TWENTY-FIRST CENTURY FOX, INC.
Form 10-Q
February 09, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended December 31, 2015

or

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

Commission file number 001-32352

TWENTY-FIRST CENTURY FOX, INC.

(Exact Name of Registrant as Specified in its Charter)

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

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

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

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

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

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

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

As of February 3, 2016, 1,119,446,970 shares of Class A Common Stock, par value $0.01 per share, and 798,520,953 shares of Class B Common Stock, par value $0.01 per share, were outstanding.

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FORM 10-Q

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UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	For the three months ended December 31,		For the six months ended December 31,	
	2015	2014	2015	2014
Revenues	$ 7,375	$ 8,055	$ 13,452	$ 15,942
Operating expenses	(4,757)	(5,366)	(8,430)	(10,418)
Selling, general and administrative	(903)	(988)	(1,792)	(2,067)
Depreciation and amortization	(130)	(201)	(258)	(477)
Equity earnings of affiliates	12	250	47	629
Interest expense, net	(298)	(310)	(593)	(615)
Interest income	7	9	16	23
Other, net	(142)	5,040	(225)	5,075
Income from continuing operations before income tax expense	1,164	6,489	2,217	8,092
Income tax expense	(414)	(189)	(727)	(692)
Income from continuing operations	750	6,300	1,490	7,400
Loss from discontinued operations, net of tax	(2)	(16)	(5)	(23)
Net income	748	6,284	1,485	7,377
Less: Net income attributable to noncontrolling interests	(76)	(77)	(138)	(133)
Net income attributable to Twenty-First Century Fox, Inc. stockholders	$ 672	$ 6,207	$ 1,347	$ 7,244
Earnings per share data				
Income from continuing operations attributable to Twenty-First Century Fox, Inc. stockholders - basic and diluted	$ 674	$ 6,223	$ 1,352	$ 7,267
Weighted average shares:				
Basic	1,958	2,150	1,983	2,170
Diluted	1,958	2,152	1,985	2,173
Income from continuing operations attributable to Twenty-First Century Fox, Inc. stockholders per share:				
Basic	$ 0.34	$ 2.89	$ 0.68	$ 3.35
Diluted	$ 0.34	$ 2.89	$ 0.68	$ 3.34

Net income attributable to Twenty-First Century Fox, Inc. stockholders per share:				
Basic	$ 0.34	$ 2.89	$ 0.68	$ 3.34
Diluted	$ 0.34	$ 2.88	$ 0.68	$ 3.33

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

TWENTY-FIRST CENTURY FOX, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(IN MILLIONS)

	For the three months ended December 31,		For the six months ended December 31,	
	2015	2014	2015	2014
Net income	$ 748	$ 6,284	$ 1,485	$ 7,377
Other comprehensive loss, net of tax:				
Foreign currency translation adjustments	(231)	(712)	(375)	(1,612)
Gains on interest rate swap contracts	5	-	-	-
Unrealized holding losses on securities	-	(47)	(4)	(57)
Benefit plan adjustments	6	8	10	14
Other comprehensive loss, net of tax	(220)	(751)	(369)	(1,655)
Comprehensive income	528	5,533	1,116	5,722
Less: Net income attributable to noncontrolling interests[(a)]	(76)	(77)	(138)	(133)
Less: Other comprehensive loss attributable to noncontrolling interests	-	32	-	214
Comprehensive income attributable to Twenty-First Century Fox, Inc. stockholders	$ 452	$ 5,488	$ 978	$ 5,803

[(a)] Net income attributable to noncontrolling interests includes $32 million and $29 million for the three months ended December 31, 2015 and 2014, respectively, and $60 million and $53 million for the six months ended December 31, 2015 and 2014, respectively, relating to redeemable noncontrolling interests.

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

TWENTY-FIRST CENTURY FOX, INC.

CONSOLIDATED BALANCE SHEETS

(IN MILLIONS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	As of December 31, 2015 (unaudited)	As of June 30, 2015 (audited)
Assets:		
Current assets:		
Cash and cash equivalents	$ 4,293	$ 8,428
Receivables, net	6,842	5,912
Inventories, net	3,305	2,749
Other	386	287
Total current assets	14,826	17,376
Non-current assets:		
Receivables, net	410	394
Investments	4,053	4,529
Inventories, net	6,815	6,411
Property, plant and equipment, net	1,668	1,722
Intangible and other long-term assets, net	6,764	6,320
Goodwill	12,716	12,513
Other non-current assets	844	786
Total assets	$ 48,096	$ 50,051
Liabilities and Equity:		
Current liabilities:		
Borrowings	$ 486	$ 244
Accounts payable, accrued expenses and other current liabilities	3,359	3,937
Participations, residuals and royalties payable	1,781	1,632
Program rights payable	1,098	1,001
Deferred revenue	544	448
Total current liabilities	7,268	7,262
Non-current liabilities:		
Borrowings	19,251	18,795
Other liabilities	3,190	3,105
Deferred income taxes	2,275	2,082

Redeemable noncontrolling interests	617	621
Commitments and contingencies		
Equity:		
Class A common stock[(a)]	11	12
Class B common stock[(b)]	8	8
Additional paid-in capital	12,573	13,427
Retained earnings	3,851	5,343
Accumulated other comprehensive loss	(1,939)	(1,570)
Total Twenty-First Century Fox, Inc. stockholders' equity	14,504	17,220
Noncontrolling interests	991	966
Total equity	15,495	18,186
Total liabilities and equity	$ 48,096	$ 50,051

(a) Class A common stock, $0.01 par value per share, 6,000,000,000 shares authorized, 1,132,707,782 shares and 1,239,971,838 shares issued and outstanding, net of 123,687,371 treasury shares at par as of December 31, 2015 and June 30, 2015, respectively.

(b) Class B common stock, $0.01 par value per share, 3,000,000,000 shares authorized, 798,520,953 shares issued and outstanding, net of 356,993,807 treasury shares at par as of December 31, 2015 and June 30, 2015.

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

TWENTY-FIRST CENTURY FOX, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN MILLIONS)

	For the six months ended December 31, 2015	2014
Operating activities:		
Net income	$ 1,485	$ 7,377
Less: Loss from discontinued operations, net of tax	(5)	(23)
Income from continuing operations	1,490	7,400
Adjustments to reconcile income from continuing operations to cash provided by operating activities:		
Depreciation and amortization	258	477
Amortization of cable distribution investments	35	44
Equity-based compensation	119	91
Equity earnings of affiliates	(47)	(629)
Cash distributions received from affiliates	219	221
Other, net	225	(5,075)
CLT20 contract termination costs[(a)]	(420)	-
Deferred income taxes and other taxes	179	(246)
Change in operating assets and liabilities, net of acquisitions and dispositions:		
Receivables and other assets	(1,035)	(809)
Inventories net of program rights payable	(792)	(940)
Accounts payable and other liabilities	1	318
Net cash provided by operating activities from continuing operations	232	852
Investing activities:		
Property, plant and equipment	(92)	(261)
Acquisitions, net of cash acquired	(908)	-
Investments in equity affiliates	(86)	(1,076)
Other investments	(214)	(39)
Proceeds from dispositions, net	-	8,613
Net cash (used in) provided by investing activities from continuing operations	(1,300)	7,237
Financing activities:		
Borrowings	1,124	2,447
Repayment of borrowings	(439)	(2,059)
Excess tax benefit from equity-based compensation	11	48
Repurchase of shares	(3,202)	(2,730)
Dividends paid and distributions	(419)	(436)

Purchase of subsidiary shares from noncontrolling interests	(62)	(650)
Net cash used in financing activities from continuing operations	(2,987)	(3,380)
Net decrease in cash and cash equivalents from discontinued operations	(10)	(28)
Net (decrease) increase in cash and cash equivalents	(4,065)	4,681
Cash and cash equivalents, beginning of year	8,428	5,415
Exchange movement on cash balances	(70)	(45)
Cash and cash equivalents, end of period	$ 4,293	$ 10,051

[a] See Note 12 – Additional Financial Information.

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

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

In addition, the Direct Broadcast Satellite Television ("DBS") segment consisted of the distribution of programming services via satellite, cable and broadband directly to subscribers in Italy, Germany and Austria. The DBS segment consisted entirely of the operations of Sky Italia and Sky Deutschland AG ("Sky Deutschland") (collectively the "DBS businesses"). On November 12, 2014, Twenty-First Century Fox completed the sale of Sky Italia and its 57% interest in Sky Deutschland to Sky plc ("Sky"). Sky is a pan-European digital television provider, which operates in Italy, Germany, Austria, the United Kingdom and Ireland. Following the sale of the DBS businesses, the Company continues to report in five segments for comparative purposes, and there is no current activity in the DBS segment.

