NEWS CORP
Form 10-K
August 12, 2016
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended June 30, 2016

or

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

Commission file number 001-35769

NEWS CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware	**46-2950970**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
1211 Avenue of the Americas, New York, New York	**10036**
(Address of Principal Executive Offices)	**(Zip Code)**

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

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

Title of Each Class	Name of Each Exchange On Which Registered
Class A Common Stock, par value $0.01 per share	The NASDAQ Global Select Market
Class B Common Stock, par value $0.01 per share	The NASDAQ Global Select Market
Class A Preferred Stock Purchase Rights	The NASDAQ Global Select Market
Class B Preferred Stock Purchase Rights	The NASDAQ Global Select Market

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

None

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933. Yes x 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 x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 x No ¨

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

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

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ¨ No x

As of December 24, 2015, the last business day of the registrant s most recently completed second fiscal quarter, the aggregate market value of the registrant s Class A Common Stock, par value $0.01 per share, held by non-affiliates was approximately $5,167,774,289, based upon the closing price of $13.62 per share as quoted on The NASDAQ Stock Market on that date, and the aggregate market value of the registrant s Class B Common Stock, par value $0.01 per share, held by non-affiliates was approximately $1,720,467,506, based upon the closing price of $14.23 per share as quoted on The NASDAQ Stock Market on that date.

As of August 5, 2016, 380,538,230 shares of Class A Common Stock and 199,630,240 shares of Class B Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required for Part III of this Annual Report on Form 10-K is incorporated by reference to the News Corporation definitive Proxy Statement for its 2016 Annual Meeting of Stockholders, which shall be filed with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, within 120 days of News Corporation s fiscal year end.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PART I

ITEM 1. BUSINESS OVERVIEW

The Company

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

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

The Company s diversified revenue base consists of advertising sales, recurring subscriptions, circulation copies, licensing fees, affiliate fees, direct sales and sponsorship sales. The Company manages its businesses to take advantage of opportunities to share technologies and practices across geographies and businesses and bundle selected offerings to provide greater value to consumers and advertising partners. Headquartered in New York, the Company operates primarily in the United States, Australia and the U.K., and its content is distributed and consumed worldwide. The Company s operations are organized into five reporting segments: (i) News and Information Services; (ii) Book Publishing; (iii) Digital Real Estate Services; (iv) Cable Network Programming; and (v) Other, which includes the Company s general corporate overhead expenses, corporate Strategy and Creative Group and costs related to the U.K. Newspaper Matters, as defined in Item 1A. Risk Factors. The Company also owns a 50% stake in Foxtel, the largest pay-TV provider in Australia, which is accounted for as an equity investment.

The Company maintains a 52-53 week fiscal year ending on the Sunday nearest to June 30 in each year. Fiscal 2016, fiscal 2015 and fiscal 2014 included 53, 52 and 52 weeks, respectively. Unless otherwise noted, all references to the fiscal years ended June 30, 2016, June 30, 2015 and June 30, 2014 relate to the fiscal years ended July 3, 2016, June 28, 2015 and June 29, 2014, respectively. For convenience purposes, the Company continues to date its financial statements as of June 30.

Corporate Information

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

Table of Contents

Separation, the Company assumed the name News Corporation. Unless otherwise indicated, references in this Annual Report on Form 10-K for the fiscal year ended June 30, 2016 (the Annual Report) to the Company, News Corp, we, us, or our means News Corporation and its subsidiaries. The Company s principal executive offices are located at 1211 Avenue of the Americas, New York, New York 10036, and its telephone number is (212) 416-3400. The Company s Class A and Class B Common Stock are listed on The NASDAQ Global Select Market (NASDAQ) under the trading symbols NWSA and NWS, respectively, and CHESS Depositary Interests (CDIs) representing the Company s Class A and Class B Common Stock are listed on the Australian Securities Exchange (ASX) under the trading symbols NWSLV and NWS, respectively. More information regarding the Company is available on its website at *www.newscorp.com*, including the Company s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), which are available, free of charge, as soon as reasonably practicable after the material is electronically filed with or furnished to the Securities and Exchange Commission (SEC).

Special Note Regarding Forward-Looking Statements

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

Table of Contents

BUSINESS OVERVIEW

The Company s five reporting segments are described below. In addition, the Company owns a 50% stake in Foxtel, which is accounted for as an equity investment. For financial information regarding the Company s segments and operations in geographic areas, see Note 19 to the Financial Statements.

For the fiscal year ended June 30, 2016		
	Revenues	Segment EBITDA
	(in millions)	
News and Information Services	$ 5,338	$ 214
Book Publishing	1,646	185
Digital Real Estate Services	822	344
Cable Network Programming	484	124
Other	2	(183)
Total	$ 8,292	$ 684

News and Information Services

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

Dow Jones

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

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

The Wall Street Journal (WSJ). WSJ, Dow Jones s flagship product, is available in print, online and across multiple mobile, tablet and e-book devices. WSJ covers national and international news and provides analysis, commentary and opinions on a wide range of topics, including business developments and trends, economics, financial markets, investing, science and technology, lifestyle, culture and sports. WSJ had average print and digital issue sales of approximately 2,341,000, including average print and digital subscriptions of approximately 2,035,000, of which approximately 948,000 were digital-only subscriptions, for the period from March 28, 2016 to July 3, 2016 based on internal data, with independent assurance provided by PricewaterhouseCoopers LLP UK. WSJ is printed at plants located

Table of Contents

around the U.S., including eight owned by the Company. WSJ sells regional advertising in three major U.S. regional editions (Eastern, Central and Western) and 21 smaller sub-regional editions. WSJ s digital products, described below, which offer both free and premium content, averaged nearly 93 million visits per month for the 12 months ended June 30, 2016 according to Adobe Analytics, and include local language content in multiple languages. Print and digital products under the WSJ brand include:

Print: *The Wall Street Journal* (including its Asia and Europe editions) and *WSJ.Magazine.*

Digital: WSJ.com, WSJ Mobile and WSJ Video.

WSJ.com. WSJ.com includes *Risk & Compliance Journal*, *CIO Journal, CFO Journal*, *CMO Today*, WSJ.D (WSJ s home for technology news, analysis, commentary, daily buzz and consumer product reviews), WSJ+ (a complimentary membership for WSJ subscribers that provides premium offers such as exclusive event invitations) and WSJ.com international sites such as WSJ.com/Asia and WSJ.com/Europe.

WSJ Mobile. WSJ offers a range of mobile products, including a responsive-design website and applications for multiple mobile devices. For the 12 months ended June 30, 2016, WSJ Mobile (including WSJ.com accessed via mobile devices, as well as applications) accounted for approximately 50% of visits to WSJ s digital news and information products according to Adobe Analytics.

WSJ Video. WSJ video provides live and on-demand news online through WSJ.com and other platforms, including YouTube, Internet-connected TV and set-top boxes.

Dow Jones Media Group. The new Dow Jones Media Group focuses on Dow Jones consumer brands outside of The Wall Street Journal franchise, including *Barron s* and MarketWatch, among other properties.

Barron s. *Barron s,* which is available in print, online and on multiple mobile, tablet and e-book devices, delivers news, analysis, investigative reporting, company profiles and insightful statistics for investors and others interested in the investment world. *Barron s* had average print and digital issue sales of approximately 438,000, including average print and digital subscriptions of approximately 423,000, of which approximately 133,000 were digital-only subscriptions, for the period from March 28, 2016 to July 3, 2016 based on internal data, with independent assurance provided by PricewaterhouseCoopers LLP UK.

MarketWatch. MarketWatch is an investing and financial news website targeting active investors. It also provides real-time commentary and investment tools and data. Products include mobile and tablet applications, a mobile site and MarketWatch Premium Newsletters (paid newsletters on a variety of investing topics). MarketWatch averaged more than 50 million visits per month for the 12 months ended June 30, 2016 according to Adobe Analytics.

The Wall Street Journal Digital Network (WSJDN). WSJDN offers advertisers the opportunity to reach Dow Jones s audience across a number of brands, including the WSJ.com, Barrons.com and MarketWatch.com websites. During the year ended June 30, 2016, WSJDN averaged nearly 143 million visits per month, with an average of more than 364 million page views per month, according to Adobe Analytics.

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

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

Factiva. Factiva is a leading provider of global business content, built on an archive of important, original publishing sources. This combination of business news and information, plus sophisticated tools, helps professionals find, monitor, interpret and share essential information. As of June 30, 2016, there were approximately 1.2 million activated Factiva users, including both institutional and individual accounts. Many of the institutional accounts have multiple individual users. Factiva offers content from over 33,000 global news and information sources from nearly 200 countries and in 28 languages. Thousands of Factiva s sources are not available for free on the Internet and more than 4,000 sources make information available via Factiva on or before the date of publication by the source. Factiva leverages complex metadata extraction and text-mining to help its customers build precise searches and alerts to access and monitor this data.

Dow Jones PEVC. Dow Jones PEVC products provide news and deal data on venture capital and private equity-backed private companies and their investors to help venture capital and private equity professionals, financial services professionals and other service providers identify deal and partnership opportunities, perform due diligence and examine trends in venture capital and private equity investment, fund-raising and liquidity. Products include VentureSource, LP Source, VentureWire, Private Equity Analyst, LBO Wire, Private Equity News, Daily Bankruptcy Review (DBR), DBR Small Cap and DBR High Yield.

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

Dow Jones Risk & Compliance. Dow Jones Risk & Compliance products provide data solutions for customers focused on anti-corruption, anti-money laundering, monitoring embargo and sanction lists and other compliance requirements. Dow Jones s solutions allow customers to filter their business transactions against its data to identify regulatory, corporate and reputational risk, and request follow-up due diligence reports. Products include online risk data and negative news searching tools such as Risk Database Search/Research/Premium and the Risk & Compliance Portal for batch screening. Feed services include Dow Jones Watchlist, Dow Jones Anti-Corruption, Dow Jones Sanction Alert and Adverse Media Entities. In addition, Dow Jones produces customized Due Diligence Reports to assist its clients with regulatory compliance.

Dow Jones Newswires. Dow Jones Newswires distributes real-time business news, information, analysis, commentary and statistical data to financial professionals and investors worldwide. It publishes, on average, over 16,000 news items each day, which are distributed via terminals, trading platforms and websites reaching hundreds of thousands of financial professionals. This content also reaches millions of individual investors via customer portals and the intranets of brokerage and trading firms, as well as digital media publishers.

News Corp Australia

News Corp Australia is one of the leading news and information providers in Australia by readership and circulation, owning over 100 newspapers covering a national, regional and suburban footprint. As of March 31, 2016, its daily, Sunday, weekly and bi-weekly newspapers accounted for more than 59% of the total circulation

Table of Contents

of newspapers in Australia, and during the year ended March 31, 2016, its Sunday newspaper network was read by approximately 4.0 million Australians on average every week. In addition, its digital mastheads and other websites are among the leading digital news properties in Australia based on monthly unique audience data. News Corp Australia s news portfolio includes:

The Australian and *The Weekend Australian* (National). *The Australian* is published Monday through Friday, and *The Weekend Australian* is published on Saturday. Based on Audit Bureau of Circulations (ABC) data, average daily paid print circulation for the year ended March 31, 2016 was approximately 102,000 for *The Australian* and 225,000 for *The Weekend Australian* and average daily paid digital circulation for each was approximately 74,000. In addition, *The Australian* and *The Weekend Australian* had a total unduplicated print and digital audience of almost 3.1 million for the month of March 2016 based on Enhanced Media Metrics Australia (EMMA) average monthly print data for the year ended March 31, 2016 and Nielsen desktop, mobile and tablet audience data for March 2016. EMMA data incorporates more frequent sampling and combines both online usage derived from Nielsen data and print usage into a single metric that removes any audience overlap.

The Daily Telegraph and *The Sunday Telegraph* (Sydney). *The Daily Telegraph* is published Monday through Saturday. Based on ABC data, average daily paid print circulation for the year ended March 31, 2016 was approximately 251,000 for *The Daily Telegraph* and 441,000 for *The Sunday Telegraph*. In addition, *The Daily Telegraph* and *The Sunday Telegraph* had a total unduplicated print and digital audience of almost 4.4 million for the month of March 2016 based on EMMA average monthly print data for the year ended March 31, 2016 and Nielsen desktop, mobile and tablet audience data for March 2016.

Herald Sun and *Sunday Herald Sun* (Melbourne). *Herald Sun* is published Monday through Saturday. Based on ABC data, average daily paid print circulation for the year ended March 31, 2016 was approximately 339,000 for *Herald Sun* and 396,000 for *Sunday Herald Sun*. In addition, *Herald Sun* and *Sunday Herald Sun* had a total unduplicated print and digital audience of almost 4.3 million for the month of March 2016 based on EMMA average monthly print data for the year ended March 31, 2016 and Nielsen desktop, mobile and tablet audience data for March 2016.

