruption in the global capital and credit markets will not impair the Company s liquidity or increase its cost of borrowing.

Acceptance of the Company s Film 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 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 and mastheads, during the fourth quarter of each fiscal year. The Company also continually evaluates whether current factors or indicators, such as the prevailing conditions in the capital markets, require the performance of an interim impairment assessment of those assets, as well as other investments and other long-lived assets. Any significant shortfall, now or in the future, in advertising revenue and/or the expected popularity of the programming for which the Company has acquired rights could lead to a downward revision in the fair value of certain reporting units, particularly those in the Publishing, Television and Cable Network Programming segments. 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.

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

The Company has significant operations in a number of foreign jurisdictions and certain of the Company operations are conducted in foreign currencies. The value of these currencies fluctuates relative to the U.S. dollar. As a result, the Company is exposed to exchange rate fluctuations, which could have an adverse effect on its results of operations in a given period or in specific markets.

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 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 and local advertising time. Similarly, the Company s 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 cable networks, which may adversely affect those networks revenues from subscriber fees and their ability to sell national and local advertising time.

The Inability to Renew Sports Programming Rights Could Cause the Company s 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.

The Company Relies on Network and Information Systems and Other Technology That May Be Subject to Disruption or Misuse, Which Could Result in Improper Disclosure of Personal Data or Confidential Information as well as Increased Costs or Loss of Revenue.

Network and information systems and other technologies, including those related to our network management, are important to our business activities. Network and information systems-related events, such as computer hackings, computer viruses, worms or other destructive or disruptive software, process breakdowns, denial of service attacks, malicious social engineering or other malicious activities, or any combination of the foregoing, could result in a disruption of our services or improper disclosure of personal data or confidential information. Improper disclosure of such information could harm our reputation, require us to expend resources to remedy such a security breach or subject us to liability under laws that protect personal data, resulting in increased costs or loss of revenue.

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

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 pirated material. In addition, developments in software or devices that circumvent encryption technology 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 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 maintaining rights may increase. There can be no assurance that the Company s efforts to enforce its rights and protect its products, services and intellectual property will be successful in preventing content piracy or signal theft. 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, books and direct broadcast satellite programming.

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, often without charge, and innovations in distribution platforms have enabled consumers to view such Internet-delivered content on televisions and portable devices. There is a risk that the Company s responses to these changes and strategies to remain competitive, including distribution of its content on a pay basis, may not be adopted by consumers. In addition, enhanced Internet capabilities and other new media may reduce television viewership, the demand for DVDs and Blu-rays, the desire to see motion pictures in theaters and the demand for newspapers, which could

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negatively affect the Company s revenues. In publishing, the trending toward digital media may drive down the price consumers are willing to spend on our products disproportionately to the costs associated with generating literary content. 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.

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 and newspapers. 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 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, changes in regulations imposed by governments in other jurisdictions in which the Company, or entities in which the Company has an interest, operate could adversely affect its business and results of operations.

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

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

The Company owns broadcast station licensees in connection with its ownership and operation of U.S. television stations. Under U.S. law, no broadcast station licensee may be owned by a corporation if more than 25% of its stock is owned or voted by non-U.S. persons, their representatives, or by any other corporation organized under the laws of a foreign country. The Company s Restated Certificate of Incorporation authorizes the Board 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. On September 28, 2012, the Audit Committee of the Company s Board of Directors determined that approximately 32% of the Company s Class B Common Stock is owned by non-U.S. stockholders, and the combined ownership of Class A Common Stock and Class B Common Stock by non-U.S. stockholders is less than 25% of the combined outstanding shares of Class A Common Stock and Class B Common Stock. In order to maintain compliance with U.S. law, the Company suspended 40% of the voting rights of the Class B Common Stock held by non-U.S. stockholders, a decrease from the previously-announced suspension in April 2012 of 50% of the voting rights of the Class B Common Stock held by non-U.S. stockholders. This suspension will remain in place for as long as the Company deems it necessary to maintain compliance with applicable U.S. law, and may be adjusted by the Audit Committee as it deems appropriate. The Company is not able to predict whether it will need to adjust the suspension or whether additional action pursuant to its Restated Certificate of Incorporation may be necessary. The FCC could review the Company s compliance with applicable U.S. law in connection with its consideration of the Company s renewal applications for licenses to operate the broadcast stations the Company owns.

We Face Criminal Investigations Regarding Allegations of Phone Hacking and Inappropriate Payments to Public Officials and Other Related Matters and Related Civil Lawsuits.

U.K. and U.S. regulators and governmental authorities are conducting investigations initiated in 2011 after allegations of phone hacking and inappropriate payments to public officials at our former publication, *The News of the World*, and other related matters, including investigations into whether similar conduct may have occurred at the Company s subsidiaries outside of the U.K. The Company is cooperating with these investigations.

