

TWENTY-FIRST CENTURY FOX, INC.
Form 10-K
August 13, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

ANNUAL REPORT

PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended June 30, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from to

Commission file number 001-32352

TWENTY-FIRST CENTURY FOX, INC.

(Exact Name of Registrant as Specified in its Charter)

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(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) 852-7000

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

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

\$0.01 per share	
------------------	--

	The NASDAQ Global Select Market
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Securities registered pursuant to Section 12(g) of the Act:

None

(Title of class)

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

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of December 29, 2017, which was the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's Class A Common Stock, par value \$0.01 per share, held by non-affiliates was approximately \$35,990,236,822, based upon the closing price of \$34.53 per share as quoted on the NASDAQ Stock Market on that date, and the aggregate market value of the registrant's Class B Common Stock, par value \$0.01 per share, held by non-affiliates was approximately \$14,817,685,121, based upon the closing price of \$34.12 per share as quoted on the NASDAQ Stock Market on that date.

As of August 8, 2018, 1,054,053,200 shares of Class A Common Stock and 798,520,953 shares of Class B Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required for Part III of this Annual Report on Form 10-K is incorporated by reference to the Twenty-First Century Fox, Inc. definitive Proxy Statement for its 2018 Annual Meeting of Stockholders, which is intended to be filed with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, within 120 days of Twenty-First Century Fox, Inc.'s fiscal year end.

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PART I

ITEM 1. BUSINESS

Background

Twenty-First Century Fox, Inc., a Delaware corporation, is a diversified global media and entertainment company which currently manages and reports its businesses in the following four segments: (i) Cable Network Programming; (ii) Television; (iii) Filmed Entertainment; and (iv) Other, Corporate and Eliminations. The activities of Twenty-First Century Fox, Inc. are conducted principally in the United States, the United Kingdom, Continental Europe, Asia and Latin America. For financial information regarding Twenty-First Century Fox, Inc.'s segments and operations in geographic areas, see "Item 8. Financial Statements and Supplementary Data." Unless otherwise indicated, references in this Annual Report on Form 10-K for the fiscal year ended June 30, 2018 (the "Annual Report") to "we," "us," "our," "21st Century Fox," "Twenty-First Century Fox" or the "Company" means Twenty-First Century Fox, Inc. and its subsidiaries.

On June 20, 2018, the Company entered into an Amended and Restated Merger Agreement and Plan of Merger (the "Amended and Restated Merger Agreement") with The Walt Disney Company ("Disney") and TWDC Holdco 613 Corp., a newly formed holding company and wholly-owned subsidiary of Disney ("New Disney"), which amends and restates in its entirety the Agreement and Plan of Merger that the Company entered into with Disney in December 2017, pursuant to which, among other things, the Company will become a wholly-owned subsidiary of New Disney pursuant to a merger of the Company with a subsidiary of New Disney (the "21CF Merger"). The Company stockholders may elect to receive \$38 per share in either cash or shares of New Disney common stock (subject to adjustment for certain tax liabilities). The overall mix of consideration paid to the Company stockholders will be approximately 50% cash and 50% stock. The stock consideration is subject to a collar, which will ensure that the Company stockholders will receive consideration equal to \$38 in value if the average Disney stock price at closing is between \$93.53 and \$114.32. Prior to the consummation of the 21CF Merger, the Company will transfer a portfolio of the Company's news, sports and broadcast businesses, including the Fox News Channel, Fox Business Network, FOX Broadcasting Company, Fox Television Stations Group, FS1, FS2, Fox Deportes and Big Ten Network and certain other assets and liabilities into a newly formed subsidiary ("New Fox") (the "New Fox Separation") and distribute all of the issued and outstanding common stock of New Fox to the holders of the outstanding shares of the Company's Class A Common Stock and Class B Common Stock (other than holders that are subsidiaries of the Company (shares held by such holders, the "Hook Stock")) on a pro rata basis (the "New Fox Distribution"). Prior to the New Fox Distribution, New Fox will pay the Company a dividend in the amount of \$8.5 billion. New Fox will incur indebtedness sufficient to fund the dividend, which indebtedness will be reduced after the 21CF Merger by the amount of a cash payment paid by Disney to New Fox. As the New Fox Separation and New Fox Distribution will be taxable to the Company at the corporate level, the dividend is intended to fund the taxes resulting from the New Fox Separation and New Fox Distribution and certain other transactions contemplated by the Amended and Restated Merger Agreement (the "Transaction Tax"). The Company will retain all assets and liabilities not transferred to New Fox, including the Twentieth Century Fox Film and Television studios and certain cable and international television businesses, including FX Networks, National Geographic Partners, Regional Sports Networks, Fox Networks Group International and STAR India, as well as the Company's interests in Hulu LLC ("Hulu"), Sky plc ("Sky"), Tata Sky Limited and Endemol Shine Group. The foregoing proposed transactions are collectively referred to in this report as the "Transaction". (See Note 3 – Acquisitions, Disposals and Other Transactions to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading "Disney Transaction/Distribution of New Fox" for further details).

On June 27, 2018, the Antitrust Division of the U.S. Department of Justice announced that it cleared the Transaction. The Company, Disney and the U.S. Department of Justice have entered into a consent decree that allows the Transaction to proceed, while requiring New Disney and the Company to sell the Regional Sports Networks within 90

days following the closing of the Transaction, which consent decree is subject to court approval. At separate special meetings of stockholders on July 27, 2018, the Company's stockholders adopted the Amended and Restated Merger Agreement, Disney's stockholders approved the stock issuance, and each company's stockholders adopted or approved the other proposals voted on at the special meetings.

The consummation of the Transaction remains subject to various conditions, including among others, (i) the consummation of the New Fox Separation, (ii) the receipt of certain tax opinions with respect to the treatment of the Transaction under U.S. and Australian tax laws, and (iii) the receipt of certain regulatory approvals and governmental consents. The Transaction is expected to be completed in the first half of calendar year 2019.

In December 2016, the Company announced it reached agreement with Sky, in which the Company currently has an approximate 39% interest, on the terms of a recommended pre-conditional cash offer by the Company for the fully diluted share capital of Sky which the Company does not already own (the "Sky Acquisition"), at a price of £10.75 per Sky share subject to certain payments of dividends. On July 11, 2018, the Company announced an increased offer price for the Sky Acquisition, of £14.00 per Sky share (approximately \$19.9 billion in the aggregate), payable in cash, subject to reduction if certain dividends or other distributions are paid by Sky (the "Increased Offer"). On August 7, 2018, the Company posted an offer document to Sky shareholders in connection with the Increased Offer and announced that it intends to implement the Sky Acquisition by way of a takeover offer within the meaning of Part 28 of the Companies Act 2006 (the "UK Companies Act") rather than by means of a scheme of arrangement in accordance with Part 26 of the UK Companies Act, which had been the proposed structure of the Sky Acquisition prior to that date. The Company has noted that the deadline for publication of any revised offer document in respect of its Increased Offer is September 22, 2018.

In connection with the Increased Offer, on July 11, 2018, the Company entered into a letter agreement with Disney, pursuant to which Disney consented to the increased indebtedness that would be incurred by the Company as a result of the Increased Offer. Also, in the event that Disney does not complete the Mergers due to the failure to obtain regulatory approvals or in certain other limited circumstances, Disney has agreed to reimburse the Company for an amount equal to the difference between the cash consideration of £14.00 and £13.00 for each share of Sky purchased by the Company pursuant to the revised terms of the Increased Offer, plus any interest and fees on such amount.

The Sky Acquisition has received unconditional clearance by all competent competition authorities including the European Commission, and has been cleared on public interest and plurality grounds. In addition, on July 12, 2018, the Sky Acquisition received approval by the UK Secretary of State for Digital, Culture, Media and Sport (the "Secretary of State"), subject to accepted undertakings regarding the divestment of and financial support for Sky News as described in Note 3 – Acquisitions, Disposals and Other Transactions to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading "Sky Acquisition". However, the Sky Acquisition is conditional on, among other things, the Company securing valid acceptances of the Increased Offer in respect of Sky shares which represent 75% or more of the Sky shares that the Company does not own. The Company reserves the right to reduce this acceptance condition to a simple majority of all Sky shares (including those held by the Company).

If the Company does not acquire 100% of Sky pursuant to the Sky Acquisition or another party has not acquired more than 50% of the ordinary shares of Sky, in each case prior to the completion of the Transaction, Disney will be required to make a mandatory offer for all the outstanding ordinary shares of Sky not already owned by the Company within 28 days of the Transaction closing. On July 13, 2018, the Panel on Takeovers and Mergers of the United Kingdom (the "U.K. Takeover Panel"), ruled that any such offer would be required to be made in cash and at a price of £14.00 for each ordinary share in Sky (the "July 13 Ruling"), which ruling was upheld on August 3, 2018 by the U.K. Takeover Panel's Hearings Committee on appeal. Certain interested parties have appealed the ruling of the Hearings Committee to the Takeover Appeal Board.

On April 25, 2018, Comcast Corporation ("Comcast") announced a pre-conditional cash offer for the fully diluted share capital of Sky at a price of £12.50 per Sky share which was subject to regulatory preconditions (which have now been satisfied) as well as additional closing conditions. On July 11, 2018, Comcast announced a revised cash offer for the fully diluted share capital of Sky at a price of £14.75 per Sky share that was recommended by the independent committee of Sky's board of directors.

Any increase in the debt financing for the Sky Acquisition or sale by the Company of its interest in Sky would require Disney's consent. Completion of the Sky Acquisition is not a condition to either party's obligation to consummate the Transaction. Completion of the Sky Acquisition will not affect the amount or form of consideration that stockholders of the Company receive in the Transaction.

For further information, see Note 3 – Acquisitions, Disposals and Other Transactions to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading “Sky Acquisition”.

In fiscal 2016, the Company formed National Geographic Partners, LLC with the National Geographic Society to hold the National Geographic Channels (as defined below) and the publishing, travel and certain other businesses that had been owned by the National Geographic Society. For further information, see Note 3 – Acquisitions, Disposals and Other Transactions to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading “National Geographic Partners”.

