NEWS CORP
Form 10-Q
May 06, 2015
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 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 March 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 001-35769

NEWS CORPORATION

(Exact Name of Registrant as Specified in its Charter)

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

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

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

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

Indicate by check mark 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 April 30, 2015, 383,563,431 shares of Class A Common Stock and 199,630,240 shares of Class B Common Stock were outstanding.

Table of Contents

NEWS CORPORATION

FORM 10-Q

TABLE OF CONTENTS

		Page
Part I. Financial Information		
Item 1.	Financial Statements	
	Consolidated Statements of Operations for the three and nine months ended March 31, 2015 and 2014 (unaudited)	2
	Consolidated Statements of Comprehensive (Loss) Income for the three and nine months ended March 31, 2015 and 2014 (unaudited)	3
	Consolidated Balance Sheets as of March 31, 2015 (unaudited) and June 30, 2014 (audited)	4
	Consolidated Statements of Cash Flows for the nine months ended March 31, 2015 and 2014 (unaudited)	5
	Notes to the Unaudited Consolidated Financial Statements	6
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	30
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	52
Item 4.	Controls and Procedures	53
Part II. Other Information		
Item 1.	Legal Proceedings	54
Item 1A.	Risk Factors	57
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	69
Item 3.	Defaults Upon Senior Securities	69
Item 4.	Mine Safety Disclosures	70
Item 5.	Other Information	70
Item 6.	Exhibits	71
Signature		72

Table of Contents

NEWS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; millions, except per share amounts)

	Notes	For the three months ended March 31, 2015	2014	For the nine months ended March 31, 2015	2014
Revenues:					
Advertising		$ 904	$ 952	$ 2,862	$ 2,990
Circulation and Subscription		650	665	1,989	2,005
Consumer		385	342	1,223	1,030
Other		123	119	418	363
Total Revenues		2,062	2,078	6,492	6,388
Operating expenses		(1,216)	(1,259)	(3,796)	(3,828)
Selling, general and administrative		(683)	(644)	(2,035)	(1,917)
Depreciation and amortization		(132)	(142)	(398)	(421)
Impairment and restructuring charges	3	(10)	(10)	(31)	(73)
Equity earnings of affiliates	4	7	23	48	53
Interest, net		12	17	42	50
Other, net	14	12	(1)	70	(673)
Income (loss) before income tax (expense) benefit		52	62	392	(421)
Income tax (expense) benefit	12	(18)	(1)	(107)	686
Net income		34	61	285	265
Less: Net income attributable to noncontrolling interests		(11)	(13)	(54)	(39)
Net income attributable to News Corporation stockholders		$ 23	$ 48	$ 231	$ 226
Net income available to News Corporation stockholders per share:					
Basic and diluted	8	$ 0.04	$ 0.08	$ 0.40	$ 0.39

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

Table of Contents

NEWS CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(Unaudited; millions)

	For the three months ended March 31,		For the nine months ended March 31,	
	2015	2014	2015	2014
Net income	$ 34	$ 61	$ 285	$ 265
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(315)	223	(1,245)	184
Unrealized holding gains (losses) on securities, net[a]	10		15	(1)
Benefit plan adjustments, net [b]	13	12	44	21
Share of other comprehensive income from equity affiliates, net [c]	1	(5)	(1)	6
Other comprehensive (loss) income	(291)	230	(1,187)	210
Comprehensive (loss) income	(257)	291	(902)	475
Less: Net income attributable to noncontrolling interests	(11)	(13)	(54)	(39)
Less: Other comprehensive loss (income) attributable to noncontrolling interests	(2)	(5)	23	1
Comprehensive (loss) income attributable to News Corporation stockholders	$ (270)	$ 273	$ (933)	$ 437

(a) Net of income tax expense (benefit) of $4 million and nil for the three months ended March 31, 2015 and 2014, respectively, and income tax expense (benefit) of $10 million and nil for the nine months ended March 31, 2015 and 2014, respectively.

(b) Net of income tax expense (benefit) of $3 million and $11 million for the three months ended March 31, 2015 and 2014, respectively, and income tax expense (benefit) of $11 million and $19 million for the nine months ended March 31, 2015 and 2014, respectively.

(c) Net of income tax (benefit) expense of nil and ($2) million for the three months ended March 31, 2015 and 2014, respectively, and income tax (benefit) expense of ($1) million and $2 million for the nine months ended March 31, 2015 and 2014, respectively.

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

Table of Contents

NEWS CORPORATION

CONSOLIDATED BALANCE SHEETS

(Millions, except share and per share amounts)

	Notes	As of March 31, 2015 (unaudited)	As of June 30, 2014 (audited)
Assets:			
Current assets:			
Cash and cash equivalents		$ 2,027	$ 3,145
Amounts due from 21st Century Fox	9	52	66
Receivables, net	14	1,308	1,388
Other current assets	14	701	671
Total current assets		4,088	5,270
Non-current assets:			
Investments	4	2,382	2,609
Property, plant and equipment, net		2,699	3,009
Intangible assets, net		2,313	2,137
Goodwill		3,510	2,782
Other non-current assets	14	694	682
Total assets		$ 15,686	$ 16,489
Liabilities and Equity:			
Current liabilities:			
Accounts payable		$ 225	$ 276
Accrued expenses		1,121	1,188
Deferred revenue		399	369
Other current liabilities	14	528	431
Total current liabilities		2,273	2,264
Non-current liabilities:			
Retirement benefit obligations	11	266	272
Deferred income taxes		295	224
Other non-current liabilities		306	310
Commitments and contingencies	10		
Redeemable preferred stock		20	20
Class A common stock[(a)]		4	4
Class B common stock[(b)]		2	2

Additional paid-in capital		12,450	12,390
Retained earnings		467	237
Accumulated other comprehensive (loss) income		(554)	610
Total News Corporation stockholders equity		12,369	13,243
Noncontrolling interests		157	156
Total equity	6	12,526	13,399
Total liabilities and equity		$ 15,686	$ 16,489

(a) **Class A common stock,** $0.01 par value per share (Class A Common Stock), 1,500,000,000 shares authorized, 383,397,851 and 379,392,985 shares issued and outstanding, net of 27,368,413 and 27,333,277 treasury shares at par at March 31, 2015 and June 30, 2014, respectively.

(b) **Class B common stock,** $0.01 par value per share (Class B Common Stock), 750,000,000 shares authorized, 199,630,240 shares issued and outstanding, net of 78,430,424 treasury shares at par at March 31, 2015 and June 30, 2014, respectively.

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

Table of Contents

NEWS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; millions)

	Notes	For the nine months ended March 31, 2015	2014
Operating activities:			
Net income		$ 285	$ 265
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization		398	421
Equity earnings of affiliates	4	(48)	(53)
Cash distributions received from affiliates		69	47
Impairment charges, net of tax	3		12
Other, net	14	(70)	(48)
Deferred income taxes and taxes payable	12	31	85
Change in operating assets and liabilities, net of acquisitions:			
Receivables and other assets		60	(140)
Inventories, net		(46)	(32)
Accounts payable and other liabilities		41	281
Pension and postretirement benefit plans		(18)	(35)
Net cash provided by operating activities		702	803
Investing activities:			
Capital expenditures		(268)	(244)
Acquisitions, net of cash acquired		(1,188)	(39)
Investments in equity affiliates and other		(257)	(12)
Proceeds from dispositions		134	109
Other		16	
Net cash used in investing activities		(1,563)	(186)
Financing activities:			
Net transfers from 21st Century Fox and affiliates			217
Repayment of borrowings acquired in the Move acquisition		(129)	
Dividends paid		(29)	(23)
Other, net		(2)	(3)
Net cash (used in) provided by financing activities		(160)	191
Net (decrease) increase in cash and cash equivalents		(1,021)	808
Cash and cash equivalents, beginning of period		3,145	2,381

Exchange movement on opening cash balance	(97)	18
Cash and cash equivalents, end of period	$ 2,027	$ 3,207

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

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

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

Basis of Presentation

The accompanying consolidated financial statements of the Company, which are referred to herein as the Financial Statements, have been prepared in accordance with generally accepted accounting principles in the United States of America (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 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, 2015. The preparation of the Company s Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts that are reported in the Financial Statements and accompanying disclosures. Actual results could differ from those estimates.

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

The consolidated statements of operations are referred to as the Statements of Operations herein. The consolidated balance sheets are referred to as the Balance Sheets herein. The consolidated statements of cash flows are referred to as the Statements of Cash Flows herein.

The accompanying Financial Statements and notes thereto should be read in conjunction with the audited consolidated and combined financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2014 as filed with the Securities and Exchange Commission (SEC) on August 14, 2014 (the 2014 Form 10-K).

Certain reclassifications have been made to the prior period financial statements to conform to the current year presentation. In the fourth quarter of fiscal 2014, the Company revised the composition of its reportable segments based on the guidance provided in Accounting Standards Codification (ASC) 280, Segment Reporting. The Company historically reported its business under five reporting segments: News and Information Services, Book Publishing, Cable Network Programming, Digital Real Estate Services and Other. The Company has separated its digital education business from the Other segment and its operations are now presented as six reportable segments (News and Information Services, Book Publishing, Cable Network Programming, Digital Real Estate Services, Digital Education and Other). All prior periods have been reclassified to reflect the Company s revised segment presentation.

The Company s fiscal year ends on the Sunday closest to June 30. Fiscal 2015 and fiscal 2014 each include 52 weeks. All references to the three and nine months ended March 31, 2015 and 2014 relate to the three and nine months ended March 29, 2015 and March 30, 2014, respectively. For convenience purposes, the Company continues to date its financial statements as of March 31.

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Recently issued accounting pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-04, Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date (ASU 2013-04). The objective of ASU 2013-04 is to provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation (within the scope of this guidance) is fixed at the reporting date. Examples of obligations within the scope of ASU 2013-04 include debt arrangements, other contractual obligations, and settled litigation and judicial rulings. ASU 2013-04 became effective for the Company for interim reporting periods beginning July 1, 2014. The adoption of ASU 2013-04 did not have an impact on the Company s Financial Statements.

In March 2013, the FASB issued ASU 2013-05, Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (ASU 2013-05). The objective of ASU 2013-05 is to resolve the diversity in practice regarding the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets within a foreign entity. ASU 2013-05 became effective for the Company for interim reporting periods beginning July 1, 2014. The adoption of ASU 2013-05 did not have an impact on the Company s Financial Statements.

In July 2013, the FASB issued ASU 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (ASU 2013-11). ASU 2013-11 clarifies guidance and eliminates diversity in practice on the presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. ASU 2013-11 became effective for the Company for interim reporting periods beginning July 1, 2014. The adoption of ASU 2013-11 did not have an impact on the Company s Financial Statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). ASU 2014-09 removes inconsistencies and differences in existing revenue requirements between GAAP and International Financial Reporting Standards (IFRS) and requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU 2014-09 will require companies to use more judgment and make more estimates, such as identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation, when determining the amount of revenue to recognize. ASU 2014-09 is effective for the Company for annual and interim periods beginning July 1, 2017. Once effective, ASU 2014-09 can be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initial adoption recognized at the date of initial application. The Company is currently evaluating the method of adoption to be utilized as well as the impact ASU 2014-09 will have on its Financial Statements.

In June 2014, the FASB issued ASU 2014-12, Compensation Stock Compensation (Topic 718) (ASU 2014-12). ASU 2014-12 clarifies guidance and eliminates diversity in practice on how to account for share-based payments in which

the terms of the award provide that a performance target that affects vesting could be achieved after the requisite service period. That is, the employee would be eligible to vest in the award regardless of whether the employee is rendering service on the date the performance target is achieved. ASU 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. ASU 2014-12 is effective for the Company for annual and interim periods beginning July 1, 2016, however, early adoption is permitted. The Company is currently evaluating the impact of ASU 2014-12, but does not expect the adoption to have a significant impact on its Financial Statements.

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements Going Concern (Subtopic 205-40) (ASU 2014-15). ASU 2014-15 is intended to define management s responsibility to evaluate whether there is substantial doubt about an entity s ability to continue as a going concern and to provide related footnote disclosures. Specifically, ASU 2014-15 provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management s plans and requires an express statement and other disclosures when substantial doubt is not alleviated. ASU 2014-15 is effective for the Company for annual and interim periods beginning July 1, 2016, however, early adoption is permitted. The Company does not expect the adoption of ASU 2014-15 to have a significant impact on its Financial Statements.

In February 2015, the FASB issued ASU 2015-02- Consolidation (Topic 810): Amendments to the Consolidation Analysis (ASU 2015-02). ASU 2015-02 is intended to address stakeholder concerns regarding the usefulness of financial statements where a reporting entity is required to consolidate a legal entity where the reporting entity s contractual rights do not give it the ability to act primarily on its own behalf, the reporting entity does not hold a majority of the legal entity s voting rights, or the reporting entity is not exposed to a majority of the legal entity s economic benefits or obligations. The update amends the accounting guidance around the consolidation of limited partnerships, the consideration surrounding the primary beneficiary determination and the consolidation of certain investment funds. ASU 2015-02 is effective for the Company for fiscal years and interim periods within those fiscal years beginning after December 15, 2015, however, early adoption is permitted. The Company does not expect the adoption of ASU 2015-02 to have a significant impact on its Financial Statements.

NOTE 2. ACQUISITIONS, DISPOSALS AND OTHER TRANSACTIONS

Fiscal 2015

Harlequin Enterprises Limited

In August 2014, the Company acquired Harlequin Enterprises Limited (Harlequin) from Torstar Corporation for $414 million in cash, net of $19 million of cash acquired. Harlequin is a leading publisher of women s fiction and extends HarperCollins global platform, particularly in Europe and Asia Pacific. Harlequin operates as a division of HarperCollins, and its results are included within the Book Publishing segment. As a result of the acquisition, the Company recorded net tangible assets of approximately $120 million, primarily consisting of accounts receivable, accounts payable, author advances, property, plant and equipment and inventory, at their estimated fair values at the date of acquisition. In addition, the Company recorded approximately $165 million of intangible assets, comprised of approximately $105 million of imprints which have an indefinite life and $60 million related to finite lived intangible assets with a weighted average life of approximately 5 years, and recorded an associated deferred tax liability of approximately $35 million. In accordance with ASC 350, Intangibles Goodwill and Other (ASC 350), the excess of the purchase price over the fair values of the net tangible and intangible assets of approximately $180 million was recorded as goodwill on the transaction. The values assigned to the acquired assets and liabilities are based on preliminary estimates of fair value available as of the date of this filing and will be adjusted upon completion of final valuations of certain assets and liabilities. Any changes in these fair values could potentially result in an adjustment to the goodwill recorded for this transaction.

8

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Move, Inc.

In November 2014, the Company acquired all of the outstanding shares of Move, Inc. (Move), which was a publicly traded company, for $21.00 per share in cash. Move is a leading provider of online real estate services in the U.S that primarily operates realtor.com®, a leading consumer facing real estate website, and also offers a number of professional software and services products (including Top Producer®, TigerLead® and ListHub™), which provide real estate professionals with advertising systems, productivity and lead management tools and reporting. Move s results of operations are included within the Digital Real Estate Services segment, and it will be considered a separate reporting unit for purposes of the Company s annual goodwill impairment review.

The aggregate cash payment at closing to acquire the outstanding shares of Move was approximately $864 million, which was funded with cash on hand. The Company also assumed outstanding Move equity awards with a fair value of $67 million, consisting of vested and unvested stock options, restricted stock units (RSUs) and restricted stock awards. Of the total fair value of the assumed equity awards, $28 million was allocated to pre-combination services and included in total consideration transferred and $39 million was allocated to future services and will be expensed over the weighted average remaining service period of 2.5 years. Refer to Note 7 for further details on the conversion of Move s equity-based awards. In addition, following the acquisition, the Company utilized approximately $129 million of cash to settle all of Move s outstanding indebtedness that was assumed as part of the transaction. The total transaction value for the Move acquisition is set forth below (in millions):

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

REA Group Limited (REA Group), in which the Company holds a 61.6% interest, acquired a 20% interest in Move upon closing of the transaction. In connection with the acquisition, the Company granted REA Group a put option to require the Company to purchase REA Group s interest in Move, which can be exercised at any time beginning two years from the date of acquisition at fair value.

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Under the purchase method of accounting, the total consideration transferred is allocated to net tangible and intangible assets based upon Move s estimated fair value as of the date of completion of the acquisition. The preliminary allocation is as follows (in millions):

Assets acquired:	
Cash	$ 108
Current assets	23
Intangible assets	260
Goodwill	689
Noncurrent assets	35
Total assets acquired	$ 1,115
Liabilities assumed:	
Current liabilities	$ 50
Deferred income taxes	41
Borrowings	129
Other noncurrent liabilities	3
Total liabilities assumed	223
Net assets acquired	$ 892

The acquired intangible assets consist of the license of the realtor.com® trademark and other trademarks and domain names with an aggregate fair value of approximately $160 million, which have indefinite lives, and customer relationships with a fair value of approximately $100 million, which will be amortized over approximately 5 years.

Move had U.S. federal net operating loss carryforwards of $940 million at the date of acquisition. These loss carryforwards are subject to limitations under Section 382 of the Internal Revenue Code of 1986, as amended (the Code) and subject to review by the Internal Revenue Service. The utilization of these net operating loss carryforwards is dependent on generating sufficient U.S. taxable income prior to their expiration which begins in varying amounts starting in 2017. Due to statutory expirations and Section 382 limitations, valuation allowances have been established related to these assets and may be adjusted upon completion of the final valuation of deferred taxes. The deferred tax assets established for these net operating loss carryforwards, net of valuation allowances, are included in Deferred income taxes on the Balance Sheet as of March 31, 2015.

The excess of the total consideration transferred over the fair value of the net tangible and intangible assets acquired was recorded as goodwill. The values assigned to the acquired assets and liabilities, including deferred taxes, are based on preliminary estimates of fair value available as of the date of this filing and will be adjusted upon completion of final valuations of certain assets and liabilities. Any changes in these fair values could potentially result in an

adjustment to the goodwill recorded for this transaction.

Fiscal 2014

In September 2013, the Company sold the Dow Jones Local Media Group (LMG), which operated eight daily and 15 weekly newspapers in seven states. The gain recognized on the sale of LMG was not significant as the carrying value of the assets held for sale on the date of sale approximated the proceeds received.

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

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. RESTRUCTURING AND IMPAIRMENT

Fiscal 2015

During the three and nine months ended March 31, 2015, the Company recorded restructuring charges of $10 million and $31 million, respectively, of which $8 million and $26 million, respectively, related to the News and Information Services segment. The restructuring charges recorded in fiscal 2015 were primarily for employee termination benefits.

Fiscal 2014

During the three and nine months ended March 31, 2014, the Company recorded restructuring charges of $10 million and $61 million, respectively, of which $6 million and $50 million, respectively, related to the News and Information Services segment. The restructuring charges recorded in fiscal 2014 were primarily for employee termination benefits.

During the second quarter of fiscal 2014, the Company reached an agreement to sell one of its U.S. printing plants. The carrying value of the plant was more than the net proceeds the Company received in January 2014 by approximately $12 million which was recorded as an impairment charge during the nine months ended March 31, 2014.

Changes in restructuring program liabilities were as follows:

	For the three months ended March 31,							
	2015				2014			
	One time employee termination benefits	Facility related costs	Other costs	Total	One time employee termination benefits	Facility related costs	Other costs	Total
	(in millions)							
Balance, beginning of period	$ 17	$ 6	$ 6	$ 29	$ 23	$ 8	$ 1	$ 32
Additions	10			10	7	2	1	10
Payments	(11)			(11)	(11)	(1)		(12)
Other						(2)	(1)	(3)
Balance, end of period	$ 16	$ 6	$ 6	$ 28	$ 19	$ 7	$ 1	$ 27

	For the nine months ended March 31,	
	2015	2014

	One time employee termination benefits	Facility related costs	Other costs	Total	One time employee termination benefits	Facility related costs	Other costs	Total
					(in millions)			
Balance, beginning of period	$ 21	$ 7	$	$ 28	$ 51	$ 6	$ 2	$ 59
Additions	24		7	31	52	7	2	61
Payments	(27)	(1)		(28)	(85)	(4)	(1)	(90)
Other	(2)		(1)	(3)	1	(2)	(2)	(3)
Balance, end of period	$ 16	$ 6	$ 6	$ 28	$ 19	$ 7	$ 1	$ 27

As of March 31, 2015, restructuring liabilities of approximately $18 million were included in the Balance Sheet in Other current liabilities and $10 million were included in Other non-current liabilities.