The accompanying Unaudited Consolidated Financial Statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments consisting only of normal recurring adjustments necessary for a fair presentation have been reflected in these Unaudited Consolidated Financial Statements. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2016.

These interim Unaudited Consolidated Financial Statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2015 as filed with the Securities and Exchange Commission ("SEC") on August 13, 2015 (the "2015 Form 10-K").

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

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

Certain fiscal 2015 amounts have been reclassified to conform to the fiscal 2016 presentation. Unless indicated otherwise, the information in the notes to the Unaudited Consolidated Financial Statements relate to the Company's continuing operations.

Recently Adopted and Recently Issued Accounting Guidance

Adopted

In April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-08, “Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360)” (“ASU 2014-08”). The amendments in ASU 2014-08 provide guidance for the recognition of discontinued operations, change the requirements for reporting discontinued operations in Accounting Standards Codification (“ASC”) 205-20, “Discontinued Operations” (“ASC 205-20”) and require additional disclosures about discontinued operations. ASU 2014-08 is effective on a prospective basis for the Company for interim reporting periods beginning July 1, 2015. Certain disposals that occurred in the past were not reported as discontinued operations as they did not meet the criteria under the superseded accounting guidance. Such disposals would have met the criteria to be reported as discontinued operations in accordance with ASU 2014-08.

Issued

In September 2015, the FASB issued ASU 2015-16, “Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments” (“ASU 2015-16”). The amendments in ASU 2015-16 require that an acquirer recognize adjustments to provisional amounts, that are identified during the measurement period, in the reporting period in which the adjustment amounts are determined. ASU 2015-16 is effective for the Company for the interim reporting periods beginning July 1, 2016. The Company is currently evaluating the impact ASU 2015-16 will have on its consolidated financial statements.

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NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"). The amendments in ASU 2015-17 require that tax liabilities and assets be classified as noncurrent in a classified statement of financial position. ASU 2015-17 is effective for the Company for the interim reporting periods beginning July 1, 2017.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"). The amendments in ASU 2016-01 address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 is effective for the Company for the interim reporting periods beginning July 1, 2018. The Company is currently evaluating the impact ASU 2016-01 will have on its consolidated financial statements.

NOTE 2. ACQUISITIONS, DISPOSALS AND OTHER TRANSACTIONS

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

For recent acquisitions, the accounting for the business combination is based on provisional amounts and the allocation of the excess purchase price is not final. The amounts allocated to intangibles and goodwill, the estimates of useful lives and the related amortization expense are subject to changes pending the completion of the final valuations of certain assets and liabilities. A change in the purchase price allocations and any estimates of useful lives could result in a change in the value allocated to the intangible assets that could impact future amortization expense.

Fiscal 2016

Acquisitions

National Geographic Partners

In fiscal 2016, the Company, through 21st Century Fox America, Inc. ("21CFA"), a wholly-owned subsidiary of the Company, and the National Geographic Society ("NGS"), formed the entity that became National Geographic Partners, LLC ("National Geographic Partners"), to which, in November 2015, the Company contributed $625 million in cash and the Company and NGS contributed their existing interests in NGC Network US, LLC, NGC Network International, LLC and NGC Network Latin America, LLC (collectively "NGC Networks"). Prior to the transaction, the Company held a controlling interest in NGC Networks, a consolidated subsidiary. NGS also contributed its publishing, travel and certain other businesses (collectively the "NGS Media Business") to National Geographic Partners. As part of the transaction, National Geographic Partners also acquired the long-term license for the use of certain trademarks owned by NGS related to the NGC Networks and the NGS Media Business. The Company currently holds a 73% controlling interest in National Geographic Partners. The cash paid to NGS of $625 million has been preliminarily allocated as follows: approximately $130 million to the net assets and certain intangible assets of the NGS Media Business, approximately $440 million to the long-term asset related to the trademark license agreement and approximately $55 million to the increase in the Company's interest in National Geographic Partners.

MAA Television Network

In December 2015, the Company acquired the entirety of the broadcast business of MAA Television Network Limited ("MAA TV"), an entity in India that broadcasts and operates Telugu language entertainment channels, for approximately $346 million in cash including payments toward non-compete agreements. The excess purchase price of approximately $285 million has been preliminarily allocated, based on a provisional valuation of MAA TV, as follows: approximately $75 million to intangible assets consisting of multi-channel video programming distributor affiliate agreements and relationships with useful lives of 12 years, advertiser relationships with useful lives of nine years and the MAA TV trade name with a useful life of 10 years; and the balance of the excess representing the goodwill on the transaction included in the Cable Network Programming segment. The goodwill reflects the synergies and increased market penetration expected from combining the operations of MAA TV and the Company.

Fiscal 2015

Acquisitions

trueX media inc.

In February 2015, the Company acquired trueX media inc. ("true[X]"), a video advertising company specializing in consumer engagement and on-demand marketing campaigns, for an estimated total purchase price of approximately $175 million in cash including deferred payments which are subject to the achievement of service and performance conditions. The excess purchase price of approximately $125 million has been preliminarily allocated, based on a provisional valuation of true[X], as follows: approximately

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$30 million to intangible assets and the balance of the excess representing the goodwill on the transaction and other net assets. The goodwill reflects the synergies and increased market penetration expected from combining the operations of true[X] and the Company.

For fiscal 2016 and 2015, as applicable, the incremental revenues and Segment OIBDA (as defined in Note 11 – Segment Information) related to the acquisitions above included in the Company's consolidated results of operations were not material individually or in the aggregate.

NOTE 3. RECEIVABLES, NET

Receivables are presented net of an allowance for returns and doubtful accounts, which is an estimate of amounts that may not be collectible.

Receivables, net consist of:

	As of December 31, 2015	As of June 30, 2015
	(in millions)	
Total receivables	$7,898	$6,812
Allowances for returns and doubtful accounts	(646)	(506)
Total receivables, net	7,252	6,306
Less: current receivables, net	(6,842)	(5,912)
Non-current receivables, net	$410	$394

NOTE 4. INVENTORIES, NET

The Company's inventories were comprised of the following:

As of December 31,	As of June 30,

	2015	2015
	(in millions)	
Programming rights	$6,102	$5,496
DVDs, Blu-rays and other merchandise	75	67
Filmed entertainment costs:		
Films:		
Released	1,321	1,094
Completed, not released	-	27
In production	964	1,170
In development or preproduction	204	185
	2,489	2,476
Television productions:		
Released	968	868
In production	485	252
In development or preproduction	1	1
	1,454	1,121
Total filmed entertainment costs, less accumulated amortization[a]	3,943	3,597
Total inventories, net	10,120	9,160
Less: current portion of inventories, net[b]	(3,305)	(2,749)
Total non-current inventories, net	$6,815	$6,411

[a] Does not include $288 million and $304 million of net intangible film library costs as of December 31, 2015 and June 30, 2015, respectively, which were included in intangible assets subject to amortization in the Consolidated Balance Sheets.

[b] Current portion of inventories, net as of December 31, 2015 and June 30, 2015 was comprised of programming rights ($3,230 million and $2,682 million, respectively), DVDs, Blu-rays and other merchandise.

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. INVESTMENTS

The Company's investments were comprised of the following:

		Ownership percentage as of December 31, 2015	As of December 31, 2015	As of June 30, 2015
			(in millions)	
Sky[a][b]	European DBS operator	39%	$3,033	$3,382
Endemol Shine Group[b]	Global multi-platform content provider	50%	609	706
Other investments		various	411	441
Total investments			$4,053	$4,529

[a] The Company's investment in Sky had a market value of $11 billion as of December 31, 2015 determined using its quoted market price on the London Stock Exchange (a Level 1 measurement as defined in Note 6 – Fair Value).

[b] Equity method investment.

Sky

In July 2014, the Company participated in Sky's equity offering by purchasing approximately $900 million of additional shares in Sky and maintained the Company's 39% ownership interest. The Company received dividends of approximately $210 million from Sky for the six months ended December 31, 2015 and 2014. Included in Equity earnings of affiliates in the Unaudited Consolidated Statements of Operations for the three and six months ended December 31, 2014 was the Company's proportionate share of approximately $200 million and $480 million, respectively, of Sky's gains related to the sale of its investments in NGC Network International LLC and ITV plc.

