

TWENTY-FIRST CENTURY FOX, INC.

Form 10-K

August 19, 2013

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**

**FORM 10-K**

ANNUAL REPORT

PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended June 30, 2013

or

**TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from            to

Commission file number 001-32352

**TWENTY-FIRST CENTURY FOX, INC.**

(Exact Name of Registrant as Specified in its Charter)

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**Delaware**  
(State or Other Jurisdiction of

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

**Incorporation or Organization)**

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

**10036**  
(Zip Code)

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

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

<b>Title of Each Class</b>	<b>Name of Each Exchange On Which Registered</b>
Class A Common Stock, par value \$0.01 per share	The NASDAQ Global Select Market
Class B Common Stock, par value \$0.01 per share	The NASDAQ Global Select Market

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

None

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. Yes  No

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

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes  No

As of December 28, 2012, which was the last business day of the registrant's most recently completed second fiscal quarter and prior to the Separation (as defined herein), the aggregate market value of the registrant's Class A Common Stock, par value \$0.01 per share, held by non-affiliates was approximately \$37,436,985,803, based upon the closing price of \$24.61 per share as quoted on the NASDAQ Stock Market on that date, and the aggregate market value of the registrant's Class B Common Stock, par value \$0.01 per share, held by non-affiliates was approximately \$12,165,030,082 based upon the closing price of \$25.28 per share as quoted on the NASDAQ Stock Market on that date.

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As of August 8, 2013, 1,511,009,419 shares of Class A Common Stock and 798,520,953 shares of Class B Common Stock were outstanding.

### **DOCUMENTS INCORPORATED BY REFERENCE**

Certain information required for Part III of this Annual Report on Form 10-K is incorporated by reference to the Twenty-First Century Fox, Inc. definitive Proxy Statement for its 2013 Annual Meeting of Stockholders, which shall be filed with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, within 120 days of Twenty-First Century Fox, Inc.'s fiscal year end.

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**PART I**

**ITEM 1. BUSINESS**

**Background**

Twenty-First Century Fox, Inc. (formerly known as News Corporation), a Delaware corporation, is a diversified global media and entertainment company with operations in the following five industry segments: (i) Cable Network Programming; (ii) Television; (iii) Filmed Entertainment; (iv) Direct Broadcast Satellite Television; and (v) Other, Corporate and Eliminations. The activities of Twenty-First Century Fox, Inc. are conducted principally in the United States, the United Kingdom, Continental Europe, Asia and Latin America. For financial information regarding Twenty-First Century Fox, Inc.'s segments and operations in geographic areas, see Item 8. Financial Statements and Supplementary Data. Unless otherwise indicated, references in this Annual Report on Form 10-K for the fiscal year ended June 30, 2013 (the Annual Report) to we, us, our, 21st Century Fox, Twenty-First Century Fox or the Company means Twenty-First Century Fox, Inc. and its subsidiaries.

On June 28, 2013, the Company completed the separation of its business into two independent publicly traded companies (the Separation) by distributing to its stockholders shares of the new News Corporation (News Corp). The Company retained its interests in a global portfolio of cable, broadcast, film, pay-TV and satellite assets spanning six continents. News Corp holds the Company's former businesses including newspapers, information services and integrated marketing services, digital real estate services, book publishing, digital education and sports programming and pay-TV distribution in Australia. The Company completed the Separation by distributing to its stockholders one share of News Corp Class A common stock for every four shares of the Company's Class A common stock held on June 21, 2013, and one share of News Corp Class B common stock for every four shares of the Company's Class B common stock held on June 21, 2013. The Company's stockholders received cash in lieu of fractional shares. Following the Separation the Company does not beneficially own any shares of News Corp Class A common stock or News Corp Class B common stock. While the Separation was completed on June 28, 2013, this Annual Report on Form 10-K describes the Company giving effect to the Separation, except where stated otherwise. See Item 1A. Risk Factors for certain risk factors relating to the Separation.

In July 2011, the Company announced that it would close a publication of a News Corp subsidiary, *The News of the World*, after allegations of phone hacking and payments to public officials. The Company and News Corp are subject to ongoing investigations by U.K. and U.S. regulators and governmental authorities relating to phone hacking, illegal data access and inappropriate payments to officials at *The News of the World* and *The Sun* and related matters (the U.K. Newspaper Matters). In connection with the Separation, the Company and News Corp entered into a separation and distribution agreement (the Separation and Distribution Agreement) that provides that the Company will indemnify News Corp, on an after-tax basis, for payments made after the Separation arising out of civil claims and investigations relating to the U.K. Newspaper Matters, as well as legal and professional fees and expenses paid in connection with the related criminal matters, other than fees, expenses and costs relating to employees who are not (i) directors, officers or certain designated employees or (ii) with respect to civil matters, co-defendants with News Corp.

In June 2010, the Company announced that it had proposed to the board of directors of British Sky Broadcasting Group plc (BSkyB), in which the Company currently has an approximate 39% interest, to make a cash offer of 700 pence per share for the BSKyB shares that the Company does not already own. Following the allegations regarding *The News of the World*, 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 breakup fee of approximately \$63 million in accordance with a cooperation agreement between the parties.

The Company maintains a 52-53 week fiscal year ending on the Sunday nearest to June 30 in each year. Through its predecessor, the Company was incorporated in 1979 under the Company Act 1961 of South Australia,

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Australia. At June 30, 2013, the Company had approximately 25,600 full-time employees. The Company's principal executive offices are located at 1211 Avenue of the Americas, New York, New York 10036 and its telephone number is (212) 852-7000. The Company's website is [www.21cf.com](http://www.21cf.com). The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), are available, free of charge, through the Company's website as soon as reasonably practicable after the material is electronically filed with or furnished to the U.S. Securities and Exchange Commission (the SEC). Such reports may also be obtained without charge from the Company, and paper copies of any exhibits to such reports are also available for a reasonable fee per page charge to the requesting stockholder. Any materials that the Company filed with the SEC also may be read and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC (<http://www.sec.gov>).

### **Special Note Regarding Forward-Looking Statements**

This document and the documents incorporated by reference into this Annual Report, including Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, contain statements that constitute forward-looking statements within the meaning of Section 21E of the Exchange Act and Section 27A of the Securities Act of 1933, as amended. 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 and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things, trends affecting the Company's financial condition or results of operations and the outcome of contingencies such as litigation and investigations. Readers are cautioned that any forward-looking statements are not guarantees of future performance and involve risks and uncertainties. More information regarding these risks, uncertainties and other factors is set forth under the heading Item 1A. Risk Factors in this Annual Report. The Company does not ordinarily make projections of its future operating results and undertakes no obligation (and expressly disclaims any obligation) to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Readers should carefully review this document and the other documents filed by the Company with the SEC. This section should be read together with the Consolidated Financial Statements of 21st Century Fox and related notes set forth elsewhere in this Annual Report.

## **BUSINESS OVERVIEW**

The Company is a diversified global media and entertainment company, which manages and reports its businesses in the five segments described below.

### **Cable Network Programming**

The Company produces and licenses news, business news, sports, general entertainment and movie programming for distribution primarily through cable television systems, direct broadcast satellite operators and telecommunications companies in the United States and internationally.

*FOX News.* FOX News owns and operates the FOX News Channel, the top rated 24/7 all news national cable channel currently available in more than 97 million U.S. households according to Nielsen Media Research, as well as the FOX Business Network which is currently available in more than 74 million U.S. households.

FOX News also produces a weekend political commentary show, *FOX News Sunday*, for broadcast on local FOX television stations throughout the United States. FOX News, through its FOX News Edge service, licenses

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news feeds to FOX Affiliates and other subscribers to use as part of local news broadcasts throughout the United States and abroad. FOX News also produces and runs the websites, FOXNews.com and FOXBusiness.com, and owns and produces the national FOX News Radio Network, which licenses news updates and long form programs to local radio stations and to satellite radio providers.

*FSN.* Fox Sports Net, Inc. ( FSN, Inc. ) is the largest regional sports network ( RSN ) programmer in the United States, focusing on live professional and major collegiate home team sports events. FSN, Inc. 's sports programming business currently consists primarily of ownership interests in 15 RSNs, including SportsTime Ohio and a 49% ownership in the Yankees Entertainment and Sports Network ( YES Network ), each of which were acquired in December 2012, and numerous sub-regional feeds (the FSN RSNs ) and National Sports Programming, which operates FSN ( FSN ), a national sports programming service. FSN is affiliated with an additional four RSNs that are not owned by FSN, Inc. (the FSN Affiliated RSNs ). FSN provides the FSN RSNs and the FSN Affiliated RSNs with national sports programming, featuring original and licensed sports-related programming, as well as live and replay sporting events. In the aggregate, the FSN RSNs and the FSN Affiliated RSNs currently have approximately 83 million subscribers and have rights to telecast live games of 51 of 81 U.S. professional sports teams in Major League Baseball ( MLB ), the National Basketball Association and the National Hockey League; collegiate conferences; and numerous college and high school sports teams.

*Fox Sports 1.* In August 2013, the Company plans to launch Fox Sports 1, a multi-sport national cable network. In its inaugural year, Fox Sports 1 will feature over 650 live events, including college football and basketball, UEFA Champions League and other premier soccer, National Association of Stock Car Auto Racing ( NASCAR ), Ultimate Fighting Championship ( UFC ) and, beginning in 2014, regular and post-season MLB games. In addition, Fox Sports 1 will premiere a nightly multi-hour live national sports news show, Fox Sports Live, and original and documentary programming and daily studio programming, including Fox Football Daily and Crowd Goes Wild.

*FX.* Currently reaching close to 100 million U.S. households according to Nielsen Media Research, FX is a general entertainment network that telecasts a growing roster of original series, as well as acquired television series and motion pictures. FX 's lineup for the 2013-2014 season includes the critically acclaimed *Sons of Anarchy*, *Justified*, *American Horror Story* and *The Americans*, as well as the first season of *The Bridge*. Also included in the 2013-2014 season line-up are the comedies *Archer*, *Louie*, *Wilfred* and the continuing series *Anger Management*. FX televises syndicated series including *Two and a Half Men* and *How I Met Your Mother* and showcases the television premieres of theatrical motion pictures, which in 2013-2014 will include *True Grit*, *X-Men: First Class* and *Captain America*, among others. The Company also produces and distributes FX HD, a 24-hour national programming service produced and distributed in high definition.

*FXX.* In September 2013, the Company plans to launch FXX, a general entertainment channel aimed primarily at young adults. FXX 's introductory line-up will include the comedy series *It 's Always Sunny in Philadelphia*, *The League*, *Totally Biased* and the premiere season of the animated comedy *Chozen*. In addition, FXX will showcase the television premieres of an extensive slate of theatrical motion pictures including *Bad Teacher*, *Hangover 2* and *Rango*, among others.

*SPEED.* SPEED is a 24-hour programming service consisting of motorsports programming. SPEED brings viewers season-long coverage of the NASCAR races, events and original programming (including exclusive coverage of the annual NASCAR Sprint All-Star Race and NASCAR Hall of Fame ceremonies), which in the U.S. will appear on Fox Sports 1 after its launch. In addition, SPEED delivers programming from other top racing series, such as Grand American Road Racing, The 24 Hours of Le Mans, World of Outlaws, AMA Pro Racing, AMA Supercross, Monster Jam, World Superbike and MotoGP, many of which instead will be featured on Fox Sports 1 and Fox Sports 2 in the United States after their respective launches. SPEED is distributed to subscribers in Canada and the Caribbean and by Foxtel in Australia. The Company also produces and distributes SPEED HD, a 24-hour national programming service produced and distributed in high definition.

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*FUEL TV.* FUEL TV is a 24-hour programming service dedicated to thrill seeking sports, as well as high energy entertainment programming, and the lifestyle surrounding it. FUEL TV covers UFC, as well as both competitive and performance action in the arenas of surfing, BMX and freestyle motocross. Programming includes U.S. and international action sports events and competitions, as well as original series and specials about top athletes. In August 2013, FUEL TV will become Fox Sports 2, a multi-sports national cable network featuring live events from the UFC and NASCAR, along with rugby, Australian Football League, world-class soccer and motorsports programming.

*Fox College Sports.* Fox College Sports consists of three regionally-aligned networks, FCS Pacific, FCS Central and FCS Atlantic. Fox College Sports provides live and delayed collegiate events from the nation's top collegiate conferences, coaches' shows and collegiate highlight and magazine-format programming from the FSN RSNs across the country.

*Fox Movie Channel/FXM.* Fox Movie Channel splits its programming into two day parts. From 3AM to 3PM, the network is branded as FMC and airs films from the historic library of Twentieth Century Fox, uncut and commercial free. From 3PM to 3AM, the network is branded as FXM and utilizes FX's roster of box office blockbuster modern day films with revenue generated from advertising. Also featured throughout both day parts are documentaries and original series that explore the moviemaking process from script to screen. During the 2013-2014 season, FXM will showcase the television premieres of the theatrical motion pictures *Love and Other Drugs* and *Water For Elephants*, among others.

*Fox Soccer Channel.* Fox Soccer Channel is an English-language programming service offering comprehensive coverage of world-class soccer. Top properties include the UEFA Champions League and UEFA Europa League, FA Cup, the CONCACAF Champions League and the CONCACAF Gold Cup, along with daily soccer news programs, magazine shows and in depth coverage on the world's most popular sport, many of which instead will be featured on Fox Sports 1 and Fox Sports 2 after their respective launches.

*Fox Soccer Plus.* Launched in fiscal 2010, Fox Soccer Plus is a premium cable network showcasing nearly 700 exclusive live soccer and rugby competitions. Soccer events include matches from the UEFA Champions League and FA Cup. Rugby coverage includes matches from the Heineken Cup, Aviva Premiership and the National Rugby League.

*Big Ten Network.* The Company owns an approximate 51% interest in the Big Ten Network, a 24-hour national programming service dedicated to the collegiate Big Ten Conference and Big Ten athletics, academics and related programming, and Big Ten Network HD, a 24-hour national programming service produced and distributed in HD.

*National Geographic U.S.* The National Geographic Channels air non-fiction and documentary programming on such topics as natural history, adventure, science, exploration and culture. The Company holds an approximate 70% interest in NGC Network US LLC, which produces and distributes the National Geographic Channel, National Geographic Channel HD, Nat Geo Wild, Nat Geo Wild HD and Nat Geo Mundo in the United States, with NGT, LLC, a subsidiary of the National Geographic Society, holding the remaining interest. National Geographic Channel and National Geographic Channel HD currently reach more than 84 million households in the United States and Nat Geo Wild and Nat Geo Wild HD reach more than 57 million subscribers in the United States according to Nielsen Media Research.

*Internet Distribution.* The Company also distributes programming through its network-branded websites and applications and licenses programming for distribution through the websites and applications of cable television systems, direct broadcast satellite operators, telecommunications companies and online video distributors. The Company's applications provide live and on-demand streaming of network-related programming, and currently include Big Ten Network's application, BTN2Go, and the broadband network, SPEED2.

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*Fox International Channels ( FIC )*. FIC operates, develops and distributes primarily factual, sports, lifestyle and general entertainment channels in various countries in Europe, Latin America, Africa and Asia, including the Fox Channel, Fox Life, FX, Utilisima (which is also distributed in the United States), Fox Crime, FOX Traveller, the Voyage Channel, Fox Sports, STAR World, STAR Movies (also known as Fox Movies Premium in certain countries) and Chinese language television programming targeted at Chinese-speaking audiences in Asia. These channels are distributed either in HD or in standard definition ( SD ) or in certain cases, in both HD and SD.

FIC owns a 52.2% interest in NGC Network International LLC and NGC Network Latin America LLC (collectively NGC International ), with NGT, LLC holding a 26.8% interest and a subsidiary of BSkyB holding a 21% interest. NGC International produces and distributes the National Geographic Channel in various international markets. NGC International also produces and distributes the National Geographic Channel HD, the Nat Geo Adventure channel (in both HD and SD), the Nat Geo Wild channel (in both HD and SD) and the Nat Geo Music channel in international markets. The National Geographic Channel is currently shown in 48 languages and in approximately 171 countries internationally, including the United States.