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. INVESTMENTS

The Company s investments were comprised of the following:

	Ownership Percentage as of March 31, 2015	As of March 31, 2015	As of June 30, 2014
		(in millions)	
Equity method investments:			
Foxtel[a]	50%	$ 1,538	$ 1,869
Other equity method investments[b]	various	171	24
Loan receivable from Foxtel[c]	N/A	350	425
Available-for-sale securities[d]	various	135	151
Cost method investments[e]	various	188	140
Total Investments		$ 2,382	$ 2,609

(a) The change in the Foxtel investment for the nine months ended March 31, 2015 was primarily due to the impact of foreign currency fluctuations.

(b) In July 2014, REA Group purchased a 17.22% interest in iProperty Group Limited (ASX: IPP) (iProperty) for total cash consideration of approximately $100 million. iProperty has online property advertising operations primarily in Malaysia, Indonesia, Hong Kong, Macau, Thailand and Singapore. In December 2014, REA Group sold Squarefoot, its Hong Kong based business, to iProperty in exchange for an additional 2.2% interest in iProperty. Upon completion of the transaction and including an acquisition of additional shares of iProperty in October 2014, REA Group owns an approximate 19.9% interest in iProperty, and retroactively applied the equity method of accounting in the second quarter of fiscal 2015 in accordance with ASC 323, Investments Equity Method and Joint Ventures. The carrying value of the investment in iProperty was $91 million as of March 31, 2015.

(c) In May 2012, Foxtel purchased Austar United Communications Ltd. The transaction was funded by Foxtel bank debt and Foxtel s shareholders made pro rata capital contributions in the form of subordinated shareholder notes based on their respective ownership interests. The Company s share of the subordinated shareholder notes was approximately A$451 million ($350 million and $425 million as of March 31, 2015 and June 30, 2014, respectively). The subordinated shareholder note can be repaid beginning in July 2022 provided that Foxtel s senior debt has been repaid. The subordinated shareholder note has a maturity date of July 15, 2027, with interest of 12% payable on June 30 each year and at maturity. Upon maturity, the principal advanced will be repayable.

(d) In March 2015, the Company agreed to increase its 4.8% interest in APN News and Media Limited (APN) to 14.99% for a purchase price of approximately $70 million. APN operates a portfolio of Australian and New

Zealand radio and outdoor media assets and small regional print interests. The acquisition is subject to regulatory approval and is expected to be completed in the fourth quarter of fiscal 2015. If regulatory approval is not obtained, the APN shares will be sold to alternative purchasers with the Company bearing the economic loss if the sales price is lower than the Company s agreed purchase price and benefiting from the gain if the sales price is higher.

(e) Cost method investments primarily include the Company s investment in SEEKAsia Limited (SEEK Asia) and certain investments in China. In November 2014, SEEK Asia, in which the Company owns a 12.1% interest, acquired the online employment businesses of JobStreet Corporation Berhad (JobStreet), which were combined with JobsDB, Inc., SEEK Asia s existing online employment business. The transaction was funded primarily through additional contributions by SEEK Asia shareholders. The Company s share of the funding contribution was approximately $60 million and the Company continues to hold a 12.1% investment in SEEK Asia following the transaction.

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Company measures the fair market values of available-for-sale investments as Level 1 financial instruments under ASC 820, Fair Value Measurement, as such investments have quoted prices in active markets. The cost basis, unrealized gains, unrealized losses and fair market value of available-for-sale investments are set forth below:

	As of March 31, 2015	As of June 30, 2014
	(in millions)	
Cost basis of available-for-sale investments	$ 77	$ 113
Accumulated gross unrealized gain	58	38
Accumulated gross unrealized loss		
Fair value of available-for-sale investments	$ 135	$ 151
Net deferred tax liability	$ 22	$ 14

Equity Earnings of Affiliates

The Company s share of the earnings of its equity affiliates was as follows:

	For the three months ended March 31,		For the nine months ended March 31,	
	2015	2014	2015	2014
	(in millions)			
Foxtel[(a)]	$ 8	$ 23	$ 48	$ 53
Other equity affiliates, net	(1)			
Total Equity earnings of affiliates	$ 7	$ 23	$ 48	$ 53

(a) In accordance with ASC 350, the Company amortized $14 million and $44 million related to excess cost over the Company s proportionate share of its investment s underlying net assets allocated to finite-lived intangible assets during the three and nine months ended March 31, 2015, respectively, and $15 million and $46 million in the corresponding periods of fiscal 2014, respectively. Such amortization is reflected in Equity earnings of affiliates in the Statements of Operations.

Summarized financial information for Foxtel, presented in accordance with U.S. GAAP, was as follows:

	For the nine months ended March 31,	
	2015	2014
	(in millions)	
Revenues	$ 2,028	$ 2,154
Operating income[(a)]	343	392
Net income	184	198

(a) Includes Depreciation and amortization of $243 million and $263 million for the nine months ended March 31, 2015 and 2014, respectively. Operating income before depreciation and amortization was $586 million and $655 million for the nine months ended March 31, 2015 and 2014, respectively.

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended March 31, 2015, Foxtel s revenues decreased $126 million, or 6%, as a result of the negative impact of foreign currency fluctuations. Operating income decreased primarily as a result of higher programming costs, increased marketing and other support costs related to the new Foxtel pricing and packaging, increased investment in Presto and the launch of Triple Play and the negative impact of foreign currency fluctuations. Net income decreased as a result of the lower operating income noted above, partially offset by favorable fair value movements on hedged items.

NOTE 5. CREDIT FACILITY

The Company s Credit Agreement (the Credit Agreement) provides for an unsecured $650 million five-year revolving credit facility (the Facility) that can be used for general corporate purposes. The Facility has a sublimit of $100 million available for issuances of letters of credit. Under the Credit Agreement, the Company may request increases in the amount of the Facility up to a total maximum amount of $900 million. Subject to certain conditions stated in the Credit Agreement, the Company may borrow, prepay and reborrow amounts under the Facility during the term of the Credit Agreement. All amounts under the Credit Agreement are due on October 23, 2018, unless the commitments are terminated earlier either at the request of the Company or, if an event of default occurs, by the designated agent at the request or with the consent of the lenders (or automatically in the case of certain bankruptcy-related events). The Company may request that the commitments be extended under certain circumstances as set forth in the Credit Agreement for up to two additional one-year periods. Additionally, interest on borrowings is based on either (a) a Eurodollar Rate formula or (b) the Base Rate formula, each as set forth in the Credit Agreement.

The Credit Agreement contains certain customary affirmative and negative covenants and events of default, with customary exceptions, including limitations on the ability of the Company and the Company s subsidiaries to engage in transactions with affiliates, incur liens, merge into or consolidate with any other entity, incur subsidiary debt or dispose of all or substantially all of its assets or all or substantially all of the stock of its subsidiaries taken as a whole. In addition, the Credit Agreement requires the Company to maintain an adjusted operating income leverage ratio of not more than 3.0 to 1.0 and an interest coverage ratio of not less than 3.0 to 1.0. If any of the events of default occur and are not cured within applicable grace periods or waived, any unpaid amounts under the Credit Agreement may be declared immediately due and payable. As of March 31, 2015, the Company was in compliance with all of the applicable debt covenants.

The applicable margin and the commitment fee are based on the pricing grid in the Credit Agreement which varies based on the Company s adjusted operating income leverage ratio. As of March 31, 2015, the Company was paying a commitment fee of 0.25% on any undrawn balance and an applicable margin of 0.50% for a Base Rate borrowing and 1.50% for a Eurodollar Rate borrowing.

As of the date of this filing, the Company has not borrowed any funds under the Facility.

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. EQUITY

The following table summarizes changes in equity:

	For the nine months ended March 31,					
	2015			2014		
	News Corporation stockholders	Noncontrolling Interests	Total Equity	News Corporation stockholders	Noncontrolling Interests	Total Equity
	(in millions)					
Balance, beginning of period	$ 13,243	$ 156	$ 13,399	$ 12,558	$ 118	$ 12,676
Net income	231	54	285	226	39	265
Other comprehensive (loss) income	(1,164)	(23)	(1,187)	211	(1)	210
Dividends	(1)	(28)	(29)	(1)	(22)	(23)
Other	60	(2)	58	40		40
Balance, end of period	$ 12,369	$ 157	$ 12,526	$ 13,034	$ 134	$ 13,168

NOTE 7. EQUITY BASED COMPENSATION

Employees of the Company participate in the News Corporation 2013 Long-Term Incentive Plan (the 2013 LTIP) under which equity-based compensation, including stock options, performance stock units (PSUs), restricted stock awards, RSUs and other types of awards can be granted. The Company has the ability to award up to 30 million shares under the terms of the 2013 LTIP.

In connection with the acquisition of Move, the Company assumed Move s equity incentive plans and substantially all of the awards outstanding under such plans. The stock options, RSUs and restricted stock awards that were assumed continue to have the same terms and conditions that applied to those awards immediately prior to the acquisition, except that such assumed awards were converted into awards with the right to be settled in, or by reference to, the Company s Class A Common Stock in accordance with the acquisition agreement, using a formula designed to preserve the value of the awards based on the price per share paid in the acquisition. The Company assumed and converted approximately 4.3 million stock options and approximately 2.5 million RSUs and restricted stock awards in connection with the transaction. During the three and nine months ended March 31, 2015, approximately 1.8 million and 2.2 million of the assumed options were exercised, respectively, and approximately 0.8 million of the assumed RSUs and restricted stock awards vested.

The Company recognized $23 million and $44 million of equity-based compensation expense for the three and nine months ended March 31, 2015, respectively, and $3 million and $23 million for the corresponding periods of fiscal 2014, respectively.

Performance Stock Units

Fiscal 2015

During the three and nine months ended March 31, 2015, the Company granted 0.2 million and 3.3 million PSUs at target, respectively, of which 0.2 and 2.2 million, respectively, will be settled in Class A Common Stock with the remaining, having been granted to executive directors and to employees in certain foreign locations, being settled in cash. Cash settled awards are marked-to-market each reporting period.

During the nine months ended March 31, 2015, approximately 2.0 million PSUs vested, of which approximately 1.5 million were settled in shares of Class A Common Stock before statutory tax withholdings. The remaining 0.5 million PSUs that settled during the nine months ended March 31, 2015 were settled in cash for approximately $8.2 million before statutory tax withholdings.

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Fiscal 2014

During the nine months ended March 31, 2014, the Company granted 4.3 million PSUs at target, of which 2.7 million will be settled in Class A Common Stock with the remaining, having been granted to executive directors and to employees in certain foreign locations, being settled in cash. Cash settled awards are marked to market each reporting period.

Restricted Stock Units

Fiscal 2015

During the three and nine months ended March 31, 2015, the Company granted 0.5 million RSUs, all of which will be settled in Class A Common Stock.

During the three and nine months ended March 31, 2015, approximately 0.8 million and 1.2 million RSUs vested, respectively, of which approximately 0.8 million and 1.1 million, respectively, were settled in shares of Class A Common Stock before statutory tax withholdings. The remaining 0.1 million RSUs that settled during the nine months ended March 31, 2015 were settled in cash for approximately $0.9 million before statutory tax withholdings.

Fiscal 2014

During the nine months ended March 31, 2014, the Company granted 0.1 million RSUs, all of which will be settled in Class A Common Stock.

NOTE 8. EARNINGS PER SHARE

Basic earnings per share for the Class A Common Stock and Class B Common Stock is calculated by dividing Net income available to News Corporation stockholders by the weighted average number of shares of Class A Common Stock and Class B Common Stock outstanding. Diluted earnings per share for Class A Common Stock and Class B Common Stock is calculated similarly, except that the calculation includes the dilutive effect of the assumed issuance of shares issuable under the Company s equity-based compensation plans.

	For the three months ended March 31,		For the nine months ended March 31,	
	2015	2014	2015	2014
	(in millions, except per share amounts)			
Net income attributable to News Corporation stockholders	$ 23	$ 48	$ 231	$ 226
Redeemable preferred stock dividends [a]			(1)	(1)

Net income available to News Corporation stockholders - basic and diluted	$ 23	$ 48	$ 230	$ 225
Weighted-average number of shares of common stock outstanding - basic	581.8	579.0	580.5	578.9
Dilutive effect of equity awards	1.4	0.8	1.4	0.7
Weighted-average number of shares of common stock outstanding - diluted	583.2	579.8	581.9	579.6
Net income per share available to News Corporation stockholders - basic	$ 0.04	$ 0.08	$ 0.40	$ 0.39
Net income per share available to News Corporation stockholders - diluted	$ 0.04	$ 0.08	$ 0.40	$ 0.39

(a) In connection with the Separation, as defined below, Twenty-First Century Fox, Inc. (21st Century Fox) sold 4,000 shares of cumulative redeemable preferred stock with a par value of $5,000 per share of a newly formed U.S. subsidiary of the Company. The preferred stock pays dividends at a rate of 9.5% per annum, payable quarterly. The preferred stock is callable by the Company at any time after the fifth year and is puttable at the option of the holder after 10 years.

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. RELATIONSHIP BETWEEN NEWS CORP AND 21ST CENTURY FOX

The Separation and Distribution

On June 28, 2013 (the Distribution Date), the Company completed the separation of its businesses (the Separation) from 21st Century Fox. As of the effective time of the Separation, all of the outstanding shares of the Company were distributed to 21st Century Fox stockholders based on a distribution ratio of one share of Company Class A or Class B Common Stock for every four shares of 21st Century Fox Class A or Class B Common Stock, respectively, held of record as of June 21, 2013. Following the Separation, the Company s Class A and Class B Common Stock began trading independently on The NASDAQ Global Select Market (NASDAQ), and CHESS Depositary Interests representing the Company s Class A and Class B Common Stock began trading on the Australian Securities Exchange (ASX).

In conjunction with the Separation, the Company entered into the Separation and Distribution Agreement (the Separation and Distribution Agreement), Transition Services Agreement (TSA), Tax Sharing and Indemnification Agreement (the Tax Sharing and Indemnification Agreement) and other related agreements with 21st Century Fox to effect the Separation and to provide a framework for the Company s relationship with 21st Century Fox subsequent to the Separation.

The Separation and Distribution Agreement between the Company and 21st Century Fox contains the key provisions relating to the separation of the Company s business from 21st Century Fox and the distribution of the Company s common stock to 21st Century Fox stockholders. The Separation and Distribution Agreement identifies the assets that were transferred and liabilities that were assumed by the Company from 21st Century Fox in the Separation and describes how these transfers and assumptions occurred. In accordance with the Separation and Distribution Agreement, the Company s aggregate cash and cash equivalents balance at the Distribution Date was to approximate $2.6 billion. As of June 30, 2013, the Company had cash and cash equivalents of $2.4 billion. The remaining $0.2 billion was received from 21st Century Fox during the first quarter of fiscal 2014 as part of a cash true-up mechanism in accordance with the aforementioned agreement.

Also, as part of the Separation and Distribution Agreement, 21st Century Fox will indemnify the Company for payments, on an after-tax basis, made after the Distribution Date arising out of civil claims and investigations relating to voicemail interception, illegal data access, inappropriate payments to public officials and obstruction of justice at the Company s former publication, *The News of the World*, and at *The Sun*, and related matters (the U.K. Newspaper Matters), as well as legal and professional fees and expenses paid in connection with the criminal matters, other than fees, expenses and costs relating to employees (i) who are not directors, officers or certain designated employees or (ii) with respect to civil matters, who are not co-defendants with the Company or 21st Century Fox. (See Note 10 Commitments and Contingencies).

Amounts due from 21st Century Fox as of March 31, 2015 and June 30, 2014 included $52 million and $66 million, respectively, for amounts to be received relating to the indemnification of the U.K. Newspaper Matters. (See Note 10 Commitments and Contingencies for further information).

Under the TSA, the Company and 21st Century Fox provide each other with certain specified services on a transitional basis, including, among others, payroll, employee benefits and pension administration, information systems, insurance, legal and other corporate services, as well as procurement and sourcing support. The charges for the transition services are generally intended to allow the providing company to fully recover the allocated direct costs of providing the services, plus all out-of-pocket costs and expenses, generally without profit. The Company anticipates that it will generally be in a position to complete the transition of most services (excluding certain insurance, sourcing and other services) on or before 24 months following the Distribution Date. Services under the TSA began on July 1, 2013. Costs associated with these services were not material in the nine months ended March 31, 2015.

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Tax Sharing and Indemnification Agreement governs the Company s and 21st Century Fox s respective rights, responsibilities and obligations with respect to tax liabilities and benefits, tax attributes, tax contests and other matters regarding income taxes, non-income taxes and related tax returns. Under the Tax Sharing and Indemnification Agreement, the Company will generally indemnify 21st Century Fox against taxes attributable to the Company s assets or operations for all tax periods or portions thereof after the Separation. For taxable periods or portions thereof prior to the Separation, 21st Century Fox will generally indemnify the Company against U.S. consolidated taxes attributable to such periods, and the Company will indemnify 21st Century Fox against the Company s separately filed U.S. state and foreign taxes and foreign consolidated taxes for such periods. The Tax Sharing and Indemnification Agreement also provides that the proceeds from the refund of certain foreign income taxes (plus interest) of a subsidiary of the Company that were claimed prior to the Separation be paid to 21st Century Fox, net of certain taxes. (See Note 12 Income Taxes).

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 Company s commitments as of March 31, 2015 have not changed significantly from the disclosures included in the 2014 Form 10-K.

Contingencies

The Company routinely is involved in various legal proceedings, claims and governmental inspections or investigations, including those discussed below. The outcome of these matters and claims is subject to significant uncertainty, and the Company often cannot predict what the eventual outcome of pending matters will be or the timing of the ultimate resolution of these matters. Fees, expenses, fines, penalties, judgments or settlement costs which might be incurred by the Company in connection with the various proceedings could adversely affect its results of operations and financial condition.

The Company establishes an accrued liability for legal claims when it 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. Legal fees associated with litigation and similar proceedings are expensed as incurred. Except as otherwise provided below, for the contingencies disclosed for which there is at least a reasonable possibility that a loss may be incurred, the Company was unable to estimate the amount of loss or range of loss.

U.K. Newspaper Matters and Related Investigations and Litigation

On July 19, 2011, a purported class action lawsuit captioned Wilder v. News Corp., et al. was filed on behalf of all purchasers of 21st Century Fox s common stock between March 3, 2011 and July 11, 2011, in the U.S. District Court

for the Southern District of New York (the Wilder Litigation). The plaintiff brought claims under Section 10(b) and Section 20(a) of the Securities Exchange Act, alleging that false and misleading statements were issued regarding alleged acts of voicemail interception at *The News of the World*. The suit named as defendants 21st Century Fox, Rupert Murdoch, James Murdoch and Rebekah Brooks, and sought compensatory damages, rescission for damages sustained and costs.

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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. Avon filed an amended consolidated complaint on July 31, 2012, which among other things, added as defendants the Company s subsidiary, NI Group Limited (now known as News Corp UK & Ireland Limited), and Les Hinton, and expanded the class period to comprise February 15, 2011 to July 18, 2011. Defendants filed motions to dismiss the litigation, which were granted by the court on March 31, 2014. Plaintiffs were allowed to amend their complaint, and on April 30, 2014, plaintiffs filed a second amended consolidated complaint, which generally repeats the allegations of the amended consolidated complaint and also expands the class period to comprise July 8, 2009 to July 18, 2011. Defendants moved to dismiss the second amended consolidated complaint, and plaintiffs opposed those motions. On November 21, 2014, defendants filed their replies to plaintiffs opposition, and the motions were fully submitted to the court. The Company s management believes these claims are entirely without merit and intends to vigorously defend this action. As described below, the Company will be indemnified by 21st Century Fox for certain payments made by the Company that relate to, or arise from, the U.K. Newspaper Matters, including all payments in connection with the Wilder Litigation.

In addition, governmental authorities in the U.K. continue to conduct investigations initiated in 2011 with respect to the U.K. Newspaper Matters. The Company is cooperating with these investigations. The Company and 21st Century Fox were also previously subject to an investigation by the U.S. Department of Justice (the DOJ) relating to the U.K. Newspaper Matters. On January 28, 2015, the Company was notified by the DOJ that it has completed its investigation and is declining to prosecute the Company or 21st Century Fox.

Civil claims have also been brought against the Company with respect to the U.K. Newspaper Matters. The Company has admitted liability in many civil cases and has settled a number of cases. The Company has also settled a number of claims through a private compensation scheme established by the Company under which parties could pursue claims against it. While additional civil lawsuits may be filed, no additional civil claims may be brought under the compensation scheme after April 8, 2013.