Other

During the six months ended December 31, 2015, the Company invested approximately $160 million in cash for a minority equity interest in DraftKings, Inc. ("DraftKings"), a leading operator of online fantasy games and contests. The Company accounts for this investment at cost. Contemporaneous with the Company's investment, DraftKings, as part of their wider media program, committed to spend a minimum of $250 million for media placements on the Company's properties through December 2017. As of December 31, 2015, based on information concerning DraftKings' current valuation in a recent financing transaction, the Company determined that a portion of its investment in DraftKings was impaired and recorded a loss of approximately $95 million in Other, net in the Unaudited Consolidated Statements of Operations for the three and six months ended December 31, 2015.

NOTE 6. FAIR VALUE

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

	Fair value measurements As of December 31, 2015			
Description	Total	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(in millions)			
Assets				
Derivatives[a]	$26	$ -	$ 26	$ -
Liabilities				
Derivatives[a]	(13)	-	(13)	-
Contingent consideration[b]	(110)	-	-	(110)
Redeemable noncontrolling interests[c]	(617)	-	-	(617)
Total	$(714)	$ -	$ 13	$ (727)

	As of June 30, 2015			
Description	Total	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(in millions)			
Assets				
Investments[d]	$18	$ 18	$ -	$ -
Derivatives[a]	4	-	4	-
Liabilities				
Derivatives[a]	(34)	-	(34)	-
Contingent consideration[b]	(114)	-	-	(114)
Redeemable noncontrolling interests[c]	(621)	-	-	(621)
Total	$(747)	$ 18	$ (30)	$ (735)

(a)

Represents derivatives associated with the Company's foreign currency forward contracts and interest rate swap contracts.

[b] Represents contingent consideration related to the acquisitions of Eredivisie Media & Marketing and SportsTime Ohio in fiscal 2013.

[c] The Company accounts for redeemable noncontrolling interests in accordance with ASC 480-10-S99-3A, "Distinguishing Liabilities from Equity" ("ASC 480-10-S99-3A"), because their exercise is outside the control of the Company. The redeemable noncontrolling interests recorded at fair value are put arrangements held by the noncontrolling interests in certain of the Company's majority-owned sports networks. The Company utilizes the market, income or cost approaches or a combination of these valuation techniques for its Level 3 fair value measures, using observable inputs such as market data obtained from independent sources. To the extent observable inputs are not available, the Company utilizes unobservable inputs based upon the assumptions market participants would use in valuing the asset (liability). As of December 31, 2015, one minority shareholder's put right is currently exercisable and another minority shareholder's put right will become exercisable in March 2016. The remaining redeemable noncontrolling interests are currently not exercisable.

[d] Available-for-sale securities.

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Financial Instruments

The carrying value of the Company's financial instruments, such as cash and cash equivalents, receivables, payables and cost method investments, approximates fair value. As of December 31, 2015, the carrying value of the Company's investment in DraftKings approximates its fair value, a Level 3 measurement (see Note 5 – Investments under the heading "Other").

	As of December 31, 2015	As of June 30, 2015
	(in millions)	
Borrowings		
Fair value of borrowings	$22,254	$21,998
Carrying value of borrowings	$19,737	$19,039

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

Foreign Currency Forward Contracts

The Company uses foreign currency forward contracts primarily to hedge certain exposures to foreign currency exchange rate risks associated with revenues, the cost of producing or acquiring films and television programming as well as its investment in certain foreign operations and equity method investments.

	As of December 31, 2015	As of June 30, 2015
	(in millions)	
Cash flow hedges		
Notional amount of foreign currency forward contracts	$1,011	$903
Fair value of foreign currency forward contracts	$18	$(13)

	As of December 31, 2015	As of June 30, 2015
	(in millions)	
Net investment hedges		
Notional amount of foreign currency forward contracts	$ -	$ 198
Fair value of foreign currency forward contracts	$ -	$ (13)

Interest Rate Swap Contracts

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

	As of December 31, 2015	As of June 30, 2015
	(in millions)	
Cash flow hedges		
Notional amount of interest rate swap contracts	$ 712	$ 723
Fair value of interest rate swap contracts	$ (5)	$ (4)

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NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

	As of December 31, 2015	As of June 30, 2015
	(in millions)	
Economic hedges		
Notional amount of interest rate swap contracts	$ -	$ 255
Fair value of interest rate swap contracts	$ -	$ -

Unrealized gains on hedging activity, before tax, of $20 million and $56 million for the three months ended December 31, 2015 and 2014, respectively, and $28 million and $131 million for the six months ended December 31, 2015 and 2014, respectively, are included in other comprehensive loss. For foreign currency forward contracts designated as cash flow hedges, the Company expects to reclassify the cumulative changes in fair values, included in Accumulated other comprehensive loss, within the next three years. For interest rate swap contracts designated as cash flow hedges, the Company expects to reclassify the cumulative changes in fair values, included in Accumulated other comprehensive loss, within the next four years.

Concentrations of Credit Risk

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

The Company’s receivables did not represent significant concentrations of credit risk as of December 31, 2015 or June 30, 2015 due to the wide variety of customers, markets and geographic areas to which the Company’s products and services are sold.

The Company monitors its positions with, and the credit quality of, the financial institutions which are counterparties to its financial instruments. The Company is exposed to credit loss in the event of nonperformance by the counterparties to the agreements. As of December 31, 2015, the Company did not anticipate nonperformance by any of the counterparties.

NOTE 7. BORROWINGS

Borrowings include bank loans and public debt.

Senior Notes Issued

In October 2015, 21CFA issued $600 million of 3.70% Senior Notes due 2025 and $400 million of 4.95% Senior Notes due 2045. The net proceeds of $987 million were used for general corporate purposes.

Senior Notes Retired

In October 2015, the Company retired $200 million of 7.60% Senior Notes.

Current Borrowings

Included in Borrowings within Current liabilities as of December 31, 2015 was $400 million of 8.00% Senior Notes that are due in October 2016 and principal payments on the Yankees Entertainment and Sports Network term loan facility of $86 million that are due in the next 12 months.

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. STOCKHOLDERS' EQUITY

The following tables summarize changes in stockholders' equity:

	For the three months ended December 31, 2015			For the six months ended December 31, 2015		
	Twenty-First Century Fox stockholders	Noncontrolling interests	Total equity	Twenty-First Century Fox stockholders	Noncontrolling interests	Total equity
	(in millions)					
Balance, beginning of period	$15,281	$ 974	$16,255	$17,220	$ 966	$18,186
Net income	672	44 (a)	716	1,347	78 (a)	1,425
Other comprehensive loss	(220)	-	(220)	(369)	-	(369)
Cancellation of shares, net	(1,331)	-	(1,331)	(3,157)	-	(3,157)
Dividends declared	-	-	-	(299)	-	(299)
Other	102	(27) (b)	75	(238)	(53) (b)	(291)
Balance, end of period	$14,504	$ 991	$15,495	$14,504	$ 991	$15,495

	For the three months ended December 31, 2014			For the six months ended December 31, 2014		
	Twenty-First Century Fox stockholders	Noncontrolling interests	Total equity	Twenty-First Century Fox stockholders	Noncontrolling interests	Total equity
	(in millions)					
Balance, beginning of period	$16,265	$ 3,275	$19,540	$17,418	$ 3,483	$20,901
Net income	6,207	48 (a)	6,255	7,244	80 (a)	7,324
Other comprehensive loss	(719)	(32)	(751)	(1,441)	(214)	(1,655)
Cancellation of shares, net	(1,457)	-	(1,457)	(2,546)	-	(2,546)
Dividends declared	-	-	-	(273)	-	(273)
Purchase of noncontrolling interests[c]	(522)	(128)	(650)	(522)	(128)	(650)
Dispositions[d]	-	(2,130)	(2,130)	-	(2,130)	(2,130)
Other	39	(58) (b)	(19)	(67)	(116) (b)	(183)
	-					
Balance, end of period	$19,813	$ 975	$20,788	$19,813	$ 975	$20,788

[a] Net income attributable to noncontrolling interests excludes $32 million and $29 million for the three months ended December 31, 2015 and 2014, respectively, and $60 million and $53 million for the six months ended December 31, 2015 and 2014, respectively, relating to redeemable noncontrolling interests which are reflected in temporary

equity.

(b) Other activity attributable to noncontrolling interests excludes $(31) million and $(22) million for the three months ended December 31, 2015 and 2014, respectively, and $(64) million and $(47) million for the six months ended December 31, 2015 and 2014, respectively, relating to redeemable noncontrolling interests.

(c) Represents the increase in ownership of NGC Network International LLC and NGC Network Latin America LLC.

(d) Represents the noncontrolling interest in Sky Deutschland.

Comprehensive Income

Comprehensive income is reported in the Unaudited Consolidated Statements of Comprehensive Income and consists of Net income and Other comprehensive (loss) income, including foreign currency translation adjustments, gains and losses on interest rate swap contracts, unrealized holding gains and losses on securities and benefit plan adjustments, which affect stockholders' equity, and under GAAP, are excluded from Net income.