FIC owns a 77.5% equity interest in LAPTV, a partnership that distributes 10 premium pay television channels (Moviecity Premieres HD, Moviecity Premieres, Moviecity Action HD, Moviecity Action, Moviecity Family HD, Moviecity Family, Moviecity Hollywood HD, Moviecity Hollywood, Moviecity Classics and Moviecity Mundo) and four basic television channels (The Film Zone HD, The Film Zone, Cinecanal and Cinecanal HD) in Latin America (excluding Brazil). Such channels primarily feature theatrical motion pictures of Twentieth Century Fox and three other studio partners dubbed in Spanish and/or in the English language with Spanish subtitles.

FIC owns a 50.1% equity interest in Elite Sports Limited, a company that owns and distributes Baby TV, a 24-hour channel dedicated to infants and toddlers under three years old. The Baby TV channel is currently shown in more than 100 countries, including the United States.

In November 2012, FIC acquired a controlling 51% ownership stake in Eredivisie Media & Marketing CV ( EMM ), a media company that holds the collective media and sponsorship rights of the Dutch Premier League. The remaining 49% of EMM is owned by the Dutch Premier League and the global TV production company Endemol.

FIC owns Fox Pan American Sports LLC, doing business as Fox Sports Latin America ( FSLA ), an international sports programming and production entity. FSLA owns and operates the Fox Sports networks in Latin America which are comprised of Spanish-language sports networks that are distributed to subscribers in Mexico and certain Caribbean and Central and South American countries, as well as Fox Sports Brazil, a Portuguese-language sports network specifically geared to the Brazilian audience. FSLA also owns 100% of Fox Deportes, a Spanish-language sports programming service distributed in the United States. Fox Deportes (formerly known as Fox Sports en Español), has more than 2,100 hours of live and exclusive programming, including exclusive coverage of premiere soccer matches (such as Copa Santander Libertadores and Copa Bridgestone Sudamericana) and MLB, including All-Star, NLCS and World Series games. Fox Deportes reaches more than 20 million cable and satellite households in the United States, of which almost 6 million are Hispanic.

FIC owns a 50% interest in Mundofox Broadcasting, LLC, a joint venture with RCN MF Holdings, Inc., a Latin American television network and production company. In August 2012, the joint venture launched Mundofox, a Spanish-language broadcast television network targeted at the U.S. Hispanic market. Mundofox features original news, original and syndicated entertainment programming and access to sporting events and programming.

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FIC manages Channel [V] Thailand in which the Company owns a 49% interest. Channel [V] Thailand owns a Thai language music channel. FIC licenses its Channel [V] brand to a third party in Australia to operate a music channel.

FIC has a joint venture with CJ E&M (formerly CJ Media), a Korean media conglomerate for the distribution of the M channel, a 24-hour general entertainment channel featuring Korean content, such as original dramas, variety shows, reality and lifestyle programs.

In July 2012, FIC entered into a joint venture with TV Bank Corporation for the operation of the Japanese language pay-TV sports channel, Fox Sports. FIC owns a 60% interest in the joint venture.

*STAR India.* STAR India develops, produces and broadcasts 44 channels in seven languages, which are distributed primarily via satellite to local cable, internet protocol television ( IPTV ) and direct-to-home ( DTH ) operators for distribution throughout Asia, the United Kingdom, Continental Europe, North America and parts of Africa to their subscribers. STAR India's primary sources of programming for its channels include original programming produced, commissioned or acquired by STAR India. STAR India also owns a Hindi film library comprised of approximately 1,273 titles, a South Indian languages film library comprised of approximately 2,572 titles, a Bengali film library comprised of approximately 267 titles, a Marathi film library comprised of approximately 158 titles, a Hindi television program library comprised of approximately 759 titles, a South Indian languages program library comprised of approximately 4,278 titles, a Bengali program library comprised of approximately 144 titles, a Marathi program library comprised of approximately 77 titles, an English program library comprised of approximately 262 titles and an English movie library comprised of approximately 720 titles. STAR India's channels include the flagship Hindi general entertainment channels STAR Plus, Life OK and Channel V, the Hindi movie channels Star Gold and Movies OK, the English general entertainment channels Star World, FX and Fox Crime, the English movie channels Star Movies and Star Movies Action, the Bengali general entertainment channel STAR Jalsha, the Bengali movie channel Jalsha Movies, the Marathi general entertainment channel STAR Pravah and the South Indian languages general entertainment channels Asianet, Suvarna and Vijay TV.

In April 2012, STAR India acquired media rights to the BCCI Domestic and International Cricket Series in India for the period from 2012 to 2018.

In January 2009, the Company expanded into South India regional programming by acquiring a 63% controlling interest in Asianet Communications Limited ( Asianet Communications ), a joint venture with Jupiter Capital Private Limited (successor in interest to Asianet TV Holdings Private Limited) and White Water Mass Media Private Limited, which holds the Company's stake in the Tamil language channel Vijay (through Vijay Television Private Limited). In June 2013, the Company acquired the 19% interest in Vijay Television Private Limited that it did not already own and, as a result, the Company owns 87% of Asianet Communications. In addition to the Vijay channel, Asianet Communications broadcasts and operates the Malayalam language channels Asianet and Asianet Plus and the Kannada language channel Suvarna.

The Company also owns an approximate 26% stake in Balaji Telefilms Limited ( Balaji ), which is one of the largest television content production companies in India, the shares of which are listed on The Stock Exchange, Mumbai and the National Stock Exchange of India. Balaji currently produces serials broadcast on general entertainment channels in India.

The Company also holds an approximate 30% interest in Tata Sky Limited which owns and operates a DTH platform in India. The Company has a 50/50 joint venture, Star Den, with Den Networks Limited to perform channel placement services in India. In May 2011, Star Den entered into a 50/50 joint venture with Zee Turner Limited and Zee Entertainment Enterprises Limited ( ZEEL ) to distribute and market all channels owned by the Company and ZEEL, their respective affiliated channels and other third party channels in India, Nepal and Bhutan.

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*Middle East.* The Company has an approximate 19% interest in Rotana Holding FZ-LLC ( Rotana ), which operates a diversified film, television, audio, advertising and entertainment business across the Middle East and North Africa. The Company also has an approximate 36% interest in Moby Group Holdings Limited ( MGH ). MGH operates television, radio, production and other media businesses in Afghanistan and elsewhere in Central and South Asia.

*Fox Sports Asia.* In November 2012, the Company acquired the remaining 50% interest in ESPN STAR Sports, now operating as Fox Sports Asia, that it did not already own for approximately \$220 million, net of cash acquired. Fox Sports Asia is the leading sports broadcaster in Asia and operates 27 channels in different languages.

*Phoenix.* The Company continues to own an approximate 12% interest in Phoenix Satellite Television Holdings Limited ( Phoenix ), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, after it sold an approximate 5% interest in Phoenix in March 2013 through a share placement. Phoenix owns and operates Chinese language general entertainment, movie and current affairs channels, all of which are targeted at Chinese audiences around the world and are primarily distributed on a free or an encrypted basis via pay television platforms in Asia and Europe and in the United States. Phoenix also operates a new media business which is listed on the New York Stock Exchange and an outdoor advertising business.

*PT Visi Media Asia.* The Company owns an approximate 6.7% interest in PT Visi Media Asia Tbk, a company which listed on the Indonesia Stock Exchange in November 2011. PT Visi Media Asia Tbk owns and operates television channels and an online news portal, all of which are targeted at audiences in Indonesia.

### *Competition*

*General.* Cable network programming is a highly competitive business. Cable networks compete for distribution and, when distribution is obtained, for viewers and advertisers with free-to-air broadcast television, radio, print media, motion picture theaters, DVDs, Blu-ray high definition format discs ( Blu-rays ), Internet, wireless and portable viewing devices and other sources of information and entertainment. Important competitive factors include the prices charged for programming, the quantity, quality and variety of programming offered and the effectiveness of marketing efforts.

*FOX News.* FOX News Channel's primary competition comes from the cable networks CNN, HLN (CNN's Headline News), and MSNBC. Fox Business Network's primary competition comes from the cable networks CNBC and Bloomberg Television. FOX News Channel and FOX Business Network also compete for viewers and advertisers within a broad spectrum of television networks, including other non-news cable networks and free-to-air broadcast television networks.

*Sports programming operations.* A number of basic and pay television programming services, such as ESPN and NBC Sports Network, as well as free-to-air stations and broadcast networks, provide programming that also targets the FSN RSNs' audience. FSN is the leading programming service distributing a full range of sports programming on both a national and regional level. On a national level, FSN's primary competitor is ESPN and, to a lesser extent, ESPN2, NBC Sports Network and CBS Sports Net. In regional markets, the FSN RSNs compete with other regional sports networks, including those operated by team owners, cable television systems, local broadcast television stations and other sports programming providers and distributors.

In addition, the FSN RSNs and FSN compete, to varying degrees, for sports programming rights. The FSN RSNs compete for local and regional rights with local broadcast television stations, other local and regional sports networks, including sports networks launched by team owners, and distribution outlets, such as cable television systems. FSN competes for national rights principally with a number of national cable services that specialize in or carry sports programming, including sports networks launched by the leagues and conferences, and television superstations that distribute sports. Independent syndicators also compete by acquiring and

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reselling such rights nationally, regionally and locally. Distribution outlets, such as cable television systems, sometimes contract directly with the sports teams in their service area for the right to distribute a number of those teams' games on their systems. In certain markets, the owners of distribution outlets, such as cable television systems, also own one or more of the professional teams in the region, increasing their ability to launch competing networks and also limiting the professional sports rights available for acquisition by FSN RSNs.

*FX.* FX faces competition from a number of basic cable and pay television programming services, such as USA, TNT, Spike TV, Home Box Office, Inc. ( HBO ) and Showtime Networks Inc. ( Showtime ), as well as free-to-air broadcast networks and Internet subscription and rental services that provide programming that targets the same viewing audience as FX. FX also faces competition from these programming services in the acquisition of distribution rights to movie and series programming.

*National Geographic U.S.* National Geographic Channel and Nat Geo Wild face competition for viewers and advertising from a number of basic cable and broadcast television channels, such as Discovery Channel, History Channel, Animal Planet, Travel Channel, Science Channel, H2, Military Channel, Biography and Tru TV, as well as free-to-air broadcast networks and sports, news and general entertainment networks which have acquired or produced competing programming.

*International.* Internationally, the Company's cable businesses compete with various local and foreign television services providers and distribution networks for audiences, advertising, content acquisition and distribution platforms.

*STAR India.* In India, the pay television broadcasting industry has several participants, and STAR India's entertainment channels compete with both pay and free-to-air channels since they are delivered by common cable, direct-to-home and IPTV. STAR India also competes in India to acquire Hindi and other Indian languages film and programming rights, and internationally for English film and programming rights.

## **Television**

The Company is engaged in the operation of broadcast television stations and the broadcasting of network programming in the United States.

### ***Fox Television Stations***

Fox Television Stations, Inc. ( Fox Television Stations ) owns and operates 28 full power stations, including stations located in nine of the top ten largest designated market areas ( DMAs ). Fox Television Stations owns and operates duopolies in 10 DMAs, including the three largest DMAs, New York, Los Angeles and Chicago.

Of the 28 full power stations, 18 stations are affiliates of FOX ( FOX Affiliates ). For a description of the programming offered to FOX Affiliates, see FOX Broadcasting Company. In addition, Fox Television Stations owns and operates 10 stations affiliated with Master Distribution Service, Inc. ( MyNetworkTV ).

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The following table lists certain information about each of the television stations owned and operated by Fox Television Stations. Unless otherwise noted, all stations are FOX Affiliates.

**Fox Television Stations**

	DMA/Rank	Station	Digital Channel	Type	Percentage of U.S. Television Households Reached <sup>(1)</sup>
New York, NY	1	WNYW	44 (5)	UHF	6.5%
		WWOR <sup>(2)</sup>	38 (9)	UHF	
Los Angeles, CA	2	KTTV	11 (11)	VHF	4.9%
		KCOP <sup>(2)</sup>	13 (13)	VHF	
Chicago, IL	3	WFLD	31 (32)	UHF	3.1%
		WPWR <sup>(2)</sup>	51 (50)	UHF	
Philadelphia, PA	4	WTFX	42 (29)	UHF	2.6%
Dallas, TX	5	KDFW	35 (4)	UHF	2.3%
		KDFI <sup>(2)</sup>	36 (27)	UHF	
Boston, MA	7	WFXT	31 (25)	UHF	2.1%
Washington, DC	8	WTTG	36 (5)	UHF	2.1%
		WDCA <sup>(2)</sup>	35 (20)	UHF	
Atlanta, GA	9	WAGA	27 (5)	UHF	2.0%
Houston, TX	10	KRIV	26 (26)	UHF	1.9%
		KTXH <sup>(2)</sup>	19 (20)	UHF	
Detroit, MI	11	WJBK	7 (2)	VHF	1.6%
Phoenix, AZ	13	KSAZ	10 (10)	VHF	1.6%
		KUTP <sup>(2)</sup>	26 (45)	UHF	
Tampa, FL	14	WTVT	12 (13)	VHF	1.6%
Minneapolis, MN <sup>(3)</sup>	15	KMSP	9 (9)	VHF	1.5%
		WFTC <sup>(2)</sup>	29 (29)	UHF	
Orlando, FL	19	WOFL	22 (35)	UHF	1.3%
		WRBW <sup>(2)</sup>	41 (65)	UHF	
Charlotte, NC	25	WJZY <sup>(4)</sup>	47 (46)	UHF	1.0%
		WMYT <sup>(2)</sup>	39(55)	UHF	
Austin, TX	45	KTBC	7 (7)	VHF	0.6%
Memphis, TN	49	WHBQ	13 (13)	VHF	0.6%
Gainesville, FL	163	WOGX	31 (51)	UHF	0.1%
<b>TOTAL</b>					<b>37.4%</b>

Source: Nielsen Media Research, January 2013

(1) VHF television stations transmit on Channels 2 through 13 and UHF television stations on Channels 14 through 51. The Federal Communications Commission (the "FCC") applies a discount (the "UHF Discount") which attributes only 50% of the television households in a local television market to the audience reach of a UHF television station for purposes of calculating whether that station's owner complies with the national station ownership cap imposed by FCC regulations and by statute; in making this calculation, only the station's actual (digital) broadcast channel is considered. In addition, the coverage of two commonly owned stations in the same market is counted only once. The percentages listed are rounded and do not take into account the UHF Discount. For more information regarding the FCC's national station ownership cap, see "Government Regulation - Television" in this Annual Report.

(2) MyNetworkTV affiliate.

(3) The Company also owns and operates full power station KFTC, Channel 26, Bemidji, MN as a satellite station of WFTC, Channel 29, Minneapolis, MN. Station KFTC is in addition to the 28 full power stations described in this section.

(4) WJZY operated as an affiliate of The CW Television Network until June 30, 2013 at which time it was switched to FOX affiliation.



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### ***FOX Broadcasting Company ( FOX )***

FOX has 205 FOX Affiliates, including 18 stations owned and operated by the Company, which reach approximately 99% of all U.S. television households. In general, each week FOX regularly delivers to its affiliates 15 hours of prime-time programming and 90 minutes of late-night programming on Saturday. FOX's prime-time programming features such series as *New Girl*, *The Following*, *Raising Hope*, *The Simpsons*, *Bones*, *The Mindy Project* and *Glee* and the upcoming return of the thriller *24*; unscripted series such as *American Idol*, *The X Factor* and *So You Think You Can Dance*; and various specials. In addition, a significant component of FOX's programming consists of sports programming, with FOX providing to its affiliates live coverage (including post-season) of the National Football Conference of the National Football League (the NFL) and MLB, as well as live coverage of the Sprint Cup Series of the NASCAR and college football, UFC and international soccer. FOX also airs a two-hour block of direct response programming on Saturday mornings provided by Worldlink Ventures (Worldlink), a media sales firm. FOX's agreement with Worldlink extends through the 2014-2015 broadcast season.