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

The Company incurred gross legal and professional fees related to the U.K. Newspaper Matters and costs for civil settlements totaling approximately $24 million and $46 million for the three months ended March 31, 2015 and 2014, respectively, and approximately $75 million and $137 million for the nine months ended March 31, 2015 and 2014, respectively. These costs are included in Selling, general and administrative expenses in the Company s Statements of Operations. With respect to the fees and costs incurred during the three months ended March 31, 2015 and 2014, the Company has been or will be indemnified by 21st Century Fox for $9 million, net of tax, and $26 million, net of tax, respectively, pursuant to the indemnification arrangements described above. With respect to the fees and costs

incurred during the nine months ended March 31, 2015 and 2014, the Company has been or will be indemnified by 21st Century Fox for $33 million, net of tax, and $81 million, net of tax, respectively, pursuant to the indemnification arrangements described above. Accordingly, the Company recorded a contra expense in Selling, general and administrative expenses for the after-tax costs that were or will be indemnified of $9 million and $26 million for the three months ended March 31, 2015 and 2014, respectively, and $33 million and $81 million for the nine months ended March 31, 2015 and 2014, respectively, and recorded a corresponding receivable from 21st Century Fox. Therefore, the net impact on Selling, general and administrative expenses was $15 million and $20 million for the three months ended March 31, 2015 and 2014, respectively, and $42 million and $56 million for the nine months ended March 31, 2015 and 2014, respectively.

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Refer to the table below for the net impact of the U.K. Newspaper Matters on Selling, general and administrative expenses recorded in the Statements of Operations:

	For the three months ended March 31,		For the nine months ended March 31,	
	2015	2014	2015	2014
	(in millions)			
Gross legal and professional fees related to the U.K. Newspaper Matters	$ 24	$ 46	$ 75	$ 137
Indemnification from 21st Century Fox	(9)	(26)	(33)	(81)
Net impact on Selling, general and administrative expenses	$ 15	$ 20	$ 42	$ 56

As of March 31, 2015, the Company has provided for its best estimate of the liability for the claims that have been filed and costs incurred, including liabilities associated with employment taxes, and has accrued approximately $111 million, of which approximately $52 million will be indemnified by 21st Century Fox, and a corresponding receivable was recorded in Amounts due from 21st Century Fox on the Balance Sheet as of March 31, 2015. It is not possible to estimate the liability or corresponding receivable for any additional claims that may be filed given the information that is currently available to the Company. If more claims are filed and additional information becomes available, the Company will update the liability provision and corresponding receivable for such matters.

The Company is not able to predict the ultimate outcome or cost of the civil claims or criminal matters. It is possible that these proceedings and any adverse resolution thereof, including any fines or other penalties associated with any plea, judgment or similar result for which the Company will not be indemnified, could damage its reputation, impair its ability to conduct its business and adversely affect its results of operations and financial condition.

Stockholder Rights Agreement Litigation

On July 7, 2014, Miramar Police Officers Retirement Plan, a purported stockholder of the Company, filed a complaint in the Court of Chancery of the State of Delaware against the Company and its Board of Directors, styled Miramar Police Officers Retirement Plan v. Murdoch et al., C.A. No. 9860-CB. The complaint alleges, among other things, that the Company and the Board of Directors breached the terms of a settlement agreement, dated April 12, 2006, by entering into a one-year extension to the Company s stockholder rights agreement on June 18, 2014 without first seeking stockholder approval. The complaint further alleges that the Board of Directors breached its fiduciary duties in approving the one-year extension to the stockholder rights agreement, seeks a declaration that the extension is null and void and requests an award of attorneys fees and costs.

Defendants moved to dismiss the complaint, and on August 25, 2014, plaintiff amended the complaint to seek a declaratory judgment that the Company is bound and subject to the settlement agreement; that the agreement has been breached; that the Board of Directors acted in bad faith by adopting the stockholder rights agreement extension without stockholder approval; and, in the alternative, seeking reformation of the settlement agreement on the grounds

of alleged mutual mistake. Thereafter, on September 9, 2014, all defendants moved to dismiss the amended complaint. On April 7, 2015, the Court granted defendants motion to dismiss in its entirety on the grounds that the Company is not bound by the settlement agreement.

HarperCollins

In 2011 and 2012, various civil lawsuits and governmental investigations were commenced against certain publishers, including the Company s subsidiary, HarperCollins Publishers L.L.C. (HarperCollins), relating to alleged violations of antitrust and unfair competition laws arising out of the decisions by those publishers to sell their e-books pursuant to an agency relationship.

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The publishers, including HarperCollins, entered into various settlement agreements to resolve these matters. These included a settlement with the DOJ, which, among other things, required that HarperCollins terminate its agreements with certain e-book retailers and placed certain restrictions on any agreements subsequently entered into with such retailers. Additional information about this settlement can be found on the DOJ s website. The publishers, including HarperCollins, also entered into substantially similar settlements with the European Commission and the Canadian Competition Bureau (CCB). The settlements with the DOJ and the European Commission received final approval in September and December 2012, respectively. The consent agreement with respect to the settlement with the CCB was registered with the Competition Tribunal on February 7, 2014. However, on February 21, 2014, Kobo Inc. (Kobo) filed an application to rescind or vary the consent agreement with the Competition Tribunal, and, on March 18, 2014, the Competition Tribunal issued an order staying the registration of the consent agreement. The stay will remain in effect pending further order of the Competition Tribunal or final disposition of Kobo s application.

The Company is not able to predict the ultimate outcome or cost of the unresolved HarperCollins matter described above. The legal and professional fees and settlement costs incurred in connection with the other settlements referred to above were not material.

News America Marketing

In-Store Marketing and FSI Purchasers

On April 8, 2014, in connection with a pending action in the United States District Court for the Southern District of New York in which The Dial Corporation, Henkel Consumer Goods, Inc., H.J. Heinz Company, H.J. Heinz Company, L.P., Foster Poultry Farms, Smithfield Foods, Inc., HP Hood LLC, BEF Foods, Inc., and Spectrum Brands, Inc. (Spectrum) allege various claims under federal and state antitrust law against News Corporation, News America Incorporated (NAI), News America Marketing FSI L.L.C. (NAM FSI), and News America Marketing In-Store Services L.L.C. (NAM In-Store Services and, together with News Corporation, NAI and NAM FSI, the NAM Group), plaintiffs filed a fourth amended complaint on consent of the parties. The fourth amended complaint asserts federal and state antitrust claims both individually and on behalf of two putative classes in connection with plaintiffs purchase of in-store marketing services and free-standing insert coupons. The complaint seeks treble damages, injunctive relief and attorneys fees. The NAM Group answered the fourth amended complaint and asserted counterclaims against The Dial Corporation, H.J. Heinz Company, H.J. Heinz Company, L.P., and Foster Poultry Farms on April 21, 2014, and discovery is proceeding. The District Court subsequently permitted Spectrum to voluntarily dismiss its claims without prejudice, subject to certain conditions.

On August 11, 2014, plaintiffs filed a motion seeking certification of a class of all persons residing in the United States who purchased in-store marketing services on or after April 5, 2008, and have not purchased those services pursuant to contracts with mandatory arbitration clauses. Plaintiffs did not, however, move to certify a class of purchasers of free-standing insert coupons. The NAM Group filed its opposition to plaintiffs motion on October 10, 2014, and the District Court heard oral argument on the motion on December 12, 2014.

While it is not possible at this time to predict with any degree of certainty the ultimate outcome of this action, the NAM Group believes it has been compliant with applicable antitrust laws and intends to defend itself vigorously.

Valassis Communications, Inc.

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

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

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

On February 4, 2014, the magistrate judge granted Valassis s motion for expedited discovery. The NAM Parties objected to the magistrate judge s ruling before the District Court and filed a motion to enforce the parties settlement agreement that sought an order that certain of Valassis s claims, if they are allowed to proceed, must be considered by a panel of antitrust experts. On May 20, 2014, the District Court overruled the NAM Parties objections to the magistrate judge s ruling and terminated the motion to enforce the parties settlement agreement as the issues raised in the motion would be addressed in connection with the NAM Group s motion to dismiss Valassis s newly filed complaint, described below.

On October 7, 2014, the NAM Group filed a motion for an order requiring Valassis to show cause why its allegations that the NAM Group engaged in unlawful bundling and tying of in-store marketing services and free-standing insert coupons should not be referred to a panel of antitrust experts for resolution pursuant to the parties settlement. On November 19, 2014, the magistrate judge denied the NAM Group s motion for an order to show cause. The NAM Group objected to the magistrate judge s order, and Valassis opposed those objections. On January 20, 2015, the NAM Parties filed a motion for expedited discovery in the previously settled case, which was granted by the magistrate judge on April 14, 2015.

On February 3, 2015, Valassis filed a Notice of Violation of an order issued by the District Court in the previously settled case. The Notice contains allegations that are substantially similar to the allegations Valassis made in the new complaint, described below, and seeks treble damages, injunctive relief and attorneys fees. The Notice also re-asserts claims of unlawful bundling and tying which the magistrate judge had previously recommended be dismissed from the action described below on the grounds that such claims could only be brought before the panel of antitrust experts. On March 2, 2015, the NAM Group filed a motion to refer the Notice to the panel of antitrust experts or, in the alternative, strike the Notice, which Valassis has opposed.

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

The District Court referred the NAM Group s motion to dismiss to the magistrate judge for determination, and on July 16, 2014, the magistrate judge recommended that the District Court grant the NAM Group s motion in part with respect to certain claims and stay the remainder of the action. Valassis has objected to the magistrate judge s recommendation that the action be stayed.

While it is not possible at this time to predict with any degree of certainty the ultimate outcome of these actions, the NAM Group believes it has been compliant with applicable laws and intends to defend itself vigorously in both actions.

Other

The Company s operations are subject to tax in various domestic and international jurisdictions and as a matter of course, it 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 financial condition, future results of operations or liquidity. As subsidiaries of 21st Century Fox prior to the Separation, the Company and each of its domestic subsidiaries have joint and several liability with 21st Century Fox for the consolidated U.S. federal income taxes of the 21st Century Fox consolidated group relating to any taxable periods during which the Company or any of the Company s domestic subsidiaries are or were a member of the 21st Century Fox consolidated group. Consequently, the Company could be liable in the event any such liability is incurred, and not discharged, by any other member of the 21st Century Fox consolidated group. The Tax Sharing and Indemnification Agreement requires 21st Century Fox to indemnify the Company for any such liability. Disputes or assessments could arise during future audits by the IRS or other taxing authorities in amounts that the Company cannot quantify.

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company provides pension, postretirement health care, defined contribution and medical benefits primarily in the U.S., U.K. and Australia to the Company s eligible employees and retirees. The Company funds amounts, at a minimum, in accordance with statutory requirements for all plans. Plan assets consist principally of common stocks, marketable bonds and government securities.

The amortization of amounts related to unrecognized prior service (credits) and deferred losses were reclassified out of other comprehensive income as a component of net periodic benefit costs. In addition, approximately nil and $1 million related to settlements, curtailments and other during the three and nine months ended March 31, 2014 was reclassified out of other comprehensive income as a component of net periodic benefit costs. The components of net periodic benefits costs were as follows:

	Pension benefits					
	Domestic		Foreign		Postretirement benefits	
	For the three months ended March 31,					
	2015	2014	2015	2014	2015	2014
	(in millions)					
Service cost benefits earned during the period	$ 1	$	$ 3	$ 3	$	$ 1
Interest costs on projected benefit obligations	4	4	11	13	2	1
Expected return on plan assets	(5)	(5)	(17)	(19)		
Amortization of deferred losses	.	1	3	3		
Amortization of prior service (credits)					(4)	(3)
Settlements, curtailments and other						
Net periodic benefits costs	$	$	$	$	$ (2)	$ (1)

	Pension benefits					
	Domestic		Foreign		Postretirement benefits	
	For the nine months ended March 31,					
	2015	2014	2015	2014	2015	2014
	(in millions)					
Service cost benefits earned during the period	$ 1	$ 4	$ 9	$ 9	$	$ 1
Interest costs on projected benefit obligations	12	12	37	38	5	5
Expected return on plan assets	(16)	(13)	(54)	(56)		
Amortization of deferred losses	2	4	9	9		
Amortization of prior service (credits)					(10)	(10)

Settlements, curtailments and other				4		
Net periodic benefits costs	$ (1)	$ 11	$ 1	$	$ (5)	$ (4)

During the nine months ended March 31, 2015 and 2014, the Company contributed approximately $13 million and $41 million, respectively, to its various pension and postretirement plans, of which $4 million and $13 million, respectively, were contributed in the third fiscal quarter. The contributions for the nine months ended March 31, 2014 included approximately $8 million paid to participants in connection with the termination of the LMG non-qualified pension plans. In addition, during the first quarter of fiscal 2014 approximately $37 million of contributions were made by a third party in connection with the sale of a business in a prior period on behalf of former employees who retained certain pension benefits. This resulted in a gain being recognized in Other, net in the Statement of Operations during the nine months ended March 31, 2014.

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

In the first quarter of fiscal 2014, the Company further reduced its Retirement benefit obligation by approximately $41 million due to changes made to the Company s retiree medical plans. This reduction was recognized in other comprehensive income during the first quarter of fiscal 2014 and will be amortized over the remaining expected life of the plans participants as actuarially determined.

NOTE 12. INCOME TAXES

At the end of each interim period, the Company estimates the annual effective income tax rate and applies that rate to its ordinary quarterly earnings. The tax expense or benefit related to significant, unusual or extraordinary items that will be separately reported or reported net of their related tax effect and are individually computed are recognized in the interim period in which those items occur. In addition, the effects of changes in enacted tax laws or rates or tax status are recognized in the interim period in which the change occurs.

The Company s effective tax rate for the three and nine months ended March 31, 2015 was lower than the U.S. statutory tax rate primarily due to the impact of foreign operations which are subject to lower tax rates, partially offset by the impact of nondeductible items and changes in our accrued liability for uncertain tax positions.

The Company s effective income tax rate for the three months ended March 31, 2014 was lower than the U.S. statutory rate primarily due to foreign tax refunds that were accrued in the quarter, resolution of uncertain state tax positions in the quarter and the impact of foreign operations which are subject to lower tax rates. The effective tax rate for the nine months ended March 31, 2014 was higher than the U.S. statutory rate primarily due to the impact of tax refunds received from a foreign jurisdiction which is discussed below.

For the nine months ended March 31, 2014, the Company recorded a receivable related to a refund of taxes plus interest in a foreign jurisdiction of $794 million and recorded a tax benefit, net of applicable taxes on interest, of $721 million to Income tax benefit in the Statements of Operations. Refunds received related to this matter were remitted to 21st Century Fox, net of applicable taxes on interest, in accordance with the terms of the Tax Sharing and Indemnification Agreement. Accordingly, for the nine months ended March 31, 2014, the Company recorded an expense to Other, net of $721 million for the payable to 21st Century Fox in the Statements of Operations. Refer to the table below for the net impact of the tax refund and interest, net of tax, recorded in the Statements of Operations:

	For the nine months ended March 31, 2014
Other, net	$ (721)
Income tax benefit	721
Net impact to the Statement of Operations	$

As of March 31, 2014, the Company received $794 million from the foreign tax authority. As of March 31, 2014, the Company paid 21st Century Fox $721 million. Amounts paid to 21st Century Fox are net of the estimated tax

associated with interest related to the refund. The Company accounts for interest on taxes as a component of Income tax (expense) benefit.

The Company s tax returns are subject to on-going review and examination by various tax authorities. Tax authorities may not agree with the treatment of items reported in our tax returns, and therefore the outcome of tax reviews and examinations can be unpredictable. The Company is currently undergoing tax examinations in several States and foreign jurisdictions. A foreign tax authority has issued notices asserting additional taxes. The Company believes it has appropriately accrued for the expected outcome of uncertain tax matters and believes such liabilities represent a reasonable provision for taxes ultimately expected to be paid, however, our liability may need to be adjusted as new information becomes known and as tax examinations continue to progress.

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

During the nine months ended March 31, 2015 and 2014, the Company paid gross income taxes of $81 million and $69 million, respectively, and received income tax refunds of $5 million and $840 million, respectively. The income tax refunds for the nine months ended March 31, 2014 included the $794 million related to amounts received from the foreign tax authority discussed above.

NOTE 13. SEGMENT INFORMATION

In the fourth quarter of fiscal 2014, the Company changed the composition of its reporting segments to present the digital education business separately as its own segment. As a result of the change, the Company reports its business in the following six segments:

News and Information Services The News and Information Services segment includes the global print and digital product offerings of *The Wall Street Journal* and *Barron s* publications, Marketwatch.com, and the Company s suite of professional information products, including Factiva, Dow Jones Risk & Compliance, Dow Jones Newswires, Dow Jones Private Markets and DJX.

The Company also owns, among other publications, *The Australian, The Daily Telegraph, Herald Sun* and *The Courier Mail* in Australia*, The Times, The Sunday Times, The Sun* and *The Sun on Sunday* in the U.K. and the *New York Post* in the U.S. This segment also includes News America Marketing, a leading provider of free-standing inserts, in-store marketing products and services and digital marketing solutions. News America Marketing s customers include many of the largest consumer packaged goods advertisers in the U.S. and Canada.

Book Publishing The Book Publishing segment consists of HarperCollins which is one of the largest English-language consumer publishers in the world, with particular strengths in general fiction, nonfiction, children s and religious publishing, and an industry leader in digital publishing. HarperCollins includes over 65 branded publishing imprints, including Avon, Harper, HarperCollins Children s Publishers, William Morrow, Harlequin and Christian publishers Zondervan and Thomas Nelson, and publishes works by well-known authors such as Mitch Albom, Veronica Roth, Rick Warren and Agatha Christie and popular titles such as *The Hobbit*, *Goodnight Moon*, *To Kill a Mockingbird* and the *Divergent* series.

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

Digital Real Estate Services The Digital Real Estate Services segment consists of the Company s interests in REA Group and Move. REA Group is a publicly traded company listed on the ASX (ASX: REA) that is a leading digital advertising business specializing in real estate services. REA Group operates Australia s largest residential property website, realestate.com.au, as well as Australia s leading commercial property website, realcommercial.com.au. REA Group also operates an Italian property site, casa.it, and other property sites and apps in Europe and Asia. The Company holds a 61.6% interest in REA Group.

Move, acquired in November 2014, primarily operates realtor.com®, a leading consumer facing real estate website, and also offers a number of professional software and services products (including Top Producer®, TigerLead® and ListHub™), which provide real estate professionals with advertising systems, productivity and lead management tools and reporting. The Company owns an 80% interest in Move, with the remaining 20% being held by REA Group.

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Digital Education The Company s Digital Education segment, which consists of Amplify, the brand for the Company s digital education business, is dedicated to creating technology solutions that transform the way teachers teach and students learn in three areas:

Amplify Insight, Amplify s data and assessment business, which formerly operated under the brand Wireless Generation, Inc., commenced operations in 2000 and was acquired in fiscal 2011. Amplify Insight provides powerful assessment products and services to support teachers and school districts, including student assessment tools and analytic technologies, intervention programs, enterprise education information systems, and professional development and consulting services.

Amplify Learning, Amplify s curriculum business, is developing digital content for K-12 English Language Arts, Math and Science, including software that combines interactive, game-like experiences, rich, immersive media and sophisticated analytics to make the classroom teaching and learning experience more engaging, rigorous, personalized and effective. Amplify Learning s digital curriculum incorporates the new Common Core State Standards adopted by most states in the U.S. and is available for use on multiple platforms.

Amplify Access, Amplify s platform business, is delivering a tablet-based distribution system to facilitate personalized instruction and enable anytime, anywhere learning. Amplify Access offers a bundle that includes a tablet designed for the K-12 market, instructional software and curated third-party content, as well as implementation support.

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

The Company has determined its operating segments in accordance with its internal management structure, which is organized based on operating activities, and has aggregated its newspaper and information services business with its integrated marketing services business into one reportable segment due to their similarities. The Company evaluates performance based upon several factors, of which the primary financial measure is Segment EBITDA.

Segment EBITDA is defined as revenues less operating expenses and selling, general and administrative expenses. Segment EBITDA does not include: Depreciation and amortization; impairment and restructuring charges; equity earnings of affiliates; interest, net; other, net; income tax (expense) benefit and net income attributable to noncontrolling interests. The Company believes that information about Segment EBITDA assists all users of its 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 EBITDA is a non-GAAP measure and should be considered in addition to, not as a substitute for, net income (loss), cash flow and other measures of financial performance reported in accordance with GAAP. In addition, this measure does not reflect cash available to fund requirements and excludes items, such as depreciation and amortization and impairment and restructuring charges, which are significant components in assessing the Company s financial performance.