The Courier-Mail and *The Sunday Mail* (Brisbane). *The Courier-Mail* is published Monday through Saturday. Based on ABC data, average daily paid print circulation for the year ended March 31, 2016 was approximately 156,000 for *The Courier-Mail* and 338,000 for *The Sunday Mail*. In addition, *The Courier-Mail* and *The Sunday Mail* had a total unduplicated print and digital audience of almost 3.1 million for the month of March 2016 based on EMMA average monthly print data for the year ended March 31, 2016 and Nielsen desktop, mobile and tablet audience data for March 2016.

The Advertiser and *Sunday Mail* (Adelaide). *The Advertiser* is published Monday through Saturday. Based on ABC data, average daily paid print circulation for the year ended March 31, 2016 was approximately 134,000 for *The Advertiser* and 204,000 for *Sunday Mail*. In addition, *The Advertiser* and *Sunday Mail* had a total unduplicated print and digital audience of almost 1.7 million for the month of March 2016 based on EMMA average monthly print data for the year ended March 31, 2016 and Nielsen desktop, mobile and tablet audience data for March 2016.

A large number of community newspapers in all major capital cities, as well as leading regional publications in Cairns, Gold Coast, Townsville and Geelong and in the other capital cities of Perth, Hobart and Darwin.

News Corp Australia has paid digital platforms for *The Australian, The Weekend Australian, Herald Sun, Sunday Herald Sun, The Daily Telegraph, The Sunday Telegraph, The Courier-Mail, The Sunday Mail, The Advertiser* and *Sunday Mail*.

News Corp Australia s broad portfolio of digital properties also includes news.com.au, the leading general interest site in Australia that provides breaking news, finance, entertainment, lifestyle, technology and sports news and delivers an average monthly unique audience of approximately 5.6 million based on Nielsen monthly

6

total audience ratings for the three months ended June 30, 2016. In addition, News Corp Australia owns other premier properties such as taste.com.au, a leading food and recipe site, and kidspot.com.au, a leading parenting website, as well as various other digital media assets, including a 70.6% stake in the Sports Technology Group, which supplies a scheduling tool for sports and other community organizations. As of June 30, 2016, News Corp Australia s other assets included a 14.99% interest in APN News and Media Limited, which operates a portfolio of Australian radio and outdoor media assets and small regional print interests, a 13.75% interest in SEEKAsia Limited, which operates leading online employment marketplaces throughout Southeast Asia, and a 25% interest in Hipages Group Pty Ltd., which operates a leading on-demand home improvement services marketplace.

News UK

News UK publishes *The Sun*, *The Sun on Sunday*, *The Times* and *The Sunday Times,* which are leading newspapers in the U.K. As of June 30, 2016, sales of these four titles accounted for approximately one-third of all national newspaper sales in the U.K. News UK s newspapers (except some Saturday and Sunday supplements) are printed at News UK s world-class printing facilities in England, Scotland and Ireland. In addition to revenue from the sale of advertising, circulation and subscriptions to its print and digital products, News UK generates revenue by providing third party printing services through these facilities and is one of the largest contract printers in the U.K. News UK also distributes content through its digital platforms, including its websites, thesun.co.uk, thetimes.co.uk and thesundaytimes.co.uk, as well as mobile and tablet applications. News UK s online and mobile offerings include the rights to show English Premier League Football, English Premiership Rugby Union, Gaelic Athletic Association games and UEFA Champions League and Europa League match clips across its digital platforms. News UK s portfolio includes:

The Sun. Published Monday through Sunday. Based on National Readership Survey data for the six months ended March 31, 2016, *The Sun* is the most read national newspaper in the U.K., with an average issue readership of approximately 4,427,000 Monday through Saturday for *The Sun* and 3,674,000 for *The Sun on Sunday*. Average daily paid print circulation for the six months ended June 30, 2016 based on ABC data was approximately 1,743,000 for *The Sun* and 1,445,000 for *The Sun on Sunday.* As of June 30, 2016, The Sun online had approximately 42 million monthly unique visitors worldwide based on ABC Electronic (Omniture).

The Times. Published Monday through Saturday with an average issue readership of approximately 1,098,000 for the six months ended March 31, 2016 based on National Readership Survey data. Average daily paid print circulation for the six months ended June 30, 2016 based on ABC data was approximately 426,000. As of June 30, 2016, *The Times* had approximately 169,000 paid print subscribers and 156,000 paid digital subscribers based on internal sources. News UK also publishes *The Times Literary Supplement*, a weekly literary review.

The Sunday Times. Leading broadsheet Sunday newspaper in the U.K. with an average issue readership of approximately 1,718,000 for the six months ended March 31, 2016 based on National Readership Survey data. Average daily paid print circulation for the six months ended June 30, 2016 based on ABC data was approximately 782,000. As of June 30, 2016, *The Sunday Times* had approximately 203,000 paid print subscribers and 170,000 paid digital subscribers based on internal sources.

In addition, News UK has also assembled a portfolio of complementary ancillary product offerings, including Sun Bingo and the recently launched Sun Bets, an online sports betting service.

New York Post

NYP Holdings is the publisher of the *New York Post* (the *Post*), NYPost.com, PageSix.com, Decider.com and related smartphone and tablet apps and social media channels. The *Post* is the oldest continuously published daily newspaper in the U.S., with a focus on coverage of the New York metropolitan area. The *Post* provides a variety of general interest content ranging from breaking news to business analysis, and is known in particular for its comprehensive sports coverage, famous headlines and its iconic Page Six section, an authority on celebrity news. The print version of the *Post* is primarily distributed in New York, where it is printed in a printing facility in the Bronx, as well as throughout the Northeast, Florida and California, where it uses Dow Jones s printing facilities or third party printers. For the three months ended June 30, 2016, average weekday circulation based on AAM data, including smartphone and tablet app digital editions, was 418,857. In addition, the Post Digital Network, which includes NYPost.com, PageSix.com and Decider.com, reached approximately 49 million unique users on average each month during the quarter ended June 30, 2016 according to Google Analytics.

News America Marketing

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

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

Home-Delivered: NAM is one of the leading providers of home-delivered shopper media, including free-standing inserts and direct mail products. Free-standing inserts are multiple-page marketing booklets containing coupons, rebates and other consumer offers, which are distributed to millions of households under the SmartSource Magazine® brand through insertion primarily into local Sunday publications. Advertisers, primarily packaged goods companies, pay NAM to produce free-standing inserts where their offers are featured, often on an exclusive basis within their product category. NAM contracts with and pays publishers as well as printers, among others, to produce and/or distribute free-standing inserts in their papers.

In-Store Advertising and Merchandising: NAM is a leading provider of in-store marketing products and services, primarily to consumer packaged goods manufacturers. NAM s marketing products include: at-shelf advertising such as coupon, information and sample-dispensing machines, as well as floor and shopping cart advertising, among others, and are found in thousands of shopping locations, including supermarkets, drug stores, dollar stores, office supply stores, mass merchandisers and specialty stores across North America. NAM also provides in-store merchandising services, including production and installation of instant-redeemable coupons, on-pack stickers, shipper assembly, display set-up and refilling, shelf management and new product cut-ins.

Mobile/Digital: NAM s digital marketing solutions include SmartSource Digital, which encompasses secure printable couponing, load-to-card couponing, targeted email campaigns and programmatic digital display, and the Checkout 51 mobile application, a leading receipt recognition app that enables packaged goods companies and brands to reach consumers with highly personalized marketing campaigns.

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

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

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

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

NAM competes against other providers of advertising, marketing and merchandising products and services, including those that provide promotional or advertising inserts, direct mailers of promotional or advertising materials, providers of point-of-purchase and other in-store programs and providers of savings and/or grocery-focused digital applications, as well as other marketing products and services. Competition is based on, among other things, rates, availability of markets, quality of products and services provided and their effectiveness, rate of coupon redemption, store coverage and other factors. The Company believes that based on the scale of NAM s home-delivered products, the reach of its in-store marketing products and the growing audience for its digital marketing platform, NAM provides broader consumer access than many of its competitors.

Book Publishing

The Company s Book Publishing segment consists of HarperCollins Publishers (together with its subsidiaries and affiliates, HarperCollins), the second largest consumer book publisher in the world based on global revenue, with operations in 18 countries. HarperCollins publishes and distributes consumer books globally through print, digital and audio formats. Its digital formats include e-books for devices such as tablets and e-book readers, as well as audio downloads for smartphones and MP3 players. HarperCollins owns more than 120 branded imprints, including Avon, Harper, HarperCollins Children s Books, William Morrow, Harlequin and Christian publishers Zondervan and Thomas Nelson.

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

As of June 30, 2016, HarperCollins offered approximately 100,000 publications in digital formats, and nearly all of HarperCollins new titles, as well as the majority of its entire catalog, are available as e-books. Digital sales, comprising revenues generated through the sale of e-books as well as digital audio books, represented approximately 19% of global consumer revenues for the fiscal year ended June 30, 2016. With the widespread adoption of electronic formats by consumers, HarperCollins is publishing a number of titles in digital formats before, or instead of, publishing a print edition.

During fiscal 2016, HarperCollins U.S. had 239 titles on the *New York Times* print and digital bestseller lists, with 30 titles hitting number one, including *Go Set a Watchman* by Harper Lee, *The Pioneer Woman Cooks: Dinnertime* by Ree Drummond, *The English Spy* by Daniel Silva, *The Glass Sword* by Victoria Aveyard and *Pax* by Sara Pennypacker.

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

The book publishing business operates in a highly competitive market that is quickly changing and continues to see technological innovations. HarperCollins competes with other large publishers, such as Penguin Random House, Simon & Schuster and Hachette Livre, as well as with numerous smaller publishers, for the rights to works by well-known authors and public personalities; competition could also come from new entrants as barriers to entry in book publishing are low. In addition, HarperCollins competes for readership with other media formats and sources. The Company believes HarperCollins is well positioned in the evolving book publishing market with significant size and brand recognition across multiple categories and geographies. Furthermore, HarperCollins is a leader in children s and religious books, categories which have been less impacted by the transition to digital consumption.

Digital Real Estate Services

The Company s Digital Real Estate Services segment consists primarily of its 61.6% interest in REA Group Limited (REA Group), a publicly-traded company listed on ASX (ASX: REA), and its 80% interest in Move, Inc. (Move). The remaining 20% interest in Move is held by REA Group. This segment also includes DIAKRIT International Limited (DIAKRIT), a digital visualization solutions company that enables homeowners to see the potential in their future living environment while also helping agents and developers generate more buyer inquiries and accelerate their property sales processes.

REA Group

REA Group advertises property and property-related services on websites and mobile applications across Australia, Europe and Asia. REA Group s Australian operations include realestate.com.au and realcommercial.com.au, Australia s leading residential and commercial property websites, as well as its media and property-related services businesses, serving the display media market and markets adjacent to property, respectively. Realestate.com.au and realcommercial.com.au together had approximately 45 million average monthly visits for the year ended June 30, 2016 according to Nielsen Online Market Intelligence Home and Fashion Suite. Realestate.com.au and realcommercial.com.au also recorded an increase of 81% in average monthly application visits for the same period as compared to the prior year according to Adobe Analytics. Realestate.com.au derives the majority of its revenue from its core property advertising listing products and monthly advertising subscriptions from real estate agents and property developers. Realestate.com.au offers a product hierarchy which enables real estate agents and property developers to upgrade listing advertisements to increase their prominence on the site, as well as a variety of targeted products, including media display advertising products. Realcommercial.com.au generates revenue through three main sources: agent subscriptions,

Table of Contents

agent branding and listing products. The media business offers unique advertising opportunities on both realestate.com.au and realcommercial.com.au, as well as native advertisement placements. Revenue from this business is generated primarily from agents and commercial developers, which benefit from being able to target REA Group s substantial audience base.

REA Group s international operations include property sites in Asia and Europe. In Asia, REA Group increased its interest in iProperty Group Limited (iProperty) to 86.9% in February 2016. iProperty operates leading property sites throughout Southeast Asia, including Malaysia and Hong Kong, and prominent portals in Thailand, Singapore and Indonesia. The combined sites for iProperty had approximately 7.4 million average monthly visits for the year ended June 30, 2016 according to Google Analytics. REA Group also operates a Chinese site, myfun.com, which supports REA Group s businesses in other geographical markets by showcasing residential property listings to Chinese buyers and investors, and delivers leads to agents. In Europe, REA Group operates sites in Italy (casa.it) and in Luxembourg and regions of France (atHome.lu, atHome.de, immoRegion.fr and atOffice.lu). Average monthly visits to the combined European sites increased 15% for the year ended June 30, 2016 compared to the prior year according to Adobe Analytics.