FOX's prime-time line-up is intended to appeal primarily to target audiences of 18 to 49-year old adults, the demographic group that advertisers seek to reach most often, with an emphasis on the difficult to reach 18 to 34-year old adult demographic coveted by advertisers. During the 2012-2013 traditional September to May broadcast season, FOX ranked first in prime-time programming among adults ages 18 to 34 and second in prime-time programming based on viewership of adults ages 18 to 49 (based on Live+7 ratings). This is the 11<sup>th</sup> consecutive year FOX has ranked first among adults ages 18 to 34 (2002-2003 to 2012-2013) and the 13<sup>th</sup> consecutive year FOX has ranked first among teens ages 12 to 17 (2000-2001 to 2012-2013). FOX has ranked first among adults ages 18 to 49 eight out of the past 10 years. The median age of the FOX viewer is 46 years, as compared to 49 years for NBC, 53 years for ABC and 55 years for CBS.

FOX obtains programming from major television studios and independent television production companies pursuant to license agreements. The terms of those agreements generally provide FOX with the right to broadcast a television series for a minimum of four seasons.

National sports programming is obtained through license agreements with professional or collegiate sports leagues or organizations. FOX's current licenses with the NFL, MLB, college football conferences, NASCAR and UFC are secured by long-term agreements, including recent extensions of the NFL, MLB and NASCAR national rights.

FOX provides programming to the FOX Affiliates in accordance with affiliation agreements of varying durations, which grant to each affiliate the right to broadcast network television programming on the affiliated station. Such agreements typically run three or more years and have staggered expiration dates. These affiliation agreements generally require FOX Affiliates to carry FOX programming in all time periods in which FOX programming is offered to those affiliates, subject to certain exceptions stated in the affiliation agreements.

FOX also distributes programming through its network-branded website and FoxNow application and licenses programming for distribution through the websites and applications of cable television systems, direct broadcast satellite operators, telecommunications companies and online video distributors.

### ***MyNetworkTV***

At the beginning of the 2009-2010 television season, MyNetworkTV transitioned to a new programming distribution service, Master Distribution Service, Inc., distributing two hours per night of original and off-network programming from Twentieth Television and other third party syndicators to its affiliates. As of June 30, 2013, MyNetworkTV had 177 affiliates, including 10 stations owned and operated by the Company, reaching approximately 96% of U.S. households.

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*Competition.* The network television broadcasting business is highly competitive. FOX and MyNetworkTV compete with other broadcast networks, such as ABC, NBC, CBS and The CW Television Network, independent television stations, cable and DBS program services, as well as other media, including DVDs, Blu-rays, digital video recorders ( DVR ), video games, print and the Internet for audiences, programming and, in the case of FOX, advertising revenues. In addition, FOX and MyNetworkTV compete with other broadcast networks and other programming distribution services to secure affiliations or station agreements 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.

Each of the stations owned and operated by Fox Television Stations also competes for advertising revenues with other television stations and radio and cable systems in its respective market area and with other advertising media, such as newspapers, magazines, outdoor advertising, direct mail and Internet websites. All of the stations owned and operated by Fox Television Stations are located in highly competitive markets. Additional elements that are material to the competitive position of each of the television stations include management experience, authorized power and assigned frequency of that station. Competition for sales of broadcast advertising time is based primarily on the anticipated and actually delivered size and demographic characteristics of audiences as determined by various rating services, price, the time of day when the advertising is to be broadcast, competition from the other broadcast networks, cable television systems, DBS services and other media and general economic conditions. Competition for audiences is based primarily on the selection of programming, the acceptance of which is dependent on the reaction of the viewing public, which is often difficult to predict.

## **Filmed Entertainment**

The Company is engaged in 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.

### ***Feature Film Production and Distribution***

One of the world's largest producers and distributors of motion pictures, Twentieth Century Fox Film ( TCFF ) produces, acquires and distributes motion pictures throughout the world under a variety of arrangements. During fiscal 2013, TCFF placed 21 motion pictures in general release in the United States. The motion pictures of TCFF are produced and/or distributed by the following units of TCFF: Twentieth Century Fox and Fox 2000, which produce and acquire motion pictures for mainstream audiences; Fox Searchlight Pictures, which produces and acquires specialized motion pictures; and Twentieth Century Fox Animation, which produces feature length animated motion pictures. In addition, Fox International Productions, Inc. co-produces, co-finances and acquires local-language motion pictures intended for distribution outside the United States. The motion pictures produced and/or distributed by TCFF in the United States and international territories in fiscal 2013 included *Ice Age: Continental Drift*, *Taken 2*, *Life of Pi*, *A Good Day to Die Hard* and *The Heat*. TCFF has already released or currently plans to release approximately 23 motion pictures in the United States in fiscal 2014, including *The Wolverine*, *Secret Life of Walter Mitty*, *Maze Runner*, *Rio 2*, *The Way Way Back* and *Grand Budapest Hotel*.

Pursuant to an agreement with Monarchy Enterprises Holdings B.V. ( MEH ), the parent company of New Regency in which the Company has a 20% interest, and certain of MEH's subsidiaries, TCFF distributes certain New Regency films and all films co-financed by TCFF and New Regency in all media worldwide, excluding a number of international territories with respect to television rights. Among its fiscal 2014 releases, TCFF currently expects to distribute three New Regency films.

In fiscal 2013, the Company entered into an arrangement to distribute new release animated motion pictures produced by DreamWorks Animation SKG, Inc. ( DWA ), as well as certain other library motion pictures and

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programming controlled by DWA, domestically and internationally in all media including theatrical, all home media formats and certain forms of television. Among TCFF's fiscal 2014 releases, TCFF currently expects to distribute three DWA films.

Motion picture companies, such as TCFF, typically seek to generate revenues from various distribution channels. TCFF derives its worldwide motion picture revenues primarily from four basic sources (set forth in general chronology of exploitation): (i) distribution of motion pictures for theatrical exhibition in the United States and Canada and markets outside of the United States and Canada ( international markets); (ii) distribution of motion pictures in various home media formats, including digital distribution; (iii) distribution of motion pictures for exhibition on premium pay, subscription video-on-demand, pay-per-view and video-on-demand programming services; and (iv) distribution of motion pictures for exhibition on free television networks, other broadcast program services, independent television stations and basic cable programming services, including certain services which are affiliates of the Company. The Company does not always have rights in all media of exhibition to all motion pictures that it releases, and does not necessarily distribute a given motion picture in all of the foregoing media in all markets.

The Company believes that the pre-release marketing of a feature film is an integral part of its motion picture distribution strategy and generally begins marketing efforts three to six months in advance of a film's release date in any given territory. The Company markets and distributes its films worldwide principally through its own distribution and marketing companies.

Through Twentieth Century Fox Home Entertainment LLC, the Company distributes motion pictures and other programming produced by units of TCFF, its affiliates and other producers in the United States, Canada and international markets in all home media formats, including the sale and rental of DVDs and Blu-rays. In fiscal 2013, the domestic home entertainment division released or re-released approximately 1,230 produced and acquired titles, including 23 new TCFF film releases, approximately 871 catalog titles and approximately 336 television and non-theatrical titles. In international markets, the Company distributed, produced and acquired titles both directly and through foreign distribution channels, with approximately 934 releases in fiscal 2013, including approximately 22 new TCFF film releases, approximately 663 catalog titles and approximately 249 television and non-theatrical releases. In fiscal 2013, the Company entered into an arrangement to distribute new release animated motion pictures produced by DWA as well as certain other catalog motion pictures and programming controlled by DWA. In fiscal 2013, the Company continued its worldwide home video distribution arrangement with Metro-Goldwyn-Mayer ( MGM ), releasing approximately 583 MGM home entertainment theatrical, catalog and television programs domestically and 611 internationally. The Company also continued its domestic home video distribution arrangements with Lions Gate (U.S. only) and Anchor Bay Entertainment, LLC ( Anchor Bay ) (U.S. and Canada), releasing approximately 1,604 Lions Gate home entertainment theatrical, catalog and television programs and approximately 683 Anchor Bay home entertainment theatrical, catalog and television programs. During fiscal 2013, the domestic home entertainment division released 403 Blu-ray titles, including 23 new TCFF film releases, 309 catalog titles and 71 television and non-theatrical releases. In international markets, the Company released 268 Blu-ray titles, including 22 new TCFF film releases and 246 catalog titles. The Company also distributed 185 Blu-ray titles from MGM domestically and 112 titles internationally, 298 Blu-ray titles from Lions Gate domestically, and 217 Blu-ray titles from Anchor Bay domestically.

Units of TCFF license motion pictures and other programs in the United States and international markets to various third party and certain affiliated subscription pay television, subscription video-on-demand, pay-per-view, video-on-demand and electronic sell-through services as well as to free television networks and basic cable programming services for distribution by means of various media, which may include direct broadcast satellite ( DBS ), cable television systems and the Internet. The license agreements reflecting the subscription pay television arrangements generally provide for a specified number of exhibitions of the program during a fixed term in exchange for a license fee that is based on a variety of factors, including the box office performance of each program and the number of subscribers to the service or system. Among third party license arrangements

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that units of TCFF have in place in the United States for subscription pay television exhibition of motion pictures is an exclusive license agreement with HBO, providing for the licensing of films initially released for theatrical exhibition. Units of TCFF also license programming to subscription video-on-demand services in the United States. Such licenses enable the consumer to view individual programming selected by the viewer for a subscription fee, typically on a monthly basis. The license agreements reflecting the pay-per-view and video-on-demand services generally provide for a license fee based on a percentage of the licensee's gross receipts from the exhibition of the program, and in some cases, a guaranteed minimum fee. In addition, these agreements generally provide for a minimum number of scheduled pay-per-view exhibitions per program and for continuous video-on-demand availability of each program to consumers during a fixed period. Units of TCFF license motion pictures and other programs to third parties for distribution for electronic sell-through which enables consumers to acquire the right to retain such programs on a permanent basis. In international markets, units of TCFF license motion pictures and other programming to subscription pay television, subscription video-on-demand, pay-per-view, video-on-demand and electronic sell-through services operated by leading third parties, as well as to such services operated by various affiliated entities. In addition, units of TCFF license motion pictures in international markets for exhibition on free television networks, including basic cable programming services, both to independent third party broadcasters as well as to services operated by affiliated entities of the Company.

*Competition.* Motion picture production and distribution are highly competitive businesses. The Company competes with other film studios, independent production companies and others for the acquisition of artistic properties, the services of creative and technical personnel, exhibition outlets and the public's interest in its products. The number of motion pictures released by the Company's competitors, particularly the other major film studios, in any given period may create an oversupply of product in the market, which may reduce the Company's shares of gross box office admissions and may make it more difficult for the Company's motion pictures to succeed. The commercial success of the motion pictures produced and/or distributed by the Company is affected substantially by the public's unpredictable response to them. The competitive risks affecting the Company's home entertainment business include the number of home entertainment titles released by the Company's competitors that may create an oversupply of product in the market, competition among home media formats, such as DVDs and Blu-rays, and other methods of distribution, such as electronic sell-through and video-on-demand services.

The Company faces ongoing risks associated with controlling unauthorized copying and distribution of the Company's programs. For a further discussion of issues relating to unauthorized copying and distribution of the Company's programs, see Intellectual Property.

### ***Television Programming, Production and Distribution***

*Twentieth Century Fox Television (TCFTV).* During fiscal 2013, TCFTV produced television programs for FOX, FX Networks, LLC (FX), ABC Television Network (ABC), CBS Broadcasting, Inc. (CBS), NBC Television Network (NBC), Comedy Partners (Comedy Central), Showtime, Netflix and Independent Film Channel. TCFTV currently produces, or has orders to produce, episodes of the following television series: *24, American Dad, Bob's Burgers, Bones, Dads, Enlisted, Family Guy, Gang Related, Glee, Murder Police, New Girl, Raising Hope, The Simpsons* and *Sleepy Hollow* for FOX; *Sons of Anarchy* and *American Horror Story* for FX; *Back in the Game, Last Man Standing, Mind Games* and *Modern Family* for ABC; *The Crazy Ones, Friends with Better Lives* and *How I Met Your Mother* for CBS; *Crisis* for NBC; *Homeland* for Showtime; *Brickleberry* for Comedy Central; *Salem* for WGN America; *Those Who Kill* for A&E Network; *Legends* for Turner Network Television and *Witches of East End* for Lifetime. Generally, a television network or cable network will license a specified number of episodes for exhibition during the license period. All other distribution rights, including international and off-network syndication rights, are typically retained by TCFTV, utilized by other units of the Company or sold to third parties.

Television programs generally are produced under contracts that provide for license fees that may cover only a portion of the anticipated production costs. As these costs have increased in recent years, the resulting

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deficit between production costs and license fees for domestic first-run programming also has increased. Therefore, additional licensing is often critical to the financial success of a series. Successful U.S. network television series are typically (i) licensed for first-run exhibition in international markets, (ii) released in DVD and Blu-ray box sets, (iii) licensed for subscription video-on-demand, video-on-demand and pay-per-view services, (iv) licensed for off-network exhibition in the United States (including in syndication and to cable programmers), (v) licensed for further television exhibition in international markets and (vi) made available for electronic sell-through and streaming, including individual episodes and full series. Typically, a series must be broadcast for at least three to four television seasons for there to be a sufficient number of episodes to offer the series in syndication or to cable and DBS programmers in the United States. The decision of a television network to continue a series through an entire television season or to renew a series for another television season depends largely on the series' audience ratings.

*Twentieth Television.* Twentieth Television licenses both television programming and feature films for domestic syndication to television stations and basic cable services in the United States. Twentieth Television distributes a program portfolio that includes the Company's library of television and film assets, and first-run programming produced by its production companies for sales to local stations, including stations owned and operated by the Company, as well as to basic cable networks. First-run programs distributed by Twentieth Television include: the court shows *Divorce Court* and *Judge Alex* and the entertainment magazine program *Dish Nation*.

Twentieth Television derives revenue from off-network, theatrical and first-run program sales in the form of cash license fees paid by both broadcast and cable licensees, and from the sales of national advertising units retained by Twentieth Television in its programs. Twentieth Television licenses such shows as *Modern Family*, *It's Always Sunny in Philadelphia*, *Burn Notice*, *Family Guy*, *The Simpsons*, *Bones*, *How I Met Your Mother*, *The Cleveland Show*, and *Glee* to cable and broadcast networks. Twentieth Television also sells national advertising on behalf of other third party syndicators.

*Fox Television Studios ( FtvS ).* FtvS is a program supplier to the major U.S. and international broadcast and cable networks. FtvS is currently producing the series *Burn Notice*, *White Collar*, *Graceland* and *Sirens* for USA Network, *The Americans* for FX, *The Glades* for A&E, *The Killing* for AMC, *Maron* for IFC and *Light Flight* for TNT.

*Shine Limited ( Shine ).* Shine is an international television production and distribution group with 26 production companies across 12 countries creating and exploiting scripted and non-scripted content in the global marketplace. Shine companies include award-winning genre specialists such as U.K.-based Kudos (drama), Dragonfly (factual), Princess Productions (entertainment and multi-genre) and Shine TV (factual and factual entertainment); U.S. producer Shine America (formerly Reveille); and Metronome Film & Television, the Nordic region's largest production group. The group also includes Shine 360°, a group-wide global brand and commercial rights division, and Shine International, its dedicated international distribution arm. Shine International distributes a catalogue of more than 3,700 hours of broadcast content to more than 200 territories worldwide as of the end of fiscal 2013. Internationally distributed shows from the Shine group include *MasterChef* (now produced in 40 territories), *The Biggest Loser*, *One Born Every Minute*, *Minute to Win It* and the crime drama *The Bridge*, which was remade in fiscal 2013 in the U.S., the U.K. and France. Shine has established businesses in Germany, France, Australia, Spain and Portugal and has expanded into the children's genre. Shine also has a digital and direct to consumer business through its social gaming producer Bossa Studios and its online original content producer, ChannelFlip Media.