Management believes that Segment EBITDA is an appropriate measure for evaluating the operating performance of the Company s business. Segment EBITDA provides management, investors and equity analysts with a measure to analyze operating performance of the Company s business and its enterprise value against historical data and competitors data, although historical results, including Segment EBITDA, may not be indicative of future results (as operating performance is highly contingent on many factors, including customer tastes and preferences). The following table reconciles Total Segment EBITDA to Net income attributable to News Corporation stockholders.

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

	For the three months ended March 31,		For the nine months ended March 31,	
	2015	2014	2015	2014
	(in millions)			
Revenues:				
News and Information Services	$ 1,353	$ 1,488	$ 4,327	$ 4,595
Book Publishing	402	354	1,277	1,073
Cable Network Programming	116	113	367	355
Digital Real Estate Services	170	102	436	295
Digital Education	21	21	85	70
Other				
Total Revenues	2,062	2,078	6,492	6,388
Segment EBITDA:				
News and Information Services	$ 113	$ 146	$ 434	$ 534
Book Publishing	56	53	188	164
Cable Network Programming	27	27	113	109
Digital Real Estate Services	42	53	156	152
Digital Education	(21)	(45)	(69)	(140)
Other	(54)	(59)	(161)	(176)
Total Segment EBITDA	163	175	661	643
Depreciation and amortization	(132)	(142)	(398)	(421)
Impairment and restructuring charges	(10)	(10)	(31)	(73)
Equity earnings of affiliates	7	23	48	53
Interest, net	12	17	42	50
Other, net	12	(1)	70	(673)
Income (loss) before income tax (expense) benefit	52	62	392	(421)
Income tax (expense) benefit	(18)	(1)	(107)	686
Net income	34	61	285	265
Less: Net income attributable to noncontrolling interests	(11)	(13)	(54)	(39)
Net income attributable to News Corporation stockholders	$ 23	$ 48	$ 231	$ 226

	As of March 31,	As of June 30,

	2015	2014
	(in millions)	
Total assets:		
News and Information Services	$ 6,799	$ 7,379
Book Publishing	1,987	1,852
Cable Network Programming	1,247	1,427
Digital Real Estate Services	1,316	438
Digital Education	500	481
Other	1,455	2,303
Investments	2,382	2,609
Total assets	$ 15,686	$ 16,489

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

	As of March 31, 2015	As of June 30, 2014
	(in millions)	
Goodwill and intangible assets, net:		
News and Information Services	$ 2,598	$ 2,646
Book Publishing	879	619
Cable Network Programming	956	1,181
Digital Real Estate Services	1,018	95
Digital Education	368	378
Other	4	
Total goodwill and intangible assets, net	$ 5,823	$ 4,919

NOTE 14. ADDITIONAL FINANCIAL INFORMATION

Receivables, net

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

Receivables, net consist of:

	As of March 31, 2015	As of June 30, 2014
	(in millions)	
Receivables	$ 1,546	$ 1,563
Allowances for returns and doubtful accounts	(238)	(175)
Receivables, net	$ 1,308	$ 1,388

The Company s receivables did not contain significant concentrations of credit risk as of March 31, 2015 or June 30, 2014 due to the wide variety of customers, markets and geographic areas to which the Company s products and services are sold.

Other Current Assets

The following table sets forth the components of Other current assets:

	As of March 31, 2015	As of June 30, 2014
	(in millions)	
Inventory[(a)]	$ 370	$ 310
Deferred tax assets	79	76
Prepayments and other current assets	252	285
Total Other current assets	$ 701	$ 671

(a) Inventory at March 31, 2015 and June 30, 2014 was primarily comprised of books, newsprint, printing ink, plate material and programming rights.

Table of Contents

NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Other Non-Current Assets

The following table sets forth the components of Other non-current assets:

	As of March 31, 2015	As of June 30, 2014
	(in millions)	
Royalty advances to authors	$ 288	$ 267
Notes receivable[(a)]	74	83
Deferred tax assets	168	146
Other	164	186
Total Other non-current assets	$ 694	$ 682

(a) Notes receivable relates to the Company s sale of its former U.K. newspaper division headquarters.

Other Current Liabilities

The following table sets forth the components of Other current liabilities:

	As of March 31, 2015	As of June 30, 2014
	(in millions)	
Current tax payable	$ 47	$ 25
Current deferred income tax	39	36
Royalties and commissions payable	197	168
Other	245	202
Total Other current liabilities	$ 528	$ 431

Other, net

The following table sets forth the components of Other, net:

	For the three months ended	For the nine months ended

	March 31,		March 31,	
	2015	2014	2015	2014
	(in millions)			
Foreign tax refund payable to 21st Century Fox[a]	$	$	$	$ (721)
Gain on third party pension contribution[b]				37
Gain on sale of marketable securities[c]			29	
Dividends received from cost method investments			20	
Gain on sale of cost method investment	14		14	
Other, net	(2)	(1)	7	11
Total Other, net	$ 12	$ (1)	$ 70	$ (673)

(a) See Note 12 Income Taxes

(b) See Note 11 Pension and Other Postretirement Benefits

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

Table of Contents

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

This document, including the following discussion and analysis, contains statements that constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and Section 27A of the Securities Act of 1933, as amended. All statements that are not statements of historical fact are forward-looking statements. The words expect, estimate, anticipate, predict, believe and similar expressions and variations thereof are intended to identify forward-looking statements. These statements appear in a number of places in this discussion and analysis and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things, trends affecting the Company s financial condition or results of operations and the outcome of contingencies such as litigation and investigations. Readers are cautioned that any forward-looking statements are not guarantees of future performance and involve risks and uncertainties. More information regarding these risks, uncertainties and other important factors that could cause actual results to differ materially from those in the forward-looking statements is set forth under the heading Risk Factors in Part II, Item 1A in this Quarterly Report on Form 10-Q. The Company does not ordinarily make projections of its future operating results and undertakes no obligation (and expressly disclaims any obligation) to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Readers should carefully review this document and the other documents filed by the Company with the Securities and Exchange Commission (the SEC). This section should be read together with the unaudited Consolidated Financial Statements of News Corporation and related notes set forth elsewhere herein and News Corporation s Annual Report on Form 10-K for the fiscal year ended June 30, 2014 as filed with the SEC on August 14, 2014 (the 2014 Form 10-K).

INTRODUCTION

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

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

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

Overview of the Company s Business This section provides a general description of the Company s businesses, as well as developments that occurred to date during fiscal 2015 and in the nine months ended March 31, 2014 that the Company believes are important in understanding its results of operations and financial condition or to disclose known trends.

Results of Operations This section provides an analysis of the Company s results of operations for the three and nine months ended March 31, 2015 and 2014. This analysis is presented on both a consolidated basis and a segment basis. In addition, a brief description is provided of significant transactions and events that have an impact on the comparability of the results being analyzed.

Liquidity and Capital Resources This section provides an analysis of the Company s cash flows for the nine months ended March 31, 2015 and 2014 as well as a discussion of the Company s financial arrangements and outstanding commitments, both firm and contingent, that existed as of March 31, 2015.

Table of Contents

OVERVIEW OF THE COMPANY S BUSINESSES

In the fourth quarter of fiscal 2014, the Company changed the composition of its reporting segments to present the digital education business separately as its own segment. As a result of the change, the Company reports its business in the following six segments:

News and Information Services The News and Information Services segment includes the global print and digital product offerings of *The Wall Street Journal* and *Barron s* publications, Marketwatch.com, and the Company s suite of professional information products, including Factiva, Dow Jones Risk & Compliance, Dow Jones Newswires, Dow Jones Private Markets and DJX.

The Company also owns, among other publications, *The Australian, The Daily Telegraph, Herald Sun* and *The Courier Mail* in Australia*, The Times, The Sunday Times, The Sun* and *The Sun on Sunday* in the U.K. and the *New York Post* in the U.S. This segment also includes News America Marketing, a leading provider of free-standing inserts, in-store marketing products and services and digital marketing solutions. News America Marketing s customers include many of the largest consumer packaged goods advertisers in the U.S. and Canada.

Book Publishing The Book Publishing segment consists of HarperCollins which is one of the largest English-language consumer publishers in the world, with particular strengths in general fiction, nonfiction, children s and religious publishing, and an industry leader in digital publishing. HarperCollins includes over 65 branded publishing imprints, including Avon, Harper, HarperCollins Children s Publishers, William Morrow, Harlequin and Christian publishers Zondervan and Thomas Nelson, and publishes works by well-known authors such as Mitch Albom, Veronica Roth, Rick Warren and Agatha Christie and popular titles such as *The Hobbit*, *Goodnight Moon*, *To Kill a Mockingbird* and the *Divergent* series.

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

Digital Real Estate Services The Digital Real Estate Services segment consists of the Company s interests in REA Group Limited (REA Group) and Move, Inc. (Move). REA Group is a publicly traded company listed on the ASX (ASX: REA) that is a leading digital advertising business specializing in real estate services. REA Group operates Australia s largest residential property website, realestate.com.au, as well as Australia s leading commercial property website, realcommercial.com.au. REA Group also operates an Italian property site, casa.it, and other property sites and apps in Europe and Asia. The Company holds a 61.6% interest in REA Group.

Move, acquired in November 2014, primarily operates realtor.com®, a leading consumer facing real estate website, and also offers a number of professional software and services products (including Top Producer®, TigerLead® and ListHub™), which provide real estate professionals with advertising systems, productivity and lead management tools and reporting. The Company owns an 80% interest in Move, with the remaining 20% being held by REA Group.

Digital Education The Digital Education segment consists of Amplify, the brand for the Company s digital education business, which it launched in July 2012. Amplify is focused on improving K-12 education by creating digital products and services that empower teachers, students and parents in new ways. Its products serve more than three million students in all 50 states. Amplify is dedicated to creating technology solutions that transform the way teachers teach and students learn.

Other The Other segment consists primarily of general corporate overhead expenses, the corporate Strategy and Creative Group, and costs related to voicemail interception, illegal data access and inappropriate payments to public officials at the Company s former publication, *The News of the World*, and at *The Sun*, and related matters, which are referred to as the U.K. Newspaper Matters. The Company s corporate Strategy and Creative Group was formed to identify new products and services across its businesses to increase revenues and profitability and to target and assess potential acquisitions and investments.

Table of Contents

News and Information Services

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

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

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

Like other newspaper groups, the Company faces challenges to its traditional print business model from new media formats and shifting consumer preferences. The Company is also exposed to the impact of long-term structural movements in advertising spending, in particular, the move in classified advertising from print to digital. These new media formats could impact the Company s overall performance, positively or negatively.

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

Book Publishing

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

including public acceptance.

Table of Contents

Major new title releases represent a significant portion of the Book Publishing segment s sales throughout the fiscal year. Print-based consumer books are generally sold on a fully returnable basis, resulting in the return of unsold books. In the domestic and international markets, the Book Publishing segment is subject to global trends and local economic conditions.

Operating expenses for the Book Publishing segment include costs related to paper, printing, authors royalties, editorial, promotional, art and design expenses. Selling, general and administrative expenses include salaries, employee benefits, rent and other routine overhead.

The book publishing business has been affected in recent years by new electronic distribution platforms and models and the Company expects that electronic books (e-books) will represent an increasing portion of book publishing revenues in coming years.

Cable Network Programming

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

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

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

Digital Real Estate Services

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

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

Digital Education

The Digital Education segment, which consists of Amplify, the brand for the Company s digital education business, is dedicated to creating technology solutions that transform the way teachers teach and students learn in three areas:

Amplify Insight, Amplify s data and assessment business, which formerly operated under the brand Wireless Generation, Inc. (Wireless Generation), commenced operations in 2000 and was acquired in fiscal 2011. Amplify Insight provides powerful assessment products and services to support teachers and school districts, including student assessment tools and analytic technologies, intervention programs, enterprise education information systems, and professional development and consulting services.

Amplify Learning, Amplify s curriculum business, is developing digital content for K-12 English Language Arts, Math and Science, including software that combines interactive, game-like experiences, rich, immersive media and sophisticated analytics to make the classroom teaching and learning experience more engaging, rigorous, personalized and effective. Amplify Learning s digital curriculum incorporates the new Common Core State Standards adopted by most states in the U.S. and is available for use on multiple platforms.

Table of Contents

Amplify Access, Amplify s platform business, is delivering a tablet-based distribution system to facilitate personalized instruction and enable anytime, anywhere learning. Amplify Access offers a bundle that includes a tablet designed for the K-12 market, instructional software and curated third-party content, as well as implementation support.

Significant expenses associated with the Company s digital education business include product development, salaries, employee benefits and other routine overhead. The Company expects it will invest total cash of approximately $230 million for the year ending June 30, 2015, including approximately $50 million in deferred compensation paid in the quarter ended March 31, 2015 related to the acquisition of Wireless Generation.

Other

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

OTHER BUSINESS DEVELOPMENTS

In March 2015, the Company agreed to increase its 4.8% interest in APN News and Media Limited (APN) to 14.99% for a purchase price of approximately $70 million. APN operates a portfolio of Australian and New Zealand radio and outdoor media assets and small regional print interests. The acquisition is subject to regulatory approval and is expected to be completed in the fourth quarter of fiscal 2015. If regulatory approval is not obtained, the APN shares will be sold to alternative purchasers with the Company bearing the economic loss if the sales price is lower than the Company s agreed purchase price and benefiting from the gain if the sales price is higher.

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

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

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

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

Table of Contents

In July 2014, REA Group purchased a 17.22% interest in iProperty Group Limited (ASX:IPP) (iProperty) for total cash consideration of approximately $100 million. iProperty has online property advertising operations primarily in Malaysia, Indonesia, Hong Kong, Macau, Thailand and Singapore. In December 2014, REA Group sold Squarefoot, its Hong Kong based business, to iProperty in exchange for an additional 2.2% interest in iProperty. Upon completion of the transaction and including an acquisition of additional shares of iProperty in October 2014, REA Group owns an approximate 19.9% interest in iProperty, and retroactively applied the equity method of accounting in the second quarter of fiscal 2015 in accordance with ASC 323, Investments Equity Method and Joint Ventures. The carrying value of the investment in iProperty was $91 million as of March 31, 2015.

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

In September 2013, the Company sold the Dow Jones Local Media Group, which operated eight daily and 15 weekly newspapers in seven states. The gain recognized on the sale of Dow Jones Local Media Group was not significant as the carrying value of the assets held for sale on the date of sale approximated the proceeds received.

Table of Contents

RESULTS OF OPERATIONS

Results of Operations For the three and nine months ended March 31, 2015 versus the three and nine months ended March 31, 2014

The following table sets forth the Company s operating results for the three and nine months ended March 31, 2015 as compared to the three and nine months ended March 31, 2014.

	For the three months ended March 31,				For the nine months ended March 31,			
(in millions, except %)	2015	2014	Change Better/(Worse)	% Change	2015	2014	Change Better/(Worse)	% Change
Revenues:								
Advertising	$ 904	$ 952	$ (48)	(5)%	$ 2,862	$ 2,990	$ (128)	(4)%
Circulation and Subscription	650	665	(15)	(2)%	1,989	2,005	(16)	(1)%
Consumer	385	342	43	13 %	1,223	1,030	193	19 %
Other	123	119	4	3 %	418	363	55	15 %
Total Revenues	2,062	2,078	(16)	(1)%	6,492	6,388	104	2 %
Operating expenses	(1,216)	(1,259)	43	3 %	(3,796)	(3,828)	32	1 %
Selling, general and administrative	(683)	(644)	(39)	(6)%	(2,035)	(1,917)	(118)	(6)%
Depreciation and amortization	(132)	(142)	10	7 %	(398)	(421)	23	5 %
Impairment and restructuring charges	(10)	(10)			(31)	(73)	42	58 %
Equity earnings of affiliates	7	23	(16)	(70)%	48	53	(5)	(9)%
Interest, net	12	17	(5)	(29)%	42	50	(8)	(16)%
Other, net	12	(1)	13	**	70	(673)	743	**
Income (loss) before income tax (expense) benefit	**52**	**62**	**(10)**	**(16)%**	**392**	**(421)**	**813**	**
Income tax (expense) benefit	(18)	(1)	(17)	**	(107)	686	(793)	**
Net income	34	61	(27)	(44)%	285	265	20	8 %
Less: Net income attributable to noncontrolling interests	(11)	(13)	2	15 %	(54)	(39)	(15)	(38)%
Net income attributable to News Corporation	**$ 23**	**$ 48**	**$ (25)**	**(52)%**	**$ 231**	**$ 226**	**$ 5**	**2 %**

** not meaningful

Revenues Revenues decreased $16 million, or 1%, and increased $104 million, or 2%, for the three and nine months ended March 31, 2015, respectively, as compared to the corresponding periods of fiscal 2014.

The revenue decrease for the three months ended March 31, 2015 was mainly due to a decrease in revenues at the News and Information Services segment of $135 million, primarily resulting from the negative impact of foreign currency fluctuations and weakness in the print advertising market. This decrease was offset in large part by increased revenues at the Digital Real Estate Services segment of $68 million, primarily as a result of the acquisition of Move in November 2014, and increased revenues at the Book Publishing segment of $48 million, primarily as a result of the acquisition of Harlequin in August 2014.

The revenue increase for the nine months ended March 31, 2015 was primarily due to increased revenues at the Book Publishing segment of $204 million, primarily as a result of the acquisition of Harlequin in August 2014, and increased revenues at the Digital Real Estate Services segment of $141 million, primarily as a result of the acquisition of Move in November 2014 and to a lesser extent, increased revenues at REA Group. These revenue increases were partially offset by a decrease in revenues at the News and Information Services segment of $268 million for the nine months ended March 31, 2015, primarily resulting from weakness in the print advertising market, the negative impact of foreign currency fluctuations and lower circulation and subscription revenues, partially offset by an increase in other revenues.

Table of Contents

Operating Expenses Operating expenses decreased $43 million, or 3%, and $32 million, or 1%, for the three and nine months ended March 31, 2015, respectively, as compared to the corresponding periods of fiscal 2014.

The decrease in Operating expenses for the three months ended March 31, 2015 was mainly due to a decrease in operating expenses at the News and Information Services segment of $79 million, primarily as a result of the positive impact of foreign currency fluctuations, lower production and distribution costs resulting from reduced sales and the impact of cost savings initiatives. The decrease in Operating expenses was partially offset by higher operating expenses at the Digital Real Estate Services segment due to the acquisition of Move and at the Book Publishing segment, primarily due to the acquisition of Harlequin. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in an Operating expense decrease of $56 million for the three months ended March 31, 2015 as compared to the corresponding period of fiscal 2014.

The decrease in Operating expenses for the nine months ended March 31, 2015 was mainly due to lower operating expenses at the News and Information Services segment of $165 million due to lower production and distribution costs resulting from reduced sales, the positive impact of foreign currency fluctuations and the impact of cost savings initiatives. The decrease in Operating expenses was partially offset by higher operating expenses at the Book Publishing segment, primarily due to the acquisition of Harlequin, at the Digital Real Estate Services segment due to the acquisition of Move and at the Digital Education segment due to increased costs associated with revenue growth. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in an Operating expense decrease of $64 million for the nine months ended March 31, 2015 as compared to the corresponding period of fiscal 2014.

Selling, general and administrative expenses Selling, general and administrative expenses increased $39 million, or 6%, and $118 million, or 6%, for the three and nine months ended March 31, 2015, respectively, as compared to the corresponding periods of fiscal 2014.

The increase in Selling, general and administrative expenses for the three months ended March 31, 2015 was primarily due to higher expenses at the Digital Real Estate Services segment as a result of the acquisition of Move and at the Book Publishing segment, primarily as a result of the acquisition of Harlequin, as well as increased legal expenses at News America Marketing of $8 million. These increases were partially offset by the positive impact of foreign currency fluctuations and lower expenses at the Digital Education segment of $20 million, primarily due to the capitalization of software costs at Amplify in the three months ended March 31, 2015. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Selling, general and administrative expense decrease of $51 million for the three months ended March 31, 2015 as compared to the corresponding period of fiscal 2014.