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

Move

Move is a leading provider of online real estate services in the U.S. Move primarily operates realtor.com®, a premier real estate information and services marketplace, under a perpetual agreement and trademark license with the National Association of Realtors® (NAR). Through realtor.com®, consumers have access to over 100 million properties across the U.S., including the most complete collection of homes and properties listed with Multiple Listing Services (MLS) and displayed for sale among the competing national online portals and an extensive database of off-market properties. Realtor.com® and its related mobile applications display approximately 98% of all MLS-listed, for-sale properties in the U.S., which are primarily sourced directly from relationships with MLSs across the country. Over 90% of its for-sale listings are updated at least every 15 minutes, on average, with the remaining listings updated daily. Realtor.com® s substantial content advantage attracts a highly engaged consumer audience. Based on internal data, realtor.com® and its mobile sites had 53 million average monthly unique users during the quarter ended June 30, 2016. These users viewed an average of over 1.8 billion pages and spent an average of over 1.1 billion minutes on the realtor.com® website and mobile applications each month.

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

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

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

Cable Network Programming

The Company s Cable Network Programming segment consists of FOX SPORTS Australia, the leading sports programming provider in Australia based on total viewing hours as of June 30, 2016. FOX SPORTS Australia is focused on live national and international sports events and provides featured original and licensed premium sports content tailored to the Australian market, including live sports such as National Rugby League, the domestic football league, international cricket, as well as the Australian Rugby Union. FOX SPORTS Australia offers seven high definition television channels distributed via cable, satellite and Internet Protocol, or IP, and several interactive viewing applications. Its channels consist of FOX SPORTS 1, FOX SPORTS 2, FOX SPORTS 3, FOX SPORTS 4, FOX SPORTS 5, FOX FOOTY and FOX SPORTS NEWS that broadcast over 12,000 hours of live sports programming per year reaching FOXTEL, Telstra and Optus subscription television customers. FOX SPORTS Australia s access to compelling local and international sports programming, as well as its production of high-quality original sports content has made it the leading sports programming provider in Australia. FOX SPORTS Australia also operates foxsports.com.au, a leading general sports website in Australia, and offers several interactive mobile and tablet applications that extend the reach of its content across multiple platforms. FOX SPORTS Australia is distributed via longstanding carriage agreements with pay-TV providers (mainly Foxtel) in Australia and generates revenue primarily through affiliate fees payable under these carriage agreements, as well as advertising sales. Results at the Cable Network Programming segment can fluctuate due to the timing and mix of the Company s local and international sports programming, as expenses associated with licensing these programming rights are recognized during the applicable season or event.

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

Other

The Other segment includes the Company s general corporate overhead expenses, corporate Strategy and Creative Group and costs related to the U.K. Newspaper Matters. The Company s corporate Strategy and Creative Group was formed to identify new products and services across the Company s businesses to increase revenues and profitability and to target and assess potential acquisitions and investments. Initiatives include the News Corp Global Exchange, the Company s global programmatic advertising exchange that enables marketers to leverage the Company s leading online and mobile products and first-party data for real-time bidding, as well as the Company s BallBall platform in Southeast Asia, which combines the Company s rights to exclusive football highlight clips, expert coverage, commentary and analysis from *The Times*, *The Sunday Times* and *The Sun*. As part of its ongoing role in assessing potential acquisitions and investments, the corporate Strategy and Creative Group also oversaw the Company s acquisitions of Move, a leading provider of online real estate services in the U.S., and Unruly, a leading global video advertising distribution platform, as well as its strategic digital investments in India, including Elara Technologies, which owns PropTiger.com.

Equity Investments

Foxtel

The Company and Telstra, an ASX-listed telecommunications company, each own 50% of Foxtel, the largest pay-TV provider in Australia. Foxtel had more than 2.9 million subscribing households throughout Australia as of June 30, 2016 through cable, satellite and IP distribution.

Table of Contents

Foxtel delivers 200 channels (including standard definition channels, high definition versions of some of those channels, and audio and interactive channels) covering news, sports, general entertainment, movies, documentaries, music and children s programming. Foxtel s premium content includes FOX SPORTS Australia s suite of sports channels such as FOX SPORTS 1, FOX SPORTS 2, FOX SPORTS 3, FOX SPORTS 4, FOX SPORTS 5, FOX FOOTY and FOX SPORTS NEWS, and TV content from HBO, FOX and Universal, among others. Foxtel also owns and operates 30 channels, including general entertainment and movie channels, and sources an extensive range of movie programming through arrangements with major U.S. studios. Foxtel s channels are distributed to subscribers via both Telstra s hybrid fibrecoaxial cable network and a long-term contracted satellite platform provided by Optus. Cable and satellite distribution is enabled by Foxtel s set-top boxes, including the iQ3, Foxtel s newest box. Foxtel also offers versions of its services via the Internet through Telstra s T-Box platform, Foxtel Play, an Internet television service available on a number of compatible devices (including the Sony PlayStation platform, select Samsung, LG and Sony televisions, select Samsung Blu-ray players and personal computers), and Foxtel Go, an Internet television service that allows subscribers to watch Foxtel channels via mobile devices and tablets. In addition, Foxtel has a subscription video-on-demand service called Presto that distributes movies and television programming to subscribers. Foxtel owns Presto Movies, while Presto TV is operated under a joint venture with a subsidiary of Seven West Media Limited. Foxtel also offers a triple play bundle product, which consists of Foxtel s existing pay-TV services, sold together with broadband and/or home phone services.

Foxtel generates revenue primarily through subscription revenue as well as advertising revenue. For the year ended June 30, 2016, in accordance with U.S. generally accepted accounting principles (GAAP), Foxtel recorded revenues of $2.4 billion and earnings before interest, taxes and depreciation and amortization, or EBITDA, of $604 million. Management believes that EBITDA is an appropriate measure for evaluating the operating performance of this business for the reasons set forth in Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Segment Analysis with respect to Segment EBITDA. In the year ended June 30, 2016, Foxtel s average broadcast residential recurring subscription revenue per user, or ARPU, was A$89 (US$65) per month (as calculated by Foxtel), and its annualized residential subscriber churn rate based on data for the year ended June 30, 2016 was 12.2% (as calculated by Foxtel). In addition, Foxtel had $1.8 billion of indebtedness outstanding as of June 30, 2016 (excluding $676 million of shareholder loans due to Telstra and the Company), and paid distributions of $26 million to the Company during the year ended June 30, 2016. The amount included for Foxtel in the Company s Equity earnings of affiliates was $38 million for the year ended June 30, 2016.

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

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

Governmental Regulation

General

Various aspects of the Company s activities are subject to regulation in numerous jurisdictions around the world. The 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 Company s interests.

Australian Media Regulation

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

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

Data Privacy and Security

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

Similar laws and regulations have been implemented in many of the other jurisdictions in which the Company operates, including the European Union and Australia. Recently, the European Union adopted the General Data Protection Regulation (GDPR), which is intended to provide a uniform set of rules for personal data processing throughout the European Union and to replace the existing Data Protection Directive (Directive 95/46/EC). Fully enforceable by May 25, 2018, the GDPR expands the regulation of the collection, processing, use and security of personal data, contains stringent conditions for consent from data subjects, strengthens the rights of individuals, including the right to have personal data deleted upon request, continues to restrict the trans-border flow of such data, requires mandatory data breach reporting and notification, increases penalties for non-compliance and increases the enforcement powers of the data protection authorities. Also, in 2015, the European Court of Justice invalidated the U.S.-E.U. Safe Harbor framework, one of the legal mechanisms through which personal data could be transferred from the European Union to the United States, and the mechanism relied upon by the Company with respect to certain personal data transfers among the Company s businesses, and between the Company and some of its third party service providers. The Company has been putting into place, and working with its third party service providers to implement, alternative legal mechanisms for cross-border personal data transfers. In Australia, data privacy laws impose additional requirements on organizations that handle personal data by, among other things, requiring the disclosure of cross-border data transfers and placing restrictions on direct marketing practices, and additional data privacy and security requirements and industry standards are under consideration.

Table of Contents

In response to such developments, industry participants in the U.S., Europe and Australia have taken steps to increase compliance with relevant industry-level standards and practices, including the implementation of self-regulatory regimes for online behavioral advertising that impose obligations on participating companies, such as the Company, to give consumers a better understanding of advertisements that are customized based on their online behavior. The Company continues to monitor pending legislation and regulatory initiatives to ascertain relevance, analyze impact and develop strategic direction surrounding regulatory trends and developments, including any changes required in the Company s data privacy and security compliance programs.

U.K. Press Regulation

As a result of the implementation of recommendations of the Leveson inquiry into the U.K. press, which was established by Prime Minister David Cameron in mid-2011, a Royal Charter on Self-Regulation of the Press was granted in 2013, which established a Recognition Panel responsible for approving, overseeing and monitoring a new press regulatory body or bodies. Once approved by the Recognition Panel, the new press regulatory body or bodies would be responsible for overseeing participating publishers. No such regulator has yet been approved by the Recognition Panel, although it is currently considering an application by a newly-formed independent body, IMPRESS. In addition to the Royal Charter and establishment of the new Recognition Panel, legislation has been passed that provides that publishers who do not participate in this new U.K. press regulatory system may be liable for exemplary damages in certain cases where such damages are not currently awarded.

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

Intellectual Property

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

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

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

Raw Materials

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

Employees

As of June 30, 2016, the Company had approximately 24,000 employees, of whom approximately 9,000 were located in the U.S., 4,000 were located in the U.K. and 8,000 were located in Australia. Of the Company s employees, approximately 5,000 were represented by various employee unions. The contracts with such unions will expire during various times over the next several years. The Company believes its current relationships with employees are generally good.

ITEM 1A. RISK FACTORS

You should carefully consider the following risks and other information in this Annual Report on Form 10-K in evaluating the Company and its common stock. Any of the following risks, or other risks or uncertainties not presently known or currently deemed immaterial, could materially and adversely affect the Company s business, results of operations or financial condition, and could, in turn, impact the trading price of the Company s common stock. The risk factors generally have been separated into three groups: risks related to the Company s business, risks related to the Company s Separation from 21st Century Fox and risks related to the Company s common stock.

Risks Related to the Company s Business

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

The Company derives substantial revenues from the sale of advertising through its newspapers, integrated marketing services and digital media properties. The Company and its affiliates also derive revenues from the sale of advertising on their cable channels and pay-TV programming. Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions, as well as budgeting and buying patterns. National and local economic conditions, particularly in major metropolitan markets, affect the levels of retail, national and classified newspaper advertising revenue. Changes in gross domestic product, consumer spending, housing sales, auto sales, unemployment rates and job creation all impact demand for advertising. A decline in the economic prospects of advertisers or the economy in general could alter current or prospective advertisers spending priorities or result in consolidation or closures across various industries, which may also reduce the Company s overall advertising revenue.

Table of Contents

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

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

The digital advertising market also continues to undergo significant changes that may further impact digital advertising revenues. Digital advertising networks and exchanges, real-time bidding and other programmatic buying channels that allow advertisers to buy audiences at scale are playing a more significant role in the advertising marketplace and may cause further downward pricing pressure. New delivery platforms may also lead to loss of distribution and pricing control and loss of a direct relationship with consumers. In addition, evolving standards for the delivery of digital advertising, including the industry-wide standard on viewability, as well as the development and adoption of technology designed to block the display of advertising on websites and mobile devices, may also negatively impact digital advertising revenues. As the digital advertising market continues to evolve, the Company s ability to compete successfully for advertising budgets will depend on, among other things, its ability to drive scale, engage digital audiences and prove the value of its advertising and the effectiveness of the Company s platforms to its advertising customers, including through more targeted, data-driven offerings.

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

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

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

The Company s ability to compete effectively depends upon its ability to differentiate and distinguish its products and services and anticipate and adapt to changes in consumer tastes and behaviors, which in turn, depends on many factors both within and beyond its control. For example, the Company relies on audience acceptance of the high-quality content in its newspapers, book titles, cable channels and pay-TV programming in order to retain and grow their audiences. Similarly, the success of the Company s digital real estate services business depends in part on providing more comprehensive, current and accurate real estate listing data than its competitors, which the Company generally obtains through short-term arrangements with MLSs, real estate brokers, real estate agents and other third parties that may not be renewed and/or may be terminated with limited or no notice. Online traffic is also driven by internet search results, and any failure to successfully manage and adapt to changes in search engine optimization across the Company s businesses could result in significant decreases in traffic to our digital properties, lower advertiser interest in those properties and increased costs if free traffic is replaced with paid traffic.