On November 12, 2014, the Company sold its 100% and 57% ownership stakes in Sky Italia and Sky Deutschland AG (“Sky Deutschland”), respectively, to British Sky Broadcasting Group plc (subsequently renamed Sky plc) for approximately \$8.8 billion in value comprised of approximately \$8.2 billion in cash received, net of \$650 million of cash paid to acquire Sky's 21% interest in NGC Network International LLC (“NGCI”) and NGC Network Latin America LLC (“NGCLA” and together with NGCI, “NGC International”), increasing the Company's ownership stake in NGC International to 73%. In connection with this transaction, the Company participated in Sky's equity offering in July 2014 by purchasing additional shares in Sky for approximately \$900 million and maintained the Company's approximate 39% ownership interest. As a result of the transaction, Sky Italia and Sky Deutschland ceased to be consolidated subsidiaries of the Company.

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

In connection with the News Corp Separation, the Company and News Corp entered into a separation and distribution agreement (the “News Corp Separation and Distribution Agreement”) and certain other related agreements, pursuant to which the Company has agreed to indemnify News Corp and News Corp has agreed to indemnify the Company for certain liabilities.

The Company's fiscal year ends on June 30 of each year. Through its predecessor, the Company was incorporated in 1979 under the Company Act 1961 of South Australia, Australia. At June 30, 2018, the Company had approximately 22,400 full-time employees. The Company's principal executive offices are located at 1211 Avenue of the Americas, New York, New York 10036 and its telephone number is (212) 852-7000. The Company's website is www.21cf.com. The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are available, free of charge, through the Company's website as soon as reasonably practicable after the material is electronically filed with or furnished to the U.S. Securities and Exchange

Commission (the “SEC”). Such reports may also be obtained without charge from the Company, and paper copies of any exhibits to such reports are also available for a reasonable fee per page charge to the requesting stockholder. Any materials that the Company filed with the SEC also may be read and

copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC (<http://www.sec.gov>).

Special Note Regarding Forward-Looking Statements

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

BUSINESS OVERVIEW

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

Cable Network Programming

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

FOX News and FOX Business Network. FOX News owns and operates the FOX News Channel, the top rated 24/7 all news national cable channel currently available in approximately 87 million U.S. households according to Nielsen Media Research, as well as the FOX Business Network which is currently available in approximately 84 million U.S. households.

FOX News also produces a weekend political commentary show, FOX News Sunday, for broadcast on local FOX television stations throughout the United States. FOX News, through its FOX News Edge service, licenses news feeds to FOX Affiliates and other subscribers to use as part of local news broadcasts throughout the United States and abroad. FOX News owns and operates several digital platforms including the FOX News and FOX Business mobile applications, FOX News and FOX Business GO, and FOXNews.com and FOXBusiness.com. FOX News owns and produces the national FOX News Radio Network, which licenses news updates and long form programs to local radio stations and to satellite radio providers.

FSN. Fox Sports Net, Inc. (“FSN, Inc.”) is the largest regional sports network (“RSN”) programmer in the United States, focusing on live professional and major collegiate home team sports events. FSN,

Inc.'s sports programming business currently consists primarily of ownership interests in 15 RSNs and numerous sub-regional feeds (the "FSN RSNs") and National Sports Programming, which operates FSN ("FSN"), a national sports programming service. FSN is affiliated with an additional five RSNs that are not owned by FSN, Inc. (the "FSN Affiliated RSNs"). FSN provides the FSN RSNs and the FSN Affiliated RSNs with national sports programming, featuring original and licensed sports-related programming, as well as live and replay sporting events. In the aggregate, the FSN RSNs currently have approximately 60 million subscribers and have rights to telecast live games of 44 of 82 U.S. professional sports teams in Major League Baseball ("MLB"), the National Basketball Association ("NBA") and the National Hockey League ("NHL"); collegiate conferences; and numerous college and high school sports teams.

FS1. FS1 is a multi-sport national video programming network. During calendar year 2018, FS1 will feature over 830 live events, including college football and basketball, UEFA Champions League, the Bundesliga and the Fédération Internationale de Football Association ("FIFA") World Cup events, Major League Soccer ("MLS"), National Association of Stock Car Auto Racing ("NASCAR"), National Hot Rod Association ("NHRA"), United States Golf Association ("USGA"), The Westminster Kennel Club Dog Show ("WKC"), Jr. NBA World Championships and Ultimate Fighting Championship ("UFC"), as well as regular season and post-season MLB games. In addition to live events, FS1 features opinion shows such as Skip and Shannon: Undisputed, The Herd with Colin Cowherd, First Things First and Speak for Yourself with Cowherd and Whitlock, original programming from FOX Sports Films and daily studio programming.

FS2. FS2 is a multi-sport national video programming network featuring live events from UFC and NASCAR, along with college basketball, college football, rugby, Australian Rules Football, world-class soccer and motorsports programming. During calendar year 2018, FS2 expects to feature over 400 live events.

Fox Sports Racing. Fox Sports Racing is a 24-hour video programming service consisting of motorsports programming, including NASCAR races, events and original programming (with exclusive coverage of the NASCAR Camping World Truck Series), NHRA, The Automobile Racing Club of America ("ARCA") Racing Series, WeatherTech SportsCar Championship, Monster Energy Supercross and Monster Jam. Fox Sports Racing is distributed to subscribers in Canada and the Caribbean.

Fox College Sports. Fox College Sports consists of three regionally-aligned video programming networks, FCS Pacific, FCS Central and FCS Atlantic. Fox College Sports provides live and delayed collegiate events from a variety of collegiate conferences, coaches' shows and collegiate highlight and magazine-format programming, which primarily comes from the FSN RSNs across the country.

Fox Soccer Plus. Fox Soccer Plus is a premium video programming network showcasing over 350 exclusive live soccer and rugby competitions including events from Bundesliga, FIFA, Super Rugby League, Australian Football League and the National Rugby League.

Fox Deportes. Fox Deportes is a Spanish-language sports programming service distributed in the United States. Fox Deportes has more than 3,300 annual hours of live and exclusive programming, including exclusive Spanish language coverage of premier soccer matches (such as Liga MX and Copa MX Tijuana Xolos and Rayados de Monterrey home matches, MLS, Bundesliga, Copa Libertadores and Copa Sudamericana), UFC events, Monster Energy NASCAR Cup, National Football League (the "NFL") post-season games, including the National Football Conference ("NFC") Championship game in 2018, and MLB, including regular season, All-Star, National League Championship Series (in 2018) and World Series games. In addition to live events, Fox Deportes also features multi-sport news and highlight shows and daily studio programming, including Central FOX, La Ultima Palabra and FOX Deportes en Vivo. Fox Deportes reaches more than 21 million cable and satellite households in the United States, of which over 6 million are Hispanic.

Big Ten Network. The Company owns an approximate 51% interest in the Big Ten Network (“BTN”), a 24-hour national video programming service dedicated to the collegiate Big Ten Conference and Big Ten athletics, academics and related programming. BTN televises approximately 520 live collegiate events annually, including football games, regular-season and postseason men’s basketball games,

women's basketball games and Olympic events (featuring volleyball, soccer, wrestling, gymnastics, ice hockey, softball, baseball, lacrosse and more). In addition to live events, BTN televises a variety of studio shows such as BTN Live, B1G Football & Beyond, B1G Basketball & Beyond, and The B1G Show; Big Ten football and basketball game cut downs; and original programming from BTN Originals such as The Journey, Campus Eats, Big Ten Elite and original documentaries.

FX. FX is a fully distributed general entertainment video programming network that telecasts original series, as well as acquired television series and motion pictures. FX's original programming lineup for the 2018-2019 season includes the critically acclaimed American Horror Story, Better Things, Legion and Snowfall, as well as the first seasons of Mayans MC and What We Do in the Shadows. FX showcases the broadcast/basic cable premieres of theatrical motion pictures, which in the 2018-2019 season will include Get Out, Logan, The Fate of the Furious, The Secret Life of Pets, X-Men Apocalypse, Jason Bourne, Trolls, Bad Moms, Hidden Figures and Spider-Man: Homecoming.

FXX. FXX is a general entertainment video programming network aimed primarily at young adults. FXX currently reaches over 86 million U.S. households according to Nielsen Media Research. FXX's line-up includes current and past season episodes of the comedy series Archer and It's Always Sunny in Philadelphia and current season episodes of You're the Worst. FXX also has the exclusive cable rights to air all 29 seasons (including 639 episodes) of The Simpsons.

FXM. FXM is a general entertainment video programming network which splits its programming into two day parts. From 3AM to 3PM, the network airs films from the historic library of Twentieth Century Fox, uncut and commercial free. From 3PM to 3AM, the network utilizes FX's roster of box office blockbuster modern day films. Also featured throughout both day parts are documentaries and original series that explore the moviemaking process from script to screen.

National Geographic Partners. The Company holds a 73% controlling interest in National Geographic Partners, LLC ("NGP") which includes NGC Network US, LLC, which produces and distributes the National Geographic Channel, Nat Geo Wild and Nat Geo Mundo video programming services (collectively, the "National Geographic Channels"). NGP also operates Nat Geo branded publishing and travel businesses in the United States and various international markets. NGSP, Inc., a subsidiary of National Geographic Society, holds the remaining interest in NGP.

The National Geographic Channels air non-fiction, scripted and documentary programming on such topics as natural history, adventure, science, exploration and culture. National Geographic Channel currently reaches close to 90 million households in the United States, Nat Geo Wild reaches close to 60 million households in the United States and Nat Geo Mundo reaches more than 3.3 million Hispanic households in the United States according to Nielsen Media Research.

NGP also produces and distributes the National Geographic Channel, the Nat Geo Adventure channel, the Nat Geo Wild channel and the Nat Geo Music channel in various international markets. The National Geographic Channel is currently shown in approximately 45 languages and in approximately 170 countries. In fiscal year 2018, the Company launched a new channel, National Geographic Kids, in Latin America.

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

Digital Distribution. The Company also distributes programming through its Fox-branded and network-branded websites and applications and licenses programming for distribution through the websites and applications of cable television systems, direct broadcast satellite operators, telecommunications companies and online video distributors.