The increase in Selling, general and administrative expenses for the nine months ended March 31, 2015 was primarily due to higher expenses at the Book Publishing segment, primarily as a result of the acquisition of Harlequin, higher expenses at the Digital Real Estate Services segment as a result of the acquisition of Move, including one-time transaction costs associated with the acquisition of $19 million, higher legal expenses at News America Marketing of $20 million and the impact of dual rent and other facility related costs of $18 million. These increases were partially offset by lower expenses at the Digital Education segment of $67 million, primarily due to the capitalization of software costs at Amplify in the nine months ended March 31, 2015, the positive impact of foreign currency fluctuations and cost savings initiatives. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Selling, general and administrative expense decrease of $61 million for the nine months ended March 31, 2015 as compared to the corresponding period of fiscal 2014.

Depreciation and amortization Depreciation and amortization expense decreased 7% and 5% for the three and nine months ended March 31, 2015, respectively, as compared to the corresponding periods of fiscal 2014, primarily due to lower depreciation and amortization expense at the News and Information Services segment of $25 million and $56 million, respectively, partially offset by increased depreciation at the Digital Real Estate Services segment and Book Publishing segment, primarily due to the acquisitions of Move and Harlequin, respectively.

Impairment and restructuring charges During the three and nine months ended March 31, 2015, the Company recorded restructuring charges of $10 million and $31 million, respectively, of which $8 million and $26 million, respectively, related to the News and Information Services segment. The restructuring charges recorded in the three and nine months ended March 31, 2015 were primarily for employee termination benefits.

Table of Contents

During the three and nine months ended March 31, 2014, the Company recorded restructuring charges of $10 million and $61 million, respectively, of which $6 million and $50 million, respectively, related to the News and Information Services segment. The restructuring charges recorded in the three and nine months ended March 31, 2014 were primarily for employee termination benefits.

During the second quarter of fiscal 2014, the Company reached an agreement to sell one of its U.S. printing plants. The carrying value of the plant was more than the net proceeds the Company received in January 2014 by approximately $12 million, which was recorded as an impairment charge in the nine months ended March 31, 2014.

Equity earnings of affiliates Equity earnings of affiliates decreased $16 million for the three months ended March 31, 2015 as compared to the corresponding period of fiscal 2014 as a result lower net income at Foxtel, primarily due to increased programming costs, higher marketing and other support costs related to the launch of the new Foxtel pricing and packaging, increased investment in Presto and the launch of Triple Play and the negative impact of foreign currency fluctuations, which more than offset higher revenues in local currency. Equity earnings of affiliates decreased $5 million for the nine months ended March 31, 2015 as compared to the corresponding period of fiscal 2014 as a result of lower net income at Foxtel, primarily due to higher programming costs, increased marketing and other support costs related to the new Foxtel pricing and packaging, increased investment in Presto and the launch of Triple Play and the negative impact of foreign currency fluctuations, partially offset by favorable fair value movements on hedged items.

	For the three months ended March 31,				For the nine months ended March 31,			
(in millions, except %)	2015	2014	Change Better/(Worse)	% Change Better/(Worse)	2015	2014	Change Better/(Worse)	% Change Better/(Worse)
Foxtel[a]	$ 8	$ 23	$ (15)	(65)%	$ 48	$ 53	$ (5)	(9)%
Other equity affiliates, net	(1)		(1)	**				**
Total Equity earnings of affiliates	$ 7	$ 23	$ (16)	(70)%	$ 48	$ 53	$ (5)	(9)%

** not meaningful

(a) In accordance with ASC 350, the Company amortized $14 million and $44 million related to excess cost over the Company s proportionate share of its investment s underlying net assets allocated to finite-lived intangible assets during the three and nine months ended March 31, 2015, respectively, as compared to $15 million and $46 million in the three and nine months ended March 31, 2014, respectively. Such amortization is reflected in Equity earnings of affiliates in the Statements of Operations.

Interest, net Interest, net decreased $5 million and $8 million for the three and nine months ended March 31, 2015, respectively, as compared to the corresponding periods of fiscal 2014. The decrease was primarily due to a lower overall cash balance during the three months ended March 31, 2015 and the negative impact of foreign currency fluctuations.

Table of Contents

Other, net

(in millions)	For the three months ended March 31, 2015	2014	For the nine months ended March 31, 2015	2014
Foreign tax refund payable to 21st Century Fox[a]	$	$	$	$ (721)
Gain on third party pension contribution[b]				37
Gain on sale of marketable securities[c]			29	
Dividends received from cost method investments			20	
Gain on sale of cost method investment	14		14	
Other, net	(2)	(1)	7	11
Total Other, net	$ 12	$ (1)	$ 70	$ (673)

(a) For the nine months ended March 31, 2014, the Company recorded a receivable related to a refund of taxes plus interest in a foreign jurisdiction of $794 million and recorded a tax benefit, net of applicable taxes on interest, of $721 million to Income tax benefit in the Statements of Operations. Refunds received related to this matter were remitted to 21st Century Fox, net of applicable taxes on interest, in accordance with the terms of the Tax Sharing and Indemnification Agreement. Accordingly, for the nine months ended March 31, 2014, the Company recorded an expense to Other, net of $721 million for the payable to 21st Century Fox in the Statements of Operations. (See Note 12 to the unaudited Consolidated Financial Statements of News Corporation).

(b) During the first quarter of fiscal 2014, a $37 million contribution was made by a third party to one of the Company s pension plans in connection with the sale of a business in a prior period. The contribution was contractually stipulated in the sale agreement and was made on behalf of former employees who retained certain pension benefits. This resulted in a gain being recognized in Other, net in the Statements of Operations during the nine months ended March 31, 2014. (See Note 11 to the unaudited Consolidated Financial Statements of News Corporation).

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

Income tax (expense) benefit The Company s effective tax rate for the three and nine months ended March 31, 2015 was lower than the U.S. statutory tax rate primarily due to the impact of foreign operations which are subject to lower tax rates, partially offset by the impact of nondeductible items and changes in our accrued liability for uncertain tax positions.

The Company s effective income tax rate for the three months ended March 31, 2014 was lower than the U.S. statutory rate primarily due to foreign tax refunds that were accrued in the quarter, resolution of uncertain state tax positions in the quarter and the impact of foreign operations which are subject to lower tax rates. The effective tax rate for the nine months ended March 31, 2014 was higher than the U.S. statutory rate primarily due to the impact of tax refunds received from a foreign jurisdiction which is discussed below.

For the nine months ended March 31, 2014, the Company recorded a receivable related to a refund of taxes plus interest in a foreign jurisdiction of $794 million and recorded a tax benefit, net of applicable taxes on interest, of $721

million to Income tax benefit in the Statements of Operations. Refunds received related to this matter were remitted to 21st Century Fox, net of applicable taxes on interest, in accordance with the terms of the Tax Sharing and Indemnification Agreement. Accordingly, for the nine months ended March 31, 2014, the Company recorded an expense to Other, net of $721 million for the payable to 21st Century Fox in the Statements of Operations. (See Note 12 to the unaudited Consolidated Financial Statements of News Corporation).

Table of Contents

Net income Net income decreased $27 million for the three months ended March 31, 2015 as compared to the corresponding period of fiscal 2014, primarily due to higher income tax expense and lower equity earnings as noted above.

Net income for the nine months ended March 31, 2015 increased $20 million as compared to the corresponding period of fiscal 2014, primarily due to higher Segment EBITDA, lower restructuring and impairment costs and lower depreciation, partially offset by higher income tax expense as noted above.

Net income attributable to noncontrolling interests Net income attributable to noncontrolling interests decreased $2 million for the three months ended March 31, 2015, as compared to the corresponding period of fiscal 2014, due to the negative impact of foreign currency fluctuations, and increased $15 million for the nine months ended March 31, 2015, as compared to the corresponding period of fiscal 2014, due to higher results at REA Group.

Segment Analysis

Segment EBITDA is defined as revenues less operating expenses and selling, general and administrative expenses. Segment EBITDA does not include: Depreciation and amortization, impairment and restructuring charges, equity earnings of affiliates, interest, net, other, net, income tax (expense) benefit and net income attributable to noncontrolling interests. Management believes that Segment EBITDA 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. Segment EBITDA provides management, investors and equity analysts with a measure to analyze operating performance of each of the Company s business segments and its enterprise value against historical data and competitors data, although historical results may not be indicative of future results (as operating performance is highly contingent on many factors, including customer tastes and preferences).

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

	For the three months ended March 31,				For the nine months ended March 31,			
(in millions, except %)	2015	2014	Change Better/(Worse)	% Change Better/(Worse)	2015	2014	Change Better/(Worse)	% Change Better/(Worse)
Revenues	$ 2,062	$ 2,078	$ (16)	(1)%	$ 6,492	$ 6,388	$ 104	2 %
Operating expenses	(1,216)	(1,259)	43	3 %	(3,796)	(3,828)	32	1 %
Selling, general and administrative expenses	(683)	(644)	(39)	(6)%	(2,035)	(1,917)	(118)	(6)%
Total Segment EBITDA	163	175	(12)	(7)%	661	643	18	3 %
Depreciation and amortization	(132)	(142)	10	7 %	(398)	(421)	23	5 %
Impairment and restructuring charges	(10)	(10)			(31)	(73)	42	58 %
Equity earnings of affiliates	7	23	(16)	(70)%	48	53	(5)	(9)%

Interest, net	12	17	(5)	(29)%	42	50	(8)	(16)%
Other, net	12	(1)	13	**	70	(673)	743	**
Income (loss) before income tax (expense) benefit	52	62	(10)	(16)%	392	(421)	813	**
Income tax (expense) benefit	(18)	(1)	(17)	**	(107)	686	(793)	**
Net income	$ 34	$ 61	$ (27)	(44)%	$ 285	$ 265	$ 20	8%

** not meaningful

Table of Contents

(in millions)	For the three months ended March 31, 2015 Revenues	2015 Segment EBITDA	2014 Revenues	2014 Segment EBITDA
News and Information Services	$ 1,353	$ 113	$ 1,488	$ 146
Book Publishing	402	56	354	53
Cable Network Programming	116	27	113	27
Digital Real Estate Services	170	42	102	53
Digital Education	21	(21)	21	(45)
Other		(54)		(59)
Total	$ 2,062	$ 163	$ 2,078	$ 175

(in millions)	For the nine months ended March 31, 2015 Revenues	2015 Segment EBITDA	2014 Revenues	2014 Segment EBITDA
News and Information Services	$ 4,327	$ 434	$ 4,595	$ 534
Book Publishing	1,277	188	1,073	164
Cable Network Programming	367	113	355	109
Digital Real Estate Services	436	156	295	152
Digital Education	85	(69)	70	(140)
Other		(161)		(176)
Total	$ 6,492	$ 661	$ 6,388	$ 643

News and Information Services (66% and 72% of the Company s consolidated revenues in the nine months ended March 31, 2015 and 2014, respectively)

(in millions, except %)	For the three months ended March 31, 2015	2014	Change Better/(Worse)	% Change Better/(Worse)	For the nine months ended March 31, 2015	2014	Change Better/(Worse)	% Change Better/(Worse)
Revenues:								
Advertising	$ 731	$ 835	$ (104)	(12)%	$ 2,391	$ 2,639	$ (248)	(9)%
Circulation and Subscription	527	558	(31)	(6)%	1,626	1,681	(55)	(3)%
Other	95	95			310	275	35	13 %
Total Revenues	**1,353**	**1,488**	**(135)**	**(9)%**	**4,327**	**4,595**	**(268)**	**(6)%**
Operating expenses	(837)	(916)	79	9 %	(2,624)	(2,789)	165	6 %
Selling, general and administrative	(403)	(426)	23	5 %	(1,269)	(1,272)	3	
Segment EBITDA	**$ 113**	**$ 146**	**$ (33)**	**(23)%**	**$ 434**	**$ 534**	**$ (100)**	**(19)%**

Revenues at the News and Information Services segment decreased $135 million, or 9%, for the three months ended March 31, 2015 as compared to the corresponding period of fiscal 2014. The revenue decrease for the three months ended March 31, 2015 was primarily due to lower advertising revenues of $104 million as compared to the corresponding period of fiscal 2014, resulting from lower advertising revenues throughout the segment. Circulation and subscription revenues for the three months ended March 31, 2015 decreased $31 million as compared to the corresponding period of fiscal 2014, primarily as a result of lower circulation and subscription revenues at the U.K. newspapers and Australian newspapers, principally due to the negative impact of foreign currency fluctuations.

Table of Contents

Segment EBITDA at the News and Information Services segment decreased $33 million, or 23%, for the three months ended March 31, 2015 as compared to the corresponding period of fiscal 2014. The decrease was primarily due to a decrease of $15 million at Dow Jones, principally as a result of the lower advertising revenues noted above, a decrease at News America Marketing of $9 million, primarily due to increased legal expenses of $8 million, a decrease at the U.K. newspapers of $5 million, principally as a result of the lower revenues discussed above, and a decrease at the Australian newspapers of $4 million due to the negative impact of foreign currency fluctuations, which more than offset lower expenses.

Revenues at the News and Information Services segment decreased $268 million, or 6%, for the nine months ended March 31, 2015 as compared to the corresponding period of fiscal 2014. The revenue decrease was primarily due to lower advertising revenues of $248 million as compared to the corresponding period of fiscal 2014, primarily resulting from lower advertising revenues throughout the segment. Circulation and subscription revenues for the nine months ended March 31, 2015 decreased $55 million as compared to the corresponding period of fiscal 2014, primarily as a result of lower circulation and subscription revenues at Dow Jones and lower revenues at the Australian newspapers, mainly due to the negative impact of foreign currency fluctuations. Other revenues for the nine months ended March 31, 2015 increased $35 million, primarily due to increased other revenues at News Corp Australia and News UK.

Segment EBITDA at the News and Information Services segment decreased $100 million, or 19%, for the nine months ended March 31, 2015 as compared to the corresponding period of fiscal 2014. The decrease for the nine months ended March 31, 2015 was primarily due to a decrease at the U.K. newspapers of $43 million, principally as a result of the lower revenues discussed above, the impact of dual rent and other facility related costs of $18 million and the release of legal reserves resulting from a favorable arbitration ruling in the prior year period of $8 million, a decrease at News America Marketing of $30 million, primarily due to increased legal expenses of $20 million and the decreased advertising revenues discussed above, and a decrease at Dow Jones of $28 million, primarily due to the lower revenues discussed above and the sale of Dow Jones Local Media Group in September 2013, partially offset by lower newsprint, production and distribution expenses. These decreases were partially offset by an increase at the Australian newspapers of $5 million due to lower expenses, which more than offset the negative impact of foreign currency fluctuations.

News Corp Australia

Revenues at the Australian newspapers for the three months ended March 31, 2015 decreased 12% compared to the corresponding period of fiscal 2014 with the impact of foreign currency fluctuations of the U.S. dollar against the Australian dollar resulting in a revenue decrease of $46 million, or 13%. Revenues were up marginally in local currency. Advertising revenues declined $39 million, primarily as a result of the negative impact of foreign currency fluctuations and weakness in the print advertising market in Australia. Circulation and subscription revenues declined $10 million due to the negative impact of foreign currency fluctuations as price increases and digital volume growth offset print volume declines. These decreases were partially offset by an increase in other revenues.

Revenues at the Australian newspapers for the nine months ended March 31, 2015 decreased 6% compared to the corresponding period of fiscal 2014 with the impact of foreign currency fluctuations of the U.S. dollar against the Australian dollar resulting in a revenue decrease of $76 million, or 6%. Revenues were flat in local currency. Advertising revenues declined $86 million, primarily as a result of the negative impact of foreign currency fluctuations and weakness in the print advertising market in Australia. Circulation and subscription revenues declined $19 million due to the negative impact of foreign currency fluctuations as price increases and growth in digital subscribers offset print volume declines. These decreases were partially offset by increased other revenues.

News UK

For the three months ended March 31, 2015 revenues at the U.K. newspapers decreased 13% as compared to the corresponding period of fiscal 2014. The decrease was primarily due to lower advertising revenues of $24 million primarily at *The Sun* and the negative impact of foreign currency fluctuations. Circulation revenues decreased $17 million, primarily due to the negative impact of foreign currency fluctuations as print and digital price increases and digital subscriber growth offset print volume declines. The impact of foreign currency fluctuations of the U.S. dollar against the British pound resulted in a revenue decrease of $30 million, or 8%, for the three months ended March 31, 2015 as compared to the corresponding period of fiscal 2014.

For the nine months ended March 31, 2015 revenues at the U.K newspapers decreased 5% as compared to the corresponding period of fiscal 2014. The decrease was primarily due to lower advertising revenues of $62 million resulting from overall print market declines, primarily at *The Sun*. Circulation and subscription revenues were relatively flat as single-copy volume declines at *The Sun* and *The Sunday Times* were offset by price increases and print and digital subscriber growth. The impact of foreign currency fluctuations of the U.S. dollar against the British pound resulted in a revenue decrease of $11 million, or 1%, for the nine months ended March 31, 2015 as compared to the corresponding period of fiscal 2014.

Table of Contents

Dow Jones

Revenues at Dow Jones decreased 5% for the three months ended March 31, 2015 compared to the corresponding period of fiscal 2014, primarily due to lower advertising revenues of $15 million as a result of print advertising declines and lower circulation and subscription revenues of $2 million, primarily as a result of decreased professional information business revenues of $11 million, partially offset by increased circulation revenues of $9 million as a result of price increases at *The Wall Street Journal* and WSJ.com. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of $5 million, or 1%, for the three months ended March 31, 2015.

Revenues for the nine months ended March 31, 2015 were down 5% compared to the corresponding period of fiscal 2014, primarily due to lower revenues of $28 million resulting from the sale of the Dow Jones Local Media Group in September 2013, lower circulation and subscription revenues of $18 million, primarily as a result of decreased professional information business revenues of $35 million, partially offset by increased circulation revenues of $17 million as a result of price increases at *The Wall Street Journal* and WSJ.com, and lower advertising revenues of $18 million as a result of print advertising declines. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of $7 million for the nine months ended March 31, 2015.

News America Marketing

Revenues at News America Marketing decreased 7% for the three months ended March 31, 2015 as compared to the corresponding period of fiscal 2014, primarily due to lower advertising revenue of $24 million due to decreased revenues for free-standing insert and in-store products.

Revenues at News America Marketing decreased 6% for the nine months ended March 31, 2015 as compared to the corresponding period of fiscal 2014, primarily due to decreased revenues for free-standing insert products of $56 million.

Book Publishing (20% and 17% of the Company s consolidated revenues in the nine months ended March 31, 2015 and 2014, respectively)

	For the three months ended March 31,				For the nine months ended March 31,			
(in millions, except %)	2015	2014	Change	% Change Better/(Worse)	2015	2014	Change	% Change Better/(Worse)
Revenues:								
Consumer	$ 385	$ 342	$ 43	13 %	$ 1,223	$ 1,030	$ 193	19 %
Other	17	12	5	42 %	54	43	11	26 %
Total Revenues	**402**	**354**	**48**	**14 %**	**1,277**	**1,073**	**204**	**19 %**
Operating expenses	(260)	(247)	(13)	(5)%	(837)	(761)	(76)	(10)%
Selling, general and administrative	(86)	(54)	(32)	(59)%	(252)	(148)	(104)	(70)%
Segment EBITDA	**$ 56**	**$ 53**	**$ 3**	**6 %**	**$ 188**	**$ 164**	**$ 24**	**15 %**

Revenues at the Book Publishing segment increased $48 million, or 14%, for the three months ended March 31, 2015 as compared to the corresponding period of fiscal 2014. The increase was primarily the result of the acquisition of Harlequin in August 2014, which contributed $73 million of revenues in the third quarter of fiscal 2015. Revenues from print and digital book sales at HarperCollins other divisions decreased $25 million, as strong backlist sales in the general books category, notably *American Sniper* by Chris Kyle, partially offset lower revenues from the *Divergent* series by Veronica Roth of $44 million and the negative impact of foreign currency fluctuations. The Company sold 2.3 million net units of the *Divergent* series in the three months ended March 31, 2015 as compared to approximately 8.5 million net units in the corresponding period of fiscal 2014. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of $9 million, or 2%, for the three months ended March 31, 2015. E-book sales represented 22% of Consumer revenues during the three months ended March 31, 2015. E-book revenues decreased 3% compared to the corresponding period in the prior fiscal year due to the lower contribution from the *Divergent* series as well as a shift towards the non-fiction genre, which has lower e-book conversion, partially offset by the inclusion of Harlequin results.