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

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

Technology continues to evolve rapidly, and the resulting changes in consumer behavior and preferences create constant opportunities for new and existing competitors that can quickly render the Company s products and services less valuable. For example, alternative methods for the delivery, storage and consumption of digital content, including the distribution of news and other content through social networking tools and on mobile and other devices, digital distribution models for books and Internet and mobile distribution of video content via streaming and downloading, have empowered consumers to seek more control over when, where and how they consume digital content. Content owners are increasingly delivering their content directly to consumers over the Internet, often without charge, and consumers are able to view such Internet-delivered content on portable devices and televisions. Enhanced Internet capabilities and the development of new media channels may continue to reduce the demand for newspapers and television viewership, which could negatively affect the Company s revenues.

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

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

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

The sports rights contracts between certain of the Company s Australian operating businesses, on the one hand, and various professional sports leagues and teams, on the other, have varying duration and renewal terms. As these contracts expire, renewals on favorable terms may be sought; however, third parties may outbid the current rights holders for the rights contracts. In addition, professional sports leagues or teams may create their own networks or the renewal costs could substantially exceed the original contract cost. The loss of rights could impact the extent of the sports coverage offered by the Company and lead to customer dissatisfaction or, in some cases, loss of customers, which could, in turn, adversely affect its revenues. Upon renewal, the Company s results could be adversely affected if escalations in sports programming rights costs are unmatched by increases in subscriber and carriage fees and advertising rates.

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

The Company has significant operations in a number of foreign jurisdictions and certain of its operations are conducted in foreign currencies, primarily the Australian dollar and the British pound sterling. Since the Company s financial statements are denominated in U.S. dollars, changes in foreign currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, a currency translation impact on the Company s earnings, which could, in turn, have an adverse effect on its results of operations in a given period or in specific markets.

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

The U.S. and global economies have undergone periods of economic uncertainty which resulted in, among other things, a general tightening in the credit markets, limited access to the credit markets, lower levels of liquidity, increases in the rates of default and bankruptcy, lower consumer and business spending, lower consumer net worth and a dramatic decline in the real estate market. The resulting pressure on the labor and retail markets and the downturn in consumer confidence weakened the economic climate in certain markets in which the Company does business and had an adverse effect on its business, results of operations, financial condition and liquidity, including advertising revenues. Any continued or recurring economic weakness could further impact the Company s business, reduce its advertising and other revenues and negatively impact the performance of its newspapers, books, digital real estate services business, television operations and other consumer products and services. In addition, further volatility and disruption in the financial markets could make it more difficult and expensive for the Company to obtain financing. These conditions could also impair the ability of those with whom the Company does business to satisfy their obligations to the Company, including as a result of their inability to obtain capital on acceptable terms. The Company is particularly exposed to certain Australian business risks, including specific Australian legal and regulatory risks, consumer preferences and competition, because it holds a substantial amount of Australian assets. As a result, the Company s results of operations may be adversely affected by negative developments in the Australian market. The Company also has significant operations in the U.K., which recently voted in a referendum to leave the European Union. While the referendum is advisory, the U.K. Government has stated that it intends to give effect to the results of the vote. An exit of the U.K. from the European Union could significantly affect the fiscal, monetary and regulatory landscape in the U.K., lead other member countries to consider leaving the European Union, result in additional volatility and disruption in the financial and other markets and have an adverse impact on the Company s businesses in the U.K. and elsewhere. Although the Company believes that its capitalization, operating cash flow and current access to credit markets, including the Company s revolving credit facility, will give it the ability to meet its financial needs for the foreseeable future, there can be no assurance that any further volatility and disruption in domestic and global capital and credit markets will not impair the Company s liquidity or increase its cost of borrowing.

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

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

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

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

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

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

Network and information systems and other technologies, including those related to the Company s network management, are important to its business activities. The Company also relies on third party providers for certain technology and cloud-based systems and services that support a variety of business operations. Network and information systems-related events affecting the Company s systems, or those of third parties upon which the Company s business relies, such as computer 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, as well as power outages, equipment failure, natural disasters (including extreme weather), terrorist activities, human error or malfeasance that may affect such systems, could result in disruption of the Company s business and/or loss or improper disclosure of personal data, business information, including intellectual property, or other confidential information. In addition, hardware or software applications the Company develops or procures from third parties may contain design or manufacturing defects that could unexpectedly compromise information security. In recent years, there has been a rise in the number of cyberattacks on companies network and information systems, and such attacks have become more sophisticated, targeted and difficult to detect and prevent against. As a result, the risks associated with such an event continue to increase. The Company has experienced, and expects to continue to be subject to, cybersecurity threats and incidents, none of which have been material to the Company to date. Efforts by the Company and its vendors to develop, implement and maintain security measures may not be successful in preventing these events from occurring, particularly given that techniques used to access, disable or degrade service, or sabotage systems change frequently, and any network and information systems-related events could require the Company to expend significant resources to remedy such event. Moreover, the development and maintenance of these measures is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. While the Company maintains cyber risk insurance, this insurance may not be sufficient to cover all losses from any future breaches of our system.

A significant failure, compromise, breach or interruption of the Company s systems, or those of third parties upon which its business relies, could result in a disruption of its operations, customer or advertiser dissatisfaction, damage to its reputation or brands, regulatory investigations and enforcement actions, lawsuits, remediation costs, a loss of customers or revenues and other financial losses. If any such failure, interruption or similar event results in the improper disclosure of information maintained in the Company s information systems and networks or those of its vendors, including financial, personal, credit card, confidential and proprietary information relating to personnel, customers, vendors and the Company s business, including its intellectual property, the Company could also be subject to liability under relevant contractual obligations and laws and regulations protecting personal data and privacy.

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

As a result of adverse developments in the Company s industry and challenging economic and market conditions, the Company may recognize impairment charges for write-downs of goodwill, intangible assets, investments and other long-lived assets, as well as restructuring charges relating to the reorganization of its businesses, which negatively impact the Company s financial results. When the Company acquires a business, it records goodwill in an amount equal to the excess of the fair value of the acquired business over the fair value of the identifiable assets and liabilities, including intangible assets, as of the acquisition date. The Company s management must regularly evaluate goodwill and other acquired intangible assets expected to contribute indefinitely to the Company s cash flows in order to determine whether, based on projected discounted future cash flows, the carrying value for such assets exceeds current fair value and the Company should recognize an impairment. In accordance with GAAP, the Company performs an annual impairment assessment of its recorded goodwill and indefinite-lived intangible assets, including distribution networks, newspaper mastheads, imprints and trademarks, during the fourth quarter of each fiscal year. The Company also continually evaluates whether current factors or indicators, such as prevailing conditions in the capital markets or the economy generally, require the performance of an interim impairment assessment of those assets, as well as other investments and long-lived assets, or require the Company to engage in any additional business restructurings to address these conditions. Any significant shortfall, now or in the future, in advertising revenue and/or the expected popularity of the programming for which the Company has acquired rights could lead to a downward revision in the fair value of certain reporting units. Any downward revisions in the fair value of a reporting unit, indefinite-lived intangible assets, investments or long-lived assets could result in additional impairments for which non-cash charges would be required. Any such charge could be material to the Company s reported results of operations. The News and Information Services and Cable Network Programming segments have reporting units with goodwill that is at risk for future impairment. As of June 30, 2016, nearly $1.0 billion of goodwill at these reporting units was at risk for future impairment because the fair values of the reporting units exceeded their carrying values by less than 10%. The Company may also incur additional restructuring charges in the future if it is required to further realign its resources in response to significant shortfalls in revenue or other adverse trends.

Table of Contents

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

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

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

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

The Company s business activities are also subject to laws and regulations governing the collection, use, sharing, protection and retention of personal data, which continue to evolve and have implications for how such data is managed. These laws and regulations could be costly to comply with, limit or restrict aspects of the Company s business, including, for example, by restricting the use of personal and profiling data to deliver targeted advertisements, and subject the Company to claims and other remedies. For example, the European Union recently adopted the GDPR, which expands the regulation of personal data processing throughout the European Union and significantly increases penalties for non-compliance. See Governmental Regulation Data Privacy and Security for more information.

In addition, the Company s newspaper businesses in the U.K. are subject to greater regulation and oversight as a result of the implementation of recommendations of the Leveson inquiry into the U.K. press, which was established by Prime Minister David Cameron in mid-2011. The U.K. Government subsequently published a Royal Charter on Self-Regulation of the Press which established a Recognition Panel responsible for approving and monitoring a new press self-regulatory body. No such regulator has yet been approved by the Recognition Panel, although it is currently considering an application by a newly-formed independent body, IMPRESS. In the meantime, a majority of the U.K. press has established an alternative regulator, the Independent Press Standards Organisation, or IPSO, which began operating in September 2014. IPSO, which has indicated that it does not intend to seek approval by the Recognition Panel, has powers to impose burdens on the print media in the U.K., including the Company s U.K.-based newspaper businesses. These powers, which include the ability to impose fines of up to £1 million for breaches of IPSO s Editor s Code of Practice, may result in competitive disadvantages versus other forms of media and may increase the costs of compliance.

Table of Contents

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

From time to time, the Company is party to litigation, as well as to regulatory and other proceedings with governmental authorities and administrative agencies. For example, a competitor of the Company s NAM business has filed lawsuits against NAM alleging antitrust violations and seeking treble damages, injunctive relief and attorneys fees. The outcome of these matters and other litigation and proceedings is subject to significant uncertainty, and it is possible that an adverse resolution of one or more such proceedings could result in reputational harm and/or significant monetary damages, injunctive relief or settlement costs that could adversely affect the Company s results of operations or financial condition as well as the Company s ability to conduct its business as it is presently being conducted. For example, in February 2016, as part of a settlement agreement relating to an action brought by customers of the NAM business, the Company agreed, subject to District Court approval, to pay the plaintiffs and their attorneys approximately $250 million and settled related claims for approximately $30 million. In addition, regardless of merit or outcome, such proceedings can have an adverse impact on the Company as a result of legal costs, diversion of management and other personnel, and other factors. See Item 3. Legal Proceedings and Note 15 to the Financial Statements for more information.

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

Newsprint is one of the largest expenses of the Company s newspaper publishing units. During the three months ended June 30, 2016, the Company s average cost per ton of newsprint was approximately 16% lower than its historical average annual cost per ton over the past five fiscal years on a constant currency basis. The price of newsprint has historically been volatile and the consolidation of newsprint mills over the years has reduced the number of suppliers, which has led to increases in newsprint prices. Failure to maintain the Company s current consumption levels, further supplier consolidation or the inability to maintain the Company s existing relationships with its newsprint suppliers could adversely impact newsprint prices in the future.

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

In its fiscal year ended June 30, 2016, approximately 54% of the Company s revenues were derived outside the U.S., and the Company is focused on expanding the international scope of its operations. There are risks inherent in doing business internationally, including (1) issues related to managing international operations; (2) economic uncertainty and volatility in local markets and political or social instability; (3) potentially adverse changes in tax laws and regulations; (4) complying with international laws and regulations, including foreign ownership restrictions and data privacy requirements; (5) complying with anti-corruption laws and regulations such as the Foreign Corrupt Practices Act and the UK Bribery Act; (6) restrictions on repatriation of funds and foreign currency exchange; and (7) complying with local labor laws and regulations. Events or developments related to these and other risks associated with the Company s international operations could result in reputational harm and have an adverse impact on the Company s business, financial condition, operating results and prospects. Challenges associated with operating globally may increase as the Company continues to expand into geographic areas that it believes represent the highest growth opportunities.

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

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

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

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

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

The Company s businesses rely on a combination of trademarks, trade names, copyrights, patents and other proprietary rights, as well as contractual arrangements, including licenses, to establish and protect their intellectual property and brand names. The Company believes its proprietary trademarks, trade names, copyrights, patents and other intellectual property rights are important to its continued success and its competitive position. However, the Company cannot ensure that these intellectual property rights will be upheld if challenged or that these rights will protect the Company against infringement claims by third parties. Any failure by the Company to effectively protect its intellectual property or brands could adversely impact the Company s results of operations or financial condition. In addition, the Company may be contractually required to indemnify other parties against liabilities arising out of any third party infringement claims.

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

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

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

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

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

Table of Contents

Risks Related to the Company s Separation from 21st Century Fox

If the Separation, Together with Certain Related Transactions, Were Ultimately Determined to be Taxable Transactions for U.S. Federal and/or Other Jurisdictions Income Tax Purposes, then the Company, 21st Century Fox and Its Stockholders Could Be Subject to Significant Tax Liability, and the Company may be Required to Indemnify 21st Century Fox for Tax-Related Liabilities Incurred by 21st Century Fox.