*Competition.* Similar to motion picture production and distribution, production and distribution of television programming is extremely competitive. The Company competes with other film studios, independent production companies and others for the acquisition of artistic properties, the services of creative and technical personnel, exhibition outlets and the public's interest in its products. In addition, television networks have affiliated production companies from which they are increasingly obtaining their programming, which has reduced the demand for programming from other non-affiliated parties.

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### ***Motion Picture and Television Library***

The Company's motion picture and television library (the Fox Library) consists of varying rights to several thousand previously released motion pictures and many well-known television programs. Motion pictures in the Fox Library include many successful and well-known titles, such as *The Sound of Music*, *Mrs. Doubtfire*, *Home Alone*, the *Star Wars* series, the *X-Men* series, *Independence Day*, *The Day After Tomorrow*, the *Ice Age* series, *The Planet of the Apes* series, *Sideways*, *Walk the Line*, *The Devil Wears Prada*, *Little Miss Sunshine*, the *Night at the Museum* series, the *Alvin and the Chipmunks* series, *Slumdog Millionaire*, *Life of Pi* and *Taken*, as well as five of the top 20 domestic box office grossing films of all time, which are *Avatar*, *Titanic* (together with Paramount Pictures Corporation), *Star Wars Episode IV: A New Hope*, *Star Wars Episode I: The Phantom Menace* and *Star Wars Episode III: Revenge of the Sith*.

The Fox Library contains varying rights to many television series and made-for-television motion pictures. The television programming in the Fox Library consists of such classic series as *King of the Hill*, *Prison Break*, *Boston Legal*, *My Name is Earl*, *The Mary Tyler Moore Show*, *M\*A\*S\*H*, *Hill Street Blues*, *Doogie Howser, M.D.*, *L.A. Law*, *The Wonder Years*, *The Practice*, *Ally McBeal*, *Angel*, *Dharma & Greg*, *In Living Color*, *The X-Files*, *Buffy the Vampire Slayer*, *The Cleveland Show*, *Arrested Development*, *Futurama* and *NYPD Blue*, as well as prior seasons of such current series as *24*, *The Simpsons*, *Bones*, *Family Guy*, *Glee*, *Modern Family*, *How I Met Your Mother*, *Sons of Anarchy* and *American Dad*.

### **Direct Broadcast Satellite Television**

The Company engages in the direct broadcast satellite business through its wholly-owned subsidiary, SKY Italia, and its majority-owned subsidiary, Sky Deutschland AG ( Sky Deutschland ). The Company also owns a significant equity interest in BSKyB, which is engaged in the DBS business (for a description of the business of BSKyB, please see discussion under heading Equity Interests ).

#### ***SKY Italia***

SKY Italia currently distributes more than 190 channels of basic, premium and pay-per-view programming services via satellite and broadband directly to subscribers in Italy. This programming includes exclusive rights to popular sporting events, newly-released movies and SKY Italia's original programming, such as *SKY TG 24*, Italy's first 24-hour news channel. As of June 30, 2013, SKY Italia had approximately 4.76 million subscribers.

#### ***Sky Deutschland***

In January 2013, the Company increased to 55% its ownership in Sky Deutschland, the leading pay television operator in Germany and Austria. Sky Deutschland currently distributes more than 70 channels of basic, premium and pay-per-view programming services via satellite and cable to subscribers in Germany and Austria. Sky Deutschland also can be received via Teleclub in Switzerland. Sky Deutschland's program offering includes current feature films, new series, children's channels, documentaries and live sports, such as the German Bundesliga and UEFA Champions League. As of June 30, 2013, Sky Deutschland had approximately 3.45 million subscribers.

*Competition.* SKY Italia and Sky Deutschland compete with companies that offer video, audio, interactive programming, telephony, data and other information and entertainment services, including broadcasters of free-to-air television channels, broadband Internet providers, digital terrestrial transmission ( DTT ) services, wireless companies and companies that are developing new media technologies.

### **Other, Corporate and Eliminations**

The Other, Corporate and Eliminations segment consists primarily of corporate eliminations and other businesses.

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**Table of Contents****Equity Interests*****BSkyB***

The Company holds an approximate 39% interest in BSkyB. BSkyB's ordinary shares are listed on the London Stock Exchange under the symbol BSY. BSkyB is the U.K.'s leading entertainment and communications provider, operating the most comprehensive multichannel, multi-platform pay television service in the U.K. and Ireland. BSkyB retails subscription television and communications services to residential and commercial premises in the UK and Ireland. In addition to the retail operations, BSkyB operates a number of other businesses including wholesaling its channel portfolio, selling advertising on its own and partner channels and the Sky betting and gaming business. In June 2010, the Company announced that it had proposed to the board of directors of BSkyB to make a cash offer of 700 pence per share for the BSkyB shares that the Company does not already own. Following the allegations regarding *The News of the World*, 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 breakup fee of approximately \$63 million in accordance with a cooperation agreement between the parties.

***YES Network***

In December 2012, the Company acquired a 49% equity interest in YES Network, a RSN, for approximately \$584 million and simultaneous with the closing of this transaction the Company paid approximately \$250 million of upfront costs on behalf of YES Network. The YES Network delivers exclusive live local television coverage of New York Yankees baseball and Brooklyn Nets basketball, as well as other leading local and national sports-related programming. Starting in December 2015, the remaining partners can exercise a put option that would require the Company to acquire up to an additional 31% interest. If the put option is not exercised, the Company has a call option beginning in December 2016 that would allow the Company to acquire up to an additional 31% interest.

***Hulu***

The Company has an approximate 33% equity interest in Hulu, LLC (Hulu) which operates an online video service that offers video content from Fox, the other one-third partners in Hulu, NBCUniversal and The Walt Disney Company, as well as over 450 other third party content licensors. Hulu's premium programming is available free of charge to viewers at Hulu.com and over 60 destination sites online, including AOL, IMDb, MSN, Myspace and Yahoo!. Additional premium programming is available on a monthly subscription basis at Hulu.com and through software applications on Internet-connected devices, including smart phones, tablets, gaming consoles and set-top boxes. In July 2013, the Company, NBCUniversal and The Walt Disney Company announced that they will maintain their respective ownership positions in Hulu and together provide a cash infusion of \$750 million. As result, the Company invested an additional \$125 million in Hulu and has committed to invest an additional \$125 million in Hulu.

***CMC-News Asia***

The Company holds an approximate 47% interest in CMC-News Asia, a joint venture with China Media Capital, a media investment fund in China. CMC-News Asia develops general entertainment programming for broadcast on local Chinese channels. CMC-News Asia also broadcasts the Chinese language Xing Kong and Channel [V] China channels primarily in China on a free-to-air basis to local cable operators in southern China and three-star and above hotels and other approved organizations and institutions, and sells television, new media, home video and other rights to its extensive contemporary Chinese film library comprised of over 750 titles.

***Bona Film Group***

In fiscal 2012, the Company acquired a 17% interest in Bona Film Group, a film distributor in China listed on NASDAQ, for approximately \$70 million in cash.

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### ***Other Investments***

In fiscal 2013, the Company invested \$70 million for a minority equity interest in Vice Holding Inc., a digital media company.

### **Government Regulation**

#### ***General***

Various aspects of the Company's activities are subject to regulation in numerous jurisdictions around the world. The Company believes that it is in material compliance with the requirements imposed by those laws and regulations described herein. The introduction of new laws and regulations in countries where the Company's products and services are produced or distributed (and changes in the enforcement of existing laws and regulations in those countries) could have a negative impact on the interests of the Company.

#### ***Cable Network Programming and Direct Broadcast Satellite Television***

*Asia.* The Company broadcasts television programming over a footprint covering approximately 53 Asian countries. Most countries in which the Company operates have a regulatory framework for the satellite and cable television industry. Government regulation of direct reception and redistribution via cable or other means of satellite television signals, where it is addressed at all, is treated differently in each country. At one extreme are absolute bans on private ownership of satellite receiving equipment. Some countries, however, have adopted a less restrictive approach, opting to allow ownership of satellite receiving equipment by certain institutions and individuals but allowing them to receive only authorized broadcasts. At the opposite end of the spectrum are countries where private satellite dish ownership is allowed and laws and regulations have been adopted which support popular access to satellite services through local cable redistribution.

Most television services within Asia, whether free-to-air or pay television, are also subject to licensing requirements. In addition, most countries in which the Company operates control the content offered by local broadcast operators through censorship requirements to which program suppliers, such as the Company, are subject. Certain countries also require a minimum percentage of local content. Other countries require local broadcast operators to obtain government approval to retransmit foreign programming.

Additional categories of regulation of actual or potential significance to the Company are restrictions on foreign investment in distribution platforms, television programming production, limitations on exclusive arrangements for channel distribution and non-discrimination requirements for supply or carriage of programming and anti-competition or anti-trust legislation. Such restrictions are different in each country.

*India.* In India, private satellite dish ownership, including DTH, is allowed. Television viewers receive broadcast television signals primarily through terrestrial and cable delivery and, in more recent years, through DTH and IPTV delivery. Terrestrial broadcasting remains the domain of government-owned broadcast stations.

All cable television operators are required to carry certain government-operated channels. Retransmissions of foreign satellite channels, such as STAR India's channels, are permitted, subject to licensing requirements and compliance with local applicable laws, including programming and advertisement codes. The Indian government requires that all film and media content, whether produced in India or abroad, be certified by the Central Board of Film Certification prior to exhibition in India and also places certain restrictions on advertising content. The Indian Broadcasting Foundation has issued Self Regulatory Guidelines that apply to the programming on non-news and current affairs channels.

Limits are imposed by the Indian government on the increase in the year-on-year prices payable by cable operators to broadcasters for all pay and free-to-air channels, including the Company's channels. Further, in certain areas pay channels are required to be provided through conditional access systems where

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cable operators are required to provide such channels at a capped retail price, of which the broadcasters' share is restricted to 45%. The wholesale and retail pricing tariffs are presently under review after intervention by the Indian courts. While there is no tariff regulation for DTH at the retail level, broadcasters are required to offer their channels to DTH platforms at 42% of the rates charged to analog cable operators pursuant to an interim order by the Supreme Court of India. Broadcasters are also required to provide their channels on non-discriminatory terms to all distributors if no carriage charges are being sought from broadcasters. In October 2011, an ordinance was issued in India mandating that cable networks switch from analog to digital systems. When enacted, the ordinance amended the Cable Television Act and new rules were issued. The Telecom Regulatory Authority of India ( TRAI ) issued rules that mandated that, among other things, basic service tiers comprised of free-to-air channels be compulsorily offered to consumers. When implemented, this new regime will replace the dispensation described above which capped in certain areas of India the retail prices and restricted broadcasters' share to 45%. The first and second phases of this new regime have been implemented and replaced the dispensation regime in Kolkata, Chennai, Mumbai, Delhi and 38 cities. The final two phases for the rest of India are expected to be implemented by the end of calendar year 2014.

TRAI has also enacted regulations in May 2012 which would limit the amount of advertising time allowed on television channels. Such regulations have been challenged and the application of such regulations has been stayed by the Indian courts. TRAI has since issued new regulations in their place for limiting the amount of advertising time allowed on television channels which are proposed to take effect beginning October 1, 2013.

The Copyright laws in India were amended in June 2012 to provide, inter alia, for rights to receive royalties for authors of underlying work and to permit broadcasters to access content under a statutory license at royalty rates to be determined by the Copyright Board.

In September 2012, the government in India eased its limits on foreign investments in broadcasting carriage services including cable, teleport and DTH, which were each capped at 49% with a sublimit of 20% applying to direct investments in DTH. Under the new regime, foreign investments up to 49% may be made without government approval and foreign investments above 49% and up to 74% may be made with government approval.

*Latin America.* The Company broadcasts television programming throughout approximately 18 Latin American countries, as well as the Caribbean. Certain countries in which the Company operates have a regulatory framework for the satellite and cable television industry. These regulations vary in each country as does their impact on the Company's business. In Argentina, the government has required pay TV operators to carry certain government operated channels, imposed restrictions on the ability to effectuate price increases on rates charged to pay TV operators, reduced by half the available advertising inventory on the channels and enforced regulations affecting the withholding tax on advertisers purchasing advertising inventory on international channels. The Company is working to minimize the impact of the reduction of advertising inventory and tax implications on advertisers. In addition, the government in Argentina has implemented certain measures in currency exchange controls which have caused significant impediments and limitations to any person or entity moving money out of the country resulting in exposure to currency devaluation. In Mexico, international programmers were granted a temporary injunction which allows them the right to transmit up to an average of 12 minutes per hour of advertising within a 24 hour period. This was previously limited by the regulatory agency to a strict six minutes per hour. In Brazil, a Media Law requires, among other things: (i) that, beginning September 2013, all channels distributed in the region contain at least three hours and thirty minutes per week, an increase from the previous requirement of two hours and twenty minutes per week, of Brazilian content during prime time hours, half of which must be produced by a Brazilian independent producer; (ii) registration of all channels, programmers, local content and advertisements; (iii) website disclosure of programming and advertising content to ensure compliance with tax and other regulations; and (iv) mediation of local agency

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requirements and taxation on all advertising that is contracted abroad. While such tax shall primarily be paid by advertisers, programmers are ultimately responsible for the tax payment, and failure by advertisers to pay the required tax could subject programmers to fines or penalties. Compliance with the Media Law increases the cost of doing business in the form of production/acquisition costs as well as third party administrative and legal expenses.

*Europe.* The sectors in which the Company operates in Europe are subject to both general competition laws and sector specific regulation. The regulatory regime applicable to the electronic communications and broadcasting sectors is, to a large extent, based on European Union ( EU ) law comprised in various EU directives that require EU member states to adopt national legislation to give effect to the directives objectives, while leaving the precise manner and form of the national legislation to the discretion of each member state. The Electronic Communications Directives regulate the provision of communication services, including networks and transmission services that are involved in the broadcasting of television services as well as the provisions of services and facilities associated with the operation of digital television platforms. The AudioVisual Media Services Directive sets out the basic principles for the regulation of television broadcasting activity, including broadcasting licensing, advertising and content regulation and imposes production and investment quotas, obligations to transmit European content for at least 50% of the day and limitations on advertising time. Each European country also has the right to adopt more strict rules.

### ***Television***

In general, the television broadcast industry in the United States is highly regulated by federal laws and regulations issued and administered by various federal agencies, including the FCC. The FCC regulates television broadcasting, and certain aspects of the operations of cable, satellite and other electronic media that compete with broadcasting, pursuant to the Communications Act of 1934, as amended (the Communications Act ).

The Communications Act permits the operation of television broadcast stations only in accordance with a license issued by the FCC upon a finding that the grant of the license would serve the public interest, convenience and necessity. The FCC grants television broadcast station licenses for specific periods of time and, upon application, may renew the licenses for additional terms. Under the Communications Act, television broadcast licenses may be granted for a maximum permitted term of eight years. Generally, the FCC renews broadcast licenses upon finding that: (i) the television station has served the public interest, convenience and necessity; (ii) there have been no serious violations by the licensee of the Communications Act or FCC rules and regulations; and (iii) there have been no other violations by the licensee of the Communications Act or FCC rules and regulations which, taken together, indicate a pattern of abuse. After considering these factors, the FCC may grant the license renewal application with or without conditions, including renewal for a lesser term than the maximum otherwise permitted, or hold an evidentiary hearing. Fox Television Stations has pending renewal applications for a number of its television station licenses. Seven of the pending applications have been opposed by third parties. On June 13, 2007 and May 15, 2008, Fox Television Stations entered into agreements with the FCC that preclude it from objecting, on the grounds that such action is barred by certain statutes of limitations, to FCC or other governmental action relating to (i) petitions to deny or complaints that have been filed against several owned and operated stations relating to programming that is alleged to violate the prohibition against indecent broadcasts or (ii) inquiries from the FCC regarding compliance with its sponsorship identification rules. For information on the television stations owned and operated by the Company, see Fox Television Stations above.