TWENTY-FIRST CENTURY FOX, INC.

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

	For the three months ended December 31, 2015			For the six months ended December 31, 2015		
	Before tax	Tax (provision) benefit	Net of tax	Before tax	Tax (provision) benefit	Net of tax
	(in millions)					
Foreign currency translation adjustments						
Unrealized losses	$(193)	$ (36)	$ (229)	$(350)	$ (24)	$ (374)
Amount reclassified on hedging activity[a]	(3)	1	(2)	(2)	1	(1)
Other comprehensive loss	$(196)	$ (35)	$ (231)	$(352)	$ (23)	$ (375)
Gains and losses on interest rate swap contracts						
Unrealized gains (losses)	$5	$ (2)	$ 3	$(6)	$ 2	$ (4)
Amount reclassified on hedging activity[a]	3	(1)	2	5	(1)	4
Other comprehensive income (loss)	$8	$ (3)	$ 5	$(1)	$ 1	$ -
Losses on securities						
Amount reclassified on sale of securities[b]	$-	$ -	$ -	$(7)	$ 3	$ (4)
	-					
Other comprehensive loss	$-	$ -	$ -	$(7)	$ 3	$ (4)
Benefit plan adjustments						
Unrealized losses	$-	$ -	$ -	$(2)	$ -	$ (2)
Reclassification adjustments realized in net income[c]	8	(2)	6	17	(5)	12
Other comprehensive income	$8	$ (2)	$ 6	$15	$ (5)	$ 10

	For the three months ended December 31, 2014			For the six months ended December 31, 2014		
	Before tax	Tax (provision) benefit	Net of tax	Before tax	Tax (provision) benefit	Net of tax
	(in millions)					
Foreign currency translation adjustments						
Unrealized losses	$(387)	$ 58	$ (329)	$(1,418)	$ 189	$ (1,229)
Amount reclassified on hedging activity[a]	(131)	1	(130)	(130)	-	(130)
Amount reclassified on dispositions[b]	(253)	-	(253)	(253)	-	(253)

Other comprehensive loss	$(771)	$ 59	$ (712)	$(1,801)	$ 189	$ (1,612)
Gains and losses on securities						
Unrealized (losses) gains	$(25)	$ 9	$ (16)	$237	$ (83)	$ 154
Amount reclassified on sale of securities[b]	(48)	17	(31)	(325)	114	(211)
Other comprehensive loss	$(73)	$ 26	$ (47)	$(88)	$ 31	$ (57)
Benefit plan adjustments						
Reclassification adjustments realized in net income[c]	$12	$ (4)	$ 8	$22	$ (8)	$ 14
Other comprehensive income	$12	$ (4)	$ 8	$22	$ (8)	$ 14

[a] Reclassifications of amounts related to hedging activity are included in Revenues, Operating expenses, Selling, general and administrative expenses, Interest expense, net or Other, net, as appropriate, in the Unaudited Consolidated Statements of Operations for the three and six months ended December 31, 2015 and 2014 (See Note 6 – Fair Value for additional information regarding hedging activity).

[b] Reclassifications of amounts related to dispositions and gains and losses on securities are included in Equity earnings of affiliates or Other, net, as appropriate, in the Unaudited Consolidated Statements of Operations for the three and six months ended December 31, 2015 and 2014.

[c] Reclassifications of amounts related to benefit plan adjustments are included in Selling, general and administrative expenses in the Unaudited Consolidated Statements of Operations for the three and six months ended December 31, 2015 and 2014.

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Earnings Per Share Data

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

	For the three months ended December 31,		For the six months ended December 31,	
	2015	2014	2015	2014
	(in millions)			
Income from continuing operations	$750	$6,300	$ 1,490	$ 7,400
Less: Net income attributable to noncontrolling interests	(76)	(77)	(138)	(133)
Income from continuing operations attributable to Twenty-First Century Fox stockholders	$674	$6,223	$ 1,352	$ 7,267

Stock Repurchase Program

The Board has authorized a stock repurchase program, under which the Company is currently authorized to acquire Class A Common Stock. In August 2015, the Board approved an additional $5 billion authorization, excluding commissions, to the Company’s stock repurchase program for the repurchase of Class A Common Stock. The Company intends to complete this stock repurchase program by August 2016.

The remaining authorized amount under the Company’s stock repurchase program as of December 31, 2015, excluding commissions, was approximately $2.4 billion.

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

Dividends

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

	For the six months ended December 31,	
	2015	2014
Cash dividend per share	$ 0.150	$ 0.125

Subsequent to December 31, 2015, the Company declared a dividend of $0.150 per share on both the Class A Common Stock and Class B Common Stock, which is payable on April 13, 2016. The record date for determining dividend entitlements is March 9, 2016.

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

The Company owns broadcast station licensees in connection with its ownership and operation of U.S. television stations. Under U.S. law, no broadcast station licensee may be owned by a corporation if more than 25% of its stock is owned or voted by non-U.S. persons, their representatives, or by any other corporation organized under the laws of a foreign country. In order to maintain compliance with U.S. law, the suspension of voting rights of the Class B Common Stock held by non-U.S. stockholders is currently at 10%. This suspension will remain in place for as long as the Company deems it necessary to maintain compliance with applicable U.S. law, and may be adjusted by the Audit Committee as it deems appropriate.

Voting Agreement with the Murdoch Family Interests

On April 18, 2012, the Murdoch Family Trust and K. Rupert Murdoch (together the “Murdoch Family Interests”) entered into an agreement with the Company, whereby the Murdoch Family Interests agreed to limit their voting rights during the voting rights suspension period. Under this agreement, the Murdoch Family Interests will not vote or provide voting instructions with respect to a portion of their shares of Class B Common Stock to the extent that doing so would increase their percentage of voting power from what it was prior to the suspension of voting rights. Currently, as a result of the suspension of voting rights, the aggregate percentage vote of the Murdoch Family Interests is at 38.9% of the outstanding shares of Class B Common Stock not subject to the suspension of voting rights, and the percentage vote may be adjusted as provided in the agreement with the Company.

TWENTY-FIRST CENTURY FOX, INC.

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NOTE 9. EQUITY-BASED COMPENSATION

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

	For the three months ended December 31,		For the six months ended December 31,	
	2015	2014	2015	2014
	(in millions)			
Equity-based compensation	$ 34	$ 41	$ 124	$ 102
Intrinsic value of all settled equity-based awards	$ -	$ -	$ 190	$ 292
Tax benefit on vested equity-based awards	$ -	$ -	$ 69	$ 105

As of December 31, 2015, the Company’s total estimated compensation cost related to equity-based awards, not yet recognized, was approximately $170 million, and is expected to be recognized over a weighted average period between one and two years. Compensation expense on all equity-based awards is generally recognized on a straight-line basis over the vesting period of the entire award. However, certain performance based awards are recognized on an accelerated basis.

Performance Stock Units

The Company’s stock based awards are granted in Class A Common Stock. During the six months ended December 31, 2015, approximately 6.2 million performance stock units (“PSUs”) were granted and approximately 5.9 million PSUs vested.

During the six months ended December 31, 2014, approximately 4.1 million PSUs were granted and approximately 6.9 million PSUs vested. Approximately 1.7 million units of the awards that vested were settled in cash.

NOTE 10. COMMITMENTS AND CONTINGENCIES

Commitments

The Company has commitments under certain firm contractual arrangements (“firm commitments”) to make future payments. These firm commitments secure the future rights to various assets and services to be used in the normal course of operations. The total firm commitments and future debt payments as of December 31, 2015 and June 30, 2015 were approximately $86 billion and $75 billion, respectively. The increase from June 30, 2015 was primarily due to an expanded arrangement with one of the collegiate conferences for broadcast rights through 2032, a new rights agreement with a Major League Baseball team for broadcast rights through 2032 and other sports rights agreements.

Contingent Guarantees

The Company's contingent guarantees as of December 31, 2015 and June 30, 2015 were approximately $500 million and $1.3 billion, respectively. The decrease from June 30, 2015 was primarily due to the release of the Company's obligations under a bank guarantee benefiting the Board of Control for Cricket in India ("BCCI") in July 2015 (See Note 12 – Additional Financial Information under the heading "Restructuring Programs") and the expiration of a bank guarantee covering the Company's programming rights obligations as part of the agreement with the International Cricket Council.

