

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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to
Commission file number 001-32352

TWENTY-FIRST CENTURY FOX, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation or Organization)

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

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

10036
(Zip Code)

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

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

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

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

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

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

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

TWENTY-FIRST CENTURY FOX, INC.

FORM 10-Q

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TWENTY-FIRST CENTURY FOX, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

For the three months ended For the six months ended

	December 31,		December 31,	
	2016	2015	2016	2015
Revenues	\$ 7,682	\$ 7,375	\$ 14,188	\$ 13,452
Operating expenses	(4,845)	(4,757)	(8,709)	(8,430)
Selling, general and administrative	(859)	(903)	(1,725)	(1,792)
Depreciation and amortization	(135)	(130)	(270)	(258)
Equity (losses) earnings of affiliates	(41)	12	(6)	47
Interest expense, net	(299)	(298)	(599)	(593)
Interest income	9	7	18	16
Other, net	(127)	(142)	(275)	(225)
Income from continuing operations before income tax expense	1,385	1,164	2,622	2,217
Income tax expense	(448)	(414)	(791)	(727)
Income from continuing operations	937	750	1,831	1,490
Loss from discontinued operations, net of tax	(1)	(2)	(7)	(5)
Net income	936	748	1,824	1,485
Less: Net income attributable to noncontrolling interests	(80)	(76)	(147)	(138)
Net income attributable to Twenty-First Century Fox, Inc. stockholders	\$ 856	\$ 672	\$ 1,677	\$ 1,347

EARNINGS PER SHARE DATA

Income from continuing operations attributable to Twenty-First Century Fox, Inc. stockholders - basic and diluted	\$ 857	\$ 674	\$ 1,684	\$ 1,352
Weighted average shares				
Basic	1,853	1,958	1,857	1,983
Diluted	1,854	1,958	1,858	1,985
Income from continuing operations attributable to Twenty-First Century Fox, Inc. stockholders per share - basic and diluted	\$ 0.46	\$ 0.34	\$ 0.91	\$ 0.68
Net income attributable to Twenty-First Century Fox, Inc. stockholders per share - basic and diluted	\$ 0.46	\$ 0.34	\$ 0.90	\$ 0.68

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

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TWENTY-FIRST CENTURY FOX, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(IN MILLIONS)

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

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

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

TWENTY-FIRST CENTURY FOX, INC.

CONSOLIDATED BALANCE SHEETS

(IN MILLIONS, EXCEPT SHARE AND PER SHARE AMOUNTS)

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

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

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

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

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

TWENTY-FIRST CENTURY FOX, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN MILLIONS)

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

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

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

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

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

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

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

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

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

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

Recently Adopted and Recently Issued Accounting Guidance

Adopted

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

Issued

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

In October 2016, the FASB issued ASU 2016-16, “Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory” (“ASU 2016-16”). ASU 2016-16 requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory. ASU 2016-16 is effective for the Company for annual and interim reporting periods beginning July 1, 2018. The Company is currently evaluating the impact ASU 2016-16 will have on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business” (“ASU 2017-01”). The objective of ASU 2017-01 is to clarify the definition of a business in order to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill and consolidation. ASU 2017-01 is effective for the Company for annual and interim reporting periods beginning July 1, 2018. The Company is currently evaluating the impact ASU 2017-01 will have on its consolidated financial statements.

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

In January 2017, the FASB issued ASU 2017-04, “Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment” (“ASU 2017-04”). The objective of ASU 2017-04 is to simplify how an entity is required to test goodwill for impairment. Under current GAAP, entities are required to test goodwill for impairment using a two-step approach. Under the amendments in ASU 2017-04, an entity should perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. ASU 2017-04 is effective for the Company for annual and interim reporting periods beginning July 1, 2020. The Company is currently evaluating the impact ASU 2017-04 will have on its consolidated financial statements.

NOTE 2. ACQUISITIONS, DISPOSALS AND OTHER TRANSACTIONS

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

Fiscal 2017

Acquisitions

Sky

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

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

To provide financing in connection with the Proposed Sky Acquisition, the Company and 21st Century Fox America, Inc. (“21CFA”), a wholly-owned subsidiary of the Company, entered into a bridge credit agreement with the lenders party thereto (the “Bridge Credit Agreement”). The Bridge Credit Agreement provides for borrowings of up to £12.2 billion (approximately \$15 billion). Fees under the Bridge Credit Agreement will be based on the Company’s long-term senior unsecured non-credit enhanced debt ratings. Given the current debt ratings, 21CFA will pay a commitment fee on undrawn funds of 0.1% and the initial interest rate on advances will be LIBOR plus 1.125% with subsequent increases every 90 days up to LIBOR plus 1.875%. 21CFA has also agreed to pay a duration fee on each of the 90th, 180th and 270th day after the funding of the loans in an amount equal to 0.50%, 0.75%, and 1.00%,