In connection with the Separation, 21st Century Fox received a private letter ruling from the Internal Revenue Service (IRS) to the effect that, among other things, the distribution of the Company s Class A Common Stock and Class B Common Stock qualified 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. In addition, 21st Century Fox received an opinion from its tax counsel confirming the tax-free status of the Separation for U.S. federal income tax purposes, including the satisfaction of the requirements under Sections 368 and 355 of the Code not specifically addressed in the IRS private letter ruling. The opinion of 21st Century Fox s tax counsel is not binding on the IRS or the courts, and there is no assurance that the IRS or a court will not take a contrary position.

The private letter ruling and the opinion relied on certain facts and assumptions, and certain representations from the Company and 21st Century Fox regarding the past and future conduct of their respective businesses and other matters. Notwithstanding the receipt of the private letter ruling and the opinion, the IRS and/or other tax authorities could determine on audit that the distribution or the related internal reorganization transactions should be treated as taxable transactions if any of these facts, assumptions, representations or undertakings is not correct or has been violated, or that the distribution or the internal transactions should be taxable for other reasons. 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, 21st Century Fox and/or the Company would recognize gains on the internal reorganization and 21st Century Fox would recognize gain in an amount equal to the excess of the fair market value of shares of the Company s common stock distributed to 21st Century Fox s stockholders on the Distribution Date over 21st Century Fox s tax basis in such shares. As described below, the Company may in certain circumstances be required to indemnify 21st Century Fox for liabilities arising out of the foregoing.

Under the terms of the Tax Sharing and Indemnification Agreement that the Company and 21st Century Fox entered into in connection with the Separation, the Company will, in certain circumstances, be responsible for all taxes, including interest and penalties, and tax-related liabilities incurred by 21st Century Fox as a result of actions taken by the Company or any of its subsidiaries after the Separation. Specifically, in the event that the distribution or the internal transactions intended not to be subject to tax were determined to be subject to tax and such determination was the result of certain actions taken, or omitted to be taken, after the Separation by the Company or any of its subsidiaries and such actions (1) were inconsistent with any representation or covenant made in connection with the private letter ruling or opinion of 21st Century Fox s tax counsel, (2) violated any representation or covenant made in the Tax Sharing and Indemnification Agreement, or (3) the Company or any of its subsidiaries knew or reasonably should have expected, after consultation with its advisors, could result in any such determination, the Company will be responsible for any tax-related liabilities incurred by 21st Century Fox as a result of such determination.

The Company Could Be Liable for Income Taxes Owed by 21st Century Fox.

Each member of the 21st Century Fox consolidated group, which, prior to the Separation, included 21st Century Fox, the Company and 21st Century Fox s other subsidiaries, is jointly and severally liable for the U.S. federal income tax liability of each other member of the consolidated group for periods prior to and including the Separation. Consequently, the Company could be liable in the event any such liability is incurred, and not discharged, by any member of 21st Century Fox s consolidated group. The Tax Sharing and Indemnification Agreement requires 21st Century Fox to indemnify the Company for any such liability. Disputes or assessments could arise during future audits by the IRS in amounts that the Company cannot quantify.

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

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

The Indemnification Arrangements the Company Entered Into With 21st Century Fox in Connection With the Separation May Require the Company to Divert Cash to Satisfy Indemnification Obligations to 21st Century Fox.

Pursuant to the Separation and Distribution Agreement and certain other related agreements, 21st Century Fox agreed to indemnify the Company for certain liabilities, and the Company agreed to indemnify 21st Century Fox for certain liabilities. As a result, the Company could be required, under certain circumstances, to indemnify 21st Century Fox and its affiliates against certain liabilities to the extent such liabilities result from an action the Company or its affiliates take or from any breach of the Company or its affiliates representations, covenants or obligations under the Separation and Distribution Agreement, Tax Sharing and Indemnification Agreement or any other agreement the Company entered into in connection with the Separation. The diversion of cash that may occur if the Company is required to indemnify 21st Century Fox under these agreements could limit the Company s ability to grow its businesses or capitalize on acquisition opportunities.

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

Certain of the Company s directors and executive officers own shares of 21st Century Fox s common stock, and the individual holdings may be significant for some of these individuals compared to their total assets. In addition, certain of the Company s officers and directors also serve as officers and/or as directors of 21st Century Fox, including K. Rupert Murdoch, who serves as the Company s Executive Chairman and Executive Chairman of 21st Century Fox, and Lachlan K. Murdoch, who serves as the Company s Co-Chairman and Executive Chairman of 21st Century Fox. This ownership or service to both companies may create, or may create the appearance of, conflicts of interest when these directors and officers are faced with decisions that could have different implications for the Company and 21st Century Fox. For example, potential conflicts of interest could arise in connection with the resolution of any dispute that may arise between the Company and 21st Century Fox regarding the terms of the agreements governing the internal reorganization, the Separation and the relationship thereafter between the companies, including with respect to the indemnification of certain matters. In addition to any other arrangements that the Company and 21st Century Fox may agree to implement, the Company and 21st Century Fox have agreed that officers and directors who serve at both companies will recuse themselves from decisions where conflicts arise due to their positions at both companies.

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

Risks Related to the Company s Common Stock

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

The Company cannot predict the prices at which its common stock may trade. The market price of the Company s common stock may fluctuate significantly, depending upon many factors, some of which may be beyond its control, including: (1) the Company s quarterly or annual earnings, or those of other companies in its industry; (2) actual or anticipated fluctuations in the Company s operating results; (3) success or failure of the Company s business strategy; (4) the Company s ability to obtain financing as needed; (5) changes in accounting standards, policies, guidance, interpretations or principles; (6) changes in laws and regulations affecting the Company s business; (7) announcements by the Company or its competitors of significant new business developments or customers; (8) announcements by the Company or its competitors of significant acquisitions or dispositions; (9) changes in earnings estimates by securities analysts or the Company s ability to meet its earnings guidance, if any; (10) the operating and stock price performance of other comparable companies; (11) results from material litigation or governmental investigations; (12) changes in capital gains taxes and taxes on dividends affecting stockholders; and (13) overall market fluctuations and general economic conditions.

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

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

- a dual class common equity capital structure;
- a prohibition on stockholders taking any action by written consent without a meeting;

- special stockholders meeting to be called only by the Chief Executive Officer, the Board of Directors, or the holders of not less than 20% of the voting power of the Company s outstanding voting stock;

- the requirement that stockholders give the Company advance notice to nominate candidates for election to the Board of Directors or to make stockholder proposals at a stockholders meeting;

- the requirement of an affirmative vote of at least 65% of the voting power of the Company s outstanding voting stock to amend or repeal its by-laws;

- certain restrictions on the transfer of the Company s shares; and

- the Board of Directors to issue, without stockholder approval, Preferred Stock and Series Common Stock with such terms as the Board of Directors may determine.

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

In addition, in connection with the Separation, the Company s Board of Directors adopted a stockholder rights agreement, which it extended in June 2014 and again in June 2015. Pursuant to the second amended and restated stockholder rights agreement, each outstanding share of the Company s common stock has attached to it a right entitling its holder to purchase from the Company additional shares of its Class A Common Stock and Class B Common Stock in the event that a person or group acquires beneficial ownership of 15% or more of the then-outstanding Class B Common Stock without approval of the Company s Board of Directors, subject to exceptions for persons beneficially owning 15% or more of the Company s Class B Common Stock immediately following the Separation. The stockholder rights agreement could make it more difficult for a third-party to acquire the Company s voting common stock without the approval of its Board of Directors. The rights expire on June 18, 2018, except as otherwise provided in the rights agreement. Further, as a result of his ability to appoint certain members of the board of directors of the corporate trustee of the Murdoch Family Trust, which beneficially owns less than one percent of the Company s outstanding Class A Common Stock and approximately 38.4% of the Company s Class B Common Stock as of August 5, 2016, K. Rupert Murdoch may be deemed to be a beneficial owner of the shares beneficially owned by the Murdoch Family Trust. K. Rupert Murdoch, however, disclaims any beneficial ownership of these shares. Also, K. Rupert Murdoch beneficially owns or may be deemed to beneficially own an additional one percent of the Company s Class B Common Stock and less than one percent of the Company s Class A Common Stock as of August 5, 2016. Thus, K. Rupert Murdoch may be deemed to beneficially own in the aggregate less than one percent of the Company s Class A Common Stock and approximately 39.4% of the Company s Class B Common Stock as of August 5, 2016. This concentration of voting power could discourage third parties from making proposals involving an acquisition of the Company. Additionally, the ownership concentration of Class B Common Stock by the Murdoch Family Trust increases the likelihood that proposals submitted for stockholder approval that are supported by the Murdoch Family Trust will be adopted and proposals that the Murdoch Family Trust does not support will not be adopted, whether or not such proposals to stockholders are also supported by the other holders of Class B Common Stock. Furthermore, the adoption of the second amended and restated stockholder rights agreement will prevent, unless the Company s Board of Directors otherwise determines at the time, other potential stockholders from acquiring a similar ownership position in the Company s Class B Common Stock and, accordingly, could prevent a meaningful challenge to the Murdoch Family Trust s influence over matters submitted for stockholder approval.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company owns and leases various real properties in the U.S., Europe, Australia and Asia that are utilized in the conduct of its businesses. Each of these properties is considered to be in good condition, adequate

28

Table of Contents

for its purpose and suitably utilized according to the individual nature and requirements of the relevant operations. The Company s policy is to improve and replace property as considered appropriate to meet the needs of the individual operation.

United States

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

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

(b) The leased offices of HarperCollins U.S. in New York, New York;

(c) The leased offices of HarperCollins U.S. in Scranton, Pennsylvania;

(d) The leased printing plant of the *Post* located in Bronx, New York;

(e) The leased offices of Move in Santa Clara, California;

(f) The leased offices of NAM in Wilton, Connecticut; and

(g) The office space campus owned by the Company in South Brunswick, New Jersey.

Europe

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

(a) The leased headquarters and editorial offices of the London operations of News UK, Dow Jones and HarperCollins at The News Building, 1 London Bridge Street, London, England;

(b) The newspaper production and printing facilities for its U.K. newspapers, which consist of:

1. The leased office space at each of Fleet House, Peterborough, England; Dublin, Ireland; and Glasgow City Centre, Scotland; and

2. The freehold interests in each of a publishing and printing facility in Broxbourne, England and printing facilities in Knowsley, England and North Lanarkshire, Scotland; and

(c) The leased warehouse and office facilities of HarperCollins Publishers Limited in Glasgow, Scotland.

Australia and Asia

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

(a) The Australian newspaper production and printing facilities which consist of:

1. The Company-owned print center and office building in Sydney, Australia at which *The Australian*, the *Daily Telegraph* and *The Sunday Telegraph* are printed and published;

2. The Company-owned print center and the leased office facility in Melbourne, Australia at which *Herald Sun* and the *Sunday Herald Sun* are printed and published;

3. The Company-owned print center and office building in Adelaide, Australia utilized in the printing and publishing of *The Advertiser* and *The Sunday Mail*;

4. The Company-owned print center and office building in Brisbane, Australia at which *The Courier-Mail* and *Sunday Mail* are printed and published; and

5. The two Company-owned buildings in Perth, Australia used to print and publish *The Sunday Times;*

Table of Contents

(b) The leased offices and studios of FOX SPORTS Australia in Sydney, Australia;

(c) The leased offices and studios of FOX SPORTS Australia in Melbourne, Australia;

(d) The leased corporate offices of REA Group in Melbourne, Australia; and

(e) The leased office space of Dow Jones in Hong Kong.

ITEM 3. LEGAL PROCEEDINGS

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

U.K. Newspaper Matters and Related Investigations and Litigation

On July 19, 2011, a purported class action lawsuit captioned Wilder v. News Corp., et al. was filed on behalf of all purchasers of 21st Century Fox s common stock between March 3, 2011 and July 11, 2011, in the U.S. District Court for the Southern District of New York (the Wilder Litigation). The plaintiff brought claims under Section 10(b) and Section 20(a) of the Exchange Act, alleging that false and misleading statements were issued regarding alleged acts of voicemail interception at *The News of the World*. The suit named as defendants 21st Century Fox, Rupert Murdoch, James Murdoch and Rebekah Brooks, and sought compensatory damages, rescission for damages sustained and costs.