Contingencies

Shareholder Litigation

Southern District of New York

On July 19, 2011, a purported class action lawsuit captioned Wilder v. News Corp., et al. ("Wilder Litigation"), was filed on behalf of all purchasers of the Company's common stock between March 3, 2011 and July 11, 2011, in the United States District Court for the Southern District of New York. The plaintiff brought claims under Section 10(b) and Section 20(a) of the Securities Exchange Act, alleging that false and misleading statements were issued regarding the alleged acts of voicemail interception at The News of the World. The suit names as defendants the Company, Rupert Murdoch, James Murdoch and Rebekah Brooks, and seeks compensatory damages, rescission for damages sustained, and costs. On June 5, 2012, the court issued an order appointing the Avon Pension Fund ("Avon") as lead plaintiff and Robbins Geller Rudman & Dowd as lead counsel. Thereafter, on July 3, 2012, the court issued an order providing that an amended consolidated complaint shall be filed by July 31, 2012. Avon filed an amended consolidated complaint on July 31, 2012, which among other things, added as defendants NI Group Limited (now known as News Corp UK & Ireland Limited) and Les Hinton, and expanded the class period to include February 15, 2011 to July 18, 2011. The

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defendants filed motions to dismiss the litigation, which were granted by the court on March 31, 2014. On April 30, 2014, plaintiffs filed a second amended consolidated complaint, which generally repeats the allegations of the amended consolidated complaint and also expands the class period to July 8, 2009 to July 18, 2011. Defendants moved to dismiss the second amended consolidated complaint, and on September 30, 2015, the court granted defendants' motions in their entirety and dismissed all of the plaintiffs' claims. On October 21, 2015, plaintiffs filed a motion for reconsideration of the court's memorandum, opinion and order, which defendants have opposed. The Company's management believes the claims in the Wilder Litigation are entirely without merit, and intends to vigorously defend this action.

Other

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

The Company establishes an accrued liability for legal claims when the Company determines that a loss is both probable and the amount of the loss can be reasonably estimated. Once established, accruals are adjusted from time to time, as appropriate, in light of additional information. The amount of any loss ultimately incurred in relation to matters for which an accrual has been established may be higher or lower than the amounts accrued for such matters. Any fees, expenses, fines, penalties, judgments or settlements which might be incurred by the Company in connection with the various proceedings could affect the Company's results of operations and financial condition. For the contingencies disclosed above for which there is at least a reasonable possibility that a loss may be incurred, other than the accrual provided, the Company was unable to estimate the amount of loss or range of loss.

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

NOTE 11. SEGMENT INFORMATION

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

- Cable Network Programming, which principally consists of the production and licensing of programming distributed primarily through cable television systems, direct broadcast satellite operators, telecommunication companies and online video distributors in the U.S. and internationally.
- Television, which principally consists of the broadcasting of network programming in the U.S. and the operation of 28 full power broadcast television stations, including 11 duopolies, in the U.S. (of these stations, 17 are affiliated with FOX Broadcasting Company ("FOX"), 10 are affiliated with Master Distribution Service, Inc. ("MyNetworkTV") and one is an independent station).

- Filmed Entertainment, which principally consists of the production and acquisition of live-action and animated motion pictures for distribution and licensing in all formats in all entertainment media worldwide, and the production and licensing of television programming worldwide.
- Direct Broadcast Satellite Television, which consisted of the distribution of programming services via satellite, cable and broadband directly to subscribers in Italy, Germany and Austria. The DBS segment consisted entirely of the operations of Sky Italia and Sky Deutschland. On November 12, 2014, Twenty-First Century Fox completed the sale of Sky Italia and its 57% interest in Sky Deutschland to Sky.
- Other, Corporate and Eliminations, which principally consists of corporate overhead and eliminations and other businesses.

Following the sale of the DBS businesses, the Company continues to report in five segments for comparative purposes.

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

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

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

	For the three months ended December 31,		For the six months ended December 31,	
	2015	2014	2015	2014
	(in millions)			
Revenues:				
Cable Network Programming	$3,703	$3,384	$ 7,167	$ 6,615
Television	1,716	1,623	2,765	2,671
Filmed Entertainment	2,361	2,753	4,146	5,229
Direct Broadcast Satellite Television	-	663	-	2,112
Other, Corporate and Eliminations	(405)	(368)	(626)	(685)
Total revenues	$7,375	$8,055	$ 13,452	$ 15,942
Segment OIBDA:				
Cable Network Programming	$1,250	$1,159	$ 2,556	$ 2,197
Television	279	290	475	464
Filmed Entertainment	302	336	451	794
Direct Broadcast Satellite Television	-	27	-	234
Other, Corporate and Eliminations	(101)	(90)	(217)	(188)
Total Segment OIBDA	$1,730	$1,722	$ 3,265	$ 3,501
Amortization of cable distribution investments	(15)	(21)	(35)	(44)
Depreciation and amortization	(130)	(201)	(258)	(477)
Equity earnings of affiliates	12	250	47	629
Interest expense, net	(298)	(310)	(593)	(615)
Interest income	7	9	16	23
Other, net	(142)	5,040	(225)	5,075
Income from continuing operations before income tax expense	1,164	6,489	2,217	8,092
Income tax expense	(414)	(189)	(727)	(692)
Income from continuing operations	750	6,300	1,490	7,400
Loss from discontinued operations, net of tax	(2)	(16)	(5)	(23)
Net income	748	6,284	1,485	7,377
Less: Net income attributable to noncontrolling interests	(76)	(77)	(138)	(133)
Net income attributable to Twenty-First Century Fox stockholders	$672	$6,207	$ 1,347	$ 7,244

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NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Intersegment revenues, generated by the Filmed Entertainment segment, of $393 million and $285 million for the three months ended December 31, 2015 and 2014, respectively, and of $563 million and $560 million for the six months ended December 31, 2015 and 2014, respectively, have been eliminated within the Other, Corporate and Eliminations segment.

	For the three months ended December 31,		For the six months ended December 31,	
	2015	2014	2015	2014
	(in millions)			
Depreciation and amortization:				
Cable Network Programming	$76	$69	$ 150	$ 149
Television	29	29	59	55
Filmed Entertainment	20	30	40	63
Direct Broadcast Satellite Television	-	69	-	202
Other, Corporate and Eliminations	5	4	9	8
Total depreciation and amortization	$130	$201	$ 258	$ 477

Depreciation and amortization includes the amortization of definite lived intangible assets of $59 million and $81 million for the three months ended December 31, 2015 and 2014, respectively, and $118 million and $183 million for the six months ended December 31, 2015 and 2014, respectively.

	As of December 31,	As of June 30,
	2015	2015
	(in millions)	
Total assets:		
Cable Network Programming	$24,305	$23,235
Television	7,487	6,646
Filmed Entertainment	9,756	9,105
Other, Corporate and Eliminations	2,495	6,536
Investments	4,053	4,529
Total assets	$48,096	$50,051

As of As of

	December 31, 2015	June 30, 2015
	(in millions)	
Goodwill, intangible and other long-term assets, net:		
Cable Network Programming	$13,413	$12,746
Television	4,293	4,297
Filmed Entertainment	1,774	1,790
Total goodwill, intangible and other long-term assets, net	$19,480	$18,833

Revenues by Component

	For the three months ended December 31,		For the six months ended December 31,	
	2015	2014	2015	2014
	(in millions)			
Revenues:				
Affiliate fees	$2,696	$2,480	$ 5,382	$ 4,912
Subscription	-	605	-	1,964
Advertising	2,444	2,370	4,043	4,104
Content	2,033	2,487	3,758	4,749
Other	202	113	269	213
Total revenues	$7,375	$8,055	$ 13,452	$ 15,942

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. ADDITIONAL FINANCIAL INFORMATION

Supplemental Cash Flows Information

	For the six months ended	
	December 31,	
	2015	2014
	(in millions)	
Supplemental cash flows information:		
Cash paid for income taxes	$ (511)	$ (404)
Cash paid for interest	$ (583)	$ (609)
Supplemental information on acquisitions and additional investments:		
Fair value of assets acquired	$ 1,018	$ -
Cash acquired	8	-
Liabilities assumed	(110)	-
Cash paid	(916)	-
Fair value of equity instruments issued to third parties	-	-
Issuance of subsidiary common units	-	-
Fair value of equity instruments consideration	$ -	$ -

Other, net

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

	For the three months ended		For the six months ended	
	December 31,		December 31,	
	2015	2014	2015	2014
	(in millions)			
Gain on disposition of DBS businesses[a]	$ -	$ 4,995	$ -	$ 4,995
Gain on disposition of Shine Group[a]	-	63	-	63
Investment impairment losses[b]	(98)	(3)	(99)	(3)
Acquisition related costs[c]	(16)	-	(66)	-
Other	(28)	(15)	(60)	20

Total other, net	$(142)	$5,040	$ (225)	$ 5,075

(a) See Note 3 – Acquisitions, Disposals and Other Transactions in the 2015 Form 10-K under the headings “Sky Italia and Sky Deutschland” and “Shine Group” for further discussion of these dispositions.
(b) See Note 5 – Investments under the heading “Other” for further discussion.
(c) The acquisition related costs for the six months ended December 31, 2015 are primarily due to the revision of a contingency estimate related to a past acquisition.