The Company's websites and applications provide live and/or on-demand streaming of network-related programming primarily on an authenticated basis to allow video subscribers of the Company's participating distribution partners to view Company content via the Internet. Such websites and applications currently include: the website FoxSportsgo.com

and the application Fox Sports Go, which offer live and on-demand streaming of both broadcast and cable network sports programming; the website BTN2Go.com and the application BTN2Go, which offer live and on-demand streaming of BTN programming; and the websites fxnetworks.com and natgeotv.com and the applications FXNOW and NATGEOTV, which offer live streaming of FX networks feeds and National Geographic feeds, respectively, and on-demand streaming of current season episodes of shows telecast on the FX and National Geographic networks, respectively. In addition, the website FXnetworks.com and the application FXNOW, offer on-demand access to movies, prior season episodes of FX original series, and all prior season episodes of The Simpsons in an immersive interactive area of the website and application called “Simpsons World”.

Fox Networks Group (“FNG”) International. FNG operates, develops and distributes internationally (outside of the U.S. market) factual, sports, lifestyle, movie and general entertainment channels in various countries in Europe, Latin America, Africa, the Middle East and Asia, including Fox Channel, Fox Life, FX, Fox Crime, FOX Traveller, the Voyage Channel, 24 Kitchen, Fox Sports, National Geographic Channel, Nat Geo Wild and Nat Geo Kids as well as Chinese language television programming targeted at Chinese-speaking audiences in Asia, including STAR Chinese Movies and STAR Chinese Channel. FNG also operates, develops and distributes internationally Fox-branded nonlinear services, websites and applications known as Fox+, Fox Premium, or Fox Play, depending on the region or service.

FNG Latin America. FNG Latin America distributes basic television channels as well as premium pay television channels which are under the Fox Premium brand in Latin America. The Fox Premium channels primarily feature Twentieth Century Fox theatrical motion pictures and series (except in Brazil, where the Fox Premium channels only feature series) and those of other studios, dubbed in Spanish or Portuguese and/or in English with Spanish or Portuguese subtitles. The Fox Premium streaming service was launched in Mexico and Brazil as a standalone service available to subscribers without the need to subscribe to a pay television service and such service will subsequently be launched in other countries throughout Latin America. In addition to the existing Fox Premium standalone streaming service, the Fox+ standalone streaming service was launched in February 2018 in Brazil and Mexico. The Fox+ service consists of the Fox Premium streaming service and the Fox Basic streaming service. The Fox Basic standalone streaming service will be launched during the second half of calendar year 2018 in Mexico and Brazil. In addition to traditional means of distribution, content distribution occurs via internet protocol television (“IPTV”) and as an additive, authenticated, Internet-delivered service by traditional distributors of the linear networks.

FNG owns and operates the Fox Sports networks in Latin America. FNG distributes Spanish-language sports programming services in Latin America (other than Brazil), which feature local and international soccer events (including Copa Libertadores de América and UEFA Champions League), motorsports programming (including NASCAR, Formula 1, and World Rally Championship), combat sports (including UFC, Premier Boxing Champions, and World Wrestling Entertainment (“WWE”)), and also feature U.S. sports leagues (such as NFL and MLB). In August 2017, FNG launched the premium sports pay television service Fox Sports Premium in Argentina, which airs the matches of the professional football league in Argentina. In Brazil, FNG distributes Fox Sports Brazil, which features Portuguese-language sports programming services specifically geared to the Brazilian audience. Such programming services in Brazil also feature local and international soccer events (including Copa Libertadores de América and La Liga), motorsports programming (including NASCAR and World Rally Championship), combat sports (including WWE and Premier Boxing Champions), and the U.S. sports league MLB.

FNG Europe and Africa. FNG Europe and Africa distributes more than 150 basic television channels and premium sports channels, including Fox, Fox Crime, Fox Life and Fox Sports, in Europe and Africa. It also operates and distributes a free-to-air channel in Turkey. In addition to traditional means of distribution, content distribution occurs via IPTV, through mobile operators, and on an authenticated basis through Internet service providers (“ISPs”) and other subscription video-on-demand (“SVOD”) services, including Fox+, Fox Play and NG+ in several countries.

FNG owns a controlling 51% ownership stake in Eredivisie Media & Marketing CV (“EMM”), a media company that holds the collective media and sponsorship rights of the Dutch Premier League. The

remaining 49% of EMM is primarily owned by the Dutch Premier League and the global TV production company Endemol Shine Group in which the Company owns a 50% interest.

FNG Asia and Middle East. The Company broadcasts television programming over a “footprint” covering more than 55 countries in Asia and the Middle East, and also launched an Internet streaming service offering both live streaming and on-demand content under the Fox+ brand in certain Asian countries. The Company owns Fox Sports Asia, a leading sports broadcaster in Asia which operates approximately 13 channels in different languages. In addition to traditional means of distribution, content distribution occurs via IPTV, on an authenticated basis via Internet or wireless mobile connection to traditional pay TV subscribers (i.e., “TV Everywhere”), and via standalone over-the-top delivery via internet or wireless mobile connection (“OTT”). During fiscal 2018, the Company launched the Nat Geo 1 application (featuring SVOD and short form video content, as well as photos and articles from the magazine) in Australia.

STAR India. STAR India develops, produces and broadcasts 72 channels in eight languages, which are distributed primarily via satellite to local cable and direct-to-home (“DTH”) operators. Channels are distributed in STAR India’s principal market in India, as well as throughout Asia, the United Kingdom, Continental Europe, North America, the Middle East and parts of Africa. STAR India’s channels include the flagship Hindi general entertainment channels STAR Plus, Star Utsav and Star Bharat, the Hindi movie channels Star Gold, Star Utsav Movies, Star Gold Select and Movies OK; the English general entertainment channels Star World and Star World Premiere HD; the English movie channels Star Movies and Star Movies Select HD; the Bengali general entertainment channel STAR Jalsha; the Bengali movie channel Jalsha Movies; the Marathi general entertainment channel STAR Pravah; the South Indian languages general entertainment and movie channels Asianet, Asianet Movies, Asianet Plus, Star Suvarna, Suvarna Plus, MAA TV, MAA Movies, MAA Music, MAA Gold, Vijay and Vijay Super; and thirteen STAR Sports channels as well as high-definition versions of many of these channels. STAR India’s primary sources of programming for its channels include original programming produced, commissioned or acquired by STAR India. STAR India also owns extensive film and television program libraries in the following languages: Hindi, Malayalam, Kannada, Telugu, Tamil, Bengali, Marathi and English.

In fiscal 2018, STAR India acquired global media rights for Indian Premier League matches through the season ending in 2022 and Board of Control for Cricket in India (“BCCI”) Domestic and International Cricket Series matches in India through the season ending in 2023. STAR India continues to hold global media rights to the International Cricket Council events through the season ending 2023 and Asian Cricket Council events through the season ending 2023. Star India also continues to hold media rights for certain territories (including India) for New Zealand Cricket matches through 2020, Premier League soccer through 2019, French Open tennis through 2021, Federation Internationale De Hockey through 2022, Wimbledon through 2019 and Bundesliga through 2020. Additionally, STAR India has digital clip rights through 2019 to International Cricket Council events and Premier League soccer.

STAR India owns a 35% minority stake in Football Sports Development Limited, a joint venture with Reliance Industrial Investments and Holdings Limited and IMG-Reliance, which operates the Indian Super League, a professional soccer league. STAR India also owns a 74% majority stake in Mashal Sports Private Limited which operates the Pro Kabaddi League.

STAR India’s on-demand streaming service, Hotstar, streams local and international television shows, movies, sports, news and original series in up to nine languages and incorporates gaming and social features. In fiscal 2018, Hotstar achieved a high of approximately 148 million active users and ended the fiscal year with approximately 111 million active users. Hotstar’s domestic premium subscription service in India offers live sports and Indian-language television series and movies, as well as English-language television series and movies, including Home Box Office, Inc. (“HBO”) original programming exclusive to Hotstar in India, the Fox Library (as defined below) and content from Disney and Showtime Networks (“Showtime”). In October 2017, Hotstar launched in the United States and Canada, offering live

sports and Indian-language television series and movies.

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Middle East. The Company has an approximate 47.8% interest in Moby Group Holdings Limited (“MGH”). MGH operates television, radio, production, digital and other media businesses in Afghanistan and elsewhere in the Middle East, Central and South Asia, and Africa.

Competition

General. Cable network programming is a highly competitive business. Cable networks compete for content and distribution and, when distribution is obtained, for viewers and advertisers with free-to-air broadcast television, radio, print media, motion picture theaters, DVDs, Blu-ray high definition format discs (“Blu-rays”), Internet delivered free, advertising supported, subscription and rental services, wireless and portable viewing devices and other sources of information and entertainment. Important competitive factors include the prices charged for programming, the quantity, quality and variety of programming offered, the accessibility of such programming, the ability to adapt to new technologies and distribution platforms, quality of user experience and the effectiveness of marketing efforts.

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

Sports programming operations. A number of basic and pay television programming services, such as ESPN and NBC Sports Network, as well as free-to-air stations and broadcast networks, provide programming that also targets FS1, FS2, BTN and the FSN RSNs’ respective audience. On a national level, the primary competitors to FS1, FS2, BTN and FSN are ESPN, ESPN2, NBC Sports Network, Golf Channel and league-owned networks such as NFL Network, NHL Network, NBA TV and MLB Network. In regional markets, the FSN RSNs and BTN compete with other RSNs (including those operated by team owners, collegiate conferences and cable television distributors), local broadcast television stations and other sports programming providers and distributors. FS1, FS2, BTN and FSN also face competition online from ESPN+, Yahoo Sports, Facebook, Twitter, ESPN.com, NBCSports.com and CBSSports.com, among others.

In addition, FS1, FS2, BTN, the FSN RSNs and FSN compete, to varying degrees, for sports programming rights. The FSN RSNs compete for local and regional rights with local broadcast television stations and other local and regional sports networks, including sports networks launched by team owners, collegiate conferences and cable television distributors. FS1, FS2, BTN and FSN compete for national rights principally with a number of national cable and broadcast services that specialize in or carry sports programming, including sports networks launched by the leagues and collegiate conferences. Cable television distributors sometimes contract directly with the sports teams in their service area for the right to distribute a number of those teams’ games on their systems. In certain markets, the owners of the cable television distributors, also own one or more of the professional teams in the region, increasing their ability to launch competing networks and also limiting the professional sports rights available for acquisition by the FSN RSNs. Additionally, cable television distributors and online and social media properties such as Amazon, Yahoo Sports, Facebook and Twitter compete with the Company’s cable sports networks by acquiring and distributing sports content to their online users.