On June 5, 2012, the District Court issued an order appointing the Avon Pension Fund (Avon) as lead plaintiff and Robbins Geller Rudman & Dowd as lead counsel. Avon filed an amended consolidated complaint on July 31, 2012, which among other things, added as defendants the Company s subsidiary, NI Group Limited (now known as News Corp UK & Ireland Limited), and Les Hinton, and expanded the class period to comprise February 15, 2011 to July 18, 2011. Defendants filed motions to dismiss the litigation, which were granted by the District Court on March 31, 2014. Plaintiffs were allowed to amend their complaint, and on April 30, 2014, plaintiffs filed a second amended consolidated complaint, which generally repeated the allegations of the amended consolidated complaint and also expanded the class period to comprise July 8, 2009 to July 18, 2011. Defendants moved to dismiss the second amended consolidated complaint, and on September 30, 2015, the District Court granted defendants motions in their entirety and dismissed all of plaintiffs claims. In its memorandum, opinion and order relating to the dismissal, the District Court gave plaintiffs until November 6, 2015 to file a motion for leave to amend their complaint. On October 21, 2015, plaintiffs filed a motion for reconsideration of the District Court s memorandum, opinion and order, which defendants have opposed. The Company s management believes these claims are entirely without merit and intends to vigorously defend this action. As described below, the Company will be indemnified by 21st Century Fox for certain payments made by the Company that relate to, or arise from, the U.K. Newspaper Matters (as defined below), including all payments in connection with the Wilder Litigation.

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

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

The Company incurred gross legal and professional fees related to the U.K. Newspaper Matters and costs for civil settlements totaling approximately $42 million, $101 million and $169 million for the fiscal years ended June 30, 2016, 2015 and 2014, respectively. With respect to the fees and costs incurred during the fiscal years ended June 30, 2016, 2015 and 2014, the Company has been or will be indemnified by 21st Century Fox for $23 million, net of tax, $51 million, net of tax, and $97 million, net of tax, respectively, pursuant to the indemnification arrangements described above.

As of June 30, 2016, the Company has provided for its best estimate of the liability for the claims that have been filed and costs incurred, including liabilities associated with employment taxes, and has accrued approximately $99 million, of which approximately $55 million will be indemnified by 21st Century Fox, and a corresponding receivable was recorded in Other current assets on the Balance Sheet as of June 30, 2016. It is not possible to estimate the liability or corresponding receivable for any additional claims that may be filed given the information that is currently available to the Company. If more claims are filed and additional information becomes available, the Company will update the liability provision and corresponding receivable for such matters. The Company is not able to predict the ultimate outcome or cost of the civil claims. It is possible that these proceedings and any adverse resolution thereof could damage its reputation, impair its ability to conduct its business and adversely affect its results of operations and financial condition.

News America Marketing

In-Store Marketing and FSI Purchasers

On April 8, 2014, in connection with a pending action in the U.S. District Court for the Southern District of New York in which The Dial Corporation, Henkel Consumer Goods, Inc., H.J. Heinz Company, H.J. Heinz Company, L.P., Foster Poultry Farms, Smithfield Foods, Inc., HP Hood LLC and BEF Foods, Inc. (collectively, the Named Plaintiffs) alleged various claims under federal and state antitrust law against News Corporation, News America Incorporated (NAI), News America Marketing FSI L.L.C. (NAM FSI), and News America Marketing In-Store Services L.L.C. (NAM In-Store Services and, together with News Corporation, NAI and NAM FSI, the NAM Group), the Named Plaintiffs filed a fourth amended complaint on consent of the parties. The fourth amended complaint asserted federal and state antitrust claims both individually and on behalf of two putative classes in connection with the purchase of in-store marketing services and free-standing insert coupons. The complaint sought treble damages, injunctive relief and attorneys fees.

On August 11, 2014, the Named Plaintiffs filed a motion seeking certification of a class of all persons residing in the United States who purchased in-store marketing services on or after April 5, 2008 and did not purchase those services pursuant to contracts with mandatory arbitration clauses. On June 18, 2015, the District Court granted the Named Plaintiffs motion, although it subsequently amended the start date of the claim period to April 26, 2009.

On September 10, 2015, the District Court granted a stipulation dismissing with prejudice the Named Plaintiffs claims relating to free-standing insert coupons. Trial began on February 29, 2016, and on such date, the parties agreed to settle the litigation. Under the terms of the settlement, which remains subject to District Court approval, the NAM Group agreed, among other things, to pay the plaintiffs and their attorneys approximately $250 million, and the parties agreed to dismiss the litigation with prejudice. The District Court has scheduled a final settlement approval hearing for September 21, 2016. The NAM Group also settled related claims for approximately $30 million. As a result, the Company recorded one-time costs of approximately $280 million for the fiscal year ended June 30, 2016 in NAM Group and Zillow settlements, net in the Company s Statement of Operations.

Table of Contents

Valassis Communications, Inc.

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

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

Valassis subsequently filed a Notice of Violation of an order issued by the District Court in Valassis I. The Notice contained allegations that were substantially similar to the allegations Valassis made in Valassis II, described below, and sought treble damages, injunctive relief and attorneys fees. The Notice also re-asserted claims of unlawful bundling and tying which the magistrate judge had previously recommended be dismissed from Valassis II on the grounds that such claims could only be brought before a panel of antitrust experts previously appointed in Valassis I (the Antitrust Expert Panel). On March 2, 2015, the NAM Parties filed a motion to refer the Notice to the Antitrust Expert Panel or, in the alternative, strike the Notice. The District Court granted the NAM Parties motion in part on March 30, 2016 and ordered that the Notice be referred to the Antitrust Expert Panel. The District Court further ordered that the case be administratively closed and that it may be re-opened following proceedings before the Antitrust Expert Panel.

On November 8, 2013, Valassis also filed a new complaint in the U.S. District Court for the Eastern District of Michigan against the NAM Group alleging violations of federal and state antitrust laws and common law business torts (Valassis II). The complaint sought treble damages, injunctive relief and attorneys fees and costs. On December 19, 2013, the NAM Group filed a motion to dismiss the newly filed complaint.

The District Court referred the NAM Group s motion to dismiss to the magistrate judge for determination, and on July 16, 2014, the magistrate judge recommended that the District Court grant the NAM Group s motion in part with respect to certain claims regarding alleged bundling and tying conduct and stay the remainder of the action. On March 30, 2016, the District Court adopted in part the magistrate judge s recommendation. The District Court ordered that Valassis s bundling and tying claims be dismissed without prejudice to Valassis s rights to pursue relief for those claims in Valassis I. The District Court sustained Valassis s objection to the stay of Valassis II, but further ordered that all remaining claims in the NAM Group s motion to dismiss be referred to the Antitrust Expert Panel. The District Court further ordered that the case be administratively closed and that it may be re-opened following proceedings before the Antitrust Expert Panel.

On May 17, 2016, the District Court held a status conference to discuss the referral to the Antitrust Expert Panel in both Valassis I and Valassis II. While it is not possible at this time to predict with any degree of certainty the ultimate outcome of these actions, the NAM Group believes it has been compliant with applicable laws and intends to defend itself vigorously in both actions.

Other

In addition, 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.

Table of Contents

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

News Corporation s Class A Common Stock and Class B Common Stock are listed and traded on The NASDAQ Global Select Market (NASDAQ), its principal market, under the symbols NWSA and NWS, respectively. CHESS Depositary Interests (CDIs) representing the Company s Class A Common Stock and Class B Common Stock are listed and traded on the Australian Securities Exchange (ASX) under the symbols NWSLV and NWS, respectively. As of June 30, 2016, there were approximately 25,000 holders of record of shares of Class A Common Stock and 760 holders of record of shares of Class B Common Stock.

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

	Class B Common Stock		Class A Common Stock	
	High	Low	High	Low
Fiscal year ended June 30, 2015:				
First Quarter	$ 17.82	16.01	18.41	16.33
Second Quarter	16.61	14.09	16.96	14.28
Third Quarter	17.11	14.25	17.55	14.68
Fourth Quarter	16.24	13.88	16.45	14.17
Fiscal year ended June 30, 2016:				
First Quarter	15.62	12.62	15.92	12.63
Second Quarter	15.74	12.24	15.68	12.16
Third Quarter	14.45	10.74	13.81	10.21
Fourth Quarter	13.55	10.90	13.06	10.54

Dividends

In February 2016, the Company s Board of Directors (the Board of Directors) declared a semi-annual cash dividend of $0.10 per share of Class A Common Stock and Class B Common Stock. This dividend was paid on April 13, 2016 to stockholders of record at the close of business on March 9, 2016. In August 2015, the Board of Directors declared a semi-annual cash dividend of $0.10 per share of Class A Common Stock and Class B Common Stock. This dividend was paid on October 21, 2015 to stockholders of record at the close of business on September 16, 2015. No dividends were declared or paid in fiscal 2015. The timing, declaration, amount and payment of future dividends to stockholders, if any, is within the discretion of the Board of Directors. The Board of Directors decisions regarding the payment of future dividends will depend on many factors, including the Company s financial condition, earnings, capital requirements and debt facility covenants, other contractual restrictions, as well as legal requirements, regulatory constraints, industry practice, market volatility and other factors that the Board of Directors deems relevant.

Issuer Purchases of Equity Securities

In May 2013, the Board of Directors authorized the Company to repurchase up to an aggregate of $500 million of its Class A Common Stock. On May 10, 2015, the Company announced it had begun repurchasing shares of Class A Common Stock under the stock repurchase program. Through August 5, 2016 the Company repurchased approximately 5.2 million shares of Class A Common Stock for an aggregate purchase price of approximately $71 million. The remaining authorized amount under the stock repurchase program as of August 5, 2016 was approximately $429 million. All decisions regarding any future stock repurchases are at the sole discretion of a duly appointed committee of the Board of Directors and management. The committee s decisions regarding future stock repurchases will be evaluated from time to time in light of many factors, including the Company s financial condition, earnings, capital requirements and debt facility covenants, other contractual

Table of Contents

restrictions, as well as legal requirements, regulatory constraints, industry practice, market volatility and other factors that the committee may deem relevant. The stock repurchase authorization may be modified, extended, suspended or discontinued at any time by the Board of Directors and the Board of Directors cannot provide any assurances that any additional shares will be repurchased.

The following table is a summary of the Company s purchases of its Class A Common Stock during the fiscal year ended June 30, 2016.

	Total Number of Shares Repurchased	Average Price per Share	Total Cost of Purchase
	(in thousands, except per share amounts)		
Total first quarter fiscal 2016	891	$ 14.44	$ 12,864
Total second quarter fiscal 2016	281	12.35	3,470
Total third quarter fiscal 2016	1,922	11.86	22,795
Total fiscal 2016	**3,094**	**$ 12.65**	**$ 39,129**

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

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

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

	For the fiscal years ended June 30,				
	2016[b]	2015[b]	2014[b]	2013[c]	2012[c][d]
	(in millions except per share information)				
STATEMENT OF OPERATIONS DATA:					
Revenues	$ 8,292	$ 8,524	$ 8,486	$ 8,789	$ 8,570
Income (loss) from continuing operations attributable to News Corporation stockholders[a]	164	298	381	612	(2,032)
Net income (loss) attributable to News Corporation stockholders	179	(147)	239	506	(2,075)
Income (loss) from continuing operations available to News Corporation stockholders basic and diluted	0.28	0.51	0.65	1.06	(3.51)
Net income (loss) available to News Corporation stockholders per share basic and diluted	0.30	(0.26)	0.41	0.87	(3.58)
Cash dividends per share of Class A and Class B Common Stock	0.20				

	As of June 30,				
	2016	2015	2014	2013[e]	2012
	(in millions)				
BALANCE SHEET DATA:					
Cash and cash equivalents	$ 1,832	$ 1,951	$ 3,145	$ 2,381	$ 1,133
Total assets	15,483	15,035	16,351	15,523	12,991
Total borrowings	372				
Redeemable preferred stock	20	20	20	20	

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

(b) See Notes 3, 4, 5, 6, 8 and 15 to the Consolidated Financial Statements of News Corporation for information with respect to significant acquisitions, disposals, discontinued operations, impairment charges, restructuring charges, contingencies and legal settlements and other transactions during fiscal 2016, 2015 and 2014.

(c) On June 28, 2013 (the Distribution Date), the Company completed the separation of its businesses (the Separation) from Twenty-First Century Fox, Inc. (21st Century Fox). As of the effective time of the Separation, all of the outstanding shares of the Company were distributed to 21st Century Fox stockholders based on a distribution ratio of one share of Company Class A or Class B Common Stock for every four shares of 21st Century Fox Class A or Class B Common Stock, respectively, held of record as of June 21, 2013 (the Record Date). Prior to the Separation, the Company s combined financial statements were prepared on a stand-alone basis derived from the consolidated financial statements and accounting records of 21st Century Fox. The Company s consolidated statement of operations for the fiscal years ended June 30, 2013 and 2012 included allocations of general corporate expenses for certain support functions that were provided on a centralized basis by 21st Century Fox and not recorded at the business unit level, such as expenses related to finance, human resources, information technology, facilities and legal, among others.