Table of Contents

Segment EBITDA at the Book Publishing segment increased $3 million, or 6%, for the three months ended March 31, 2015 as compared to the corresponding period of fiscal 2014. The increase was primarily the result of the Harlequin acquisition, which contributed $7 million to Segment EBITDA, strong backlist sales in the general books category and lower expenses at HarperCollins other divisions, partially offset by the lower contribution from the *Divergent* series.

Revenues at the Book Publishing segment increased $204 million, or 19%, for the nine months ended March 31, 2015 as compared to the corresponding period of fiscal 2014. The increase was primarily the result of the acquisition of Harlequin, which contributed $210 million of revenues during the first nine months of fiscal 2015. Revenues associated with print and digital book sales at HarperCollins other divisions decreased $3 million, as increased backlist sales in the general and children s books categories, notably *American Sniper* by Chris Kyle, partially offset lower revenues from the *Divergent* series of $61 million and the negative impact of foreign currency fluctuations. The Company sold 7.5 million net units of the *Divergent* series in the nine months ended March 31, 2015 as compared to 15.6 million net units in the corresponding period of fiscal 2014. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of $9 million, or 1%, for the nine months ended March 31, 2015. E-book sales represented 20% of Consumer revenues during the nine months ended March 31, 2015. E-book revenues increased 11% as compared to the corresponding period in the prior fiscal year due to the inclusion of Harlequin results, offset by the lower contribution from the *Divergent* series as well as a shift towards the non-fiction genre, which has lower e-book conversion. During the nine months ended March 31, 2015, HarperCollins had 104 titles on The New York Times Bestseller List, with 11 titles reaching the number one position.

Segment EBITDA at the Book Publishing segment increased $24 million, or 15%, for the nine months ended March 31, 2015 as compared to the corresponding period of fiscal 2014. The increase was primarily the result of the Harlequin acquisition, which contributed $20 million to Segment EBITDA, strong backlist sales in the general and children s books categories and lower expenses at HarperCollins other divisions, offset by the lower EBITDA contribution from the *Divergent* series.

Cable Network Programming (6% and 5% of the Company s consolidated revenues in the nine months ended March 31, 2015 and 2014, respectively)

	For the three months ended March 31,				For the nine months ended March 31,			
(in millions, except %)	2015	2014	Change Better/(Worse)	% Change	2015	2014	Change Better/(Worse)	% Change
Revenues:								
Advertising	$ 17	$ 15	$ 2	13 %	$ 56	$ 56	$	
Circulation and Subscription	97	96	1	1 %	307	294	13	4 %
Other	2	2			4	5	(1)	(20)%
Total Revenues	**116**	**113**	**3**	**3 %**	**367**	**355**	**12**	**3 %**
Operating expenses	(82)	(80)	(2)	(3)%	(237)	(229)	(8)	(3)%
Selling, general and administrative	(7)	(6)	(1)	(17)%	(17)	(17)		
Segment EBITDA	**$ 27**	**$ 27**	**$**		**$ 113**	**$ 109**	**$ 4**	**4 %**

For the three months ended March 31, 2015 revenues at the Cable Network Programming segment increased $3 million, or 3%, and Segment EBITDA was flat, as compared to the corresponding period of fiscal 2014. The revenue

increase was primarily due to higher affiliate and advertising revenues, partially offset by the negative impact of foreign currency fluctuations. The revenue increase was offset, in part by, higher programming rights costs primarily resulting from the broadcasts of the Cricket World Cup and Asian Cup in the three months ended March 31, 2015. The impact of foreign currency fluctuations of the U.S. dollar against the Australian dollar resulted in a revenue decrease of $14 million, or 12%, and a Segment EBITDA decrease of $4 million, or 15%, for the three months ended March 31, 2015 as compared to the corresponding period of fiscal 2014.

Table of Contents

For the nine months ended March 31, 2015 revenues and Segment EBITDA at the Cable Network Programming segment increased $12 million, or 3%, and $4 million, or 4%, respectively, as compared to the corresponding period of fiscal 2014. The increase was primarily due to higher affiliate revenues, partially offset by the negative impact of foreign currency fluctuations and higher programming rights costs and production costs. The impact of foreign currency fluctuations of the U.S. dollar against the Australian dollar resulted in a revenue decrease of $22 million, or 7%, and a Segment EBITDA decrease of $8 million, or 7%, for the nine months ended March 31, 2015 as compared to the corresponding period of fiscal 2014.

Digital Real Estate Services (7% and 5% of the Company s consolidated revenues in the nine months ended March 31, 2015 and 2014, respectively)

	For the three months ended March 31,				For the nine months ended March 31,			
(in millions, except %)	2015	2014	Change Better/(Worse)	% Change	2015	2014	Change Better/(Worse)	% Change
Revenues:								
Advertising	$ 156	$ 102	$ 54	53 %	$ 415	$ 295	$ 120	41 %
Circulation and Subscription	14		14	**	21		21	**
Total Revenues	**170**	**102**	**68**	**67 %**	**436**	**295**	**141**	**48 %**
Operating expenses	(23)		(23)	**	(33)		(33)	**
Selling, general and administrative	(105)	(49)	(56)	**	(247)	(143)	(104)	(73)%
Segment EBITDA	**$ 42**	**$ 53**	**$ (11)**	**(21)%**	**$ 156**	**$ 152**	**$ 4**	**3 %**

** not meaningful

Revenues at the Digital Real Estate Services segment increased $68 million, or 67%, for the three months ended March 31, 2015 as compared to the corresponding period of fiscal 2014, primarily due to the acquisition of Move in November 2014, which contributed $73 million in revenues during the quarter, partially offset by lower revenues at REA Group of $5 million due to the negative impact of foreign currency fluctuations and a decline in Australian listing volumes across the market, which more than offset increased advertising revenues resulting from increased listing depth product penetration in Australia and higher pricing. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of $13 million, or 12%, for the three months ended March 31, 2015 as compared to the corresponding period of fiscal 2014.

Segment EBITDA at the Digital Real Estate Services segment decreased $11 million, or 21%, for the three months ended March 31, 2015 as compared to the corresponding period of fiscal 2014. The decrease in Segment EBITDA was primarily due to a loss of $9 million related to the acquisition of Move and lower contribution from REA Group due to the negative impact of foreign currency fluctuations which more than offset the higher revenues noted above. The loss from Move included $11 million related to the assumed stock-based compensation awards of which $5 million related to the acceleration of stock based compensation resulting from the departure of certain senior executives. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Segment EBITDA decrease of $7 million, or 13%, for the three months ended March 31, 2015 as compared to the corresponding period of fiscal 2014.

Revenues at the Digital Real Estate Services segment increased $141 million, or 48%, for the nine months ended March 31, 2015 as compared to the corresponding period of fiscal 2014. The increase was primarily due to the acquisition of Move, which contributed $107 million in revenues during the first nine months of fiscal 2015, and higher revenues at REA Group of $34 million due to the impact of increased listing depth product penetration in Australia and higher pricing, partially offset by the negative impact of foreign currency fluctuations. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of $22 million, or 7%, for the nine months ended March 31, 2015 as compared to the corresponding period of fiscal 2014.

Segment EBITDA at the Digital Real Estate Services segment increased $4 million, or 3%, for the nine months ended March 31, 2015 as compared to the corresponding period of fiscal 2014, primarily due to the increased revenues at REA Group, noted above. These increases were offset by a loss of $24 million related to the acquisition of Move, which includes approximately $19 million in one-time transaction costs related to the acquisition and $15 million related to the assumed stock-based compensation awards. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Segment EBITDA decrease of $12 million, or 8%, for the nine months ended March 31, 2015 as compared to the corresponding period of fiscal 2014.

Table of Contents

Digital Education (1% and 1% of the Company s consolidated revenues in the nine months ended March 31, 2015 and 2014, respectively)

(in millions, except %)	For the three months ended March 31, 2015	2014	Change Better/(Worse)	% Change Better/(Worse)	For the nine months ended March 31, 2015	2014	Change Better/(Worse)	% Change Better/(Worse)
Revenues:								
Circulation and Subscription	$ 12	$ 11	$ 1	9 %	$ 35	$ 30	$ 5	17 %
Other	9	10	(1)	(10)%	50	40	10	25 %
Total Revenues	**21**	**21**			**85**	**70**	**15**	**21%**
Operating expenses	(12)	(16)	4	25 %	(59)	(48)	(11)	(23)%
Selling, general and administrative	(30)	(50)	20	40 %	(95)	(162)	67	41 %
Segment EBITDA	**$ (21)**	**$ (45)**	**$ 24**	**53%**	**$ (69)**	**$ (140)**	**$ 71**	**51%**

Revenues at the Digital Education segment were flat for the three months ended March 31, 2015 as compared to the corresponding period of fiscal 2014.

Segment EBITDA at the Digital Education segment increased $24 million, or 53%, for the three months ended March 31, 2015 as compared to the corresponding period of fiscal 2014. The improvement in Segment EBITDA was largely driven by the impact from the capitalization of software development costs at Amplify Learning of $12 million as a result of certain products reaching their technological feasibility in fiscal 2015 and lower expenses.

Revenues at the Digital Education segment increased $15 million, or 21%, for the nine months ended March 31, 2015 as compared to the corresponding period of fiscal 2014. Subscription revenues were higher in the nine months ended March 31, 2015 due to increased revenues at Amplify Access and Insight. Other revenues were higher due to tablet sales at Amplify Access and increased revenues at Amplify Learning as a result of the adoption of early grade print and hybrid learning products.

Segment EBITDA at the Digital Education segment increased $71 million, or 51%, for the nine months ended March 31, 2015 as compared to the corresponding period of fiscal 2014. The improvement in Segment EBITDA was largely driven by the impact from the capitalization of software development costs at Amplify Learning of $41 million as a result of certain products reaching their technological feasibility in fiscal 2015, lower operating expenses and the increased revenues noted above.

Table of Contents

Other (0% and 0% of the Company s consolidated revenues in the nine months ended March 31, 2015 and 2014, respectively)

(in millions, except %)	For the three months ended March 31, 2015	2014	Change	% Change Better/(Worse)	For the nine months ended March 31, 2015	2014	Change	% Change Better/(Worse)
Revenues								
Operating expenses	(2)		(2)	**	(6)	(1)	(5)	**
Selling, general and administrative	(52)	(59)	7	12%	(155)	(175)	20	11%
Segment EBITDA	**$ (54)**	**$ (59)**	**$ 5**	**8%**	**$ (161)**	**$ (176)**	**$ 15**	**9%**

** not meaningful

Segment EBITDA at the Other segment increased $5 million, or 8%, for the three months ended March 31, 2015 as compared to the corresponding period of fiscal 2014. Segment EBITDA increased primarily due to lower costs associated with the U.K. Newspaper Matters. The net expense related to the U.K. Newspaper Matters included in Selling, general and administrative expenses was $15 million for the three months ended March 31, 2015 as compared to $20 million in the corresponding period of fiscal 2014.

Segment EBITDA at the Other segment increased $15 million, or 9%, for the nine months ended March 31, 2015 as compared to the corresponding period of fiscal 2014. Segment EBITDA increased primarily due to lower costs associated with the U.K. Newspaper Matters. The net expense related to the U.K. Newspaper Matters included in Selling, general and administrative expenses was $42 million for the nine months ended March 31, 2015 as compared to $56 million in the corresponding period of fiscal 2014.

LIQUIDITY AND CAPITAL RESOURCES

Current Financial Condition

The Company s principal source of liquidity is internally generated funds and cash and cash equivalents on hand. In accordance with the Separation and Distribution Agreement, 21st Century Fox made a cash contribution to the Company such that at the Distribution Date, the Company had approximately $2.4 billion of cash on hand and received the remaining $0.2 billion from 21st Century Fox during the first quarter of fiscal 2014. The Company expects these elements of liquidity will enable it to meet its liquidity needs in the foreseeable future. In October 2013, the Company established a revolving credit facility of $650 million. Under the credit agreement, the Company may request increases in the amount of the facility up to a maximum amount of $900 million. In addition, the Company expects to have access to the worldwide capital markets, subject to market conditions, in order to issue debt if needed or desired. Although the Company believes that its future cash from operations, together with its access to the capital markets, will provide adequate resources to fund its operating and financing needs, its access to, and the availability of, financing on acceptable terms in the future will be affected by many factors, including: (i) the Company s performance, (ii) its credit rating or absence of a credit rating, (iii) the liquidity of the overall capital markets and (iv) the current state of the economy. There can be no assurances that the Company will continue to have access to the capital markets on acceptable terms. See Part II, Item 1A. Risk Factors for a further discussion.

As of March 31, 2015, the Company s consolidated assets included $549 million in cash and cash equivalents that was held by its foreign subsidiaries. $26 million of this amount is cash not readily accessible by the Company as it is held by REA Group, a majority owned but separately listed public company. REA Group must declare a dividend in order for the Company to have access to its share of REA Group s cash balance. The Company earns income outside the U.S., which is deemed to be permanently reinvested in certain foreign jurisdictions. The Company does not currently intend to repatriate these funds. Should the Company require more capital in the U.S. than is generated by and/or available to its domestic operations, the Company could elect to transfer funds held in foreign jurisdictions. The transfer of funds from foreign jurisdictions may be cumbersome due to local regulations, foreign exchange control and withholding taxes. Additionally, the transfer of funds from foreign jurisdictions may result in higher effective tax rates and higher cash paid for income taxes for the Company.

Table of Contents

The principal uses of cash that affect the Company s liquidity position include the following: operational expenditures including employee costs; paper purchases; capital expenditures; income tax payments; investments in associated entities and acquisitions.

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

The Company s Board of Directors has authorized the Company to repurchase up to an aggregate of $500 million of its Class A Common Stock. All decisions regarding any future stock repurchases are at the sole discretion of a duly appointed committee of the Company s Board of Directors and management. The committee s decisions regarding future stock repurchases will be evaluated from time to time in light of many factors, including the Company s financial condition, earnings, capital requirements and debt facility covenants, other contractual restrictions, as well as legal requirements (including compliance with the IRS private letter ruling), regulatory constraints, industry practice and other factors that the committee may deem relevant. The stock repurchase authorization may be modified, extended, suspended or discontinued at any time by the Company s Board of Directors and the Company s Board of Directors cannot provide any assurances that any shares will be repurchased. Through April 30, 2015, the Company has not repurchased any common stock.

Sources and Uses of Cash For the nine months ended March 31, 2015 versus the nine months ended March 31, 2014

Net cash provided by operating activities for the nine months ended March 31, 2015 and 2014 was as follows (in millions):

For the nine months ended March 31,	**2015**	**2014**
Net cash provided by operating activities	$ 702	$ 803

Net cash provided by operating activities decreased by $101 million for the nine months ended March 31, 2015 as compared to the corresponding period of fiscal 2014. The decrease was primarily due to absence of the net receipts related to a foreign tax refund of $73 million and lease incentives of $35 million received during the nine months ended March 31, 2014, as well as higher net tax payments of $53 million and approximately $45 million of higher deferred compensation payments related to the acquisition of Wireless Generation in the nine months ended March 31, 2015. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a cash flow from operations decrease of approximately $20 million, or 2%, for the nine months ended March 31, 2015. The decreases were partially offset by lower restructuring payments of $62 million and lower payments for fees and costs related to the U.K. Newspaper Matters of $46 million.

Net cash used in investing activities for the nine months ended March 31, 2015 and 2014 was as follows (in millions):

For the nine months ended March 31,	**2015**	**2014**
Net cash used in investing activities	$ (1,563)	$ (186)

The Company had net cash used in investing activities of $1,563 million for the nine months ended March 31, 2015 as compared to net cash used in investing activities of $186 million for the corresponding period of fiscal 2014. During the nine months ended March 31, 2015, the Company used $1,188 million of cash for acquisitions, primarily the acquisitions of Move and Harlequin, and used $250 million of cash for investments, primarily consisting of approximately $100 million for its investment in iProperty and approximately $60 million for its investment in SeekAsia. The Company also had capital expenditures of $268 million which included $49 million related to the relocation of the Company s operations to a new site in London and $41 million related to Amplify s curriculum products. The net cash used in investing activities for the nine months ended March 31, 2015 was partially offset by proceeds from dispositions of $134 million, primarily resulting from the sale of marketable securities.

During the nine months ended March 31, 2014, the Company had capital expenditures of $244 million and used cash for acquisitions of $39 million, primarily to acquire Storyful. The net cash used in investing activities for the nine months ended March 31, 2014 was partially offset by proceeds from dispositions of $109 million, primarily resulting from the sale of Dow Jones Local Media Group.

Table of Contents

Net cash (used in) provided by financing activities for the nine months ended March 31, 2015 and 2014 was as follows (in millions):

For the nine months ended March 31,	2015	2014
Net cash (used in) provided by financing activities	$ (160)	$ 191

The change in net cash used in financing activities for the nine months ended March 31, 2015 as compared to the net cash provided by financing activities in the corresponding period of fiscal 2014 was primarily due to the repayment of debt assumed in the acquisition of Move of approximately $129 million during the nine months ended March 31, 2015 and net transfers from 21st Century Fox and its affiliates of $217 million during the nine months ended March 31, 2014.

Reconciliation of Free Cash Flow Available to News Corporation

Free cash flow available to News Corporation is a non-GAAP financial measure defined as net cash provided by operating activities, less capital expenditures and REA Group free cash flow, plus cash dividends received from REA Group.

The Company considers free cash flow available to News Corporation to provide useful information to management and investors about the amount of cash generated by the business after capital expenditures which can then be used for strategic opportunities including, among others, investing in the Company s business, strategic acquisitions, strengthening the Company s balance sheet, dividend payouts and repurchasing stock. A limitation of free cash flow available to News Corporation is that it does not represent the total increase or decrease in the cash balance for the period. Management compensates for the limitation of free cash flow available to News Corporation by also relying on the net change in cash and cash equivalents as presented in the Statements of Cash Flows prepared in accordance with GAAP which incorporate all cash movements during the period.

The following table presents a reconciliation of net cash provided by operating activities to free cash flow available to News Corporation:

	For the nine months ended March 31,	
	2015	2014
	(in millions)	
Net cash provided by operating activities	$ 702	$ 803
Less: Capital expenditures	(268)	(244)
	434	559
Less: REA Group free cash flow	(88)	(98)
Plus: Cash dividends received from REA Group	45	35
Free cash flow available to News Corporation	$ 391	$ 496

Free cash flow available to News Corporation decreased by $105 million in the nine months ended March 31, 2015 to $391 million from $496 million in the corresponding period of fiscal 2014, primarily due to the change in net cash

provided by operating activities and increased capital expenditures discussed above, partially offset by higher dividends received from REA Group. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a free cash flow decrease of approximately $15 million, or 4%, for the nine months ended March 31, 2015.

Table of Contents

Revolving Credit Agreement

The Company s Credit Agreement (the Credit Agreement) provides for an unsecured $650 million five-year revolving credit facility (the Facility) that can be used for general corporate purposes. The Facility has a sublimit of $100 million available for issuances of letters of credit. Under the Credit Agreement, the Company may request increases in the amount of the Facility up to a maximum amount of $900 million. Subject to certain conditions stated in the Credit Agreement, the Company may borrow, prepay and reborrow amounts under the Facility during the term of the Credit Agreement. All amounts under the Credit Agreement are due on October 23, 2018, unless the commitments are terminated earlier either at the request of the Company or, if an event of default occurs, by the designated agent at the request or with the consent of the lenders (or automatically in the case of certain bankruptcy-related events). The Company may request that the commitments be extended under certain circumstances as set forth in the Credit Agreement for up to two additional one-year periods. Additionally, interest on borrowings is based on either (a) a Eurodollar Rate formula or (b) the Base Rate formula, each as set forth in the Credit Agreement.

The Credit Agreement contains certain customary affirmative and negative covenants and events of default, with customary exceptions, including limitations on the ability of the Company and the Company s subsidiaries to engage in transactions with affiliates, incur liens, merge into or consolidate with any other entity, incur subsidiary debt or dispose of all or substantially all of its assets or all or substantially all of the stock of its subsidiaries taken as a whole. In addition, the Credit Agreement requires the Company to maintain an adjusted operating income leverage ratio of not more than 3.0 to 1.0 and an interest coverage ratio of not less than 3.0 to 1.0. If any of the events of default occur and are not cured within applicable grace periods or waived, any unpaid amounts under the Credit Agreement may be declared immediately due and payable. As of March 31, 2015, the Company was in compliance with all of the applicable debt covenants.

The applicable margin and the commitment fee are based on the pricing grid in the Credit Agreement which varies based on the Company s adjusted operating income leverage ratio. As of March 31, 2015, the Company was paying a commitment fee of 0.25% on any undrawn balance and an applicable margin of 0.50% for a Base Rate borrowing and 1.50% for a Eurodollar Rate borrowing.