FX and FXX. FX and FXX face competition from a number of basic cable and pay television programming services, such as USA Network (“USA”), TNT, Spike TV, HBO and Showtime, as well as free-to-air broadcast networks, and Internet subscription and rental services such as Netflix and Amazon, and free-to-consumer video sharing websites such as YouTube, that provide programming that targets the same viewing audience as FX and FXX. FX and FXX also face competition from these programming services in the acquisition of distribution rights to movie and series programming.

National Geographic Partners. In the United States, National Geographic Channels face competition for viewers and advertising from a number of basic cable and broadcast television channels, such as Discovery Channel, History, Animal Planet, Travel Channel, Science, American Heroes Channel, FYI and

TruTV, as well as free-to-air broadcast networks, sports, news and general entertainment networks which have acquired or produced competing programming and Internet subscription and rental services. Internationally, the National Geographic Channels compete with various local and foreign television services providers and distribution networks, including local broadcasters and factual channels from Discovery Communications and A&E Television Networks, for audiences, advertising, content acquisition and distribution platforms.

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

STAR India. In India, the pay television broadcasting industry and the on-demand streaming business have several participants. STAR India's channels compete with both pay and free-to-air channels since they are delivered primarily by common cable and DTH. STAR India also competes in India to acquire Hindi and other Indian language film and programming rights, and internationally for English film and programming rights for television series and media rights for sporting events.

Television

The Company is engaged in the operation of broadcast television stations and the acquisition, marketing and distribution of broadcast network programming in the United States.

Fox Television Stations

Fox Television Stations, LLC ("Fox Television Stations") owns and operates 28 full power stations, including stations located in nine of the top ten largest designated market areas ("DMAs"). Fox Television Stations owns and operates duopolies in 11 DMAs, including the three largest DMAs, New York, Los Angeles and Chicago.

Of the 28 full power stations, 17 stations are affiliates of FOX ("FOX Affiliates"). For a description of the programming offered to FOX Affiliates, see "—FOX Broadcasting Company." In addition, Fox Television Stations owns and operates 10 stations broadcasting programming from Master Distribution Service, Inc. ("MyNetworkTV").

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

Fox Television Stations

	DMA/Rank	Station	Digital Channel RF (Virtual)	Type	Percentage of U.S. Television Households Reached ^(a)	
New York, NY	1	WNYW	4(5)	UHF	6.3	%
		WWOR ^{(b)(c)}	2(9)	UHF		
Los Angeles, CA	2	KTTV	1(11)	VHF	4.7	%
		KCOP ^(b)	1(13)	VHF		
Chicago, IL	3	WFLD	3(32)	UHF	2.9	%
		WPWR ^{(b)(d)(e)}	3(50)	UHF		
Philadelphia, PA	4	WTXF	4(29)	UHF	2.6	%
Dallas, TX	5	KDFW	3(4)	UHF	2.4	%
		KDFI ^(b)	3(27)	UHF		
Washington, DC	6	WTTG	3(5)	UHF	2.2	%
		WDCA ^{(b)(f)}	3(20)	UHF		
Houston, TX	7	KRIV	2(26)	UHF	2.2	%
		KTXH ^(b)	1(20)	UHF		
San Francisco, CA	8	KTVU	4(2)	UHF	2.2	%
		KICU ^(g)	3(36)	UHF		
Atlanta, GA	9	WAGA	2(5)	UHF	2.2	%
Phoenix, AZ	11	KSAZ	1(10)	VHF	1.7	%
		KUTP ^(b)	2(45)	UHF		
Tampa, FL	13	WTVT	1(13)	VHF	1.7	%
Detroit, MI	14	WJBK	7(2)	VHF	1.6	%
Minneapolis, MN ^(h)	15	KMSP	9(9)	VHF	1.5	%
		WFTC ^(b)	2(29)	UHF		
Orlando, FL	18	WOFL	2(35)	UHF	1.4	%
		WRBW ^(b)	4(65)	UHF		
Charlotte, NC	23	WJZY	4(46)	UHF	1.0	%
		WMYT ^{(b)(i)}	4(55)	UHF		
Austin, TX	39	KTBC	7(7)	VHF	0.7	%
Gainesville, FL	159	WOGX	3(51)	UHF	0.1	%
TOTAL					37.4	%

Source: Nielsen Media Research, January 2018

^(a) VHF television stations transmit on Channels 2 through 13 and UHF television stations on Channels 14 through 51. The Federal Communications Commission (the “FCC”) applies a discount (the “UHF Discount”) which attributes only 50% of the television households in a local television market to the audience reach of a UHF television station for purposes of calculating whether that station’s owner complies with the national station ownership cap imposed by

FCC regulations and by statute; in making this calculation, only the station's RF broadcast channel is considered. In a duopoly market, both stations must be UHF for the discount to apply. In addition, the coverage of two commonly owned stations in the same market is counted only once. The percentages listed are rounded and do not take into account the UHF Discount. For more information regarding the FCC's national station ownership cap, see "Government Regulation—Television" in this Annual Report.

(b) MyNetworkTV licensee station.

(c) WWOR hosts television station WRNN, New Rochelle, NY, licensed to WRNN License Company, LLC, an unrelated third party pursuant to a channel sharing agreement between Fox Television Stations and WRNN License Company, LLC. As of May 1, 2018, a portion of the spectrum formerly licensed to WWOR is now shared with and licensed to WRNN.

(d) Beginning June 11, 2018, WPWR-TV channel shares with WFLD.

(e) Station WPWR is an affiliate of The CW Television Network during prime time and other network time periods. MyNetworkTV programming is telecast during other time periods.

(f) Beginning July 18, 2018, WDCA channel shares with WTTG.

(g) Independent station.

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

(i) Beginning June 6, 2018, WMYT-TV channel shares with WJZY.

In March 2017, the FCC concluded a voluntary auction to reclaim 84 megahertz (“MHz”) of television broadcast station spectrum. Fox Television Stations had three stations’ bids to relinquish spectrum accepted by the FCC as part of the auction. As a result, the spectrum previously utilized by stations WDCA, Washington, DC; WMYT, Charlotte, NC; and WPWR, Chicago, IL has been relinquished to the FCC in June 2018 (WPWR-TV and WMYT-TV) and July 2018 (WDCA). In each of those markets, Fox Television Stations has begun channel sharing arrangements whereby both of its stations in the market operate using a single 6 MHz channel. This enables each of WDCA, WMYT and WPWR to continue its operations. For further information, see “–Business Overview–Government Regulation–Television”.

In May 2018, the Company entered into a definitive agreement (the “Purchase Agreement”) with Sinclair Broadcast Group, Inc. (“Sinclair”) and Tribune Media Company (“Tribune”) to acquire seven television stations from Tribune for approximately \$910 million subject to certain purchase price adjustments. On August 9, 2018, Tribune exercised its right to terminate its merger agreement with Sinclair and correspondingly, the Company’s Purchase Agreement was also terminated.

FOX Broadcasting Company (“FOX”)

FOX has 208 FOX Affiliates, including 17 stations owned and operated by the Company, which reach approximately 99.9% of all U.S. television households. In general, each week FOX regularly delivers to its affiliates 15 hours of prime-time programming, 60 minutes of late-night programming on Saturday and 60 minutes of news programming on Sunday. During the 2017-2018 traditional broadcast season, FOX’s prime-time entertainment programming featured such series as 9-1-1, Bob’s Burgers, Empire, Family Guy, The Gifted, Gotham, Lethal Weapon, The Orville, The Resident, Star and The Simpsons; unscripted series such as The Four: Battle for Stardom, Hell’s Kitchen, Master Chef Junior and Showtime at the Apollo; event series such as The X-Files; and event specials such as A Christmas Story Live!. In addition, a significant component of FOX’s programming consists of sports programming, with FOX providing to its affiliates live coverage of the NFC of the NFL (including coverage of the NFC playoffs) and MLB (including post-season and the World Series), as well as live coverage of the Monster Energy NASCAR Cup Series (including the Daytona 500), USGA golf events (including the men’s U.S. Open), college football and basketball, UFC and international soccer (including FIFA World Cup events). The Company has acquired rights to the NFL’s Thursday Night Football package and will begin airing live coverage of these games in August 2018.

FOX’s prime-time line-up is intended to appeal primarily to target audiences of 18 to 49-year old adults, the demographic group that advertisers seek to reach most often, with an emphasis on the 18 to 34-year old adult demographic coveted by advertisers. During the 2017-2018 traditional September to May broadcast season, FOX ranked third among adults ages 18 to 49 (tied with ABC Television Network (“ABC”) and based on Live+7 ratings), just one-tenth of a rating point behind CBS Television Network (“CBS”). FOX ranked second among adults ages 18 to 34 (based on Live+7 ratings). FOX ranked second in prime-time programming among teens ages 12 to 17 (tied with ABC and CBS and based on Live+7 ratings). FOX has ranked among the top two networks in adults ages 18 to 34 for the past 23 years (1995-1996 to 2017-2018) and in teens ages 12 to 17 for the past 27 years (1991-1992 to 2017-2018). FOX’s 9-1-1 ranked among the season’s top three new entertainment series among adults ages 18 to 49, adults ages 18 to 34 and teens ages 12 to 17, while ranking second in the same measures among new dramas. Empire ranked among the season’s top five broadcast dramas among adults ages 18 to 34 and teens ages 12 to 17 for the fourth consecutive season. FOX has seven of the season’s top 20 new series, more than any other network, including: 9-1-1, The Orville,

The Gifted, The Resident, and The Four: Battle for Stardom. Inclusive of all telecasts, the median age of the FOX viewer is 51 years, as compared to 55 years for each of ABC and NBC Television Network (“NBC”), and 60 years for CBS. Excluding all

sports and repeat programming, the median age of the FOX viewer is 50 years, as compared to 56 years for ABC, 57 years for NBC and 61 years for CBS.

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

National sports programming is obtained through license agreements with professional or collegiate sports leagues or organizations. FOX's current licenses with the NFL, MLB, college football and basketball conferences, NASCAR, FIFA and USGA are secured by long-term agreements.