Restructuring Programs

In fiscal 2015, the Company recorded restructuring charges reflecting contract termination costs at STAR related to a program rights contract with the BCCI for the Champions League Twenty20 (“CLT20”) cricket tournament through 2018. The Company paid approximately $420 million to the BCCI in July 2015 for the contract termination, including service taxes. As a result of the contract termination in June 2015, STAR no longer has the rights to broadcast future CLT20 cricket matches and has no additional payment obligations.

NOTE 13. SUPPLEMENTAL GUARANTOR INFORMATION

In May 2015, 21CFA entered into a credit agreement (the “Credit Agreement”), among 21CFA as Borrower, the Company as Parent Guarantor and other parties. The Credit Agreement provides a $1.4 billion unsecured revolving credit facility with a sub-limit of $250 million (or its equivalent in Euros) available for the issuance of letters of credit and a maturity date of May 2020.

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Statement of Operations

For the three months ended December 31, 2015

(in millions)

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

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Statement of Operations

For the three months ended December 31, 2014

(in millions)

	21st Century Fox America, Inc.	Twenty-First Century Fox	Non-Guarantor	Reclassifications and Eliminations	Twenty-First Century Fox and Subsidiaries
Revenues	$ -	$ -	$ 8,055	$ -	$ 8,055
Expenses	(81)	-	(6,474)	-	(6,555)
Equity (losses) earnings of affiliates	(1)	-	251	-	250
Interest expense, net	(396)	(152)	(28)	266	(310)
Interest income	-	1	274	(266)	9
Earnings from subsidiary entities	6,873	6,374	-	(13,247)	-
Other, net	164	-	4,876	-	5,040
Income from continuing operations before income tax expense	6,559	6,223	6,954	(13,247)	6,489
Income tax expense	(294)	-	(85)	190	(189)
Income from continuing operations	6,265	6,223	6,869	(13,057)	6,300
Loss from discontinued operations, net of tax	-	(16)	-	-	(16)
Net income	6,265	6,207	6,869	(13,057)	6,284
Less: Net income attributable to noncontrolling interests	-	-	(77)	-	(77)
Net income attributable to Twenty-First Century Fox stockholders	$ 6,265	$ 6,207	$ 6,792	$ (13,057)	$ 6,207
Comprehensive income attributable to Twenty-First Century Fox stockholders	$ 5,459	$ 5,488	$ 6,059	$ (11,518)	$ 5,488

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

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

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Statement of Operations
For the six months ended December 31, 2014
(in millions)

	21st Century Fox America, Inc.	Twenty-First Century Fox	Non-Guarantor	Reclassifications and Eliminations	Twenty-First Century Fox and Subsidiaries
Revenues	$ -	$ -	$ 15,942	$ -	$ 15,942
Expenses	(169)	-	(12,793)	-	(12,962)
Equity (losses) earnings of affiliates	(1)	-	630	-	629
Interest expense, net	(794)	(290)	(58)	527	(615)
Interest income	8	1	541	(527)	23
Earnings from subsidiary entities	8,526	7,556	-	(16,082)	-
Other, net	153	-	4,922	-	5,075
Income from continuing operations before income tax expense	7,723	7,267	9,184	(16,082)	8,092
Income tax expense	(660)	-	(785)	753	(692)
Income from continuing operations	7,063	7,267	8,399	(15,329)	7,400
Loss from discontinued operations, net of tax	-	(23)	-	-	(23)
Net income	7,063	7,244	8,399	(15,329)	7,377
Less: Net income attributable to noncontrolling interests	-	-	(133)	-	(133)
Net income attributable to Twenty-First Century Fox stockholders	$ 7,063	$ 7,244	$ 8,266	$ (15,329)	$ 7,244
Comprehensive income attributable to Twenty-First Century Fox stockholders	$ 5,466	$ 5,803	$ 6,648	$ (12,114)	$ 5,803

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Balance Sheet

As of December 31, 2015

(in millions)

	21st Century Fox America, Inc.	Twenty-First Century Fox	Non-Guarantor	Reclassifications and Eliminations	Twenty-First Century Fox and Subsidiaries
ASSETS					
Current assets:					
Cash and cash equivalents	$ 764	$ 2,065	$ 1,464	$ -	$ 4,293
Receivables, net	23	-	6,819	-	6,842
Inventories, net	-	-	3,305	-	3,305
Other	21	-	365	-	386
Total current assets	808	2,065	11,953	-	14,826
Non-current assets:					
Receivables, net	16	-	394	-	410
Inventories, net	-	-	6,815	-	6,815
Property, plant and equipment, net	224	-	1,444	-	1,668
Intangible and other long-term assets, net	-	-	6,764	-	6,764
Goodwill	-	-	12,716	-	12,716
Other non-current assets	394	-	450	-	844
Investments:					
Investments in associated companies and other investments	123	37	3,893	-	4,053
Intragroup investments	96,047	54,387	-	(150,434)	-
Total investments	96,170	54,424	3,893	(150,434)	4,053
TOTAL ASSETS	$ 97,612	$ 56,489	$ 44,429	$ (150,434)	$ 48,096
LIABILITIES AND EQUITY					
Current liabilities:					
Borrowings	$ 400	$ -	$ 86	$ -	$ 486
Other current liabilities	442	133	6,207	-	6,782
Total current liabilities	842	133	6,293	-	7,268

Non-current liabilities:					
Borrowings	17,878	-	1,373	-	19,251
Other non-current liabilities	529	-	4,936	-	5,465
Intercompany	36,759	41,852	(78,611)	-	-
Redeemable noncontrolling interests	-	-	617	-	617
Total equity	41,604	14,504	109,821	(150,434)	15,495
TOTAL LIABILITIES AND EQUITY	$ 97,612	$ 56,489	$ 44,429	$ (150,434)	$ 48,096

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Balance Sheet

As of June 30, 2015

(in millions)

	21st Century Fox America, Inc.	Twenty-First Century Fox	Non-Guarantor	Reclassifications and Eliminations	Twenty-First Century Fox and Subsidiaries
ASSETS					
Current assets:					
Cash and cash equivalents	$ 767	$ 5,913	$ 1,748	$ -	$ 8,428
Receivables, net	11	-	5,902	(1)	5,912
Inventories, net	-	-	2,749	-	2,749
Other	14	-	273	-	287
Total current assets	792	5,913	10,672	(1)	17,376
Non-current assets:					
Receivables, net	15	-	379	-	394
Inventories, net	-	-	6,411	-	6,411
Property, plant and equipment, net	230	-	1,492	-	1,722
Intangible and other long-term assets, net	-	-	6,320	-	6,320
Goodwill	-	-	12,513	-	12,513
Other non-current assets	384	-	402	-	786
Investments:					
Investments in associated companies and other investments	50	22	4,457	-	4,529
Intragroup investments	92,821	53,278	-	(146,099)	-
Total investments	92,871	53,300	4,457	(146,099)	4,529
TOTAL ASSETS	$ 94,292	$ 59,213	$ 42,646	$ (146,100)	$ 50,051
LIABILITIES AND EQUITY					
Current liabilities:					
Borrowings	$ 200	$ -	$ 44	$ -	$ 244
Other current liabilities	467	74	6,478	(1)	7,018
Total current liabilities	667	74	6,522	(1)	7,262

Non-current liabilities:					
Borrowings	17,278	-	1,517	-	18,795
Other non-current liabilities	571	-	4,616	-	5,187
Intercompany	35,999	41,919	(77,918)	-	-
Redeemable noncontrolling interests	-	-	621	-	621
Total equity	39,777	17,220	107,288	(146,099)	18,186
TOTAL LIABILITIES AND EQUITY	$ 94,292	$ 59,213	$ 42,646	$ (146,100)	$ 50,051

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Statement of Cash Flows

For the six months ended December 31, 2015

(in millions)