In March 2010, the FCC delivered its national Broadband Plan to Congress, which reviews the nation s broadband Internet infrastructure and recommends a number of initiatives to spur broadband deployment and use. In order to free up more spectrum for wireless broadband services, the Broadband Plan proposes to make spectrum available, including 120 megahertz of broadcast spectrum, by incentivizing current private-sector spectrum holders to return some of their spectrum to the government by 2015 through such initiatives as voluntary incentive spectrum auctions (with current licensees permitted to share in the auction proceeds) and

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repacking of channel assignments to increase efficient spectrum usage. If voluntary measures fail to yield the amount of spectrum the FCC deems necessary for wireless broadband deployment, the Broadband Plan proposes various mandates to reclaim spectrum, such as forced channel sharing. In response to the Broadband Plan, Congress passed legislation in February 2012 authorizing the FCC to conduct voluntary auctions of television broadcast station spectrum. Stations that continue their operations may have to change channels once the FCC repacks broadcast spectrum. The legislation requires the FCC to assist stations in retaining their current coverage areas, provides that no stations will be forced into the VHF band and establishes a fund to reimburse broadcasters for reasonable channel relocation expenses. The broadcast industry is exploring additional uses for currently allocated spectrum. In April 2010, Fox Television Stations and eleven other major broadcast station group owners formed Mobile Content Venture ( MCV ), a joint venture to develop a new national mobile content service utilizing the stations' digital broadcast spectrum. MCV launched Dyle™ mobile television service in 35 markets at the end of 2012. It is expected that FCC auctions and repacking will involve multiple rulemaking proceedings and may take several years to complete. It is not possible to predict the timing or outcome of implementation of the Broadband Plan, FCC spectrum auctions and repacking, or their effect on the Company.

On February 4, 2008, the FCC issued an order that concluded the quadrennial review of its broadcast ownership regulations required by the 1996 Telecom Act (the February 2008 Order ). The FCC decided there should be no changes to its multiple ownership rules relating to the ownership of more than one television station in the same market. Those rules (i) permit the ownership of two television stations with overlapping coverage areas if the stations are in separate DMAs; and (ii) permit the ownership of two stations in the same DMA if their coverage areas do not overlap or if eight independently owned full power television stations will remain in the DMA after the stations that had been independently owned become commonly owned, and one of the merged stations is not among the top four-ranked stations in the market, based on audience share. The FCC modified its rule prohibiting common ownership of a broadcast station and a newspaper in the same market to allow such combinations in certain situations. The February 2008 Order was appealed by several parties, including the Company. On July 7, 2011, the United States Court of Appeals for the Third Circuit affirmed the FCC's decision to retain its multiple ownership rules and vacated and remanded the revision to the newspaper/broadcast cross-ownership rule on the grounds the FCC failed to comply with procedural notice and comment requirements. On December 22, 2011, the FCC commenced the next quadrennial review, in which it proposed minor modifications to its ownership regulations. The proposed modifications are not likely to affect the impact of the FCC ownership rules on the Company's ownership of media properties. The Company has filed comments in the current proceeding, which is pending.

Fox Television Stations is in compliance with the rules governing ownership of multiple stations in the same market and with the national station ownership cap established by Congress. Fox Television Stations owns two television stations in the New York DMA. By virtue of its common ownership with News Corp due to the Murdoch Family Trust's ownership interest in both News Corp and the Company, Fox Television Stations also retains an attributable interest in *The New York Post*, a daily newspaper in the New York DMA. On October 6, 2006, the FCC reaffirmed the Company's permanent waiver of the newspaper/broadcast cross-ownership rule, which allows the common ownership of the *Post* and WNYW(TV), and granted a two-year temporary waiver of the rule to continue to allow the common ownership of the *Post* and WWOR-TV (the October 2006 Order ). The Company has asked the FCC to extend the permanent waiver to WWOR-TV. The temporary waiver remains in effect pursuant to FCC precedent pending FCC action on this request. Parties opposed to the October 2006 Order filed a petition for reconsideration with the FCC, which was denied on May 22, 2009. Other opponents of the October 2006 Order have asked the FCC to reconsider its May 22, 2009 decision and have filed an opposition to the Company's request for a permanent waiver. It is not possible to predict the timing or outcome of the FCC's action on this request for reconsideration or its effect on the Company.

In addition, as a result of these rules, the Company's future conduct, including the acquisition of any broadcast networks, or stations or any newspapers, in the same local markets in which News Corp owns or operates newspapers or has acquired television stations, may affect News Corp's ability to own and operate its

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newspapers or any television stations it acquires or otherwise comply with the rules. Therefore, the Company and News Corp agreed in the Separation and Distribution Agreement that if the Company acquires, after the Separation, newspapers, radio or television broadcast stations or television broadcast networks in the U.S. and such acquisition would impede or be reasonably likely to impede News Corp's business, then the Company will be required to take certain actions, including divesting assets, in order to permit News Corp to hold its media interests and to comply with such rules.

Under the Communications Act, no broadcast station licensees may be owned by a corporation if more than 25% of the corporation's 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 owns broadcast station licensees in connection with its ownership and operation of U.S. television stations. On April 18, 2012, the Company announced that it had suspended 50% of the voting rights of the Class B Common Stock held by non-U.S. stockholders in order to maintain compliance with U.S. law. As of April 2013, the suspension of voting rights of shares of Class B Common Stock held by non-U.S. stockholders was 40%. This suspension will remain in place for as long as the Company deems it necessary to maintain compliance with the Act. The FCC could review the Company's compliance with the Act in connection with its consideration of Fox Television Stations' license renewal applications.

FCC regulations implementing the Cable Television Consumer Protection and Competition Act of 1992 require each television broadcaster to elect, at three-year intervals, either to (i) require carriage of its signal by cable systems in the station's market ( "must carry" ) or (ii) negotiate the terms on which that broadcast station would permit transmission of its signal by the cable systems within its market ( "retransmission consent" ). Generally, the Company has elected retransmission consent for the stations owned and operated by Fox Television Stations. The Satellite Home Viewer Improvement Act of 1999 requires satellite carriers to carry upon request all television stations located in markets in which the satellite carrier retransmits at least one local station pursuant to the copyright license provided in the statute ( "Carry One, Carry All" ). FCC regulations implementing this statutory provision require affected stations to elect either mandatory carriage at the same three year intervals applicable to cable "must carry" or negotiate carriage terms with the satellite operators. Several cable and satellite operators filed a petition for rulemaking with the FCC seeking changes in the retransmission consent regulations, including the imposition of mandatory arbitration and required interim carriage in the event the broadcaster and distributor fail to reach a carriage agreement. In March 2011, the FCC responded by initiating a rulemaking to explore changes to its retransmission consent regulations. The FCC tentatively concluded that it does not have the power to order mandatory arbitration or interim carriage and instead sought comment on modifications to its rules affecting retransmission consent negotiations, including providing more guidance under the FCC's "good faith negotiation" standard, improving notice to consumers in advance of possible disruptions of TV station carriage and eliminating program exclusivity rules that restrict cable and satellite operators' ability to negotiate for alternative access to network programming. Among other things, the FCC sought comment on whether it should be a *per se* violation of "good faith negotiation" requirements for a station to agree to give its network the right to approve retransmission consent agreements or to comply with such an approval requirement in the network affiliation agreement. The broadcast industry, including Fox Entertainment Group and Fox Television Stations, has filed comments opposing changes to the current retransmission consent regime. It is not possible to predict the timing or outcome of the rulemaking or its effect on the Company.

Legislation enacted in 1990 limits the amount of commercial matter that may be broadcast during programming designed for children 12 years of age and younger. In addition, under FCC license renewal processing guidelines, television stations are generally required to broadcast a minimum of three hours per week of programming, which, among other requirements, must serve, as a "significant purpose," the educational and informational needs of children 16 years of age and under. A television station found not to have complied with the programming requirements or commercial limitations could face sanctions, including monetary fines and the possible non-renewal of its license.

FCC rules prohibit the broadcast by television and radio stations of indecent or profane material between the hours of 6:00 a.m. and 10:00 p.m. Beginning in March 2004, the FCC implemented a new policy regarding this

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prohibition and generally stepped up its enforcement of indecency violations. Under the new policy, the single use of certain forbidden expletives, or variations of those expletives, were deemed indecent and profane. The FCC also warned broadcasters that serious multiple violations of the indecency prohibition could lead to license revocation proceedings, and that fines could be imposed for each incident in a single broadcast. Under the new FCC policy, both complaints about indecency and FCC enforcement actions have increased, and several complaints alleging the broadcast of alleged indecent or profane material by Fox Television Stations are pending at the FCC. As of June 2006, the law authorizes the FCC to impose fines of up to \$325,000 per incident for violation of the prohibition against indecent and profane broadcasts.

On March 15, 2006, the FCC determined that the 2002 and 2003 *Billboard Music Awards* programs, both live broadcasts on FOX, violated the prohibitions against indecent and profane broadcasts because they contained isolated uses of the forbidden expletives (the March 15 Order). However, since these broadcasts preceded the FCC's March 2004 policy, no forfeiture or other penalty was imposed. Nonetheless, in April 2006, Fox Television Stations appealed the March 15 Order to the Second Circuit Court of Appeals (the Second Circuit). On June 4, 2007, the Second Circuit granted Fox's appeal, vacating the March 15 Order as well as the FCC's new policy on fleeting expletives in its entirety on the grounds that both were arbitrary and capricious. The United States obtained review by the U.S. Supreme Court, which reversed the Second Circuit's decision and remanded the case back to the Second Circuit for consideration of the constitutional issues that had been raised before but not yet decided by that court. On June 13, 2010, the Second Circuit vacated the March 15 Order and the FCC's indecency policy underlying it on the grounds that the policy is unconstitutionally vague and violates the First Amendment. On June 21, 2012, the Supreme Court decided that the FCC failed to give FOX fair notice that the isolated use of expletives could violate the indecency prohibition and therefore the Commission's standards as applied to the broadcasts in question were unconstitutionally vague. The Court vacated the violations for the *Billboard Music Awards* broadcasts and reversed the Second Circuit's decision on the constitutionality of the FCC's underlying indecency policy. On April 1, 2013, the FCC announced it had reduced the backlog of pending indecency complaints and would focus its enforcement on egregious cases. The FCC also sought public comment on whether its indecency policies should be altered in light of the Supreme Court's decision. It is not possible to predict the outcome of the FCC's inquiry or how it will enforce its indecency rules in the future.

On February 22, 2008, the FCC issued an order imposing forfeitures of \$7,000 each on 13 FOX Affiliates, including five stations owned and operated by the Company, on the grounds that an April 7, 2003 episode of the program *Married by America* violated the prohibition against indecent broadcasts. On April 4, 2008, the United States commenced an action in federal district court in the District of Columbia against the five Company-owned stations to collect the forfeitures imposed by the FCC. In 2012, the government voluntarily dismissed this collection action. The Company subsequently petitioned the FCC to vacate the forfeitures against the Company and other FOX stations that had been found to have violated the indecency prohibition. The petition remains pending and it is not possible to predict the timing or outcome of FCC action.

Modifications to the Company's programming to reduce the risk of indecency violations could have an adverse effect on the competitive position of Fox Television Stations and FOX. If indecency regulation is extended to cable and satellite programming, and such extension was found to be constitutional, some of the Company's cable programming services could be subject to additional regulation that might affect subscription and viewership levels.

The FCC continues to enforce strictly its regulations concerning political advertising, children's television, environmental concerns, equal employment opportunity, technical operating matters and antenna tower maintenance. FCC rules require the closed captioning of almost all broadcast and cable programming. A federal law enacted in late 2010 requires affiliates of the four largest broadcast networks in the 25 largest markets to carry 50 hours of prime time or children's programming per calendar quarter with video descriptions, i.e., a verbal description of key visual elements inserted into natural pauses in the audio and broadcast over a separate audio channel. Cable and satellite operators with 50,000 or more subscribers must do the same on each of the top

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five non-broadcast networks they carry. Compliance has been required since July 1, 2012 and applies to FOX affiliates in the Top 25 markets. Fox News Channel, which is among the top five non-broadcast networks, falls within the statutory exemption for live or near-live programming. The same statute requires programming that was captioned on television to retain captions when distributed via Internet Protocol apps or services. Although not required by FCC regulation, the Company has committed to provide program ratings information for its broadcast network programming for use in conjunction with V Chip technology, which blocks the display of television programming based on its rating. The Company has also agreed to make this ratings information available for all full-length entertainment programs that stream on websites the Company controls. FCC regulations governing network affiliation agreements mandate that television broadcast station licensees retain the right to reject or refuse network programming in certain circumstances or to substitute programming that the licensee reasonably believes to be of greater local or national importance. Violation of FCC regulations can result in substantial monetary forfeitures, periodic reporting conditions, short-term license renewals and, in egregious cases, denial of license renewal or revocation of license.

### ***Filmed Entertainment***

*United States.* TCFE is subject to the provisions of so-called trade practice laws in effect in 25 states relating to theatrical distribution of motion pictures. These laws substantially restrict the licensing of motion pictures unless theater owners are first invited to attend a screening of the motion pictures and, in certain instances, also prohibit payment of advances and guarantees to motion picture distributors by exhibitors. Further, pursuant to various consent judgments, TCFE and certain other motion picture companies are subject to certain restrictions on their trade practices in the United States, including a requirement to offer motion pictures for exhibition to theaters on a theater-by-theater basis and, in some cases, a prohibition against the ownership of theaters.

*Other International Regulation.* In countries outside of the United States, there are a variety of existing or contemplated governmental laws and regulations that may affect the ability of TCFE to distribute and/or license its motion picture and television products to cinema, television or in-home media, including copyright laws and regulations that may or may not be adequate to protect its interests, cinema screen quotas, television quotas, contract term limitations, discriminatory taxes and other discriminatory treatment of U.S. products. The ability of countries to deny market access or refuse national treatment to products originating outside their territories is regulated under various international agreements, including the World Trade Organization's General Agreement on Tariffs and Trade and General Agreement on Trade and Services; however, these agreements have limited application with respect to preventing the denial of market access to audio-visual products originating outside the European Union.

### ***Internet***

The Children's Online Privacy Protection Act of 1998 ( COPPA ) prohibits websites from collecting personally identifiable information online from children under age 13 without prior parental consent. The Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 ( CAN-SPAM ) regulates the distribution of unsolicited commercial emails, or spam. Online services provided by the Company may be subject to COPPA and CAN-SPAM requirements.

Federal regulators' interest in issues of privacy, cybersecurity and data security has been steadily increasing. On February 23, 2012, the Administration issued a white paper on consumer data privacy that includes a Consumer Privacy Bill of Rights. The Administration is convening multi-stakeholder processes to implement the Bill of Rights through industry codes of conduct that would be enforceable by the Federal Trade Commission ( FTC ) and State Attorneys General. The Administration also announced it would work with Congress to implement these rights through legislation. On March 26, 2012, the FTC released a report on consumer privacy, which sets forth a detailed privacy framework and urges industry to accelerate the pace of adoption of self-regulatory measures, including more widespread adoption of a Do-Not-Track browser mechanism. The report

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also recommends that Congress consider baseline privacy legislation incorporating the principles articulated in the framework. A number of privacy and data security bills have been introduced in both Houses of Congress that address the collection, maintenance and use of personal information, web browsing and geolocation data, data security and breach notification requirements, and cybersecurity. Several Congressional hearings have examined privacy implications for online, offline and mobile data. Some state legislatures have already adopted legislation that regulates how businesses operate on the Internet, including measures relating to privacy, data security and data breaches. The industry released a set of self-regulatory online behavioral advertising principles in 2009, which have been implemented by web publishers, online advertisers and online advertising networks. In November 2011, these principles were extended to the use of online consumer data for purposes other than advertising. It is unclear whether these and other industry self-regulatory efforts alone will address the concerns expressed by some federal and state officials about the collection of anonymous data online or via mobile applications to serve targeted content and advertising. It is not possible to predict whether proposed privacy and data security legislation will be enacted or to determine what effect such legislation might have on the Company's business.