As of the date of this filing, the Company has not borrowed any funds under the Facility.

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 Company s commitments as of March 31, 2015 have not changed significantly from the disclosures included in the 2014 Form 10-K.

Contingencies

As disclosed in the notes to the Financial Statements, governmental authorities in the U.K. continue to conduct investigations initiated in 2011 with respect to the U.K. Newspaper Matters. The Company is cooperating with these investigations. The Company and 21st Century Fox were also previously subject to an investigation by the U.S. Department of Justice (the DOJ) relating to the U.K. Newspaper Matters. On January 28, 2015, the Company was notified by the DOJ that it has completed its investigation and is declining to prosecute the Company or 21st Century Fox.

Civil claims have also been brought against the Company with respect to the U.K. Newspaper Matters. The Company has admitted liability in many civil cases and has settled a number of cases. The Company has also settled a number of claims through a private compensation scheme established by the Company under which parties could pursue claims against it. While additional civil lawsuits may be filed, no additional civil claims may be brought under the compensation scheme after April 8, 2013.

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

Table of Contents

21st Century Fox. In addition, violations of law may result in criminal fines or penalties for which the Company will not be indemnified by 21st Century Fox. 21st Century Fox s indemnification obligations with respect to these matters will be settled on an after-tax basis.

As of March 31, 2015, the Company has provided for its best estimate of the liability for the claims that have been filed and costs incurred, including liabilities associated with employment taxes, and has accrued approximately $111 million, of which approximately $52 million will be indemnified by 21st Century Fox, and a corresponding receivable was recorded in Amounts due from 21st Century Fox on the Balance Sheet as of March 31, 2015. It is not possible to estimate the liability or corresponding receivable for any additional claims that may be filed given the information that is currently available to the Company. If more claims are filed and additional information becomes available, the Company will update the liability provision and corresponding receivable for such matters. The Company is not able to predict the ultimate outcome or cost of the civil claims or criminal matters. It is possible that these proceedings and any adverse resolution thereof, including any fines or other penalties associated with any plea, judgment or similar result for which the Company will not be indemnified, could damage its reputation, impair its ability to conduct its business and adversely affect its 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, it 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 financial condition, future results of operations or liquidity. As subsidiaries of 21st Century Fox prior to the Separation, the Company and each of its domestic subsidiaries have joint and several liability with 21st Century Fox for the consolidated U.S. federal income taxes of the 21st Century Fox consolidated group relating to any taxable periods during which the Company or any of the Company s domestic subsidiaries are or were a member of the 21st Century Fox consolidated group. Consequently, the Company could be liable in the event any such liability is incurred, and not discharged, by any other member of the 21st Century Fox consolidated group. The Tax Sharing and Indemnification Agreement requires 21st Century Fox to indemnify the Company for any such liability. Disputes or assessments could arise during future audits by the IRS or other taxing authorities in amounts that the Company cannot quantify.

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has exposure to different types of market risk including changes in foreign currency rates and stock prices. The Company neither holds nor issues financial instruments for trading purposes.

The following sections provide quantitative information on the Company s exposure to foreign currency rate risk and stock price risk. The Company makes use of sensitivity analyses that are inherently limited in estimating actual losses in fair value that can occur from changes in market conditions.

Foreign Currency Rates

The Company conducts operations in three principal currencies: the U.S. dollar; the Australian dollar; and the British pound sterling. These currencies operate primarily as the functional currency for the Company s U.S., Australian and U.K. operations, respectively. Cash is managed centrally within each of the three regions with net earnings reinvested locally and working capital requirements met from existing liquid funds. To the extent such funds are not sufficient to meet working capital requirements, funding in the appropriate local currencies is made available from intercompany capital. The Company does not hedge its investments in the net assets of its Australian and U.K. foreign operations.

Because of fluctuations in exchange rates, the Company is subject to currency translation exposure on the results of its operations. Foreign currency translation risk is the risk that exchange rate gains or losses arise from translating foreign entities statements of earnings and balance sheets from functional currency to the Company s reporting currency (the U.S. dollar) for consolidation purposes. The Company does not hedge translation risk because it generally generates positive cash flows from its international operations that are typically reinvested locally. Exchange rates with the most significant impact to its translation include the Australian dollar and British pound sterling. As exchange rates fluctuate, translation of its Statements of Operations into U.S. dollars affects the comparability of revenues and operating expenses between years.

The table below details the percentage of revenues and expenses by the three principal currencies for the fiscal year ended June 30, 2014:

	U.S. Dollars	Australian Dollars	British Pound Sterling
Fiscal year ended June 30, 2014			
Revenues	52%	30%	18%
Operating and Selling, general, and administrative expenses	54%	27%	19%

Based on the year ended June 30, 2014, a one cent change in each of the U.S. dollar/Australian dollar and the U.S. dollar/British pound sterling exchange rates will impact revenues by approximately $24 million for each currency on an annual basis, and will impact Total Segment EBITDA by approximately $4 million and $1 million, respectively, on an annual basis.

Stock Prices

The Company has common stock investments in publicly traded companies that are subject to market price volatility. These investments had an aggregate fair value of approximately $135 million as of March 31, 2015. A hypothetical decrease in the market price of these investments of 10% would result in a decrease in comprehensive income of approximately $14 million before tax. Any changes in fair value of the Company s common stock investments are not recognized unless deemed other-than-temporary.

Credit Risk

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

Table of Contents

The Company s receivables did not represent significant concentrations of credit risk as of March 31, 2015 or June 30, 2014 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 March 31, 2015 and June 30, 2014, the Company did not anticipate nonperformance by any of the counterparties.

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

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

(b) Internal Control Over Financial Reporting

There has been no change in the Company s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act) during the Company s third quarter of fiscal 2015 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

Table of Contents

PART II

ITEM 1. LEGAL PROCEEDINGS

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

U.K. Newspaper Matters and Related Investigations and Litigation

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

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

In addition, governmental authorities in the U.K. continue to conduct investigations initiated in 2011 with respect to the U.K. Newspaper Matters. The Company is cooperating with these investigations. The Company and 21st Century Fox were also previously subject to an investigation by the DOJ relating to the U.K. Newspaper Matters. On January 28, 2015, the Company was notified by the DOJ that it has completed its investigation and is declining to prosecute the Company or 21st Century Fox.

Civil claims have also been brought against the Company with respect to the U.K. Newspaper Matters. The Company has admitted liability in many civil cases and has settled a number of cases. The Company has also settled a number of claims through a private compensation scheme established by the Company under which parties could pursue claims against it. While additional civil lawsuits may be filed, no additional civil claims may be brought under the compensation scheme after April 8, 2013.

In connection with the Separation, the Company and 21st Century Fox agreed in the Separation and Distribution Agreement that 21st Century Fox will indemnify the Company for payments made after the Distribution Date arising out of civil claims and investigations relating to the U.K. Newspaper Matters as well as legal and professional fees and expenses paid in connection with the criminal matters, other than fees, expenses and costs relating to employees (i) who are not directors, officers or certain designated employees or (ii) with respect to civil matters, who are not

co-defendants with the Company or 21st Century Fox. In addition, violations of law may result in criminal fines or penalties for which the Company will not be indemnified by 21st Century Fox. 21st Century Fox s indemnification obligations with respect to these matters will be settled on an after-tax basis.

Table of Contents

The Company incurred gross legal and professional fees related to the U.K. Newspaper Matters and costs for civil settlements totaling approximately $24 million and $46 million during the three months ended March 31, 2015 and 2014, respectively, and approximately $75 million and $137 million for the nine months ended March 31, 2015 and 2014, respectively. With respect to the fees and costs incurred during the three months ended March 31, 2015 and 2014, the Company has been or will be indemnified by 21st Century Fox for $9 million, net of tax, and $26 million, net of tax, respectively, pursuant to the indemnification arrangements described above. With respect to the fees and costs incurred during the nine months ended March 31, 2015 and 2014, the Company has been or will be indemnified by 21st Century Fox for $33 million, net of tax, and $81 million, net of tax, respectively, pursuant to the indemnification arrangements described above.

As of March 31, 2015, the Company has provided for its best estimate of the liability for the claims that have been filed and costs incurred, including liabilities associated with employment taxes, and has accrued approximately $111 million, of which approximately $52 million will be indemnified by 21st Century Fox, and a corresponding receivable was recorded in Amounts due from 21st Century Fox on the Balance Sheet as of March 31, 2015. It is not possible to estimate the liability or corresponding receivable for any additional claims that may be filed given the information that is currently available to the Company. If more claims are filed and additional information becomes available, the Company will update the liability provision and corresponding receivable for such matters. The Company is not able to predict the ultimate outcome or cost of the civil claims or criminal matters. It is possible that these proceedings and any adverse resolution thereof, including any fines or other penalties associated with any plea, judgment or similar result for which the Company will not be indemnified, could damage its reputation, impair its ability to conduct its business and adversely affect its results of operations and financial condition.

Stockholder Rights Agreement Litigation

On July 7, 2014, Miramar Police Officers Retirement Plan, a purported stockholder of the Company, filed a complaint in the Court of Chancery of the State of Delaware against the Company and its Board of Directors, styled Miramar Police Officers Retirement Plan v. Murdoch et al., C.A. No. 9860-CB. The complaint alleges, among other things, that the Company and the Board of Directors breached the terms of a settlement agreement, dated April 12, 2006, by entering into a one-year extension to the Company s stockholder rights agreement on June 18, 2014 without first seeking stockholder approval. The complaint further alleges that the Board of Directors breached its fiduciary duties in approving the one-year extension to the stockholder rights agreement, seeks a declaration that the extension is null and void and requests an award of attorneys fees and costs.

Defendants moved to dismiss the complaint, and on August 25, 2014, plaintiff amended the complaint to seek a declaratory judgment that the Company is bound and subject to the settlement agreement; that the agreement has been breached; that the Board of Directors acted in bad faith by adopting the stockholder rights agreement extension without stockholder approval; and, in the alternative, seeking reformation of the settlement agreement on the grounds of alleged mutual mistake. Thereafter, on September 9, 2014, all defendants moved to dismiss the amended complaint. On April 7, 2015, the Court granted defendants motion to dismiss in its entirety on the grounds that the Company is not bound by the settlement agreement.

HarperCollins

In 2011 and 2012, various civil lawsuits and governmental investigations were commenced against certain publishers, including the Company s subsidiary, HarperCollins Publishers L.L.C. (HarperCollins), relating to alleged violations of antitrust and unfair competition laws arising out of the decisions by those publishers to sell their e-books pursuant to an agency relationship.

The publishers, including HarperCollins, entered into various settlement agreements to resolve these matters. These included a settlement with the DOJ, which, among other things, required that HarperCollins terminate its agreements with certain e-book retailers and placed certain restrictions on any agreements subsequently entered into with such retailers. Additional information about this settlement can be found on the DOJ s website. The publishers, including HarperCollins, also entered into substantially similar settlements with the European Commission and the Canadian Competition Bureau (CCB). The settlements with the DOJ and the European Commission received final approval in September and December 2012, respectively. The consent agreement with respect to the settlement with the CCB was registered with the Competition Tribunal on February 7, 2014. However, on February 21, 2014, Kobo Inc. (Kobo) filed an application to rescind or vary the consent agreement with the Competition Tribunal, and, on March 18, 2014, the Competition Tribunal issued an order staying the registration of the consent agreement. The stay will remain in effect pending further order of the Competition Tribunal or final disposition of Kobo s application.

Table of Contents

The Company is not able to predict the ultimate outcome or cost of the unresolved HarperCollins matter described above. The legal and professional fees and settlement costs incurred in connection with the other settlements referred to above were not material.

News America Marketing

In-Store Marketing and FSI Purchasers

On April 8, 2014, in connection with a pending action in the United States District Court for the Southern District of New York in which The Dial Corporation, Henkel Consumer Goods, Inc., H.J. Heinz Company, H.J. Heinz Company, L.P., Foster Poultry Farms, Smithfield Foods, Inc., HP Hood LLC, BEF Foods, Inc., and Spectrum Brands, Inc. (Spectrum) allege various claims under federal and state antitrust law against News Corporation, News America Incorporated (NAI), News America Marketing FSI L.L.C. (NAM FSI), and News America Marketing In-Store Services L.L.C. (NAM In-Store Services and, together with News Corporation, NAI and NAM FSI, the NAM Group), plaintiffs filed a fourth amended complaint on consent of the parties. The fourth amended complaint asserts federal and state antitrust claims both individually and on behalf of two putative classes in connection with plaintiffs purchase of in-store marketing services and free-standing insert coupons. The complaint seeks treble damages, injunctive relief and attorneys fees. The NAM Group answered the fourth amended complaint and asserted counterclaims against The Dial Corporation, H.J. Heinz Company, H.J. Heinz Company, L.P., and Foster Poultry Farms on April 21, 2014, and discovery is proceeding. The District Court subsequently permitted Spectrum to voluntarily dismiss its claims without prejudice, subject to certain conditions.

On August 11, 2014, plaintiffs filed a motion seeking certification of a class of all persons residing in the United States who purchased in-store marketing services on or after April 5, 2008, and have not purchased those services pursuant to contracts with mandatory arbitration clauses. Plaintiffs did not, however, move to certify a class of purchasers of free-standing insert coupons. The NAM Group filed its opposition to plaintiffs motion on October 10, 2014, and the District Court heard oral argument on the motion on December 12, 2014.

While it is not possible at this time to predict with any degree of certainty the ultimate outcome of this action, the NAM Group believes it has been compliant with applicable antitrust laws and intends to defend itself vigorously.

Valassis Communications, Inc.

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

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

On February 4, 2014, the magistrate judge granted Valassis s motion for expedited discovery. The NAM Parties objected to the magistrate judge s ruling before the District Court and filed a motion to enforce the parties settlement

agreement that sought an order that certain of Valassis s claims, if they are allowed to proceed, must be considered by a panel of antitrust experts. On May 20, 2014, the District Court overruled the NAM Parties objections to the magistrate judge s ruling and terminated the motion to enforce the parties settlement agreement as the issues raised in the motion would be addressed in connection with the NAM Group s motion to dismiss Valassis s newly filed complaint, described below.

On October 7, 2014, the NAM Group filed a motion for an order requiring Valassis to show cause why its allegations that the NAM Group engaged in unlawful bundling and tying of in-store marketing services and free-standing insert coupons should not be referred to a panel of antitrust experts for resolution pursuant to the parties settlement. On November 19, 2014, the magistrate judge denied the NAM Group s motion for an order to show cause. The NAM Group objected to the magistrate judge s order, and Valassis opposed those objections. On January 20, 2015, the NAM Parties filed a motion for expedited discovery in the previously settled case, which was granted by the magistrate judge on April 14, 2015.

Table of Contents

On February 3, 2015, Valassis filed a Notice of Violation of an order issued by the District Court in the previously settled case. The Notice contains allegations that are substantially similar to the allegations Valassis made in the new complaint, described below, and seeks treble damages, injunctive relief and attorneys fees. The Notice also re-asserts claims of unlawful bundling and tying which the magistrate judge had previously recommended be dismissed from the action described below on the grounds that such claims could only be brought before the panel of antitrust experts. On March 2, 2015, the NAM Group filed a motion to refer the Notice to the panel of antitrust experts or, in the alternative, strike the Notice, which Valassis has opposed.

On November 8, 2013, Valassis also filed a new complaint in the United States District Court for the Eastern District of Michigan against the NAM Group alleging violations of federal and state antitrust laws and common law business torts. The complaint seeks treble damages, injunctive relief and attorneys fees and costs. On December 19, 2013, the NAM Group filed a motion to dismiss the newly filed complaint. The District Court referred the NAM Group s motion to dismiss to the magistrate judge for determination, and on July 16, 2014, the magistrate judge recommended that the District Court grant the NAM Group s motion in part with respect to certain claims and stay the remainder of the action. Valassis has objected to the magistrate judge s recommendation that the action be stayed.

While it is not possible at this time to predict with any degree of certainty the ultimate outcome of these actions, the NAM Group believes it has been compliant with applicable laws and intends to defend itself vigorously in both actions.

Other

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

ITEM 1A. RISK FACTORS

You should carefully consider the following risks and other information in this Quarterly Report on Form 10-Q in evaluating the Company and its common stock. Any of the following risks could materially and adversely affect the Company s business, results of operations or financial condition, and could, in turn, impact the trading price of the Company s common stock. The risk factors generally have been separated into three groups: risks related to the Company s business, risks related to the Company s Separation from 21st Century Fox and risks related to the Company s common stock.

Risks Related to the Company s Business

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

The Company derives substantial revenues from the sale of advertising on or in its newspapers, integrated marketing services and digital media properties. The Company and its affiliates also derive revenues from the sale of advertising

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

Table of Contents

The Company s ability to generate advertising revenue is also dependent on demand for the Company s products and services, demographics of the customer base, advertising rates and results observed by advertisers. For example, circulation levels for the Company s newspapers and ratings points for its cable channels are among the factors that are weighed by advertisers when determining the amount of advertising to purchase from the Company as well as advertising rates. For the Company s digital media properties, advertisers use various metrics to evaluate demand such as the number of visits, number of users, user engagement and, for digital real estate services, the number and quality of leads provided. Demand for the Company s products and services depends in turn upon the Company s ability to differentiate and distinguish those products and services and anticipate and adapt to changes in consumer tastes and behaviors in a timely manner. For example, the Company s newspapers, cable channels and pay-TV programming must continue to provide high-quality content that is interesting and relevant to users in order to retain and grow their audiences. Similarly, the success of the Company s digital real estate services business depends in part on providing more comprehensive, current and accurate real estate listing data than its competitors, which the Company generally obtains through short-term arrangements with multiple listing services, real estate brokers, real estate agents and other third parties that may not be renewed and/or may be terminated with limited or no notice.

In addition, newer technologies, including new streaming and downloading capabilities via the Internet and other devices and technologies, as well as growing consumer engagement with new forms of digital media such as online and mobile social networking, are increasing the number of media choices and formats available to audiences, resulting in audience fragmentation and increased competition for advertising. These technological developments may also cause changes in consumer behavior that could affect the attractiveness of the Company s offerings to advertisers. Furthermore, the range of advertising choices across digital products and platforms and the large inventory of available digital advertising space have historically resulted in significantly lower rates for digital advertising than for print advertising. Consequently, the Company s digital advertising revenue may not be able to replace print advertising revenue lost as a result of the shift to digital consumption. A decrease in advertising expenditures by the Company s customers, reduced demand for the Company s offerings or a surplus of advertising inventory could lead to a reduction in pricing and advertising spending, which could have an adverse effect on the Company s businesses and assets.

Advertising, Circulation and Audience Share May Continue to Decline as Consumers Migrate to Other Media Alternatives.

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

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

Technology continues to evolve rapidly, and the resulting changes in consumer behavior and preferences create constant opportunities for new and existing competitors that can quickly render our products and services less valuable. For example, alternative methods for the delivery and storage of digital content, including the distribution of

news and other content through social networking tools and on mobile and other devices, digital distribution models for books and Internet and mobile distribution of video content via streaming and downloading, have empowered consumers to seek more control over when, where and how they consume digital content. Content owners are increasingly delivering their content directly to consumers over the Internet, often without charge, and innovations in distribution platforms have enabled consumers to view such Internet-delivered content on portable devices and televisions. Enhanced Internet capabilities and other new media may reduce the demand for newspapers and television viewership, which could negatively affect the Company s revenues.

Table of Contents

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

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

No Assurance of Profitability of the Digital Education Business.

Many of the newer lines of Amplify, the Company s digital education business, are still under development. Accordingly, Amplify s prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving markets such as digital education. These risks for Amplify include, but are not limited to, an evolving business model and the management of growth. Amplify must, among other things, develop a customer base for its full range of offerings, including by utilizing the existing customers associated with its data and assessment business, implement and successfully execute its business and marketing strategy, continue to develop and upgrade its software and content offerings, respond to competitive developments, and attract, retain and motivate qualified personnel. In addition, the results and growth of Amplify s businesses are dependent on state educational funding, which may be adversely affected by changes in legislation, both at the federal and state level, changes in the state procurement process and changes in the condition of the local, state or U.S. economy. Future changes in federal funding and the state and local tax base could create an unfavorable environment, leading to budget issues that result in a decrease in educational funding and, in turn, adversely affect Amplify s businesses. There can be no assurance that Amplify will be successful in addressing these risks or in achieving these goals, and the failure to do so could have a material adverse effect on Amplify s business, prospects, financial condition and results of operations.