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

FOX also distributes programming through its network-branded website, FOX.com, and its FOXNOW application which offer live streaming of FOX shows and programming from many FOX-affiliated broadcast stations, and licenses programming for distribution through the websites and applications of cable television systems, direct broadcast satellite operators, telecommunications companies and online video distributors.

MyNetworkTV

The programming distribution service, Master Distribution Service, Inc. (branded as MyNetworkTV), distributes two hours per night, Monday through Friday, of off-network programming from syndicators to its licensee stations. As of June 30, 2018, MyNetworkTV had license and delivery agreements covering 183 stations, including 10 stations owned and operated by the Company, reaching approximately 97% of U.S. households.

Competition. The network television broadcasting business is highly competitive. FOX and MyNetworkTV compete for audiences, programming and advertising revenue with other broadcast networks, such as ABC, NBC, CBS and The CW Television Network, independent television stations, cable and direct broadcast satellite distribution services, cable and direct broadcast satellite television networks, as well as other media, including digital platforms, Internet-delivered free, advertising supported, subscription and rental services, and DVDs, Blu-rays and other physical media. In addition, FOX and MyNetworkTV compete with other broadcast networks and programming distribution services to secure affiliations or station agreements with independently owned television stations in markets across the United States. ABC, NBC and CBS each broadcasts a significantly greater number of hours of programming than FOX and, accordingly, may be able to designate or change time periods in which programming is to be broadcast with greater flexibility than FOX. In addition, future technological developments may affect competition within the broadcast television marketplace.

Each of the stations owned and operated by Fox Television Stations also competes for advertising revenues with other television stations, radio and cable systems in its respective market area, along with other advertising media, such as digital platforms, Internet apps and websites, newspapers, magazines, outdoor advertising and direct mail. All of the stations owned and operated by Fox Television Stations are located in highly competitive markets. Additional items that are material to the competitive position of each of the television stations include management experience, authorized power and assigned frequency of that station. Competition for sales of broadcast advertising time is based primarily on the anticipated and actually delivered size and demographic characteristics of audiences as determined by various rating services, price, the time of day when the advertising is to be broadcast, competition from the other

broadcast networks, cable television systems, Direct Broadcast Satellite Television (“DBS”)

services and digital media and general economic conditions. Competition for audiences is based primarily on the selection of programming, the acceptance of which is dependent on the reaction of the viewing public, which is often difficult to predict.

Filmed Entertainment

The Company is engaged in the production and acquisition of live-action and animated motion pictures for distribution and licensing in all formats in all entertainment media worldwide, and the production and licensing of television programming worldwide.

Motion Picture Production and Distribution

One of the world's largest producers and distributors of motion pictures, Twentieth Century Fox Film ("TCFF") produces, acquires and distributes motion pictures throughout the world under a variety of arrangements. During fiscal 2018, TCFF placed 19 motion pictures in general release in the United States. The motion pictures of TCFF are produced and/or distributed by the following units of TCFF: Twentieth Century Fox and Fox 2000, which produce and acquire motion pictures for mainstream audiences; Fox Searchlight Pictures, which produces and acquires specialized motion pictures; and Twentieth Century Fox Animation, which produces feature length animated motion pictures. In addition, Fox International Productions, Inc. co-produces, co-finances and acquires local-language motion pictures primarily for distribution outside the United States. The motion pictures produced and/or distributed by TCFF in the United States and international territories in fiscal 2018 included War for the Planet of the Apes, Kingsman: The Golden Circle, Murder on the Orient Express, The Greatest Showman, Deadpool 2, The Shape of Water and Three Billboards Outside Ebbing, Missouri. TCFF has released or currently plans to release approximately 20 motion pictures in the United States in fiscal 2019, including The Hate U Give, Bohemian Rhapsody, Alita: Battle Angel, X-Men: Dark Phoenix, Can You Ever Forgive Me, The Favourite and The Aftermath. Pursuant to an agreement with Monarchy Enterprises Holdings B.V. ("MEH"), the parent company of New Regency, and certain of MEH's subsidiaries, TCFF distributes certain New Regency films and all films co-financed by TCFF and New Regency in all media worldwide, excluding a number of international territories with respect to television rights. Among its fiscal 2019 releases, TCFF currently expects to distribute three co-financed films with New Regency.

The Company's arrangement with DreamWorks Animation SKG, Inc. ("DWA") for domestic and international distribution of DWA's new release animated motion pictures and certain other library motion pictures and programming controlled by DWA expired in December 2017. The Company had home entertainment rights to DWA titles for part of fiscal 2018 and has certain television distribution rights through early fiscal 2019, and titles included in approved television distribution licenses may have exhibition periods continuing after that date.

Motion picture companies, such as TCFF, typically seek to generate revenues from various distribution channels. TCFF derives its worldwide revenues from motion pictures and other program distribution primarily from four basic sources (set forth in general chronology of exploitation): (i) distribution of motion pictures for theatrical exhibition in the United States and Canada and markets outside of the United States and Canada ("international" markets); (ii) distribution of motion pictures and other programming in various home media formats, including digital distribution; (iii) distribution of motion pictures and other programming for exhibition on premium pay and SVOD services; and (iv) distribution of motion pictures and other programming for exhibition on free television networks, other broadcast program services, independent television stations and basic cable programming services, including certain services which are affiliates of the Company. The Company does not always have rights in all media of exhibition to all motion pictures that it releases, and does not necessarily distribute a given motion picture in all of the foregoing media in all markets. The Company believes that the pre-release marketing of a feature film is an integral part of its motion picture distribution strategy and generally begins marketing efforts three to six months in advance of a film's release date in any given territory. The Company markets and distributes its films worldwide principally through its own

companies.

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Through Twentieth Century Fox Home Entertainment LLC and TCFF, the Company distributes motion pictures and other programming produced by units of TCFF, its affiliates and other producers in the United States, Canada and international markets in all home media formats, including the sale and rental of DVDs and Blu-rays. In fiscal 2018, the domestic home entertainment division released or re-released approximately 1,136 produced and acquired titles, including 23 new TCFF film releases, approximately 680 catalog titles and approximately 433 television and non-theatrical titles. In international markets, the Company distributed, produced and acquired titles both directly and through foreign distribution channels, with approximately 931 releases in fiscal 2018, including approximately 27 new TCFF film releases, approximately 584 catalog titles and approximately 320 television and non-theatrical releases. The Company enters into domestic and international license arrangements with third parties for distribution by electronic sell-through (“EST”), video-on-demand (“VOD”) and/or pay-per-view (“PPV”). Distribution on an EST basis enables consumers to acquire the right to retain programs on a permanent basis. The EST, VOD and PPV arrangements generally provide for license fees based on a percentage of the licensee’s gross receipts received from consumers and in some cases a guaranteed minimum fee per consumer transaction. In addition, these arrangements generally provide for a minimum number of scheduled PPV exhibitions per program and for continuous VOD availability of each program to consumers during a fixed period. In fiscal 2018, the Company continued its worldwide home video distribution arrangement with Metro-Goldwyn-Mayer (“MGM”), releasing approximately 331 MGM home entertainment theatrical, catalog and television programs domestically and 315 internationally. The Company also continued its domestic home video distribution arrangements with Lions Gate Films Inc. (“Lions Gate”) (U.S. only), including titles from Anchor Bay Entertainment, LLC (“Anchor Bay”) (U.S. and Canada), releasing approximately 1,347 Lions Gate (including Anchor Bay) home entertainment theatrical, catalog and television programs. During fiscal 2018, the domestic home entertainment division released 462 Blu-ray titles, including 22 new TCFF film releases, 364 catalog titles and 76 television and non-theatrical releases. In international markets, the Company released 466 Blu-ray titles, including 23 new TCFF film releases, 378 catalog titles and 65 television and non-theatrical releases. The Company also distributed 164 Blu-ray titles from MGM domestically and 127 titles internationally and 481 Blu-ray titles from Lions Gate (including Anchor Bay) domestically.

Units of TCFF license motion pictures and other programming in the United States and international markets to various third party and certain affiliated subscription pay television services, SVOD services, free television networks and basic cable programming services for distribution by means of various media, which may include DBS, cable television systems and the Internet. The license agreements reflecting the subscription pay television arrangements generally provide for a specified number of exhibitions of the program during a fixed term in exchange for a license fee that is based on a variety of factors, including the box office performance of each program and the number of subscribers to the service or system. Among third party license arrangements that units of TCFF have in place in the United States for subscription pay television exhibition of motion pictures is an exclusive license agreement with HBO, providing for the licensing of films initially released for theatrical exhibition. Units of TCFF also license programming to SVOD services in the United States. Such licenses enable the consumer to view individual programming selected by the viewer for a subscription fee, typically on a monthly basis. In international markets, units of TCFF license motion pictures and other programming to subscription pay television and SVOD services operated by leading third parties, as well as to such services operated by various affiliated entities of the Company. In addition, units of TCFF license motion pictures and other programming in international markets for exhibition on free television networks, including basic cable programming services, both to independent third party broadcasters as well as to services operated by affiliated entities of the Company.

Competition. Motion picture production and distribution are highly competitive businesses. The Company competes with other film studios, independent production companies and others including additional entrants into the market for the acquisition of artistic properties, the services of creative and technical personnel, exhibition outlets and the public’s interest in its products. The number of motion pictures released by the Company’s competitors, particularly the other major film studios, in any given period may create an oversupply of product in the market, which may reduce the Company’s shares of gross box office admissions and may make it more difficult for the Company’s motion pictures to

succeed. The commercial success of the motion pictures produced and/or distributed by the Company is affected

substantially by the public's unpredictable response to them. The competitive risks affecting the Company's home entertainment business include the number of home entertainment titles released by the Company's competitors that may create an oversupply of product in the market, competition among home media formats, such as DVDs and Blu-rays, and other methods of distribution, such as EST and VOD services.