respectively, of the aggregate principal amount of the advances and undrawn commitments outstanding at the time. The terms of the Bridge Credit Agreement also include the requirement that 21CFA maintain a certain leverage ratio and limitations with respect to secured indebtedness. While the Company has entered into the Bridge Credit Agreement, the Company intends to finance the Proposed Sky Acquisition by using a significant portion of the available cash on its balance sheet and obtaining permanent financing in the capital markets. Subsequent to December 31, 2016, the Company has purchased foreign currency exchange options to limit its foreign currency exchange rate risk in connection with the Proposed Sky Acquisition.

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

Other

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Fiscal 2016

Acquisitions

National Geographic Partners

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

MAA Television Network

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

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. INVENTORIES, NET

The Company's inventories were comprised of the following:

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

^(a) Other includes DVDs, Blu-rays and other merchandise.

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

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

NOTE 4. INVESTMENTS

The Company's investments were comprised of the following:

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

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

^(b)Equity method investment.

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Hulu

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

NOTE 5. FAIR VALUE

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

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

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

As of June 30, 2016
Total

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

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

^(b)Primarily relates to past acquisitions, including contingent consideration arrangements.

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Financial Instruments

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

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

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

Foreign Currency Forward Contracts

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

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

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

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

Interest Rate Swap Contracts

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

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

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Concentrations of Credit Risk

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

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

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

NOTE 6. BORROWINGS

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

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

Senior Notes Issued

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

Senior Notes Retired

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

Current Borrowings

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

Revolving Credit Agreement

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

Bridge Credit Agreement

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

NOTE 7. STOCKHOLDERS' EQUITY

The following tables summarize changes in stockholders' equity:

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

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

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

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

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

Comprehensive Income

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Earnings Per Share Data

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

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

Stock Repurchase Program

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

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

Dividends

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

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

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

NOTE 8. EQUITY-BASED COMPENSATION

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

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

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Performance Stock Units

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

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

NOTE 9. COMMITMENTS AND CONTINGENCIES

Commitments

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

Contingent Guarantees

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

Contingencies

Shareholder Litigation

Southern District of New York

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

consolidated complaint on July 31, 2012, which among other things, added as defendants NI Group Limited (now known as News Corp UK & Ireland Limited) and Les Hinton, and expanded the class period to include February 15, 2011 to July 18, 2011. The defendants filed motions to dismiss the litigation, which were granted by the court on March 31, 2014. On April 30, 2014, plaintiffs filed a second amended consolidated complaint, which generally repeats the allegations of the amended consolidated complaint and also expands the class period to July 8, 2009 to July 18, 2011. Defendants moved to dismiss the second amended consolidated complaint, and on September 30, 2015, the court granted defendants' motions in their entirety and dismissed all of the plaintiffs' claims. On October 21, 2015, plaintiffs filed a motion for reconsideration of the court's memorandum, opinion and order, which defendants opposed. On September 21, 2016, the court denied the motion for reconsideration and on October 21, 2016, plaintiffs' time to appeal expired and the case was closed.

Other

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

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

TWENTY-FIRST CENTURY FOX, INC.

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

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

NOTE 10. SEGMENT INFORMATION

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

• **Cable Network Programming**, which principally consists of the production and licensing of programming distributed primarily through cable television systems, direct broadcast satellite operators, telecommunication companies and online video distributors in the U.S. and internationally.

• **Television**, which principally consists of the broadcasting of network programming in the U.S. and the operation of 28 full power broadcast television stations, including 11 duopolies, in the U.S. (of these stations, 17 are affiliated with the FOX Broadcasting Company ("FOX"), nine are affiliated with Master Distribution Service, Inc. ("MyNetworkTV"), one is affiliated with both The CW Television Network and MyNetworkTV and one is an independent station).

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

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

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

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

Management believes that information about Total Segment OIBDA assists all users of the Company's Unaudited Consolidated Financial Statements by allowing them to evaluate changes in the operating results of the Company's portfolio of businesses separate from non-operational factors that affect net income, thus providing insight into both operations and the other factors that affect reported results. Total Segment OIBDA provides management, investors

and equity analysts a measure to analyze the operating performance of the Company's business and its enterprise value against historical data and competitors' data, although historical results, including Segment OIBDA and Total Segment OIBDA, may not be indicative of future results (as operating performance is highly contingent on many factors, including customer tastes and preferences).

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

TWENTY-FIRST CENTURY FOX, INC.