Foreign governments are raising similar privacy and data security concerns. In particular, the EU has proposed a new privacy regulation (the EU Regulation) that would replace the current Data Protection Directive, would tighten regulation of the collection, use and security of online data and would continue to restrict the trans-border flow of data. European industry has implemented a self-regulatory regime for online behavioral advertising that is largely consistent with the U.S. self-regulatory framework. The proposed EU Regulation will not be effective for at least two or three years and may undergo many changes before it is adopted. It is unclear how the final EU Regulation would affect the Company's business.

The Company monitors pending legislation and regulatory initiatives to ascertain relevance, analyze impact and develop strategic direction surrounding regulatory trends and developments.

## **Intellectual Property**

The Company's intellectual property assets include: copyrights in motion pictures, television programming, books, publications, websites and technologies; trademarks in names, logos and characters; domain names; patents or patent applications for inventions related to its products, business methods and/or services; and licenses of intellectual property rights of various kinds. The Company derives value from these assets through the theatrical release of films and the production, distribution and/or licensing of its films and television programming to domestic and international television and cable networks, pay television services, pay-per-view, video-on-demand services and DTH satellite services, operation of websites, and through the sale of products, such as DVDs, Blu-rays, books and publications, among others.

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

Third parties may challenge the validity or scope of the Company's intellectual property from time to time, and such challenges could result in the limitation or loss of intellectual property rights. Irrespective of their

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

### **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 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 and broadcast and cable networks are factors that are weighed when determining advertising rates, and with respect to the Company's television stations and broadcast and television networks, when determining the affiliate rates received by the Company. In addition, newer technologies, including new video formats, streaming and downloading capabilities via the Internet, video-on-demand, personal video recorders and other devices and technologies are increasing the number of media and entertainment choices available to audiences. Some of these devices and technologies allow users to view television or motion pictures from a remote location or on a time-delayed basis and provide users the ability to fast-forward, rewind, pause and skip programming and advertisements. These technological developments which are increasing the number of media and entertainment choices available to audiences could negatively impact not only consumer demand for our content and services but also could affect the attractiveness of the Company's offerings to viewers, advertisers and/or distributors. Failure to effectively anticipate or adapt to emerging technologies or changes in consumer behavior could have an adverse effect on our business. Further, a decrease in advertising expenditures 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 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.

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

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*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.*

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

The Company has taken, and will continue to take, a variety of actions to combat piracy and signal theft, both individually and, in some instances, together with industry associations. However, protection of the Company's intellectual property rights is dependent on the scope and duration of the Company's rights as defined by applicable laws in the United States and abroad and the manner in which those laws are construed. If those laws are drafted or interpreted in ways that limit the extent or duration of the Company's rights, or if existing laws are changed, the Company's ability to generate revenue from intellectual property may decrease, or

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

### *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 and the desire to see motion pictures in theaters, which could negatively affect the Company's revenues. The Company's failure to protect and exploit the value of its content, while responding to and developing new technology and business models to take advantage of advancements in technology and the latest consumer preferences, could have a significant adverse effect on the Company's businesses, asset values and results of operations.

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

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

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

The Company is subject to a variety of U.S. and foreign regulations in the jurisdictions in which its businesses operate. In general, the television broadcasting and multichannel video programming and distribution industries in the United States are highly regulated by federal laws and regulations issued and administered by various federal agencies, including the 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.

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

The Company owns broadcast station licensees in connection with its ownership and operation of U.S. television stations. Under U.S. law, no broadcast station licensee may be owned by a corporation if more than 25% of its stock is owned or voted by non-U.S. persons, their representatives, or by any other corporation organized under the laws of a foreign country. The Company's Restated Certificate of Incorporation authorizes the Board of Directors to prevent, cure or mitigate the effect of stock ownership above the applicable foreign ownership threshold by taking any action including: refusing to permit any transfer of common stock to or ownership of common stock by a non-U.S. stockholder; voiding a transfer of common stock to a non-U.S. stockholder; suspending rights of stock ownership if held by a non-U.S. stockholder; or redeeming common stock held by a non-U.S. stockholder. In order to maintain compliance with U.S. law, as of April 2013, the suspension of voting rights of the Class B Common Stock held by non-U.S. stockholders was 40%. This suspension will remain in place for as long as the Company deems it necessary to maintain compliance with applicable U.S. law, and may be adjusted by the Audit Committee as it deems appropriate. The Company is not able to predict whether it will need to adjust the suspension or whether additional action pursuant to its Restated Certificate of Incorporation may be necessary. The FCC could review the Company's compliance with applicable U.S. law in connection with its consideration of the Company's renewal applications for licenses to operate the broadcast stations the Company owns.

### *The Company and News Corp Face Investigations Regarding Allegations of Phone Hacking, Illegal Data Access, Inappropriate Payments to Public Officials and Other Related Matters and Related Civil Lawsuits.*

U.S. regulators and governmental authorities are conducting investigations relating to the U.K. Newspaper Matters. The Company is cooperating with these investigations. It is not possible at this time to estimate the liability, if any, of the Company relating to these investigations.

In connection with the Separation, the Company and News Corp agreed in the Separation and Distribution Agreement that the Company will indemnify News Corp, on an after-tax basis, for payments made after the Separation arising out of civil claims and investigations relating to the U.K. Newspaper Matters, as well as legal and professional fees and expenses paid in connection with the related criminal matters, other than fees, expenses and costs relating to employees who are not (i) directors, officers or certain designated employees or (ii) with respect to civil matters, co-defendants with News Corp (the Indemnity). As of June 30, 2013, the Company recognized approximately \$40 million related to the fair value of amounts accrued by News Corp as of the date of the Separation which are expected to be covered by the indemnity and has provided an additional \$110 million for the fair value of expected future payments to be made under the Indemnity. If additional information becomes available and as payments are made, the Company will update the liability provision for the Indemnity.

It is possible that these proceedings and any adverse resolution thereof, including any fines or other penalties associated with any plea, judgment or similar result could damage the Company's reputation, impair its ability to conduct its business and adversely affect its results of operations and financial condition.

### **Risks Related to the Separation**

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

The Company received (i) a private letter ruling from the IRS substantially to the effect that, among other things, the distribution of Class A Common Stock and Class B Common Stock of News Corp qualifies as tax-free under Sections 368 and 355 of the Internal Revenue Code of 1986, as amended (the Code) except for cash received in lieu of fractional shares of News Corp stock and (ii) an opinion from the law firm of Hogan Lovells US LLP confirming the tax-free status of the distribution for U.S. federal income tax purposes, including confirming the satisfaction of the requirements under Section 368 and 355 of the Code not specifically addressed in the IRS private letter ruling. The opinion of Hogan Lovells US LLP will not be binding on the IRS or the courts, and there is no assurance that the IRS or a court will not take a contrary position.

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The private letter ruling and the opinion rely on certain facts and assumptions, and certain representations from the Company and News Corp regarding the past and future conduct of our respective businesses and other matters. Notwithstanding the receipt of the private letter ruling and the opinion, the IRS could determine on audit that the distribution or the internal transactions should be treated as taxable transactions if it determines that any of these facts, assumptions, representations or undertakings is not correct or has been violated, or that the distribution or the internal transactions should be taxable for other reasons, including as a result of a significant change in stock or asset ownership after the distribution. If the distribution ultimately is determined to be taxable, the distribution could be treated as a taxable dividend or capital gain for U.S. federal income tax purposes, and U.S. stockholders and certain non-U.S. stockholders could incur significant U.S. federal income tax liabilities. In addition, if the internal reorganization and/or the distribution is ultimately determined to be taxable, the Company would recognize gains on the internal reorganization and/or recognize gain in an amount equal to the excess of the fair market value of shares of the News Corp common stock distributed to our stockholders on the distribution date over our tax basis in such shares of our common stock.

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

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

*We Might Not Be Able to Engage in Desirable Strategic Transactions and Equity Issuances Because of Certain Restrictions Relating to Requirements for Tax-Free Distributions for U.S. Federal Income Tax Purposes.*

Our ability to engage in significant strategic transactions and equity issuances may be limited or restricted in order to preserve, for U.S. federal income tax purposes, the tax-free nature of the distribution. Even if the distribution otherwise qualifies for tax-free treatment under Section 355 of the Code, it may result in corporate level taxable gain to us under Section 355(e) of the Code if 50% or more, by vote or value, of shares of our stock or News Corp's stock are acquired or issued as part of a plan or series of related transactions that includes the distribution.

To preserve the tax-free treatment of the distribution and the internal transactions in connection with the distribution for U.S. federal income tax purposes, under the tax sharing and indemnification agreement that we entered into with News Corp, we will be prohibited from taking or failing to take certain actions that may prevent the distribution and related transactions from being tax-free for U.S. federal income tax purposes. Further, for the two-year period following the distribution, we may be prohibited from:

approving or allowing any transaction that results in a change in ownership of more than a specified percentage of our common stock,

a merger,

a redemption of equity securities exceeding 20% of its outstanding capital stock,

a sale or other disposition of certain businesses or a specified percentage of our assets, or

an acquisition of a business or assets with equity securities to the extent one or more persons would acquire in excess of a specified percentage of our common stock

These restrictions may limit our ability to pursue strategic transactions or engage in new business or other transactions that may maximize the value of our business.

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

The FCC has promulgated certain rules and regulations that limit the ownership of radio and television broadcast stations, television broadcast networks and newspapers (the Broadcast Ownership Rules). Under the FCC's rules for determining ownership of the media assets described above, the Murdoch Family Trust's ownership interest in both News Corp and the Company following the Separation would generally result in each company's businesses and assets being attributable to the Murdoch Family Trust for purposes of determining compliance with the Broadcast Ownership Rules. Consequently, our future conduct, including the acquisition of any broadcast networks, or stations or any newspapers, in the same local markets in which News Corp owns or operates newspapers or has acquired television stations, may affect News Corp's ability to own and operate its newspapers or any television stations it acquires or otherwise comply with the Broadcast Ownership Rules. Therefore, we and News Corp agreed in the Separation and Distribution Agreement that if the Company acquires, after the Separation, newspapers, radio or television broadcast stations or television broadcast networks in the U.S. and such acquisition would impede or be reasonably likely to impede News Corp's business, then the Company will be required to take certain actions, including divesting assets, in order to permit News Corp to hold its media interests and to comply with such rules. This agreement will effectively limit the activities or strategic business alternatives available to us if such activities or strategic business alternatives implicate the Broadcast Ownership Rules and would impede or be reasonably likely to impede News Corp's business.

### *The Indemnification Arrangements We Entered Into With News Corp in Connection With the Separation May Require Us to Divert Cash to Satisfy Indemnification Obligations to News Corp.*

Pursuant to the Separation and Distribution Agreement and certain other related agreements, the Company agreed to indemnify News Corp for certain liabilities and News Corp agreed to indemnify the Company for certain liabilities. As a result, we could be required, under certain circumstances, to indemnify News Corp against certain liabilities to the extent such liabilities result from an action we or our affiliates take or from any breach of our or our affiliates' representations, covenants or obligations under the Separation and Distribution Agreement, tax sharing and indemnification agreement or any other agreement entered into in connection with the Separation.

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

Following the Separation, certain of our directors and executive officers own shares of News Corp's common stock, and the individual holdings may be significant for some of these individuals compared to their total assets. In addition, following the Separation, certain of our officers and directors also serve as officers and/or as directors of News Corp, including our Chairman and Chief Executive Officer K. Rupert Murdoch, who serves as News Corp Executive Chairman, and our Group General Counsel Gerson Zweifach, who serves as News Corp's General Counsel. This ownership or service to both companies may create, or may create the appearance of, conflicts of interest when these directors and officers are faced with decisions that could have different implications for News Corp and us.

For example, potential conflicts of interest could arise in connection with the resolution of any dispute that may arise between News Corp and us regarding the terms of the agreements governing the internal reorganization, the distribution and the relationship thereafter between the companies, including with respect to the indemnification of certain matters. In addition to any other arrangements that the Company and News Corp may agree to implement, the Company and News Corp agreed that officers and directors who serve at both companies will recuse themselves from decisions where conflicts arise due to their positions at both companies.

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### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

### **ITEM 2. PROPERTIES**

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

#### **North America**

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

- (a) The Fox Studios Lot, in Los Angeles, California, owned by the Company, containing sound stages, production facilities, administrative, technical and dressing room structures, screening theaters and machinery, equipment facilities and four restaurants;
- (b) The leased office space at Fox Plaza, located adjacent to the Fox Studios Lot and the leased office and production facility of Shine America in Los Angeles, California;
- (c) The leased and owned U.S. headquarters of the Company, located in New York, New York which includes home offices for Fox News and Fox Television Stations and various other operations;
- (d) The leased office and production facilities of Blue Sky Studios in Greenwich, Connecticut;
- (e) The leased offices of FSN, Inc. at various locations for studio sports broadcasting;
- (f) The leased and owned facilities of Fox Television Stations at various locations; and
- (g) The leased sports broadcasting and production facility of FIC in Mexico City, Mexico.

#### **South America**

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

- (a) The owned broadcasting and transmission facility of FIC in Buenos Aires, Argentina; and
- (b) The leased sports broadcasting and production facility of FIC in Rio de Janeiro, Brazil.

#### **Europe**

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

- (a) The leased office and theater space of TCFE in London, England;
- (b) The leased office and production facilities of Shine at two locations in London, England, one location in Copenhagen, Denmark and one location in Stockholm, Sweden;
- (c) The leased office space and television production and broadcasting studios of SKY Italia in Rome, Italy;
- (d) The leased corporate offices and television production and broadcasting studios of SKY Italia in Milan, Italy; and
- (e) The leased office and production facility of Sky Deutschland headquarters in Unterföhring, Germany.

**Australia and Asia**

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

- (a) The leased Fox Studios Australia Lot in Sydney, Australia, containing sound stages, production facilities and administrative, technical, dressing room and personnel support services structures;
- (b) The leased premises in Hong Kong and other Asian cities used by FIC for its television broadcasting and programming operations; and
- (c) The leased and owned premises in Mumbai, India used by STAR India for its corporate office and programming operations.

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**Table of Contents****ITEM 3. 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 sought 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 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 sought 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 pertained to the NoW Matter and were substantially similar to the NoW Matter allegations raised in the Second Amended Complaint in the Consolidated Action. The complaint asserted 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 sought 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 alleged 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 was removed. The Third Amended Complaint sought 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 April 17, 2013, the parties reached an agreement in principle to settle the Consolidated Action. Pursuant to the terms of that settlement, the parties agreed that the director defendants in the Consolidated Action would cause to be paid on their behalf the amount of \$139 million to the Company, minus any attorneys fees and expenses awarded by the Court to the plaintiffs counsel. Such amount is to be paid from an escrow account created for the benefit of the director defendants pursuant to an agreement reached between the defendants and their directors and officers liability insurers for the payment of insurance proceeds, subject to a claims release. In addition to the payment to the Company, the settlement contemplates that the Company will build on corporate governance and compliance enhancements which the Company has implemented in the past year. These shall remain in effect at least through December 31, 2016, and will be applicable to both the Company and News Corp. The Memorandum of Understanding related to the settlement was filed with the Court, and on May 3, 2013, the Stipulation of Settlement was filed with the Court. On May 6, 2013, the Court entered a Scheduling Order, which, among other things, set the settlement hearing for June 26, 2013 (the Settlement

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Hearing ), and approved the form of Notice of Pendency of Derivative Action, Proposed Settlement of Derivative Action, Settlement Hearing, and Right to Appear, which was distributed to holders of the Company's common stock in accordance with the Scheduling Order.