	21st Century Fox America, Inc.	Twenty-First Century Fox	Non-Guarantor	Reclassifications and Eliminations	Twenty-First Century Fox and Subsidiaries
Operating activities:					
Net cash (used in) provided by operating activities from continuing operations	$ (605)	$ 284	$ 553	$ -	$ 232
Investing activities:					
Property, plant and equipment	(4)	-	(88)	-	(92)
Investments	(171)	(586)	(451)	-	(1,208)
Net cash used in investing activities from continuing operations	(175)	(586)	(539)	-	(1,300)
Financing activities:					
Borrowings	987	-	137	-	1,124
Repayment of borrowings	(200)	-	(239)	-	(439)
Excess tax benefit from equity-based compensation	-	11	-	-	11
Repurchase of shares	-	(3,202)	-	-	(3,202)
Dividends paid and distributions	-	(299)	(120)	-	(419)
Purchase of subsidiary shares from noncontrolling interests	-	(56)	(6)	-	(62)
Net cash provided by (used in) financing activities from continuing operations	787	(3,546)	(228)	-	(2,987)
Discontinued operations:					
Net decrease in cash and cash equivalents from discontinued operations	(10)	-	-	-	(10)
Net decrease in cash and cash equivalents	(3)	(3,848)	(214)	-	(4,065)
Cash and cash equivalents, beginning of year	767	5,913	1,748	-	8,428
Exchange movement on cash balances	-	-	(70)	-	(70)

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

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Statement of Cash Flows

For the six months ended December 31, 2014

(in millions)

	21st Century Fox America, Inc.	Twenty-First Century Fox	Non-Guarantor	Reclassifications and Eliminations	Twenty-First Century Fox and Subsidiaries
Operating activities:					
Net cash (used in) provided by operating activities from continuing operations	$ (296)	$ 226	$ 922	$ -	$ 852
Investing activities:					
Property, plant and equipment	(78)	-	(183)	-	(261)
Investments	(119)	(3)	(993)	-	(1,115)
Proceeds from dispositions, net	79	8,582	(48)	-	8,613
Net cash (used in) provided by investing activities from continuing operations	(118)	8,579	(1,224)	-	7,237
Financing activities:					
Borrowings	1,191	-	1,256	-	2,447
Repayment of borrowings	(750)	-	(1,309)	-	(2,059)
Excess tax benefit from equity-based compensation	-	48	-	-	48
Repurchase of shares	-	(2,730)	-	-	(2,730)
Dividends paid and distributions	-	(273)	(163)	-	(436)
Purchase of subsidiary shares from noncontrolling interests	-	(650)	-	-	(650)
Net cash provided by (used in) financing activities from continuing operations	441	(3,605)	(216)	-	(3,380)
Discontinued operations:					
Net decrease in cash and cash equivalents from discontinued operations	(28)	-	-	-	(28)
Net (decrease) increase in cash and cash equivalents	(1)	5,200	(518)	-	4,681
Cash and cash equivalents, beginning of year	473	3,120	1,822	-	5,415

Exchange movement on cash balances	-	-	(45)	-	(45)
Cash and cash equivalents, end of period	$ 472	$ 8,320	$ 1,259	$ -	$ 10,051

See notes to supplemental guarantor information

Notes to Supplemental Guarantor Information

(1) Investments in the Company's subsidiaries, for purposes of the supplemental consolidating presentation, are accounted for by their parent companies under the equity method of accounting whereby earnings of subsidiaries are reflected in the respective parent company's investment account and earnings.

(2) The guarantees of 21CFA's senior public indebtedness constitute senior indebtedness of the Company, and rank pari passu with all present and future senior indebtedness of the Company. Because the factual basis underlying the obligations created pursuant to the various facilities and other obligations constituting senior indebtedness of the Company differ, it is not possible to predict how a court in bankruptcy would accord priorities among the obligations of the Company.

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

This document contains statements that constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the Securities Act of 1933, as amended. The words "expect," "estimate," "anticipate," "predict," "believe" and similar expressions and variations thereof a intended to identify forward-looking statements. These statements appear in a number of places in this document and include statements regarding the intent, belief or current expectations of Twenty-First Century Fox, Inc., its directors or its officers with respect to, among other things, trends affecting Twenty-First Century Fox, Inc.'s financial condition or results of operations. The readers of this document are cautioned that any forward-looking statements are not guarantees of future performance and involve risks and uncertainties. More information regarding these risks, uncertainties and other factors is set forth under the heading Part II "Other Information," Item 1A "Risk Factors" in this report. Twenty-First Century Fox, Inc. does not ordinarily make projections of its future operating results and undertakes no obligation (and expressly disclaims any obligation) to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Readers should carefully review this document and the other documents filed by Twenty-First Century Fox, Inc. with the Securities and Exchange Commission (the "SEC"). This section should be read together with the Unaudited Consolidated Financial Statements of Twenty-First Century Fox, Inc. and related notes set forth elsewhere herein and Twenty-First Century Fox, Inc.'s Annual Report on Form 10-K for the fiscal year ended June 30, 2015 as filed with the SEC on August 13, 2015 (the "2015 Form 10-K").

INTRODUCTION

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

- Overview of the Company's Business - This section provides a general description of the Company's businesses, as well as developments that have occurred to date during fiscal 2016 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 and six months ended December 31, 2015 and 2014. This analysis is presented on both a consolidated and a segment basis. In addition, a brief description is provided of significant transactions and events that impact the comparability of the results being analyzed.
- Liquidity and Capital Resources - This section provides an analysis of the Company's cash flows for the six months ended December 31, 2015 and 2014, as well as a discussion of the Company's outstanding debt and commitments, both firm and contingent, that existed as of December 31, 2015. Included in the discussion of outstanding debt is a discussion of the amount of financial capacity available to fund the Company's future commitments and obligations, as well as a discussion of other financing arrangements.

OVERVIEW OF THE COMPANY'S BUSINESS

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

- Cable Network Programming, which principally consists of the production and licensing of programming distributed primarily through cable television systems, direct broadcast satellite operators, telecommunication companies and online video distributors in the U.S. and internationally.
- Television, which principally consists of the broadcasting of network programming in the U.S. and the operation of 28 full power broadcast television stations, including 11 duopolies, in the U.S. (of these stations, 17 are affiliated

with the FOX Broadcasting Company ("FOX"), 10 are affiliated with Master Distribution Service, Inc. ("MyNetworkTV") and one is an independent station).

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

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- Direct Broadcast Satellite Television, which consisted of the distribution of programming services via satellite, cable and broadband directly to subscribers in Italy, Germany and Austria. The Direct Broadcast Satellite Television ("DBS") segment consisted entirely of the operations of Sky Italia and Sky Deutschland AG ("Sky Deutschland") (collectively the "DBS businesses"). On November 12, 2014, Twenty-First Century Fox completed the sale of Sky Italia and its 57% interest in Sky Deutschland to Sky plc ("Sky").
- Other, Corporate and Eliminations, which principally consists of corporate overhead and eliminations and other businesses.

Following the sale of the DBS businesses, the Company continues to report in five segments for comparative purposes, and there is no current activity in the DBS segment.

Cable Network Programming and Television

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

The television operations derive revenues primarily from the sale of advertising, and to a lesser extent, retransmission consent revenue. Adverse changes in general market conditions for advertising may affect revenues.

U.S. law governing retransmission consent revenue provides a mechanism for the television stations owned by the Company to seek and obtain payment from MVPDs who carry the Company's broadcast signals. Retransmission consent revenue consists of per subscriber-based compensatory fees paid to the Company by MVPDs that distribute the signals of the Company's owned and operated television stations. The Company also receives compensation from independently-owned television stations that are affiliated with FOX and receive retransmission consent fees from MVPDs for their signals.

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

The profitability of U.S. national sports contracts and international sports rights agreements is based on the Company's best estimates at December 31, 2015 of attributable revenues and costs; such estimates may change in the future and such changes may be significant. Should revenues decline from estimates applied at December 31, 2015, additional amortization of rights may be recorded. Should revenues improve as compared to estimated revenues, the Company may have improved results related to the contract, which may be recognized over the remaining contract term.

Filmed Entertainment

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

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

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

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

Other Business Developments

See Note 2 – Acquisitions, Disposals and Other Transactions under the heading "Fiscal 2016" and Note 5 – Investments under the heading "Other" to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century Fox for a discussion of the Company's business developments.

RESULTS OF OPERATIONS

Results of Operations—For the three and six months ended December 31, 2015 versus the three and six months ended December 31, 2014

The following tables set forth the Company's operating results for the three and six months ended December 31, 2015, as compared to the three and six months ended December 31, 2014, including presentation of Revenues by component excluding the DBS segment and related intersegment eliminations.