Including the 2010 acquisition of Wireless Generation, the former brand of Amplify s Insight business, and the development of the broader business initiatives of Amplify, the Company has invested cash of approximately $990 million cumulatively through March 31, 2015, of which $89 million and $174 million was invested in the three and nine months ended March 31, 2015, respectively, and of which, $380 million, net of cash acquired, was for the acquisition of Wireless Generation. The Company expects it will invest total cash of approximately $230 million for the year ending June 30, 2015, including approximately $50 million in deferred compensation paid in the quarter ended March 31, 2015 related to the acquisition of Wireless Generation. Significant expenses associated with Amplify s businesses include salaries, employee benefits and other routine overhead associated with product development.

The Inability to Renew Sports Programming Rights Could Cause the Revenue of Certain of the Company s Australian Operating Businesses to Decline Significantly in any Given Period.

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

Table of Contents

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

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

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

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

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

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

If any acquired business fails to operate as anticipated or cannot be successfully integrated with the Company s existing business, the Company s business, results of operations and financial condition could be adversely affected,

and the Company may be required to record non-cash impairment charges for the write-down of certain acquired assets.

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

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

Table of Contents

The Company Faces Investigations Regarding Allegations of Voicemail Interception, Illegal Data Access and Inappropriate Payments to Public Officials and Other Related Matters and Related Civil Lawsuits.

Governmental authorities in the U.K. are conducting investigations relating to voicemail interception, illegal data access and inappropriate payments to public officials at the Company s former publication, *The News of the World*, and at *The Sun*, and related matters, which are referred to as the U.K. Newspaper Matters. The Company is cooperating with these investigations. Civil claims have also been brought against the Company with respect to the U.K. Newspaper Matters. The Company has admitted liability in many civil cases and has settled a number of cases. The Company has also settled a number of claims through a private compensation scheme established by the Company under which parties could pursue claims against it. While additional civil lawsuits may be filed, no additional civil claims may be brought under the compensation scheme after April 8, 2013.

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

From July 1, 2010 through March 31, 2015, the Company incurred aggregate fees, costs and expenses related to the U.K. Newspaper Matters of $512 million, net of costs that have been or will be indemnified by 21st Century Fox, which includes $38 million paid to claimants for civil settlements. As of March 31, 2015, the Company accrued $111 million, representing its best estimate of the liability for the claims that have been filed, including liabilities associated with employment taxes, as well as incurred but unpaid legal and professional fees. Certain liabilities recorded by the Company as of March 31, 2015 related to matters that will be indemnified by 21st Century Fox as described below. Amounts due from 21st Century Fox relating to indemnified costs were approximately $52 million as of March 31, 2015.

The Company is not able to predict the ultimate outcome or cost of the civil claims or criminal matters. It is possible that these proceedings and any adverse resolution thereof, including any fines or other penalties associated with any plea, judgment or similar result for which the Company will not be indemnified, could damage its reputation, impair the Company s ability to conduct its business and adversely affect its results of operations and financial condition. See Part II, Item 1. Legal Proceedings and Note 10 to the Financial Statements for additional information.

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

As a result of adverse developments in the Company s industry and challenging economic and market conditions, the Company may recognize impairment charges for write-downs of goodwill and intangible assets, as well as restructuring charges relating to the reorganization of its businesses, which negatively impact the Company s financial results. In accordance with GAAP, the Company performs an annual impairment assessment of its recorded goodwill and indefinite-lived intangible assets, including newspaper mastheads and distribution networks, during the fourth quarter of each fiscal year. The Company also continually evaluates whether current factors or indicators, such as prevailing conditions in the capital markets or the economy generally, require the performance of an interim impairment assessment of those assets, as well as other investments and other long-lived assets, or require the Company to engage in any additional business restructurings to address these conditions. Any significant shortfall, now or in the future, in advertising revenue and/or the expected popularity of the programming for which the

Company has acquired rights could lead to a downward revision in the fair value of certain reporting units. Any downward revisions in the fair value of a reporting unit, indefinite-lived intangible assets, investments or long-lived assets could result in additional impairments for which non-cash charges would be required. Any such charge could be material to the Company s reported results of operations. The News and Information Services and Digital Education segments have reporting units with goodwill that is at risk for future impairment. As of June 30, 2014, $1.7 billion of goodwill, including $1.4 billion and $0.3 billion at the News and Information Services and Digital Education segments, respectively, was at risk for future impairment because the fair values of the reporting units exceeded their carrying values by less than 10%. The Company may also incur additional restructuring charges in the future if it is required to further realign its resources in response to significant shortfalls in revenue or other adverse trends.

Table of Contents

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

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

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

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

In addition, the Company s newspaper businesses in the U.K. are subject to greater regulation and oversight as a result of the implementation of recommendations of the Leveson inquiry into the U.K. press, which was established by Prime Minister David Cameron in mid-2011. The inquiry was triggered by allegations of illegal voicemail interception at the Company s former publication, *The News of the World*. Lord Justice Leveson, Chairman of the Inquiry, concluded the first part of the inquiry and published a report in late November 2012 containing various recommendations for greater regulation and oversight of the U.K. press. A majority of the U.K. press has established an alternative regulator, the Independent Press Standards Organisation, or IPSO, which began operating in September 2014. IPSO imposes burdens on the print media in the U.K., including the Company s newspaper businesses in the U.K., which may result in competitive disadvantages versus other forms of media and may increase the costs of compliance.

The Company s business activities are also subject to laws and regulations governing the collection, use, sharing, protection and retention of personal data, which continue to evolve in light of changes in information technology and analytics techniques that have implications for how such data is managed. These laws and regulations could be costly

to comply with, subject the Company to claims and other remedies and limit or restrict aspects of the Company s business, including, for example, by restricting the use of personal and profiling data to deliver targeted advertisements.

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

Newsprint is one of the largest expenses of the Company s newspaper publishing units. During the three months ended March 31, 2015, the Company s average cost per ton of newsprint was approximately 11% lower than its historical average annual cost per ton over the past five fiscal years. The price of newsprint has historically been volatile and the consolidation of newsprint mills over the years has reduced the number of suppliers, which has led to increases in newsprint prices. Failure to maintain the Company s current consumption levels, further supplier consolidation or the inability to maintain the Company s existing relationships with its newsprint suppliers could adversely impact newsprint prices in the future.

Table of Contents

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

Network and information systems and other technologies, including those related to the Company s network management, are important to its business activities. Network and information systems-related events, such as computer hackings, computer viruses, worms or other destructive or disruptive software, process breakdowns, denial of service attacks, malicious social engineering or other malicious activities, or any combination of the foregoing, as well as power outages, natural disasters (including extreme weather), terrorist activities or human error that may affect such systems, could result in disruption of the Company s services and/or improper disclosure of personal data, business information, including intellectual property, or other confidential information. In recent years, there has been a rise in the number of cyberattacks on companies network and information systems, and as a result, the risks associated with such an event continue to increase. The Company has experienced, and expects to continue to be subject to, cybersecurity threats and incidents, none of which have been material to the Company to date.

A significant failure, compromise, breach or interruption of the Company s systems could result in a disruption of its operations, customer or advertiser dissatisfaction, damage to its reputation or brands, regulatory investigations, lawsuits and a loss of customers or revenues. If any such failure, interruption or similar event results in the improper disclosure of information maintained in the Company s information systems and networks or those of its vendors, including financial, personal, credit card, confidential and proprietary information relating to personnel, customers, vendors and the Company s business, including its intellectual property, the Company could also be subject to liability under relevant contractual obligations and laws and regulations protecting personal data and privacy. Efforts by the Company and its vendors to develop, implement and maintain security measures may not be successful in preventing these events from occurring, particularly given that techniques used to access, disable or degrade service, or sabotage systems change frequently, and any network and information systems-related events could require the Company to expend significant resources to remedy such event. Moreover, the development and maintenance of these measures is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated.

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

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

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

The Company seeks to limit the threat of content piracy; however, policing unauthorized use of its products and services and related intellectual property is often difficult and the steps taken by the Company may not in every case prevent infringement by unauthorized third parties. Developments in technology increase the threat of content piracy by making it easier to duplicate and widely distribute pirated material. The Company has taken, and will continue to take, a variety of actions to combat piracy, both individually and, in some instances, together with industry

associations. However, protection of the Company s intellectual property rights is dependent on the scope and duration of its rights as defined by applicable laws in the U.S. and abroad and the manner in which those laws are construed. If those laws are drafted or interpreted in ways that limit the extent or duration of the Company s rights, or if existing laws are changed, the Company s ability to generate revenue from its intellectual property may decrease, or the cost of obtaining and maintaining rights may increase. There can be no assurance that the Company s efforts to enforce its rights and protect its products, services and intellectual property will be successful in preventing content piracy.

Table of Contents

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

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

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

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

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

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

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

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

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

In connection with the Separation, 21st Century Fox received a private letter ruling from the IRS to the effect that, among other things, the distribution of the Company s Class A Common Stock and Class B Common Stock qualified as tax-free under Sections 368 and 355 of the Code except for cash received in lieu of fractional shares. In addition, 21st Century Fox received an opinion from its tax counsel confirming the tax-free status of the Separation for U.S.

federal income tax purposes, including the satisfaction of the requirements under Sections 368 and 355 of the Code not specifically addressed in the IRS private letter ruling. The opinion of 21st Century Fox s tax counsel is not binding on the IRS or the courts, and there is no assurance that the IRS or a court will not take a contrary position.

Table of Contents

The private letter ruling and the opinion relied on certain facts and assumptions, and certain representations from the Company and 21st Century Fox regarding the past and future conduct of their respective businesses and other matters. Notwithstanding the receipt of the private letter ruling and the opinion, the IRS could determine on audit that the distribution or the related internal reorganization transactions should be treated as taxable transactions if it determines that any of these facts, assumptions, representations or undertakings is not correct or has been violated, or that the distribution or the internal transactions should be taxable for other reasons, including as a result of a significant change in stock or asset ownership after the Separation. If the distribution ultimately is determined to be taxable, the distribution could be treated as a taxable dividend or capital gain for U.S. federal income tax purposes, and U.S. stockholders and certain non-U.S. stockholders could incur significant U.S. federal income tax liabilities. In addition, if the internal reorganization and/or the distribution is ultimately determined to be taxable, 21st Century Fox would recognize gains on the internal reorganization and/or recognize gain in an amount equal to the excess of the fair market value of shares of the Company s common stock distributed to 21st Century Fox s stockholders on the Distribution Date over 21st Century Fox s tax basis in such shares. As described below, the Company may in certain circumstances be required to indemnify 21st Century Fox for liabilities arising out of the foregoing.

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

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

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

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

The Company s ability to engage in significant strategic transactions and equity issuances may be limited or restricted after the Separation in order to preserve, for U.S. federal income tax purposes, the tax-free nature of the distribution by 21st Century Fox. Even if the distribution otherwise qualifies for tax-free treatment under Section 355 of the Code, it may result in corporate level taxable gain to 21st Century Fox under Section 355(e) of the Code if 50% or more, by vote or value, of shares of the Company s stock is acquired or issued as part of a plan or series of related transactions that includes the distribution.

To preserve the tax-free treatment to 21st Century Fox of the distribution and the internal transactions in connection with the distribution for U.S. federal income tax purposes, under the Tax Sharing and Indemnification Agreement that the Company entered into with 21st Century Fox, the Company is prohibited from taking or failing to take certain actions that may prevent the distribution and related transactions from being tax-free for U.S. federal income tax purposes. Further, for the two-year period following the Separation, without obtaining the consent of 21st Century Fox, the Company may be prohibited from:

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

Table of Contents

a merger,

a redemption of equity securities,

a sale or other disposition of certain businesses or a specified percentage of the Company s assets,

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

amending the Company s organizational documents or taking any other action through stockholder vote or otherwise that affects the relative economic or voting rights of the Company s outstanding stock.

These restrictions may limit the Company s ability to pursue strategic transactions or engage in new business or other transactions that may maximize the value of its business. Moreover, the Tax Sharing and Indemnification Agreement also provides that the Company is responsible for any tax-related liabilities incurred by 21st Century Fox or any of its affiliates as a result of the failure of the distribution or the internal transactions to qualify for favorable treatment under the Code if such failure is attributable to certain actions taken after the Separation by or in respect of the Company or any of its affiliates.

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

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

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

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

Table of Contents

Certain Agreements That the Company Entered Into With 21st Century Fox in Connection With the Separation May Limit Its Ability to Take Certain Actions With Respect to the Civil U.K. Newspaper Matters.

Under the terms of the Separation and Distribution Agreement, in consideration for 21st Century Fox s agreement to certain indemnification arrangements, the Company agreed that 21st Century Fox would have the right to control the Company s defense of civil claims relating to the U.K. Newspaper Matters. In exercising its rights to control the defense of the civil claims relating to the U.K. Newspaper Matters, 21st Century Fox may be guided by interests that are different than or adverse to the Company s interests and the interests of its stockholders and advocate strategies that the Company s management would not otherwise adopt. Furthermore, if the Company fails to comply with these control arrangements or does not consent to settlements with respect to such matters proposed by 21st Century Fox, the Company has agreed with 21st Century Fox that it will, at 21st Century Fox s discretion, forego any indemnification with regard to such or all of these matters. The Company s inability to take actions with respect to these civil matters without 21st Century Fox s consent or the Company s adoption of strategies advocated by 21st Century Fox could damage the Company s reputation or impair the Company s ability to conduct its business while the taking of any such action by the Company without 21st Century Fox s consent in breach of the Company s agreements could increase its liability exposure with regard to such matters and adversely affect the Company s results of operations and financial condition. See Part II, Item 1. Legal Proceedings and Note 10 to the Financial Statements for additional information.

The Company Has a Limited Operating History as an Independent, Publicly-Traded Company, and Its Historical Financial Statements for Certain Reporting Periods Are Not Necessarily Representative of the Results It Would Have Achieved as an Independent, Publicly-Traded Company, Do Not Reflect Any Subsequent Changes in Its Cost Structure and May Not Be Reliable Indicators of Its Future Results.

Certain of the Company s historical financial statements do not necessarily reflect the results of operations, cash flows and financial condition that it would have achieved as an independent, publicly-traded company during the applicable periods or those that it will achieve in the future. Prior to the Separation, the Company s business was operated by 21st Century Fox as part of its broader corporate organization, rather than as an independent company. During those periods, 21st Century Fox performed various corporate functions for the Company, including, but not limited to, tax administration, treasury activities, accounting, legal, ethics and compliance program administration, investor and public relations, certain governance functions (including internal audit) and external reporting. Certain of the Company s historical financial statements reflect allocations of corporate expenses from 21st Century Fox for these and similar functions. However, these allocations may be more or less than the comparable expenses that the Company would have incurred had it operated as an independent, publicly traded company during those periods. In addition, changes have occurred and may continue to occur in the Company s cost structure, management, financing, business operations, personnel needs, tax and structure as a result of its operation as a public company separate from 21st Century Fox, including the incurrence of costs for compliance with requirements of the Sarbanes-Oxley Act, SEC regulations and NASDAQ and ASX listing rules and potential increased costs associated with reduced economies of scale. Prior to the Separation, the Company benefited from 21st Century Fox s operating diversity, size, purchasing power and access to capital for investments, and it may not continue to realize such benefits in the future. As a result, there is a risk that the Company may be more susceptible to market fluctuations and other adverse events than it would have otherwise been while it was still a part of 21st Century Fox. Additionally, in connection with the Separation, the Company entered into certain transactions with 21st Century Fox that did not exist prior to the Separation.

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

Fox, Which May Result in the Diversion of Corporate Opportunities to 21st Century Fox.

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

Table of Contents

the indemnification of certain matters. In addition to any other arrangements that the Company and 21st Century Fox may agree to implement, the Company and 21st Century Fox have agreed that officers and directors who serve at both companies will recuse themselves from decisions where conflicts arise due to their positions at both companies.

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

Risks Related to the Company s Common Stock

The Market Price of the Company s Stock May Fluctuate Significantly

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

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

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

a dual class common equity capital structure;

stockholders to remove directors only for cause;

a prohibition on stockholders taking any action by written consent without a meeting;

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

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

Table of Contents

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

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

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

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

In addition, in connection with the Separation, the Company s Board of Directors adopted a stockholder rights agreement, which it extended in June 2014. Pursuant to the amended and restated stockholder rights agreement, each outstanding share of the Company s common stock has attached to it a right entitling its holder to purchase from the Company additional shares of its Class A Common Stock and Class B Common Stock in the event that a person or group acquires beneficial ownership of 15% or more of the then-outstanding Class B Common Stock without approval of the Company s Board of Directors, subject to exceptions for persons beneficially owning 15% or more of the Company s Class B Common Stock immediately following the Separation. The stockholder rights agreement could make it more difficult for a third-party to acquire the Company s voting common stock without the approval of its Board of Directors. The rights expire on June 18, 2015, except as otherwise provided in the rights agreement.

Further, as a result of his ability to appoint certain members of the board of directors of the corporate trustee of the Murdoch Family Trust, which beneficially owns less than one percent of the Company s outstanding Class A Common Stock and approximately 38.4% of the Company s Class B Common Stock as of April 30, 2015, K. Rupert Murdoch may be deemed to be a beneficial owner of the shares beneficially owned by the Murdoch Family Trust. K. Rupert Murdoch, however, disclaims any beneficial ownership of these shares. Also, K. Rupert Murdoch beneficially owns or may be deemed to beneficially own an additional one percent of the Company s Class B Common Stock and less than one percent of the Company s Class A Common Stock as of April 30, 2015. Thus, K. Rupert Murdoch may be deemed to beneficially own in the aggregate less than one percent of the Company s Class A Common Stock and approximately 39.4% of the Company s Class B Common Stock as of April 30, 2015. This concentration of voting power could discourage third parties from making proposals involving an acquisition of the Company. Additionally, the ownership concentration of Class B Common Stock by the Murdoch Family Trust increases the likelihood that proposals submitted for stockholder approval that are supported by the Murdoch Family Trust will be adopted and proposals that the Murdoch Family Trust does not support will not be adopted, whether or not such proposals to stockholders are also supported by the other holders of Class B Common Stock. Furthermore, the adoption of the amended and restated stockholder rights agreement will prevent, unless the Company s Board of Directors otherwise determines at the time, other potential stockholders from acquiring a similar ownership position in the Company s Class B Common Stock and, accordingly, could prevent a meaningful challenge to the Murdoch Family Trust s influence over matters submitted for stockholder approval.

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

The Company s Board of Directors has authorized the Company to repurchase up to an aggregate of $500 million of its Class A Common Stock. All decisions regarding any future stock repurchases are at the sole discretion of a duly appointed committee of the Board of Directors and management. The committee s decisions regarding any future stock

repurchases will be evaluated from time to time in light of many factors, including the Company s financial condition, earnings, capital requirements and debt facility covenants, other contractual restrictions, as well as legal requirements (including compliance with the IRS private letter ruling), regulatory constraints, industry practice and other factors that the committee may deem relevant. This stock repurchase authorization may be modified, extended, suspended or discontinued at any time by the Board of Directors, and the Company s Board of Directors cannot provide any assurances that any shares will be repurchased.

The Company did not repurchase any of its Class A Common Stock during the three months ended March 31, 2015.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Table of Contents

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

Table of Contents

ITEM 6. EXHIBITS

(a) Exhibits.

10.1	Employment Agreement, dated as of February 9, 2015, between NC Transaction, Inc. and Mr. David Pitofsky.*
31.1	Chief Executive Officer Certification required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended.*
31.2	Chief Financial Officer Certification required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended.*
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes Oxley Act of 2002.**
101	The following financial information from the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 formatted in eXtensible Business Reporting Language: (i) Consolidated Statements of Operations for the three and nine months ended March 31, 2015 and 2014 (unaudited); (ii) Consolidated Statements of Comprehensive (Loss) Income for the three and nine months ended March 31, 2015 and 2014 (unaudited); (iii) Consolidated Balance Sheets at March 31, 2015 (unaudited) and June 30, 2014 (audited); (iv) Consolidated Statements of Cash Flows for the nine months ended March 31, 2015 and 2014 (unaudited); and (v) Notes to the Unaudited Consolidated Financial Statements.*

* Filed herewith.
** Furnished herewith.

Table of Contents

SIGNATURE

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

NEWS CORPORATION

(Registrant)

By: /s/ Bedi Ajay Singh
Bedi Ajay Singh
Chief Financial Officer

Date: May 6, 2015