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

Television Programming, Production and Domestic Syndication Distribution

Twentieth Century Fox Television ("TCFTV"). During fiscal 2018, TCFTV produced television programs for FOX, FX, ABC, NBC, CBS, Turner Broadcasting System ("TBS"), and Netflix. TCFTV currently produces, or has orders to produce, episodes of the following television series: 9-1-1, Bob's Burgers, The Cool Kids, Empire, Family Guy, The Gifted, Last Man Standing, The Orville, The Passage, Proven Innocent, Rel, Rent (live musical event), The Resident, The Simpsons and Star for FOX; American Horror Story for FX; Fresh Off The Boat, Modern Family, Single Parents and Speechless for ABC; This Is Us for NBC; Life in Pieces for CBS; American Dad for TBS; Arrested Development and Mixtape for Netflix; and Central Park for Apple. Generally, a television network or cable network will license a specified number of episodes for exhibition during the license period. All other distribution rights, including international and off-network syndication rights, are typically retained by TCFTV, utilized by other units of the Company or sold to third parties.

Fox21 Television Studios ("Fox21"). Fox21 produces television programs for major U.S. cable networks and SVOD services including American Crime Story, Mayans MC and Pose for FX; The Chi and Homeland for Showtime; Queen of the South for USA; The Politician and Ratched for Netflix; and Genius and The Hot Zone for National Geographic Channel.

Television programs generally are produced under contracts that provide for license fees that may cover only a portion of the anticipated production costs. As these costs have increased in recent years, the resulting deficit between production costs and license fees for domestic first-run programming also has increased. Therefore, additional licensing is often critical to the financial success of a series. Successful U.S. network television series are typically (i) licensed for first-run exhibition in international markets, (ii) made available for EST, including individual episodes and full series, (iii) licensed for VOD, PPV and SVOD services, including individual episodes and full series, (iv) released in DVD and Blu-ray box sets, (v) licensed for off-network exhibition in the United States (including in syndication and to cable programmers) and (vi) licensed for further television exhibition in international markets. Typically, a series must be broadcast for at least three to four television seasons for there to be a sufficient number of episodes to offer the series in syndication or to cable and DBS programmers in the United States. The decision of a television network to continue a series through an entire television season or to renew a series for another television season depends largely on the series' audience ratings.

Twentieth Television. Twentieth Television licenses both television programming and feature films for domestic syndication to television stations, basic cable and advertising-supported video-on-demand ("AVOD") services in the United States. Twentieth Television distributes a program portfolio that includes the Company's library of television and film assets, and first-run programming for sales to local stations, including stations owned and operated by the Company, as well as to basic cable networks.

Twentieth Television derives revenue from off-network, theatrical and first-run program sales in the form of cash license fees paid by broadcast, cable and AVOD licensees, and from the sales of national advertising units retained by Twentieth Television in its programs. Twentieth Television licenses such shows as Modern Family, New Girl, Last

Man Standing, Archer, It's Always Sunny in Philadelphia, Family Guy, Bones, How I Met Your Mother, The Cleveland Show, Bob's Burgers and The Simpsons to cable and broadcast networks. First-run programs distributed by Twentieth Television include television's longest running court show Divorce Court, the entertainment magazine program Dish Nation, Top 30 and

the daily pop culture program Page Six TV. Additionally, Twentieth Television also sells national advertising on behalf of other third party syndicators.

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

Motion Picture and Television Library

The Company's motion picture and television library (the "Fox Library") consists of varying ownership and distribution rights to several thousand previously released motion pictures and many well-known television programs. Motion pictures in the Fox Library include many successful and well-known titles, such as *The Sound of Music*, *Mrs. Doubtfire*, *Home Alone*, the *Star Wars* series (original six episodes), the *Die Hard* series, the *X-Men* series, *Independence Day*, the *Ice Age* series, *The Planet of the Apes* series, *Sideways*, *Walk the Line*, *The Devil Wears Prada*, *Little Miss Sunshine*, the *Night at the Museum* series, the *Alvin and the Chipmunks* series, *Slumdog Millionaire*, *Juno*, *Life of Pi*, the *Taken* series, *12 Years a Slave*, *The Martian*, *The Greatest Showman* and *Deadpool*. In addition, the Company has distributed the top two box office grossing films of all time worldwide, which are *Avatar* and *Titanic* (together with Paramount Pictures Corporation).

The Fox Library contains varying ownership and distribution rights to many television series and made-for-television motion pictures. The television programming in the Fox Library consists of such classic series as *24*, *How I Met Your Mother*, *King of the Hill*, *Prison Break*, *Boston Legal*, *My Name is Earl*, *The Mary Tyler Moore Show*, *M*A*S*H*, *Hill Street Blues*, *Doogie Howser, M.D.*, *L.A. Law*, *The Wonder Years*, *The Practice*, *Ally McBeal*, *Angel*, *Dharma & Greg*, *In Living Color*, *The X-Files*, *Buffy the Vampire Slayer*, *The Cleveland Show*, *The Americans*, *Futurama*, *Glee*, *The Last Man on Earth*, *New Girl*, *Sleepy Hollow*, *Sons of Anarchy*, *The Shield*, *Burn Notice*, *Malcolm in the Middle*, *Raising Hope*, *White Collar* and *NYPD Blue*, as well as prior seasons of such current series as *The Simpsons*, *Family Guy*, *Arrested Development*, *Last Man Standing*, *This Is Us*, *Modern Family*, *Homeland*, *Bob's Burgers*, *American Dad*, *American Horror Story*, *Empire* and *Fresh Off The Boat*.

Other, Corporate and Eliminations

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

Equity Interests

Sky

The Company holds an approximate 39% interest in Sky. Sky's ordinary shares are listed on the London Stock Exchange under the symbol "SKY". Sky is Europe's leading entertainment company, operating the most comprehensive multichannel, multi-platform pay television service in the UK, Ireland, Germany, Austria, Italy, Spain and Switzerland. Sky also retails communications services in the UK and Ireland. In addition to the retail and broadcast operations, Sky operates a number of other businesses including wholesaling its channel portfolio, selling advertising on its own and partner channels and its international television program distribution operation. In December 2016, the Company made an offer to purchase the fully diluted share capital of Sky which the Company does not already own. In July 2018, the Company announced the Increased Offer. On August 7, 2018, the Company posted an offer

document to Sky shareholders in connection with the Increased Offer. For further information, see Note 3 – Acquisitions, Disposals and Other Transactions to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading “Sky Acquisition”.

Hulu

The Company has an approximate 30% equity interest in Hulu which operates subscription-based services that offer: (i) both linear and on-demand video programming and (ii) on-demand only video programming. Hulu also provides on-demand video programming for distribution through certain advertising-supported, free-to-the-consumer services, including Yahoo View. These services offer video content from Fox and the other partners in Hulu – NBCUniversal, The Walt Disney Company, and Time Warner Inc. Hulu's subscription service for linear and on-demand video programming includes over 50 linear channels and such channels' on-demand video content. Hulu's on-demand only services include video content from approximately 200 other third-party content licensors. Hulu's subscription-based on-demand only video service is available on a monthly basis at Hulu.com and all services are available on a monthly basis through software applications on many Internet-connected devices, including smart phones, tablets, gaming consoles and set-top boxes.

Endemol Shine Group

The Company and funds managed by Apollo Global Management, LLC ("Apollo") formed a joint venture in December 2014 to which the Company contributed its interests in Shine Group and cash. The Company and Apollo have an equal ownership interest in the joint venture. Endemol Shine Group, a global multi-platform content provider, has creative operations across all the world's major markets, with a diverse portfolio, both scripted and non-scripted, coupled with digital, gaming, and distribution operations. In calendar year 2017, Endemol Shine Group produced more than 800 productions, in more than 50 languages airing on more than 280 channels around the world. (See Note 7 – Investments to the accompanying Consolidated Financial Statements of the Company for further discussion).

Tata Sky

The Company holds an approximate 20% direct interest and an approximate 10% indirect economic interest in Tata Sky Limited which owns and operates a DTH platform in India.

Other Investments

The Company has a minority equity interest in Vice Holdings Inc., a digital media company.

The Company has a minority equity interest in DraftKings, Inc., a leading operator of online fantasy games and contests.

Government Regulation

General

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

Cable Network Programming

Asia. Most countries in which the Company operates have a regulatory framework for the satellite and cable television industry. Government regulation of direct reception and redistribution via cable or other means of satellite television

signals, where it is addressed at all, is treated differently in each country. At one extreme are absolute bans on private ownership of satellite receiving equipment. Some countries, however, have adopted a less restrictive approach, opting to allow ownership of satellite receiving equipment by certain institutions and individuals but allowing them to receive only authorized broadcasts. At the opposite end of the spectrum are countries where private satellite dish ownership is

allowed and laws and regulations have been adopted which support popular access to satellite services through local cable redistribution.

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

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

India. Television viewers receive broadcast television signals primarily through terrestrial and cable delivery and through DTH and IPTV delivery. Terrestrial broadcasting remains the domain of government-owned broadcast stations. The government allows 100% foreign direct investment in distribution platforms and 49% foreign direct investment in news and current affairs. Effective November 2015, government approval is no longer required for foreign direct investment in non-“news and current affairs” (i.e. entertainment) television channels. In addition, the government does not permit broadcasters to own directly more than 20% of a DTH platform.

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

Broadcasters are required to provide their channels on non-discriminatory terms to all distributors if no carriage charges are being sought from broadcasters. In 2011, the Cable Television Act was amended and new rules were issued mandating that cable networks switch from analog to digital systems. The Telecom Regulatory Authority of India (the “TRAI”) issued rules that mandated, among other things, basic service tiers comprised of free-to-air channels be compulsorily offered to consumers.

Channel prices in India have been frozen since 2003 and occasional inflationary adjustments have been allowed in the past. The TRAI allowed a 27.5% inflation based increase in channel rates that was to be implemented by January 1, 2015. However, the Indian court remanded the matter back to the TRAI for reconsideration. In May 2016, the TRAI struck down the increase and held that no inflationary hikes are required. The Company, along with other broadcasters, has filed an appeal before the Telecom Disputes Settlement and Appellate Tribunal which is pending.

The TRAI introduced new interconnect and tariff regulations which, among other things, cap the maximum retail price per subscriber per month for channels offered as part of a bouquet. These regulations were challenged by STAR India on the basis that, among other things, the TRAI does not have the authority to regulate the price and manner of offering of television channels which are also protected as broadcast reproduction rights under the Indian Copyright Act. In May 2018, the regulations became effective. STAR India has appealed the decision in the Supreme Court of India however, subject to guidance on implementation, the regulations are not expected to negatively impact STAR India’s business.