At the Settlement Hearing, the Court approved the settlement and entered a final judgment dismissing the Consolidated Action. In connection therewith, the Court approved an attorneys' fee award to plaintiffs' counsel of \$28 million, payable from the \$139 million settlement proceeds to be received by the Company. No stockholder objected to either the settlement or the proposed fee award. The settlement became effective on August 16, 2013, because as of that date, the dismissal of the Consolidated Action as well as the dismissals of each of the Shields Litigation, the Iron Workers Litigation and the Stricklin Litigation (each as described below under the heading "Shareholder Litigation - Southern District of New York ") were no longer subject to appeal.

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 alleged 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 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, 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. The Memorandum of Understanding, which was filed with the Court on September 5, 2012, provided 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 was subject to Court approval after notice to the stockholders and a hearing. The Stipulation of Settlement was filed with the Court on November 30, 2012. On December 10, 2012, the Court entered a Scheduling Order, which, among other things, set the settlement hearing for April 26, 2013, and approved the form of Notice of Pendency of Class Action, Proposed Settlement of Class Action, Settlement Hearing, and Right to Appear, which has been distributed to holders of the Company's Class B Common Stock in accordance with the Scheduling Order. At a hearing held on April 26, 2013, the Court approved the settlement and dismissed the action with prejudice.

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*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 named the directors of the Company as defendants and named the Company as a nominal defendant, and sought damages and costs. On August 4, 2011, the plaintiff filed an amended complaint. The plaintiff sought 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 June 5, 2012, the court issued an order appointing the Avon Pension Fund ( *Avon* ) as lead plaintiff and Robbins Geller Rudman & Dowd as lead counsel. Thereafter, on July 3, 2012, the court issued an order providing that an amended consolidated complaint shall be filed by July 31, 2012. Avon filed an amended consolidated complaint on July 31, 2012, which among other things, added as defendants NI Group Limited (now known as News Corp UK & Ireland Limited) and Les Hinton, and expanded the class period to include February 15, 2011 to July 18, 2011. The defendants have filed motions to dismiss the complaint which are pending. The Company's management believes the claims in the *Wilder Litigation* are entirely without merit, and intends to vigorously defend those claims.

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 named 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 was not briefed. On August 16, 2011, the plaintiffs filed an amended complaint. The plaintiff sought 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

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connection with the NoW Matter. The action named as defendants the Company, Les Hinton, Rebekah Brooks and the directors of the Company. The plaintiff sought 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.

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 September 18, 2012, the Court denied the motion as to two of the cases and dismissed the third with leave to replead, which the plaintiff did. 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 sought, 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 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, but a pre-motion conference was not held and the actions were not consolidated.

On July 16, 2013, after the dismissal of the Consolidated Action by the Delaware Court of Chancery as discussed above, the court entered uncontested Orders of Dismissal in the Shields Litigation, the Stricklin Litigation and the Iron Workers Litigation, dismissing each of the lawsuits. As described above, the settlement of the Consolidated Action (described above under the heading "Shareholder Litigation - Delaware") became effective on August 16, 2013, because as of that date, the dismissal of the Consolidated Action as well as the dismissals of each of the Shields Litigation, the Iron Workers Litigation and the Stricklin Litigation were no longer subject to appeal.

On June 7, 2013, Iron Workers brought a second derivative action captioned Iron Workers Mid-South Pension Fund v. Murdoch, et al. ("Second Iron Workers Litigation"), in the United States District Court for the Southern District of New York, which related to the same subject matter as the Consolidated Action and the Shields Litigation, the Stricklin Litigation, and the Iron Workers Litigation. The plaintiff brought state law claims for breach of fiduciary duty, waste of corporate assets, and unjust enrichment in connection with alleged anti-competitive practices at Company subsidiaries. The action named as defendants current and former directors of the Company. The plaintiff sought various forms of relief including compensatory damages, an order requiring the Company to take certain specified corporate governance actions, injunctive relief, restitution, fees and costs. On June 18, 2013, the plaintiff moved for the dismissal of the Second Iron Workers Litigation, and the court granted the Order of Dismissal on July 24, 2013, dismissing the Second Iron Workers Litigation.

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

U.S. regulators and governmental authorities continue to conduct investigations initiated in 2011 with respect to the U.K. Newspaper Matters. The Company is cooperating with these investigations. It is not possible at this time to estimate the liability, if any, of the Company relating to these investigations.

In connection with the Separation, the Company and News Corp agreed in the Separation and Distribution Agreement that the Company will indemnify News Corp, on an after-tax basis, for payments made after the Separation arising out of civil claims and investigations relating to the U.K. Newspaper Matters, as well as legal and professional fees and expenses paid in connection with the related criminal matters, other than fees, expenses and costs relating to employees who are not (i) directors, officers or certain designated employees or (ii) with respect to civil matters, co-defendants with News Corp (the "Indemnity"). As of June 30, 2013, the Company recognized approximately \$40 million related to the fair value of amounts accrued by News Corp as of the date of the Separation which are expected to be covered by the Indemnity and has provided an additional \$110 million for the fair value of expected future payments under the Indemnity. If additional information becomes available and as payments are made, the Company will update the liability provision for the Indemnity.

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It is possible that these proceedings and any adverse resolution thereof, including any fines or other penalties associated with any plea, judgment or similar result could damage the Company's reputation, impair its ability to conduct its business and adversely affect its results of operations and financial condition.

***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 4. MINE SAFETY DISCLOSURES**

Not applicable.

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

Since June 28, 2013 Twenty-First Century Fox, Inc.'s Class A Common Stock and Class B Common Stock have been listed and traded on the NASDAQ Global Select Market ( "NASDAQ" ), its principal market, under the symbols "FOXA" and "FOX", respectively. CHES Depository Interests ( "CDIs" ) representing the Class A Common Stock and Class B Common Stock are listed and traded on the Australian Stock Exchange ( "ASX" ) under the symbols "FOXLV" and "FOX", respectively. As of June 30, 2013, there were approximately 38,500 holders of record of shares of Class A Common Stock and 1,000 holders of record of shares of Class B Common Stock.

The following table pertains to fiscal periods prior to the Separation and therefore sets forth the reported high and low sales prices as reported on NASDAQ for the Class A Common Stock and Class B Common Stock of the former News Corporation which on June 28, 2013 completed the Separation and was re-named Twenty-First Century Fox, Inc.:

	Class B Common Stock			Class A Common Stock		
	High	Low	Dividend (a)	High	Low	Dividend (a)
Fiscal Year Ended June 30, 2012:						
First Quarter	\$ 18.54	\$ 14.01	\$ 0.095	\$ 18.13	\$ 13.62	\$ 0.095
Second Quarter	18.29	15.21		17.87	15.01	
Third Quarter	20.49	18.55	0.085	20.25	18.22	0.085
Fourth Quarter	22.52	18.73		22.31	18.55	
2013:						
First Quarter	25.22	21.73	0.085	25.02	21.56	0.085
Second Quarter	26.14	23.57		25.49	23.12	
Third Quarter	31.08	26.24	0.085	30.69	25.51	0.085
Fourth Quarter	33.65	30.54		33.48	30.34	

(a) Cash dividend declared per share.

The timing and amount of cash dividends, if any, is determined by the Company's Board of Directors (the "Board").

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 June 30, 2013, excluding commissions, was approximately \$3.4 billion. In August 2013, the Board authorized the repurchase of \$4 billion of Class A Common Stock, excluding commissions, which replaced the remaining amount under the stock repurchase program. The Company intends to complete this stock repurchase program within the next twelve months.

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

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Below is a summary of the Company's purchases of its Class A Common Stock during the fiscal year ended June 30, 2013:

	<b>Total Number of Shares Purchased</b>	<b>Average Price per Share</b>	<b>Total Cost of Purchase (in millions)</b>
<b>Total first quarter fiscal 2013</b>	38,057,800	\$ 23.04	\$ 877
<b>Total second quarter fiscal 2013</b>	22,707,441	24.53	557
<b>Total third quarter fiscal 2013</b>	14,500,000	27.59	400
<b>Fourth quarter repurchases:</b>			
April	4,407,938	30.85	136
May	1,749,447	32.01	56
June			
<b>Total fourth quarter fiscal 2013</b>	6,157,385		\$ 192
<b>Total fiscal 2013</b>	81,422,626		\$ 2,026

The Company did not purchase any of its Class B Common Stock during the fiscal year ended June 30, 2013.

**Table of Contents****ITEM 6. SELECTED FINANCIAL DATA**

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

	2013 (a)	For the years ended June 30,			2009 (c)
		2012 (a)	2011 (a)	2010 (b)	
		(in millions, except per share data)			
<b>STATEMENT OF OPERATIONS DATA:</b>					
Revenues	\$ 27,675	\$ 25,051	\$ 24,232	\$ 23,971	\$ 22,044
Income (loss) from continuing operations attributable to Twenty-First Century Fox, Inc. stockholders	6,820	3,176	2,296	2,164	(1,072)
Net income (loss) attributable to Twenty-First Century Fox, Inc. stockholders	7,097	1,179	2,739	2,539	(3,378)
Basic income (loss) from continuing operations attributable to Twenty-First Century Fox, Inc. stockholders per share	\$ 2.91	\$ 1.27	\$ 0.87	\$ 0.83	\$ (0.41)
Diluted income (loss) from continuing operations attributable to Twenty-First Century Fox, Inc. stockholders per share	\$ 2.91	\$ 1.27	\$ 0.87	\$ 0.82	\$ (0.41)
Basic income (loss) attributable to Twenty-First Century Fox, Inc. stockholders per share	\$ 3.03	\$ 0.47	\$ 1.04	\$ 0.97	\$ (1.29)
Diluted income (loss) attributable to Twenty-First Century Fox, Inc. stockholders per share	\$ 3.03	\$ 0.47	\$ 1.04	\$ 0.97	\$ (1.29)
Cash dividend per share	\$ 0.170	\$ 0.180	\$ 0.150	\$ 0.135	\$ 0.120
	2013	2012	As of June 30, 2011	2010	2009
			(in millions)		
<b>BALANCE SHEET DATA:</b>					
Cash and cash equivalents	\$ 6,659	\$ 9,626	\$ 12,680	\$ 8,709	\$ 6,540
Total assets	50,944	56,663	61,980	54,384	53,121
Borrowings	16,458	15,455	15,495	13,320	14,289

- (a) See Notes 2, 3, 4, 5, 7 and 10 to the Consolidated Financial Statements of Twenty-First Century Fox, Inc. for information with respect to significant acquisitions, disposals, discontinued operations, changes in accounting, impairment charges, restructuring charges and other transactions during fiscal 2013, 2012 and 2011.
- (b) During fiscal 2010, the Company determined that it was more likely than not that it would sell or dispose its News Outdoor and Fox Mobile businesses. In connection with such potential sales, the Company recognized a non-cash impairment charge of approximately \$200 million. The impairment charge consisted of a write-down of \$52 million in finite-lived intangible assets, a write-down of \$137 million in goodwill and a write-down of \$11 million in fixed assets. Also, during fiscal 2010, the Company sold the majority of its terrestrial television operations in Eastern Europe for \$372 million, net of expense, and recorded a gain of approximately \$195 million.
- (c) Fiscal 2009 results included non-cash impairment charges of approximately \$5.8 billion (\$4.4 billion, net of tax) consisting of a write-down of the Company's indefinite-lived intangible assets (primarily FCC licenses in the Television segment) of \$4.2 billion and a write-down of \$1.6 billion of goodwill. Also, during fiscal 2009, the Company exchanged approximately 67% of the NDS Group Limited (NDS) Series B ordinary shares held by the Company for \$63 per share in a mix of approximately \$1.5 billion in cash, which included \$780 million of cash retained upon deconsolidation of NDS, and a \$242 million vendor note, resulting in a gain of \$1.2 billion. Additionally, in fiscal 2009, the Company completed the sale of eight of its owned-and-operated FOX network affiliated television stations for approximately \$1 billion in cash and recorded a gain of approximately \$232 million.

**Table of Contents****ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*This document contains statements that constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and Section 27A of the Securities Act of 1933, as amended. The words expect, estimate, anticipate, predict, believe and similar expressions and variations thereof are intended to identify forward-looking statements. These statements appear in a number of places in this document and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things, trends affecting the Company'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 Risk Factors in Item 1A of this Annual Report on Form 10-K (the Annual Report). The Company does not ordinarily make projections of its future operating results and undertakes no obligation (and expressly disclaims any obligation) to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Readers should carefully review this document and the other documents filed by the Company with the Securities and Exchange Commission (the SEC). This section should be read together with the audited Consolidated Financial Statements of Twenty-First Century Fox, Inc. and related notes set forth elsewhere in this Annual Report.*

**INTRODUCTION**

On June 28, 2013 Twenty-First Century Fox, Inc. and its subsidiaries (formerly known as News Corporation) (together, Twenty-First Century Fox or the Company) completed the separation of its business into two independent publicly traded companies (the Separation) by distributing to its stockholders all of the outstanding shares of the new News Corporation (News Corp). The Company retained its interests in a global portfolio of media and entertainment assets spanning six continents. News Corp holds the Company's former businesses including newspapers, information services and integrated marketing services, digital real estate services, book publishing, digital education and sports programming and pay-TV distribution in Australia. The Company completed the Separation by distributing to its stockholders one share of News Corp Class A common stock for every four shares of the Company's Class A common stock held on June 21, 2013, and one share of News Corp Class B common stock for every four shares of the Company's Class B common stock held on June 21, 2013. The Company's stockholders received cash in lieu of fractional shares. Following the Separation, the Company does not beneficially own any shares of News Corp Class A common stock or News Corp Class B common stock.

Effective June 28, 2013, the Separation qualified for discontinued operations treatment in accordance with ASC 205-20, Discontinued Operations, and accordingly the Company has deconsolidated News Corp's balance sheet as of June 30, 2013, and presented its results for the three years in the period ended June 30, 2013 as discontinued operations on the statements of operations and cash flows. The Company has reflected the Separation as a distribution on the statement of equity as of June 30, 2013. The footnotes to the financial statements have also been revised accordingly. Management's discussion and analysis of financial condition and results of operations describes the Company giving effect to the Separation, except where stated otherwise.

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

**Overview of the Company's Business** This section provides a general description of the Company's businesses, as well as developments that occurred either during fiscal 2013 or early fiscal 2014 that the Company believes are important in understanding its results of operations and financial condition or to disclose known trends.

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**Results of Operations** This section provides an analysis of the Company's results of operations for the three fiscal years ended June 30, 2013. This analysis is presented on both a consolidated and a segment basis. In addition, a brief description is provided of significant transactions and events that impact the comparability of the results being analyzed.

**Liquidity and Capital Resources** This section provides an analysis of the Company's cash flows for the three fiscal years ended June 30, 2013, as well as a discussion of the Company's outstanding debt and commitments, both firm and contingent, that existed as of June 30, 2013. 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.

**Critical Accounting Policies** This section discusses accounting policies considered important to the Company's financial condition and results of operations, and which require significant judgment and estimates on the part of management in application. In addition, Note 2 to the accompanying Consolidated Financial Statements of Twenty-First Century Fox summarizes the Company's significant accounting policies, including the critical accounting policy discussion found in this section.

## **OVERVIEW OF THE COMPANY'S BUSINESS**

The Company has realigned its reporting segments following the Separation and the Other segment has been renamed; Other, Corporate and Eliminations. This segment includes costs not directly associated with an operating segment, such as corporate overhead and eliminations.