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The Company has admitted liability in a number of civil cases related to the phone hacking allegations and has settled a number of cases. The Company has announced a process under which parties can pursue claims against the Company, and management believes that it is probable that additional claims will be filed.

We are not able to predict the ultimate outcome or cost of the investigations. Violations of law may result in civil, administrative or criminal fines or penalties. It is also possible that these proceedings could damage our reputation and might impair our ability to conduct our business. 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 Proposed Separation of the Company s Publishing and Media and Entertainment Businesses into Two Distinct Publicly Traded Companies May Not Be Completed on the Terms or Timeline Currently Contemplated, If At All.

In June 2012, the Company announced its intention to pursue the separation of its publishing and media and entertainment businesses into two distinct publicly traded companies (the Proposed Separation Transaction). Unanticipated developments could delay or negatively impact the Proposed Separation Transaction, including those related to obtaining various regulatory approvals, opinions from tax counsel and favorable rulings from certain tax jurisdictions regarding the tax-free nature of the transaction to the Company and its stockholders, completing further due diligence as appropriate, the filing and effectiveness of appropriate filings with the SEC, and changes in market conditions, among other things. In addition, consummation of the Proposed Separation Transaction will require final approval from the Company s Board of Directors and stockholders. Therefore, we cannot assure that we will be able to complete the Proposed Separation Transaction on the terms or on the timeline that we announced, if at all.

We are actively engaged in planning for the Proposed Separation Transaction. We expect to incur expenses in connection with the Proposed Separation Transaction and any delays in the anticipated completion of the Proposed Separation Transaction may increase these expenses. In addition, completion of the Proposed Separation Transaction will require significant amounts of our management s time and effort which may divert management s attention from our businesses. The Proposed Separation Transaction may result in the division of key employees into the two separate public companies which may create a knowledge and skill gap.

Further, shares of our common stock will represent an investment in two smaller separate public companies. These changes may not meet some stockholders investment strategies, which could cause investors to sell their shares of our common stock in either company. Excessive selling could cause the relative market price of common stock in either or both companies to decrease following completion of the Proposed Separation Transaction.

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

The Board had previously authorized a total stock repurchase program of $6 billion with a remaining authorized amount under the program of approximately $1.8 billion, excluding commissions, as of June 30, 2011. In July 2011, the Company announced that the Board had authorized increasing the total amount of the stock repurchase program remaining by approximately $3.2 billion to $5 billion. In May 2012, the Company announced that the Board approved a $5 billion increase to the Company s stock repurchase program for the repurchase of Class A Common Stock.

The remaining authorized amount under the Company s stock repurchase program at September 30, 2012, excluding commissions, was approximately $4.5 billion.

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

Below is a summary of the Company s purchases of its Class A Common Stock during the three months ended September 30, 2012:

	Total Number of Shares Purchased	Average Price per Share	Total Cost of Purchase (in millions)
July	14,350,000	22.09	317
August	16,755,000	23.28	390
September	6,952,800	24.45	170
Total	38,057,800		$ 877

The Company did not purchase any of its Class B Common Stock during the three months ended September 30, 2012.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

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ITEM 6. EXHIBITS

(a) Exhibits.

4.1	Registration Rights Agreement, dated as of September 14, 2012, by and among News America Incorporated, News Corporation and J.P. Morgan Securities LLC, Citigroup Global Markets Inc., Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated.*
4.2	Form of Notes representing $1,000,000,000 principal amount of 3.00% Senior Notes due 2022, dated September 14, 2012.*
4.3	Notice to Holders of News Corporation Class B Common Stock, dated September 28, 2012 (Incorporated by reference to Exhibit 4.1 to the Current Report of News Corporation on Form 8-K (File No. 001-32352) filed with the Securities and Exchange Commission on September 28, 2012).
10.1	Employment Agreement, effective as of February 1, 2012, between News America Incorporated and Gerson Zweifach.*
12.1	Ratio of Earnings to Fixed Charges.*
31.1	Chairman and 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 Chairman and Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes Oxley Act of 2002.**
101	The following financial information from the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 formatted in eXtensible Business Reporting Language: (i) Unaudited Consolidated Statements of Operations for the three months ended September 30, 2012 and 2010; (ii) Unaudited Consolidated Statements of Comprehensive Income (Loss) for the three months ended September 30, 2012 and 2011; (iii) Consolidated Balance Sheets at September 30, 2012 (unaudited) and June 30, 2012 (audited); (iv) Unaudited Consolidated Statements of Cash Flows for the three months ended September 30, 2012 and 2010; and (v) Notes to the Unaudited Consolidated Financial Statements.*

* Filed herewith.
** Furnished herewith.

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SIGNATURE

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

NEWS CORPORATION

(Registrant)

By: /s/ David F. DeVoe
David F. DeVoe

Senior Executive Vice President and

Chief Financial Officer

Date: November 8, 2012