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

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

Revenues by Component

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

NOTE 11. ADDITIONAL FINANCIAL INFORMATION

Other, net

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

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

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

^(b)See Note 7 – Investments in the 2016 Form 10-K under the heading “Other” for further discussion.

Receivables, net

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Cash Flows Information

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

NOTE 12. SUPPLEMENTAL GUARANTOR INFORMATION

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

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

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Statement of Operations

For the three months ended December 31, 2016

(in millions)

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

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Statement of Operations

For the three months ended December 31, 2015

(in millions)

	21st Century Fox America, Inc.		Twenty-First Century Fox Non-Guaranteed		Reclassification 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

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TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

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

See notes to supplemental guarantor information

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

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Balance Sheet

As of December 31, 2016

(in millions)

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

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

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Balance Sheet

As of June 30, 2016

(in millions)

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

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

See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Condensed Consolidating Statement of Cash Flows

For the six months ended December 31, 2016

(in millions)

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

Cash and cash equivalents, end of period	\$ 3	\$ 2,597	\$ 1,930	\$ -	\$ 4,530
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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-Guaranto	Reclassification and Eliminations	Twenty-First Century Fox and Subsidiaries
OPERATING ACTIVITIES						
Net cash (used in) provided by operating activities from continuing operations	\$ (605)	\$ 284	\$ 553	\$ -	\$ 232	
INVESTING ACTIVITIES						
Property, plant and equipment	(4)	-	(88)	-	(92)	
Investments	(171)	(586)	(451)	-	(1,208)	
Net cash used in investing activities from continuing operations	(175)	(586)	(539)	-	(1,300)	
FINANCING ACTIVITIES						
Borrowings	987	-	137	-	1,124	
Repayment of borrowings	(200)	-	(239)	-	(439)	
Repurchase of shares	-	(3,202)	-	-	(3,202)	
Dividends paid and distributions	-	(299)	(120)	-	(419)	
Other financing activities, net	-	(45)	(6)	-	(51)	
Net cash provided by (used in) financing activities from continuing operations	787	(3,546)	(228)	-	(2,987)	
Discontinued operations						
Net decrease in cash and cash equivalents from discontinued operations	(10)	-	-	-	(10)	
Net decrease in cash and cash equivalents	(3)	(3,848)	(214)	-	(4,065)	
Cash and cash equivalents, beginning of year	767	5,913	1,748	-	8,428	
Exchange movement on cash balances	-	-	(70)	-	(70)	

Cash and cash equivalents, end of period	\$ 764	\$ 2,065	\$ 1,464	\$ -	\$ 4,293
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See notes to supplemental guarantor information

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Notes to Supplemental Guarantor Information

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

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

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

INTRODUCTION

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

Results of Operations - This section provides an analysis of the Company's results of operations for the three and six months ended December 31, 2016 and 2015. This analysis is presented on both a consolidated and a segment basis. In addition, a brief description is provided of significant transactions and events that impact the comparability of the results being analyzed.

Liquidity and Capital Resources - This section provides an analysis of the Company's cash flows for the six months ended December 31, 2016 and 2015, as well as a discussion of the Company's outstanding debt and commitments, both firm and contingent, that existed as of December 31, 2016. Included in the discussion of outstanding debt is a discussion of the amount of financial capacity available to fund the Company's future commitments and obligations, as well as a discussion of other financing arrangements.

RESULTS OF OPERATIONS

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

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

	For the three months ended			For the six months ended			% Change
	December 31,			December 31,			
	2016	2015	% Change	2016	2015		
	(in millions, except %)						
Revenues							
Affiliate fees	\$2,906	\$2,696	8 %	\$5,829	\$5,382	8 %	
Advertising	2,544	2,444	4 %	4,135	4,043	2 %	
Content	2,032	2,033	-	3,901	3,758	4 %	
Other	200	202	(1) %	323	269	20 %	
Total revenues	7,682	7,375	4 %	14,188	13,452	5 %	
Operating expenses	(4,845)	(4,757)	2 %	(8,709)	(8,430)	3 %	
Selling, general and administrative	(859)	(903)	(5) %	(1,725)	(1,792)	(4) %	
Depreciation and amortization	(135)	(130)	4 %	(270)	(258)	5 %	
Equity (losses) earnings of affiliates	(41)	12	**	(6)	47	**	
Interest expense, net	(299)	(298)	-	(599)	(593)	1 %	
Interest income	9	7	29 %	18	16	13 %	
Other, net	(127)	(142)	11 %	(275)	(225)	(22) %	
Income from continuing operations before income tax expense	1,385	1,164	19 %	2,622	2,217	18 %	
Income tax expense	(448)	(414)	8 %				