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

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

**Television**, which principally consists of the broadcasting of network programming in the U.S. and the operation of 28 full power broadcast television stations, including 10 duopolies, in the U.S. (of these stations, 18 are affiliated with the FOX Broadcasting Company ( FOX ) and 10 are affiliated with Master Distribution Service, Inc. ( MyNetworkTV )).

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

**Direct Broadcast Satellite Television**, which consists of the distribution of programming services via satellite, cable, and broadband directly to subscribers in Italy, Germany and Austria.

**Other, Corporate and Eliminations**, which principally consists of corporate overhead and eliminations and other businesses.

### **Television and Cable Network Programming**

The Company's television operations primarily consist of FOX, MyNetworkTV and the 28 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



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advertising prices. FOX is a broadcast network that airs original programming and MyNetworkTV is a programming distribution service that airs 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 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 U.S. ABC, NBC and CBS each broadcasts a 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.

U.S. law governing retransmission consent revenue provides a mechanism for the television stations owned by the Company to seek and obtain payment from multi-channel video programming distributors who carry the Company's broadcast signals. Retransmission consent revenue consists of per subscriber-based compensatory fees paid to the Company by cable and satellite distribution systems that distribute the Company's television stations affiliated with FOX and MyNetworkTV. The Company also receives compensation from independently-owned television stations that are affiliated with FOX and MyNetworkTV.

The television stations owned and operated by the Company compete for programming, audiences and advertising revenues with other television stations and cable systems 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, their respective prime-time viewership.

The Company's U.S. cable network programming operations primarily consist of the Fox News Channel (FOX News), FX Networks, LLC (FX), Regional Sports Networks (RSNs), the National Geographic Channels, and the Big Ten Network. The Company is also planning the launch of Fox Sports 1 in August 2013 and FXX in September of 2013. The Company's international cable networks consist of the Fox International Channels (FIC) and STAR. FIC produces and distributes entertainment, lifestyle, factual, sports and movie channels through distribution channels in Europe, Africa, Asia and Latin America using several brands, including Fox Channel, Fox Crime, Fox Life, FX, Fox Sports 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 U.S. multi-channel video programming distributors to typically facilitate the carriage of a domestic cable network). The Company defers the cable distribution investments and amortizes the amounts on a straight-line basis over the contract period. Cable television and direct broadcast satellite are currently the predominant means of distribution of the Company's program services in the U.S. Internationally, distribution technology varies region by region.

The 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.

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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.

National sports programming is obtained through license agreements with professional or collegiate sports leagues or organizations. The Company's current licenses with the NFL, MLB, college football conferences, NASCAR and UFC are secured by long-term agreements, including recent extensions of the NFL, MLB and NASCAR national rights.

The profitability of certain U.S. national sports contracts is based on the Company's best estimates at June 30, 2013 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 June 30, 2013, additional amortization of rights may be recorded. Should revenues improve as compared to estimated revenues, the Company may have improved results related to the contract, which may be recognized over the remaining contract term.

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 cable channels and the number of its television series in off-network syndication. Theatrical and home entertainment release dates are determined by several factors, including timing of vacation and holiday periods and competition in the marketplace. The distribution windows for the release of motion pictures theatrically and in various home entertainment products and services (including subscription rentals, rental kiosks and 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

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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 on the film is based on total estimated ultimate revenues.

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

The Company competes with other film studios, such as Disney, Paramount, Sony, Universal, Warner Bros., and other 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 and the Company's majority-owned subsidiary Sky Deutschland AG (Sky Deutschland), which provide basic, premium and pay-per-view programming services via satellite, cable and broadband directly to subscribers in Italy (in the case of SKY Italia) and Germany and Austria (in the case of Sky Deutschland). The DBS segment 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. The DBS segment's competition includes companies that offer video, audio, interactive programming, telephony, data and other information and entertainment services, including broadcasters of free-to-air television channels, broadband Internet providers, digital terrestrial transmission (DTT) services, wireless companies and companies that are developing new media technologies.

The DBS segment'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 Europe 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.

### **Other, Corporate and Eliminations**

The Other, Corporate and Eliminations segment consists primarily of corporate overhead and eliminations and other businesses.

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### **Other Business Developments**

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 November 2012, the Company acquired a controlling 51% ownership stake in Eredivisie Media & Marketing CV ( EMM ) for approximately \$350 million, of which \$325 million was cash and \$25 million was contingent consideration. EMM is a media company that holds the collective media and sponsorship rights of the Dutch Premier League. The remaining 49% of EMM is owned by the Dutch Premier League and the global TV production company Endemol.

In November 2012, the Company acquired the remaining 50% interest in ESPN STAR Sports, now operating as Fox Sports Asia, that it did not already own for approximately \$220 million, net of cash acquired. Fox Sports Asia is a leading sports broadcaster in Asia and the Company now, through its wholly owned subsidiaries, owns 100% of Fox Sports Asia.

In December 2012, the Company acquired a 49% equity interest in the Yankees Entertainment and Sports Network ( YES Network ), a RSN, for approximately \$584 million and simultaneous with the closing of this transaction the Company paid approximately \$250 million of upfront costs on behalf of YES Network. Under the purchase agreement, the Company may acquire an additional stake in YES Network, starting in December 2015, that could bring its ownership to 80%.

In December 2012, the Company acquired SportsTime Ohio, a RSN serving the Cleveland, Ohio market, for an estimated total purchase price of approximately \$285 million, of which \$135 million was in cash. The balance of the purchase price represents the fair value of deferred payments and payments that are contingent upon achievement of certain performance objectives.

During the third quarter of fiscal 2013, the Company acquired, through a combination of a private placement and a rights offering, approximately 92 million additional shares of Sky Deutschland increasing its ownership to approximately 55%. The aggregate cost of the shares acquired by the Company was approximately 410 million (approximately \$550 million). As a result of these transactions, the results of Sky Deutschland are included in the Company's consolidated results of operations beginning in January 2013.

**Table of Contents****RESULTS OF OPERATIONS****Results of Operations Fiscal 2013 versus Fiscal 2012**

The following table sets forth the Company's operating results for fiscal 2013 as compared to fiscal 2012.

	2013	For the years ended June 30, 2012		% Change
		(in millions, except %)		
			Change	
<b>Revenues:</b>				
Affiliate	\$ 7,677	\$ 6,348	\$ 1,329	21%
Subscription	4,053	3,408	645	19%
Advertising	7,627	7,552	75	1%
Content	7,620	7,060	560	8%
Other	698	683	15	2%
<b>Total Revenues</b>	<b>27,675</b>	<b>25,051</b>	<b>2,624</b>	<b>10%</b>
<b>Operating expenses</b>	<b>(17,496)</b>	<b>(15,663)</b>	<b>(1,833)</b>	<b>12%</b>
Selling, general and administrative	(4,007)	(3,719)	(288)	8%
Depreciation and amortization	(797)	(711)	(86)	12%
Impairment and restructuring charges	(48)	(242)	194	(80)%
Equity earnings of affiliates	655	636	19	3%
Interest expense, net	(1,063)	(1,032)	(31)	3%
Interest income	57	77	(20)	(26)%
Other, net	3,760	66	3,694	**
<b>Income before income tax expense</b>	<b>8,736</b>	<b>4,463</b>	<b>4,273</b>	<b>96%</b>
Income tax expense	(1,690)	(1,094)	(596)	54%
<b>Income from continuing operations</b>	<b>7,046</b>	<b>3,369</b>	<b>3,677</b>	<b>**</b>
Income (loss) from discontinued operations, net of tax	277	(1,997)	2,274	**
<b>Net income</b>	<b>7,323</b>	<b>1,372</b>	<b>5,951</b>	<b>**</b>
Less: Net income attributable to noncontrolling interests	(226)	(193)	(33)	17%
<b>Net income attributable to Twenty-First Century Fox, Inc. stockholders</b>	<b>\$ 7,097</b>	<b>\$ 1,179</b>	<b>\$ 5,918</b>	<b>**</b>

\*\* not meaningful

**Overview** The Company's revenues increased 10% for the fiscal year ended June 30, 2013 as compared to fiscal 2012, as a result of higher affiliate, subscription and content revenues. The increase in affiliate revenues was attributable to higher average rates per subscriber across most channels, the consolidations of Fox Sports Asia and Fox Pan American Sports LLC, doing business as Fox Sports Latin America ( FSLA ), the acquisition of EMM and higher retransmission consent revenues. The increase in subscription revenue was due to the consolidation of Sky Deutschland in January 2013, partially offset by lower subscription revenue at SKY Italia. The higher content revenue was due to an increase in worldwide theatrical revenues. The strengthening of the U.S. dollar against local currencies resulted in a revenue decrease of approximately \$370 million for the fiscal year ended June 30, 2013 as compared to fiscal 2012.

Operating expenses increased 12% for the fiscal year ended June 30, 2013 as compared to fiscal 2012, primarily due to increased operating expenses at the Direct Broadcast Satellite Television, Cable Network Programming and Filmed Entertainment Segment segments of \$850 million, \$770 million and \$210 million, respectively. The increase at the Direct Broadcast Satellite Television segment was primarily the result of the consolidation of Sky Deutschland and higher programming costs while the increase at the Cable Network Programming segment was primarily due to the consolidations of Fox Sports Asia and FSLA, the acquisition of EMM, new cricket contracts in India and the launch of new channels. The increase at the Filmed Entertainment segment was primarily due to higher theatrical marketing costs.



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Selling, general and administrative expenses increased 8% for the fiscal year ended June 30, 2013 as compared to fiscal 2012, primarily due to increased expenses at the Cable Network Programming, the Filmed Entertainment and Television segments of approximately \$160 million, \$70 million and \$36 million, respectively. The increase at the Cable Network Programming segment was primarily due to the consolidations of Fox Sports Asia and FSLA, the acquisition of EMM and the launch of new channels. The increase at the Filmed Entertainment and Television segments was primarily due to higher personnel costs and higher legal expenses for cases relating to protection of the Company's intellectual property rights.

Depreciation and amortization increased 12% for the fiscal year ended June 30, 2013 as compared to fiscal 2012, primarily due to consolidations of Sky Deutschland, Fox Sports Asia and FSLA and the acquisition of EMM.

**Goodwill impairment and restructuring charges** During fiscal 2013 and fiscal 2012, the Company recorded non-cash goodwill impairment charges of \$35 million and \$201 million, respectively, related to the sale of a business in its Digital Media Group in fiscal 2013. The Company recorded restructuring charges from continuing operations of \$13 million and \$41 million, respectively. The restructuring charges related to accretion on facility termination obligations in both fiscal 2013 and 2012 and one-time termination benefits in fiscal 2012.

**Equity earnings of affiliates** Equity earnings of affiliates increased \$19 million for the fiscal year ended June 30, 2013 as compared to fiscal 2012, primarily due to improved results at the DBS equity affiliates of \$168 million partially offset by losses at the other equity affiliates. The improvement in DBS equity results was driven by the absence of approximately \$85 million in losses as a result of the consolidation of Sky Deutschland and improved results of approximately \$75 million from British Sky Broadcasting Group plc (BSkyB). These improvements were partially offset by lower contributions of approximately \$70 million from Hulu LLC (Hulu), as a result of the redemption of Providence Equity Partners' equity interest in October 2012 and the absence of approximately \$55 million in equity earnings resulting from the sale of the Company's investment in NDS in July 2012.

	2013	For the years ended June 30,		% Change
		2012	Change	
		(in millions, except %)		
DBS equity affiliates	\$ 826	\$ 658	\$ 168	26%
Cable channel equity affiliates	(52)	(34)	(18)	53%
Other equity affiliates	(119)	12	(131)	**
Total Equity earnings of affiliates from continuing operations	\$ 655	\$ 636	\$ 19	3%

\*\* not meaningful

**Interest expense, net** Interest expense, net increased \$31 million for the fiscal year ended June 30, 2013 as compared to fiscal 2012, primarily due to the issuance of \$1.0 billion of 3.00% Senior Notes due 2022 in September 2012 and increased interest expense related to the consolidation of Sky Deutschland debt.

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	For the years ended June 30,	
	2013	2012
	(in millions)	
Gain on Sky Deutschland transaction <sup>(a) (b)</sup>	\$ 2,069	\$
Gain on sale of investment in NDS <sup>(b)</sup>	1,446	
Gain on Fox Sports Asia transaction <sup>(a)</sup>	174	
Gain on Phoenix Satellite Television transaction <sup>(b)</sup>	81	
Loss on the sale of Baltimore station <sup>(a)</sup>	(92)	
Gain on FSLA transaction <sup>(a)</sup>		158
Gain on Hathway Cable transaction <sup>(b)</sup>		23
BSkyB termination fee <sup>(b)</sup>		(63)
Change in fair value of securities <sup>(b)</sup>	86	(61)
Other	(4)	9
<b>Total Other, net</b>	<b>\$ 3,760</b>	<b>\$ 66</b>

<sup>(a)</sup> See Note 3 to the Consolidated Financial Statements of Twenty-First Century Fox.

<sup>(b)</sup> See Note 7 to the Consolidated Financial Statements of Twenty-First Century Fox.

**Income tax expense** The Company's tax provision and related effective tax rate of 19% for the fiscal year ended June 30, 2013 was lower than the statutory rate of 35% primarily due to a 7% rate reduction as a result of adjustments to valuation allowances primarily for the utilization of foreign tax credit carryforwards in connection with the NDS transaction and the consolidation of Sky Deutschland, which, in accordance with ASC 740, reduced income tax expense due to the removal of a historical valuation allowance. In addition, there is a 4% rate reduction resulting from the sale of interests in subsidiaries and the non-taxable gain on the consolidation of Fox Sports Asia, as well as a 2% rate reduction from our foreign operations due to tax credits and deductions arising from a corporate restructuring. The effect of foreign operations was lower than in prior years primarily as a result of the substantial increase in income from continuing operations.

The Company's tax provision and related effective tax rate of 25% for the fiscal year ended June 30, 2012 was lower than the U.S. statutory rate of 35% primarily due to a 6% rate reduction from the Company's foreign operations due to tax credits and deductions arising from a corporate restructuring as well as a 4% rate reduction resulting from the sale of interests in subsidiaries and the non-taxable gain on the consolidation of FSLA.

**Income (loss) from discontinued operations, net of tax** For the fiscal year ended June 30, 2013, the Company recorded income from discontinued operations of \$277 million as compared to a loss of \$1,997 million in fiscal 2012. This improvement was due to lower restructuring and impairment charges and a non-taxable gain from News Corp's revaluation of its previously held equity interest in Foxtel, as a result of the acquisition of Consolidated Media Holdings Ltd. These improvements were partially offset by transaction costs related to the Separation.

**Net income** Net income increased for the fiscal year ended June 30, 2013 as compared to fiscal 2012, primarily due to the gain on the Sky Deutschland transaction as well as the gains on the sale of the Company's investment in NDS and improved results from continuing and discontinued operations. The Company's share repurchase program resulted in a \$0.20 increase to earnings per share.

**Net income attributable to noncontrolling interests** Net income attributable to noncontrolling interests increased for the fiscal year ended June 30, 2013 as compared to fiscal 2012, primarily due to higher results at the Company's majority-owned businesses and the issuances of additional noncontrolling interests at the Company's cable businesses. These increases were partially offset by the noncontrolling interests' share of Sky Deutschland's net losses.

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**Table of Contents*****Segment Analysis***

Segment OIBDA is defined as revenues less operating expenses and selling, general and administrative expenses. Segment OIBDA does not include: Depreciation and amortization, amortization of cable distribution investments, impairment and restructuring charges, equity earnings of affiliates, interest expense, interest income, other, net, income tax expense and net income attributable to noncontrolling interests. Management believes that Total Segment OIBDA is an appropriate measure for evaluating the operating performance of the Company's business segments because it is the primary measure used by the Company's chief operating decision maker to evaluate the performance and allocate resources within the Company's businesses. Total Segment OIBDA 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).

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

	<b>For the years ended June 30,</b>		
<b>2013</b>	<b>2012</b>	<b>Change</b>	<b>% Change</b>