Table of Contents

These expenses were allocated to the Company on the basis of direct usage when identifiable, with the remainder allocated on a pro rata basis of consolidated revenues, operating income, headcount or other measures of the Company. Management believes the assumptions underlying these consolidated financial statements, including the assumptions regarding allocating general corporate expenses from 21st Century Fox, were reasonable.

(d) During fiscal 2012, the Company recorded non-cash impairment charges of approximately $2.6 billion ($2.2 billion, net of tax) related to the News and Information Services segment.

(e) In accordance with the Separation and Distribution Agreement, the Company s target aggregate cash and cash equivalents balance at the Distribution Date was approximately $2.6 billion. As of June 30, 2013, the Company had cash and cash equivalents of approximately $2.4 billion. The remaining $0.2 billion was received from 21st Century Fox during the first quarter of fiscal 2014 and was recorded in Amounts due from 21st Century Fox on the Consolidated Balance Sheet as of June 30, 2013.

Table of Contents

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

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

INTRODUCTION

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

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

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

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

- ***Overview of the Company s Business*** This section provides a general description of the Company s businesses, as well as developments that occurred during fiscal 2016, fiscal 2015 and fiscal 2014 that the Company believes are important in understanding its results of operations and financial condition or to disclose known trends.

- ***Results of Operations*** This section provides an analysis of the Company s results of operations for the three fiscal years ended June 30, 2016, respectively. This analysis is presented on a consolidated basis

38

and a segment basis. In addition, a brief description is provided of significant transactions and events that impact the comparability of the results being analyzed. The Company s fiscal year ends on the Sunday closest to June 30. Fiscal 2016, fiscal 2015 and fiscal 2014 include 53, 52 and 52 weeks, respectively. As a result, the Company has referenced the impact of the 53rd week, where applicable, when providing analysis of the results of operations.

Liquidity and Capital Resources This section provides an analysis of the Company s cash flows for the three fiscal years ended June 30, 2016, respectively, as well as a discussion of the Company s financial arrangements and outstanding commitments, both firm and contingent, that existed as of June 30, 2016.

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

OVERVIEW OF THE COMPANY S BUSINESSES

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

News and Information Services The News and Information Services segment includes the global print and digital product offerings of *The Wall Street Journal* and the Dow Jones Media Group, which includes *Barron s* and MarketWatch, as well as the Company s suite of professional information products, including Factiva, Dow Jones Risk & Compliance, Dow Jones Newswires, Dow Jones PEVC and DJX. The Company also owns, among other publications, *The Australian, The Daily Telegraph, Herald Sun* and *The Courier-Mail* in Australia*, The Times, The Sunday Times, The Sun* and *The Sun on Sunday* in the U.K. and the *New York Post* in the U.S. This segment also includes both News America Marketing, a leading provider of home-delivered shopper media, in-store marketing products and services and digital marketing solutions, including Checkout 51 s mobile application, as well as Unruly, a leading global video advertising distribution platform.

Book Publishing The Book Publishing segment consists of HarperCollins, the second largest consumer book publisher in the world, with operations in 18 countries and particular strengths in general fiction, nonfiction, children s and religious publishing. HarperCollins owns more than 120 branded publishing imprints, including Avon, Harper, HarperCollins Children s Books, William Morrow, Harlequin and Christian publishers Zondervan and Thomas Nelson, and publishes works by well-known authors such as Harper Lee, Mitch Albom, Veronica Roth, Rick Warren, Sarah Young and Agatha Christie and popular titles such as *The Hobbit*, *Goodnight Moon*, *To Kill a Mockingbird, Jesus Calling* and the *Divergent* series.

Digital Real Estate Services The Digital Real Estate Services segment consists primarily of the Company s interests in REA Group Limited (REA Group) and Move, Inc. (Move). REA Group is a publicly traded company listed on the Australian Securities Exchange (ASX) (ASX: REA) that advertises property and property-related services on websites and mobile applications across Australia, Europe and Asia. REA Group operates Australia s leading residential and commercial property websites, realestate.com.au and realcommercial.com.au. The Company holds a 61.6% interest in REA Group.

Move, acquired in November 2014, is a leading provider of online real estate services in the U.S. and primarily operates realtor.com®, a premier real estate information and services marketplace. Move also offers a number of professional software and services products, including Top Producer®, TigerLead® and ListHub™. The Company owns an 80% interest in Move, with the remaining 20% being held by REA Group.

Cable Network Programming The Cable Network Programming segment consists of FOX SPORTS Australia, the leading sports programming provider in Australia, with seven high definition television channels distributed via cable, satellite and IP, several interactive viewing applications and broadcast rights to live sporting events in Australia including: National Rugby League, the domestic football league, international cricket and Australian Rugby Union.

Other The Other segment consists primarily of general corporate overhead expenses, the corporate Strategy and Creative Group and costs related to the U.K. Newspaper Matters (as defined in Item 1A. Risk Factors). The Company s corporate Strategy and Creative Group was formed to identify new products and services across its businesses to increase revenues and profitability and to target and assess potential acquisitions and investments.

News and Information Services

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

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

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

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

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

Table of Contents

Book Publishing

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

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

Digital Real Estate Services

The Digital Real Estate Services segment sells online advertising services on its residential real estate and commercial property sites and also licenses certain professional software products on a subscription basis. Significant expenses associated with these sites and software solutions include development costs, advertising and promotional expenses, hosting and support services, salaries, employee benefits and other routine overhead expenses.

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

Cable Network Programming

The Cable Network Programming segment consists of FOX SPORTS Australia, which offers the following seven channels in high definition: FOX SPORTS 1, FOX SPORTS 2, FOX SPORTS 3, FOX SPORTS 4, FOX SPORTS 5, FOX FOOTY and FOX SPORTS NEWS. Revenue is primarily derived from monthly affiliate fees received from pay-tv providers (mainly Foxtel) based on the number of subscribers.

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

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

Other

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

Other Business Developments

On June 30, 2016, the Company announced that it had reached an agreement on the terms of a recommended cash offer (the Offer) to acquire Wireless Group plc (Wireless Group) for a purchase price of 315 pence per share in cash, or approximately £220 million (approximately $300 million) in the aggregate, plus any assumed debt at closing. Wireless Group, a publicly-traded company listed on the London and Irish Stock Exchanges, operates TalkSPORT, the leading sports radio network in the U.K., and a portfolio of radio stations in the U.K. and Ireland. The proposed acquisition is expected to broaden the Company s range of services in the U.K., Ireland and internationally. The Offer is subject to customary closing conditions, including shareholder acceptances and regulatory approval, as well as the other terms set forth in the Company s Offer Document. As a result of U.K. takeover regulations requiring the Company to demonstrate that necessary financial resources are available to enable full satisfaction of the consideration payable in the Offer, the Company has specifically set aside $315 million of cash for the Offer and has classified it as restricted cash in the Balance Sheet as of June 30, 2016.

In June 2016, the Company entered into an agreement to purchase Australian Regional Media (ARM) from APN News and Media Limited (APN) for approximately $30 million. ARM operates a portfolio of regional print assets and websites and extends the reach of the Australian newspaper business to new customers in new geographic regions. The acquisition is subject to regulatory and APN shareholder approval.

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

In February 2016, the Company acquired a 92% interest in DIAKRIT International Limited (DIAKRIT) for approximately $40 million in cash. The Company has the option to purchase, and the minority shareholders also have the option to sell to the Company, the remaining 8% in two tranches over the next six years at fair value. DIAKRIT is a digital visualization solutions company that helps homeowners see the potential in their future living environment with digital visualization solutions that enable them to plan, furnish and decorate their dream home, while also helping agents and developers generate more buyer inquiries and accelerate their property sale processes. DIAKRIT s results are included within the Digital Real Estate Services segment, and it is considered a separate reporting unit for purposes of the Company s annual goodwill impairment review.

In February 2016, REA Group increased its investment in iProperty Group Limited (iProperty) from 22.7% to approximately 86.9% for A$482 million in cash (approximately $340 million). The remaining 13.1% not currently owned will become mandatorily redeemable during fiscal 2018, and as a result, the Company recognized a liability of approximately $76 million. The acquisition was funded primarily with the proceeds from borrowings under an unsecured syndicated revolving loan facility (the REA Facility). (See Note 9 to the Consolidated Financial Statements). The acquisition of iProperty extends REA Group s market leading business in Australia to attractive markets throughout Southeast Asia. iProperty is a subsidiary of REA Group, and its results are included within the Digital Real Estate Services segment. During the fiscal year ended June 30, 2016, REA Group recognized a gain of $29 million related to the revaluation of its previously held equity interest in iProperty in Other, net in the Statements of Operations.

Table of Contents

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

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

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

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

During fiscal 2015, the Company purchased a 14.99% interest in APN for approximately $112 million. During fiscal 2016, the Company participated in an entitlement offer to maintain its 14.99% interest for $20 million. APN operates a portfolio of Australian radio and outdoor media assets.

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

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

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

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

Table of Contents

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

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

In April 2014, The Rubicon Project, Inc. (Rubicon), in which the Company owned approximately 5.6 million shares as of March 31, 2014, completed an initial public offering of its common stock. The Company sold approximately 850 thousand shares as part of the public offering which resulted in a pre-tax gain on sale of $6 million. Prior to the public offering, the Company s investment in Rubicon was recorded in the Balance Sheets at cost. As a result of the offering, the Company s remaining investment in Rubicon was designated as an available-for-sale security as of April 2014, and carried at fair value. Unrealized gains and losses from available-for-sale securities are reported as a component of accumulated other comprehensive (loss) income, net of tax, in stockholders equity.

In December 2013, the Company acquired Storyful Limited (Storyful), a social media content agency, for approximately $25 million, of which $19 million was paid in cash, with the remainder primarily related to an earn-out that was contingent upon the achievement of certain performance objectives. The Storyful acquisition complements the Company s existing video capabilities, including the creation and distribution of original and on-demand programming such as WSJ Live and BallBall. Storyful s results are included within the News and Information Services segment.

In September 2013, the Company sold the Dow Jones Local Media Group, which operated eight daily and fifteen weekly newspapers in seven states. The gain recognized on the sale of LMG was not significant as the carrying value of the assets held for sale on the date of sale approximated the proceeds received.

Table of Contents

Results of Operations Fiscal 2016 versus Fiscal 2015

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

(in millions, except %)	For the fiscal years ended June 30, 2016	2015	Change Better/(Worse)	% Change
Revenues:				
Advertising	$ 3,644	$ 3,835	$ (191)	(5)%
Circulation and Subscription	2,569	2,608	(39)	(1)%
Consumer	1,578	1,594	(16)	(1)%
Other	501	487	14	3 %
Total Revenues	8,292	8,524	(232)	(3)%
Operating expenses	(4,728)	(4,952)	224	5 %
Selling, general and administrative	(2,722)	(2,627)	(95)	(4)%
NAM Group and Zillow settlements, net	(158)		(158)	**
Depreciation and amortization	(505)	(498)	(7)	(1)%
Impairment and restructuring charges	(89)	(84)	(5)	(6)%
Equity earnings of affiliates	30	58	(28)	(48)%
Interest, net	43	56	(13)	(23)%
Other, net	18	75	(57)	(76)%
Income from continuing operations before income tax benefit (expense)	**181**	**552**	**(371)**	(67)%
Income tax benefit (expense)	54	(185)	239	**
Income from continuing operations	**235**	**367**	**(132)**	(36)%
Income (loss) from discontinued operations, net of tax	15	(445)	460	**
Net income (loss)	250	(78)	328	**
Less: Net income attributable to noncontrolling interests	(71)	(69)	(2)	(3)%
Net income (loss) attributable to News Corporation	**$ 179**	**$ (147)**	**$ 326**	**

** not meaningful

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

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

Table of Contents

Selling, general and administrative expenses Selling, general and administrative expenses increased $95 million, or 4%, for the fiscal year ended June 30, 2016 as compared to fiscal 2015. The increase in Selling, general and administrative expenses was primarily due to higher expenses at the Digital Real Estate Services segment as a result of the acquisition of Move in November 2014 and increased costs in the News and Information Services segment. The increases at the News and Information Services segment were primarily related to the acquisition of Unruly in September 2015 and Checkout 51 in July 2015 as well as increased brand marketing and promotional expenses at the U.K. newspapers. These increases were partially offset by the positive impact of foreign currency fluctuations. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Selling, general and administrative expense decrease of $186 million for the fiscal year ended June 30, 2016 as compared to fiscal 2015.