	For the three months ended December 31,			For the six months ended December 31,		
	2015	2014	% Change	2015	2014	% Change
	(in millions, except %)					
Revenues:						
Affiliate fees	$2,696	$2,480	9 %	$5,382	$4,912	10 %
Subscription	-	605	(100)%	-	1,964	(100)%
Advertising	2,444	2,370	3 %	4,043	4,104	(1)%
Content	2,033	2,487	(18)%	3,758	4,749	(21)%
Other	202	113	79 %	269	213	26 %
Total revenues	7,375	8,055	(8)%	13,452	15,942	(16)%
Operating expenses	(4,757)	(5,366)	(11)%	(8,430)	(10,418)	(19)%
Selling, general and administrative	(903)	(988)	(9)%	(1,792)	(2,067)	(13)%
Depreciation and amortization	(130)	(201)	(35)%	(258)	(477)	(46)%
Equity earnings of affiliates	12	250	(95)%	47	629	(93)%
Interest expense, net	(298)	(310)	(4)%	(593)	(615)	(4)%
Interest income	7	9	(22)%	16	23	(30)%
Other, net	(142)	5,040	**	(225)	5,075	**
Income from continuing operations before income tax expense	1,164	6,489	(82)%	2,217	8,092	(73)%
Income tax expense	(414)	(189)	**	(727)	(692)	5 %
Income from continuing operations	750	6,300	(88)%	1,490	7,400	(80)%
Loss from discontinued operations, net of tax	(2)	(16)	(88)%	(5)	(23)	(78)%
Net income	748	6,284	(88)%	1,485	7,377	(80)%
Less: Net income attributable to noncontrolling interests	(76)	(77)	(1)%	(138)	(133)	4 %
Net income attributable to Twenty-First Century Fox stockholders	$672	$6,207	(89)%	$1,347	$7,244	(81)%

For the three months ended For the six months ended

	December 31,			December 31,		
	2015	2014	% Change	2015	2014	% Change
	(in millions, except %)					
Revenues (excluding Direct Broadcast Satellite Television):						
Affiliate fees	$2,696	$2,492	8 %	$5,382	$4,955	9 %
Advertising	2,444	2,325	5 %	4,043	3,998	1 %
Content	2,033	2,501	(19)%	3,758	4,772	(21)%
Other	202	106	91 %	269	182	48 %
Adjusted total revenues	7,375	7,424	(1)%	13,452	13,907	(3)%
Direct Broadcast Satellite Television, net of eliminations	-	631	(100)%	-	2,035	(100)%
Total revenues	$7,375	$8,055	(8)%	$13,452	$15,942	(16)%

**not meaningful

Overview – The Company's revenues decreased 8% and 16% for the three and six months ended December 31, 2015, respectively, as compared to the corresponding periods of fiscal 2015. The changes in revenues were primarily due to the effect of the sale of the DBS businesses in November 2014. Excluding the activity of the DBS businesses, the Company's revenues decreased 1% and 3% for the three and six months ended December 31, 2015, respectively, as compared to the corresponding periods of fiscal 2015, primarily due to lower content revenues partially offset by higher affiliate fee and advertising revenues. The decrease in content revenues was primarily attributable to lower worldwide theatrical and home entertainment revenues and the effect of the disposition of Shine Group in December 2014. The increase in affiliate fee revenues was primarily due to higher average rates per subscriber across most channels, and the increase in advertising revenues was led by higher pricing at FOX, Fox News Channel ("Fox News") and the international cable channels. The strengthening of the U.S. dollar against local currencies resulted in a revenue decrease of approximately $205 million and $405 million for the three and six months ended December 31, 2015, respectively, as compared to the corresponding periods of fiscal 2015.

Operating expenses decreased 11% and 19% for the three and six months ended December 31, 2015, respectively, as compared to the corresponding periods of fiscal 2015, primarily due to the sale of the DBS businesses. Also contributing to the decrease was lower operating expenses at the Filmed Entertainment segment of approximately $300 million and $630 million during the three and six months ended December 31, 2015, respectively, primarily due to lower marketing costs related to motion picture productions and the disposition of Shine Group.

Selling, general and administrative expenses decreased 9% and 13% for the three and six months ended December 31, 2015, respectively, as compared to the corresponding periods of fiscal 2015, primarily due to the sale of the DBS businesses and the disposition of Shine Group.

Depreciation and amortization, including the amortization of acquired identifiable intangible assets, decreased 35% and 46% for the three and six months ended December 31, 2015, respectively, as compared to the corresponding periods of fiscal 2015, primarily due to lower depreciation and amortization as a result of the sale of the DBS businesses.

Equity earnings of affiliates – Equity earnings of affiliates decreased $238 million and $582 million for the three and six months ended December 31, 2015, respectively, as compared to the corresponding periods of fiscal 2015. The decrease was primarily due to lower results at Sky due to the comparative effect of the Company's proportionate share of approximately $200 million and $480 million during the three and six months ended December 31, 2014, respectively, of Sky's gains related to the sale of its investments in NGC Network International LLC and ITV plc. Also contributing to this decrease were the results at Endemol Shine Group, an affiliate from December 2014, and lower results at Hulu LLC.

	For the three months ended December 31,			For the six months ended December 31,		
	2015	2014	% Change	2015	2014	% Change
	(in millions, except %)					
Sky	$100	$296	(66)%	$210	$692	(70)%
Other equity affiliates	(88)	(46)	(91)%	(163)	(63)	**
Equity earnings of affiliates	$12	$250	(95)%	$47	$629	(93)%

** not meaningful

Interest expense, net – Interest expense, net decreased $12 million and $22 million for the three and six months ended December 31, 2015, respectively, as compared to the corresponding periods of fiscal 2015, primarily due to the effect of the amendment to the Yankees Entertainment and Sports Network (the "YES Network") credit agreement in fiscal 2015 (as described in Note 11 – Borrowings in the 2015 Form 10-K under the heading "Bank loans").

Other, net –

	For the three months ended		For the six months ended	
	December 31,		December 31,	
	2015	2014	2015	2014
	(in millions)			
Gain on disposition of DBS businesses	$-	$4,995	$ -	$ 4,995
Gain on disposition of Shine Group	-	63	-	63
Investment impairment losses	(98)	(3)	(99)	(3)
Acquisition related costs	(16)	-	(66)	-
Other	(28)	(15)	(60)	20
Total other, net	$(142)	$5,040	$ (225)	$ 5,075

For additional details on Other, net, see Note 12 – Additional Financial Information to the accompanying Unaudited Consolidated Financial Statements of Twenty-First Century Fox under the heading “Other, net”.

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

The Company’s effective income tax rate for the three and six months ended December 31, 2014 was 3% and 9%, respectively, as compared to the statutory rate of 35%. This was primarily driven by the income tax benefits associated with the reversal of previously recorded valuation allowances related to capital loss carryforwards and foreign tax credit carryforwards, which will be utilized to offset the income tax liability from the disposition of the DBS businesses. The reversal of the valuation allowance yielded an aggregate income tax benefit of 27% for the quarter. The Company also recognized a benefit of approximately $250 million in the three months ended December 31, 2014 associated with the recognition of various tax benefits. These benefits primarily relate to the reversal of valuation allowances related to its foreign tax credit carryforwards as the Company has separately determined, that it is more likely than not that the Company will utilize these credits before they expire. These items were also the primary drivers of the difference between the effective and statutory rate for the six months ended December 31, 2014.

Net income – Net income decreased for the three and six months ended December 31, 2015, as compared to the corresponding periods of fiscal 2015, primarily due to the comparative effect of the gain on sale of the DBS businesses and a decrease in Equity earnings of affiliates. Also contributing to the decrease in Net income, for the six months ended December 31, 2015, were lower operating results.

Segment Analysis

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

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

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

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

The following tables reconcile Total Segment OIBDA to Income from continuing operations before income tax expense for the three and six months ended December 31, 2015, as compared to the three and six months ended December 31, 2014.

	For the three months ended December 31,		
	2015	2014	% Change
	(in millions, except %)		
Revenues	$7,375	$8,055	(8)%
Operating expenses	(4,757)	(5,366)	(11)%
Selling, general and administrative	(903)	(988)	(9)%
Amortization of cable distribution investments	15	21	(29)%
Total Segment OIBDA	1,730	1,722	-
Amortization of cable distribution investments	(15)	(21)	(29)%
Depreciation and amortization	(130)	(201)	(35)%
Equity earnings of affiliates	12	250	(95)%
Interest expense, net	(298)	(310)	(4)%
Interest income	7	9	(22)%
Other, net	(142)	5,040	**
Income from continuing operations before income tax expense	$1,164	$6,489	(82)%

	For the six months ended December 31,		
	2015	2014	% Change
	(in millions, except %)		
Revenues	$13,452	$15,942	(16)%
Operating expenses	(8,430)	(10,418)	(19)%
Selling, general and administrative	(1,792)	(2,067)	(13)%
Amortization of cable distribution investments	35	44	(20)%