The TRAI enacted regulations in March 2013 that limit the amount of advertising time allowed on television channels. These regulations replaced the regulations enacted by the TRAI in May 2012 that had been challenged in the Indian courts. The March 2013 regulations have also been challenged and such challenges are currently pending in the Indian courts.

The Indian government has mandated sports content rights owners to simultaneously share a feed free of advertisements of the live broadcasting signal of sporting events of national importance with the Indian government owned broadcaster to enable it to re-transmit the signal on its terrestrial networks and DTH networks. For such shared events, the regulations also provide for sharing of advertising revenue, 75% to the content rights owners and 25% to the government owned broadcaster.

The copyright laws in India were amended in June 2012 to provide, among other things, for rights to receive royalties by authors of underlying work upon exploitation of the work by a broadcaster and to permit broadcasters to access content under a statutory license at royalty rates to be determined by the authorized copyright body once it is established. In November 2017, the Indian Performing Rights Society (“IPRS”) was authorized as the governing copyright body. In March 2018, the IPRS proposed tariff rates for payment of royalties by broadcasters.

Latin America. The Company broadcasts television programming throughout approximately 18 Latin American countries, as well as the Caribbean. Certain countries in which the Company operates have a regulatory framework for the satellite and cable television industry. These regulations vary in each country as does their impact on the Company’s business. In Argentina, pay-TV operators are required to carry certain government operated channels. In addition, Argentina regulations require, among other things, registration of all channels and production companies and reduced the available advertising inventory on the channels by half to six minutes per hour, which must be accumulated within a four-hour consecutive programming block. In Brazil, regulations require, among other things: (i) that all channels distributed in the region contain at least three hours and thirty minutes per week of Brazilian content during prime time hours (the “Quota Requirement”), half of which must be produced by a Brazilian independent producer; (ii) registration of all channels, programmers, local content and advertisements; (iii) website disclosure of programming and advertising content to ensure compliance with tax and other regulations; and (iv) mediation of local agency requirements and taxation on all advertising that is contracted abroad. While such tax shall primarily be paid by advertisers, programmers are ultimately responsible for the tax payment, and failure by advertisers to pay the required tax could subject programmers to fines or penalties. In order to encourage the local industry and the production of Brazilian content, new restrictions continue to be established defining the type of content that may be considered Brazilian content for purposes of the Quota Requirement. Compliance with these regulations increases the cost of doing business by imposing additional production/acquisition costs as well as third party administrative and legal expenses.

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

In January 2014, the European Commission (“EC”) initiated formal antitrust proceedings to examine certain provisions in licensing agreements between several U.S. film studios, including Twentieth Century Fox, and a number of European pay-TV broadcasters, including Sky Italia, Sky Deutschland and Sky UK. The EC is investigating provisions which prevent broadcasters from providing their services across borders, for example by refusing potential subscribers from other EU countries or blocking cross-border online access to their services. In July 2015, the EC sent a Statement of Objections to Twentieth Century Fox, several other U.S. film studios and Sky UK taking the preliminary view that such contractual provisions may breach EU competition rules prohibiting anti-competitive agreements. In January 2016, the EC held a hearing on the matter. The Statement of Objections, which sets out the preliminary position of the EU, and the hearing do not represent a finding of infringement or prejudice the outcome of the investigation. The EC continues to investigate the license agreements between the film studios and other European broadcasters. It is not possible to predict the timing or outcome of the EC’s proceedings, including whether fines, if any, may be imposed, or the impact on the Company’s business.

In April 2018, the EC conducted unannounced inspections in several member states at the premises of companies active in the distribution of sports media rights and the broadcasting of various sports events. The EC inspections are related to concerns that the EU antitrust rules that prohibit cartels and restrictive business practices may have been violated. Unannounced inspections are a preliminary step into suspected anticompetitive practices but the fact that the EC carries out such inspections does not mean that the companies are guilty of anti-competitive behavior nor does it prejudice the outcome of the investigation itself. One office of the Company was subject to an inspection and the Company is cooperating with the investigation. It is not possible to predict the timing or outcome of the EC’s investigation, including whether fines, if any, may be imposed, or the impact on the Company’s business.

Since 2015, as part of its Digital Single Market Strategy, the EC commenced a number of initiatives, including legislative proposals to allow for broader access to online content across EU countries, as well as consultations to review the Satellite and Cable Directive, the AudioVisual Media Services Directive and the Electronic Communications Directive. The EC adopted new portability regulations, which became effective on April 1, 2018, to allow consumers who paid for online content services in their home country to access them when visiting another country within the EU. It is not possible to predict the impact of these portability regulations or other initiatives on the Company’s business or the timing or outcome of other initiatives.

Television

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

The Communications Act permits the operation of television broadcast stations only in accordance with a license issued by the FCC upon a finding that the grant of the license would serve the public interest, convenience and necessity. The FCC grants television broadcast station licenses for specific periods of time and, upon application, may renew the licenses for additional terms. Under the Communications Act, television broadcast licenses may be granted for a maximum permitted term of eight years. Generally, the FCC renews broadcast licenses upon finding that: (i) the television station has served the public interest, convenience and necessity; (ii) there have been no serious violations by the licensee of the Communications Act or FCC rules and regulations; and (iii) there have been no other violations by the licensee of the Communications Act or FCC rules and regulations which, taken together, indicate a pattern of abuse. After considering these factors, the FCC may grant the license renewal application with or without conditions, including renewal for a lesser term than the maximum otherwise permitted, or hold an evidentiary hearing. Currently Fox Television Stations has no pending renewal applications for its television station licenses. For information on the television stations owned and operated by the Company, see “—Fox Television Stations” above.

In March 2010, the FCC delivered its national Broadband Plan to Congress, which reviewed the nation's broadband Internet infrastructure and recommended a number of initiatives to spur broadband deployment and use. In order to free up more spectrum for wireless broadband services, the Broadband Plan proposed to make spectrum available, including 120 MHz of broadcast spectrum, by incentivizing current private-sector spectrum holders to return some of their spectrum to the government through such initiatives as voluntary "incentive" spectrum auctions (with current licensees permitted to share in the auction proceeds) and "repacking" of channel assignments to increase efficient spectrum usage. Over time, if voluntary measures fail to yield the amount of spectrum the FCC deems necessary for wireless broadband deployment, the Broadband Plan proposed various mandates to reclaim spectrum, such as forced channel sharing. In response to the Broadband Plan, Congress passed legislation in February 2012 authorizing the FCC to conduct a voluntary auction of television broadcast station spectrum. That auction concluded in March 2017 with the FCC reclaiming 84 MHz of broadcast spectrum. Stations that continue their operations may be "repacked" into the remaining, smaller broadcast spectrum band, and some stations may have to change channels as part of a 39-month transition process. In implementing the auction, the FCC was required by legislation to assist stations in retaining their current coverage areas and to establish a fund to reimburse broadcasters for reasonable channel relocation expenses. Fox Television Stations had three stations' bids to relinquish spectrum accepted by the FCC as part of the auction. Of its remaining stations, nine will be required to repack during the transition. The broadcast industry is continuing to explore additional uses for currently allocated spectrum. It is expected that the FCC repacking will take several years to complete. It is not possible to predict the timing or outcome of implementation of any additional steps under the Broadband Plan or the repacking, or their effect on the Company.

On December 22, 2011, the FCC commenced a quadrennial review of its broadcast ownership regulations as required by the 1996 Telecom Act, proposing only minor modifications to its rules. That review was never completed. In early 2014, the FCC announced its intention to combine the 2011 review with the quadrennial review scheduled for 2014. The FCC completed the 2014 review in August 2016. The FCC adopted only minor modifications that were not likely to affect the impact of the FCC ownership rules on the Company's ownership of media properties. Several parties, however, sought reconsideration of the FCC's decision, asking that the FCC eliminate the newspaper/broadcast cross-ownership rule, which prohibited common ownership of broadcast stations and daily newspapers, as well as the local television ownership rule limiting the number of stations that a single entity can own in any geographic market. In November 2017, the FCC issued a reconsideration order that (1) eliminated the newspaper/broadcast cross-ownership rule and (2) relaxed the local television ownership rule so that, among other things, station owners could petition the FCC to permit ownership of two stations both ranked among the top four in a market. The reconsideration order is currently the subject of an appeal in the United States Court of Appeals for the Third Circuit. It is not possible to predict the timing or outcome of the appeal.

Fox Television Stations is in compliance with the rules governing ownership of multiple stations in the same market and with the national station ownership cap established by Congress. In August 2016, the FCC adopted an order to eliminate the so-called "UHF discount" under which UHF stations are attributed with only 50% of the television households in their markets for purposes of calculating compliance with the national station ownership cap. Following a request for reconsideration, however, the FCC reversed its decision and reinstated the UHF discount in April 2017. In July 2018, the United States Court of Appeals for the D.C. Circuit dismissed a petition that had sought to overturn the FCC's decision to reinstate the UHF discount. As a result, the UHF discount remains in effect. If the FCC determines in the future to again eliminate the UHF discount, it may affect the Company's ability to acquire television stations in additional markets. Even in the event that the UHF discount is again eliminated, the Company's national audience reach would remain below the national station ownership cap, based on stations the Company currently owns. It is not possible to predict the timing or outcome of future proceedings at the FCC relating to the national station ownership cap.

Fox Television Stations owns two television stations in the New York DMA. By virtue of the Murdoch Family Trust's ownership interest in both News Corp and the Company, Fox Television Stations also retains an attributable interest in

The New York Post, a daily newspaper in the New York DMA. On

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October 6, 2006, the FCC reaffirmed the Company's permanent waiver of the newspaper/broadcast cross-ownership rule, which allows the common ownership of the The New York Post and WNYW (TV). On August 8, 2014, the FCC's Media Bureau granted a new temporary waiver of the newspaper/broadcast cross-ownership rule to permit the common ownership of the The New York Post and WWOR-TV; the waiver was set to remain in effect until 90 days after the effective date of an FCC order in the 2014 quadrennial review of the media ownership regulations (concluded in 2016) that either adopts a new rule or upholds the existing rule, at which time Fox Television Stations was required to either (1) comply with the rule then in effect or (2) file a new request for a waiver of such rule. Fox Television Stations therefore filed with the FCC a request for a new waiver on February 28, 2017. Fox Television Stations also filed a request for a brief extension of the pre-existing temporary waiver to the extent necessary to preserve the status quo while the FCC reviews the matter. Parties opposed to the waiver request filed objections with the FCC. As noted above, the FCC eliminated the newspaper/broadcast cross-ownership rule in November 2017, a decision that is now the subject of judicial review. It is not possible to predict the timing or outcome of the court's review or any potential remand proceeding at the FCC or their effect on the Company.