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

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

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

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

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

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

** not meaningful

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

For the fiscal year ended June 30, 2016, Foxtel revenues decreased $279 million, or 10%, as a result of the negative impact of foreign currency fluctuations, which more than offset higher revenues in local currency. Operating income decreased primarily due to the negative net impact of foreign currency fluctuations,

Table of Contents

increased investment in programming to support subscriber growth, higher offer costs and continued investment in Presto, partially offset by lower depreciation expense resulting from Foxtel s reassessment of the useful lives of cable and satellite installations. Net income decreased as a result of the lower operating income noted above, partially offset by lower income tax expense.

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

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

Other, net

(in millions)	**For the fiscal years ended June 30, 2016**	**2015**
Gain on iProperty transaction[(a)]	$ 29	$
Impairment of marketable securities and cost method investments[(b)]	(21)	(5)
Gain on sale of marketable securities[(c)]		29
Dividends received from cost method investments		25
Gain on sale of cost method investments		15
Other	10	11
Total Other, net	$ 18	$ 75

(a) REA Group recognized a gain of $29 million resulting from the revaluation of its previously held equity interest in iProperty during the fiscal year ended June 30, 2016. (See Note 3 to the Consolidated Financial Statements).

(b) The Company recorded write-offs and impairments of certain investments in the fiscal years ended June 30, 2016 and 2015. These write-offs and impairments were taken either as a result of the deteriorating financial position of the investee or due to an other-than-temporary impairment resulting from sustained losses and limited prospects for recovery. (See Note 6 to the Consolidated Financial Statements.)

(c) In August 2014, REA Group completed the sale of a minority interest held in marketable securities for total cash consideration of $104 million. As a result of the sale, REA Group recognized a pre-tax gain of $29 million, which was reclassified out of accumulated other comprehensive income and included in Other, net in the Statement of Operations.

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

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

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

47

Table of Contents

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

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

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

Segment Analysis

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

Segment EBITDA is the primary measure used by the Company s chief operating decision maker to evaluate the performance of and allocate resources within the Company s businesses. Segment EBITDA provides management, investors and equity analysts with a measure to analyze the operating performance of each of the Company s business segments and its enterprise value against historical data and competitors data, although historical results may not be indicative of future results (as operating performance is highly contingent on many factors, including customer tastes and preferences). The Company believes that information about Segment EBITDA allows users of its Consolidated Financial Statements to evaluate changes in the operating results of the Company s portfolio of businesses separate from non-operational factors that affect net income (loss), thus providing insight into both operations and the other factors that affect reported results.

Table of Contents

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

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

** not meaningful

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

Table of Contents

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

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

** not meaningful

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

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

News Corp Australia

Revenues at the Australian newspapers for the fiscal year ended June 30, 2016 decreased 16% compared to fiscal 2015, with the impact of foreign currency fluctuations of the U.S. dollar against the Australian dollar resulting in a revenue decrease of $194 million, or 13%. Advertising revenues declined $203 million, primarily as a result of the negative impact of foreign currency fluctuations and weakness in the print advertising market in Australia. Circulation and subscription revenues declined $43 million due to the negative impact of foreign currency fluctuations, as price increases, digital subscriber growth and the positive impact of the 53rd week more than offset print volume declines.

Table of Contents

News UK

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

Dow Jones

Revenues for the fiscal year ended June 30, 2016 were relatively flat as compared to fiscal 2015. Circulation and subscription revenues increased by $33 million, primarily due to price increases and digital volume growth at *The Wall Street Journal*, modest growth in subscription revenues in the professional information business and the positive impact of the 53rd week, partially offset by the negative impact of foreign currency fluctuations. This increase was partially offset by lower advertising revenues of $27 million as a result of lower print advertising, partially offset by higher digital advertising revenues and the positive impact of the 53rd week. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of $10 million, or 1%, for the fiscal year ended June 30, 2016 as compared to fiscal 2015.

News America Marketing

Revenues at News America Marketing decreased 6% for the fiscal year ended June 30, 2016 as compared to fiscal 2015, primarily due to decreased revenues for free-standing insert products of $98 million, partially offset by increased in-store product revenues of $18 million.

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

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

For the fiscal year ended June 30, 2016, revenues at the Book Publishing segment decreased $21 million, or 1%, as compared to fiscal 2015. The decrease was primarily the result of $69 million in higher sales of the *Divergent* series by Veronica Roth and *American Sniper* by Chris Kyle in the prior year, an industry-wide decline in e-book sales and the negative impact of foreign currency fluctuations. These decreases were partially offset by higher print book sales across all genres, including sales of *Go Set a Watchman* by Harper Lee in fiscal 2016 of $42 million, and $23 million related to the acquisition of Harlequin in August 2014. The Company sold 2.0 million net units of the *Divergent* series in the fiscal year ended June 30, 2016 as compared to 8.3 million net units in fiscal 2015. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of $39 million, or 2%, for the fiscal year ended June 30, 2016 as compared to fiscal 2015. Digital sales represented 19% of Consumer revenues during fiscal 2016. Digital sales decreased 15% as compared to fiscal 2015 due to an industry-wide decline in e-book sales and the lower contribution from the *Divergent* series. During the fiscal year ended June 30, 2016, HarperCollins had 239 titles on The New York Times Bestseller List, with 30 titles reaching the number one position. The impact of the 53rd week in fiscal 2016 resulted in a revenue increase of approximately $19 million.

For the fiscal year ended June 30, 2016, Segment EBITDA at the Book Publishing segment decreased $36 million, or 16%, as compared to fiscal 2015. The decrease was primarily due to the industry-wide decline in e-book sales and lower contribution from the *Divergent* series and *American Sniper*, partially offset by cost savings initiatives and the contribution from higher print book sales, including *Go Set a Watchman* by Harper Lee.

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

	For the fiscal years ended June 30,			
	2016	**2015**	**Change**	**% Change**
(in millions, except %)			**Better/(Worse)**	
Revenues:				
Advertising	$ 752	$ 589	$ 163	28 %
Circulation and Subscription	64	36	28	78 %
Other	6		6	**
Total Revenues	**822**	**625**	**197**	**32 %**
Operating expenses	(102)	(58)	(44)	(76)%
Selling, general and administrative	(498)	(366)	(132)	(36)%
Zillow settlement	122		122	**
Segment EBITDA	**$ 344**	**$ 201**	**$ 143**	**71 %**

** not meaningful

For the fiscal year ended June 30, 2016, revenues at the Digital Real Estate Services segment increased $197 million, or 32%, as compared to fiscal 2015, primarily due to a $169 million increase from Move which was acquired in November 2014. The majority of the increase related to the inclusion of a full year of operations in fiscal 2016 as compared to fiscal 2015. Approximately $40 million of the increase related to Move was driven by increased Connection℠ for Co-brokerage product revenues and to a lesser extent, non-listing media revenues in the period from November 2015 through the end of fiscal 2016, as compared to the comparable prior year period. At REA Group, a 5% increase in revenues resulting from higher revenues from greater residential listing depth product penetration and higher developer and media revenues was largely offset by the negative impact of foreign currency fluctuations. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of $66 million, or 10%, for the fiscal year ended June 30, 2016 as compared to fiscal 2015.

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

Table of Contents

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

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

For the fiscal year ended June 30, 2016, revenues and Segment EBITDA at the Cable Network Programming segment decreased $16 million, or 3%, and $11 million, or 8%, respectively, as compared to fiscal 2015. The revenue decrease was primarily due to the negative impact of foreign currency fluctuations, which more than offset higher affiliate and advertising revenues. The decrease in Segment EBITDA was primarily the result of higher programming rights and production costs related to the Rugby World Cup and the National Rugby League simulcast rights, higher production costs for other sports programming and the negative net impact of foreign currency fluctuations, partially offset by the absence of costs associated with the Cricket World Cup and Asian Cup which occurred during fiscal 2015 and the higher affiliate and advertising revenues noted above. The impact of foreign currency fluctuations of the U.S. dollar against the Australian dollar resulted in a revenue decrease of $60 million, or 12%, and a Segment EBITDA decrease of $14 million, or 10%, for the fiscal year ended June 30, 2016 as compared to fiscal 2015. The impact of the 53rd week in fiscal 2016 resulted in a revenue increase of approximately $10 million.

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

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

** not meaningful

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

53

Table of Contents

Results of Operations Fiscal 2015 versus Fiscal 2014

The following table sets forth the Company s operating results for fiscal 2015 as compared to fiscal 2014.

(in millions, except %)	For the fiscal years ended June 30, 2015	2014	Change	% Change Better/(Worse)
Revenues:				
Advertising	$ 3,835	$ 4,019	$ (184)	(5)%
Circulation and Subscription	2,608	2,648	(40)	(2)%
Consumer	1,594	1,374	220	16 %
Other	487	445	42	9 %
Total Revenues	8,524	8,486	38	
Operating expenses	(4,952)	(5,074)	122	2 %
Selling, general and administrative	(2,627)	(2,449)	(178)	(7)%
Depreciation and amortization	(498)	(552)	54	10 %
Impairment and restructuring charges	(84)	(94)	10	11 %
Equity earnings of affiliates	58	90	(32)	(36)%
Interest, net	56	68	(12)	(18)%
Other, net	75	(653)	728	**
Income (loss) from continuing operations before income tax (expense) benefit	**552**	**(178)**	**730**	**
Income tax (expense) benefit	(185)	614	(799)	**
Income from continuing operations	367	436	(69)	(16)%
Loss from discontinued operations, net of tax	(445)	(142)	(303)	**
Net (loss) income	(78)	294	(372)	**
Less: Net income attributable to noncontrolling interests	(69)	(55)	(14)	(25)%
Net (loss) income attributable to News Corporation	**$ (147)**	**$ 239**	**$ (386)**	**

** not meaningful

Revenues Revenues increased $38 million for the fiscal year ended June 30, 2015 as compared to fiscal 2014. The revenue increase was primarily due to increased revenues at the Book Publishing segment of $233 million, primarily as a result of the acquisition of Harlequin in August 2014, and increased revenues at the Digital Real Estate Services segment of $217 million, primarily as a result of the acquisition of Move in November 2014, and to a lesser extent, increased revenues at REA Group. These revenue increases were partially offset by a decrease in revenues at the News and Information Services segment of $422 million for the fiscal year ended June 30, 2015, primarily resulting from weakness in the print advertising market and the negative impact of foreign currency fluctuations, partially offset by an increase in other revenues. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Revenue decrease of $319 million for the fiscal year ended 2015 as compared to fiscal 2014.

Operating Expenses Operating expenses decreased $122 million, or 2%, for the fiscal year ended June 30, 2015 as compared to fiscal 2014. The decrease in Operating expenses was mainly due to lower operating expenses at the News and Information Services segment of $264 million due to lower production and distribution costs resulting from reduced sales, the positive impact of foreign currency fluctuations and the impact of cost savings initiatives. The decrease in Operating expenses was partially offset by higher operating expenses at the Book Publishing and Digital Real Estate Services segments, primarily due to the acquisitions of Harlequin and Move, respectively. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in an Operating expense decrease of $143 million for the fiscal year ended June 30, 2015 as compared to fiscal 2014.

54

Table of Contents

Selling, general and administrative expenses Selling, general and administrative expenses increased $178 million, or 7%, for the fiscal year ended June 30, 2015 as compared to fiscal 2014. The increase in Selling, general and administrative expenses was primarily due to higher expenses at the Digital Real Estate Services segment, primarily as a result of the acquisition of Move, including one-time transaction costs associated with the acquisition of $19 million, higher expenses at the Book Publishing segment, primarily as a result of the acquisition of Harlequin, increased legal costs of $20 million at News America Marketing and the impact of dual rent and other facility related costs of $13 million. These increases were partially offset by the positive impact of foreign currency fluctuations and the impact of cost savings initiatives. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Selling, general and administrative expense decrease of $127 million for the fiscal year ended June 30, 2015 as compared to fiscal 2014.

Depreciation and amortization Depreciation and amortization expense decreased $54 million, or 10%, for the fiscal year ended June 30, 2015 as compared to fiscal 2014, primarily due to lower depreciation expense at the News and Information Services segment of $93 million, partially offset by increased depreciation at the Digital Real Estate Services segment and Book Publishing segment, primarily due to the acquisitions of Move and Harlequin, respectively. Depreciation and amortization in fiscal 2014 included approximately $30 million related to accelerated depreciation at the U.K. newspapers as a result of changes in the useful lives of leased facilities that the Company exited in fiscal 2014. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a depreciation and amortization expense decrease of $22 million for the fiscal year ended June 30, 2015 as compared to fiscal 2014.

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