In addition, if the elimination of the newspaper/broadcast cross-ownership rule is overturned by the court, the Company's future conduct, including the acquisition of any broadcast networks, or stations or any newspapers, in the same local markets in which News Corp owns or operates newspapers or has acquired television stations, may affect News Corp's ability to own and operate its newspapers or any television stations it acquires or otherwise comply with the rules. Therefore, the Company and News Corp agreed in the News Corp Separation and Distribution Agreement that if the Company acquires, after the News Corp Separation, newspapers, radio or television broadcast stations or television broadcast networks in the U.S. and such acquisition would impede or be reasonably likely to impede News Corp's business, then the Company will be required to take certain actions, including divesting assets, in order to permit News Corp to hold its media interests and to comply with such rules.

Under the Communications Act, no broadcast station licensees may be owned by a corporation if more than 25% of the corporation's stock is owned or voted by non-U.S. persons, their representatives, or by any other corporation organized under the laws of a foreign country. The Company owns broadcast station licensees in connection with its ownership and operation of U.S. television stations. In August 2016, the Company eliminated a suspension of 10% of the voting rights of shares of Class B Common Stock held by non-U.S. stockholders that had been in place in order to maintain compliance with U.S. law. The FCC could review the Company's compliance with the Act in connection with its consideration of Fox Television Stations' license renewal applications.

FCC regulations implementing the Cable Television Consumer Protection and Competition Act of 1992 require each television broadcaster to elect, at three-year intervals, either to (i) require carriage of its signal by cable systems in the station's market ("must carry") or (ii) negotiate the terms on which that broadcast station would permit transmission of its signal by the cable systems within its market ("retransmission consent"). Generally, the Company has elected retransmission consent for the stations owned and operated by Fox Television Stations. The Satellite Home Viewer Improvement Act of 1999 requires satellite carriers to carry upon request all television stations located in markets in which the satellite carrier retransmits at least one local station pursuant to the copyright license provided in the statute ("Carry One, Carry All"). FCC regulations implementing this statutory provision require affected stations to elect either mandatory carriage at the same three year intervals applicable to cable "must carry" or negotiate carriage terms with the satellite operators. On September 2, 2015, the FCC initiated a new proposed rulemaking seeking comment on whether the FCC should make changes to its rules that require commercial broadcast television stations to negotiate retransmission consent with cable and satellite operators in "good faith." The Chairman of the FCC announced in July 2016 that the Commission will not proceed at this time to adopt additional rules governing good faith negotiations for retransmission consent. However, the notice of proposed rulemaking remains pending.

Legislation enacted in 1990 limits the amount of commercial matter that may be broadcast during programming designed for children 12 years of age and younger. In addition, under FCC license renewal processing guidelines,

television stations are generally required to broadcast a minimum of three hours

per week of programming, which, among other requirements, must serve, as a “significant purpose,” the educational and informational needs of children 16 years of age and under. A television station found not to have complied with the programming requirements or commercial limitations could face sanctions, including monetary fines and the possible non-renewal of its license. The FCC announced in July 2018 a proposal to reconsider the three-hour programming obligation as part of a broad review of its children’s programming rules. It is not possible to predict the timing or outcome of any FCC action in response to this review.

FCC rules prohibit the broadcast by television and radio stations of indecent or profane material between the hours of 6:00 a.m. and 10:00 p.m. Beginning in March 2004, the FCC implemented a new policy regarding this prohibition and generally stepped up its enforcement of indecency violations. Under the new policy, the single use of certain forbidden expletives, or variations of those expletives, were deemed “indecent” and “profane.” The FCC also warned broadcasters that serious multiple violations of the indecency prohibition could lead to license revocation proceedings, and that fines could be imposed for each incident in a single broadcast. Under the new FCC policy, both complaints about indecency and FCC enforcement actions have increased, and several complaints alleging the broadcast of alleged indecent or profane material by Fox Television Stations are believed to be pending at the FCC. The law currently authorizes the FCC to impose fines of up to \$350,000 per incident for violation of the prohibition against indecent and profane broadcasts.

On March 15, 2006, the FCC determined that the 2002 and 2003 Billboard Music Awards programs, both live broadcasts on FOX, violated the prohibitions against indecent and profane broadcasts because they contained isolated uses of the forbidden expletives. On June 21, 2012, the Supreme Court decided that the FCC failed to give FOX fair notice that the isolated use of expletives could violate the indecency prohibition and therefore the Commission’s standards as applied to the broadcasts in question were unconstitutionally vague. The Court vacated the violations for the Billboard Music Awards broadcasts. On April 1, 2013, the FCC announced it had reduced the backlog of pending indecency complaints and would focus its enforcement on “egregious” cases. The FCC also sought public comment on whether its indecency policies should be altered in light of the Supreme Court’s decision. It is not possible to predict the outcome of the FCC’s inquiry or how it will enforce its indecency rules in the future.

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

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

The FCC continues to enforce strictly its regulations concerning sponsorship identification, political advertising, children’s television, environmental concerns, equal employment opportunity, technical operating matters and antenna tower maintenance. In addition, the Federal Trade Commission (“FTC”) has increased its focus on unfair and deceptive advertising practices, particularly with respect to social media marketing. Both FCC and FTC rules and guidance require marketers to clearly and conspicuously disclose whenever there has been payment for a marketing message or when there is a material connection between an advertiser and a product endorser. FCC rules also require the closed captioning of almost all broadcast and cable programming. A federal law enacted in late 2010 requires affiliates of the

four largest broadcast networks in the 25 largest markets to carry 50 hours of prime time or children's

programming per calendar quarter with video descriptions, i.e., a verbal description of key visual elements inserted into natural pauses in the audio and broadcast over a separate audio channel. Cable and satellite operators with 50,000 or more subscribers must do the same on each of the top five non-broadcast networks they carry. Compliance has been required since July 1, 2012 and, as of July 1, 2015, applies to FOX affiliates in the Top 60 markets. Fox News Channel, which from time to time has been among the top five non-broadcast networks, falls within the statutory exemption for “live or near-live” programming. In July 2017, the FCC modified its video description rules to require covered stations and networks to carry 87.5 hours of prime time or children’s programming per calendar quarter with video descriptions. The same statute requires programming that was captioned on television to retain captions when distributed via Internet Protocol apps or services. Although not required by FCC regulation, the Company has committed to provide program ratings information for its broadcast network programming for use in conjunction with V-Chip technology, which blocks the display of television programming based on its rating. The Company has also agreed to make this ratings information available for all full-length entertainment programs that stream on websites the Company controls. FCC regulations governing network affiliation agreements mandate that television broadcast station licensees retain the right to reject or refuse network programming in certain circumstances or to substitute programming that the licensee reasonably believes to be of greater local or national importance. Violation of FCC regulations can result in substantial monetary forfeitures, periodic reporting conditions, short-term license renewals and, in egregious cases, denial of license renewal or revocation of license. Violation of FTC-imposed obligations can result in enforcement actions, litigation, consent decrees and, ultimately, substantial monetary fines.

Filmed Entertainment

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

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

Privacy and Information Regulation

The Children’s Online Privacy Protection Act (“COPPA”) prohibits websites and online services from collecting personally identifiable information online from children under age 13 without prior parental consent. The Controlling the Assault of Non-Solicited Pornography and Marketing Act (“CAN-SPAM”) regulates the distribution of unsolicited commercial emails, or “spam.” The Video Privacy Protection Act (“VPPA”) prohibits the knowing disclosure of information that identifies a person as having requested or obtained specific video materials from a “video tape service provider.” The Telephone Consumer Protection Act (“TCPA”) restricts marketing communications such as text and calls without explicit consent. The Company’s online services, websites and other business activities may be subject to COPPA, CAN-SPAM, VPPA and TCPA requirements and the accompanying risk of enforcement and litigation.

Federal regulators' interest in issues of privacy, cybersecurity and data security has continued to steadily increase. On March 26, 2012, the FTC released a report on consumer privacy setting forth a detailed privacy framework and urging industry to accelerate the pace of adoption of self-regulatory measures. Since then, the FTC has released additional reports on privacy and security topics, including reports on data brokers (May 2014), Big Data (January 2016) and cross-device tracking (January 2017), and it has continued to bring enforcement actions.

A number of privacy and data security bills have been introduced in both Houses of Congress that address the collection, maintenance and use of personal information, web browsing and geolocation data, data security and breach notification requirements and cybersecurity. Many state legislatures have already adopted legislation that regulates how businesses operate on the Internet, including measures relating to privacy, data security and data breaches, and state attorneys general have made consumer privacy and data security an enforcement focus. The industry released a set of self-regulatory online behavioral advertising principles in 2009, which have been implemented by web publishers, online advertisers and online advertising networks. These principles were extended in November 2011 to the use of online consumer data for purposes other than advertising, in July 2013 to the mobile environment and in November 2015 to cross-device tracking. It is unclear whether these and other industry self-regulatory efforts alone will address the concerns expressed by some federal and state officials about the collection of anonymous data online or via mobile applications to serve targeted content and advertising. It is not possible to predict whether proposed privacy and data security legislation will be enacted or to determine what effect such legislation might have on the Company's business.

Foreign governments are raising similar privacy and data security concerns. In particular, the EU General Data Protection Regulation ("GDPR") became enforceable as of May 25, 2018. The GDPR tightens regulation of the collection, use and security of personal data and will continue to restrict the trans-border flow of such data while increasing the potential fines for non-compliance. A new e-Privacy Regulation ("e-PR") is in negotiation in the EU that would supersede the existing EU e-Privacy (Cookie) Directive and complement the GDPR. If adopted, the new e-PR would tighten regulation regarding third party tracking tools. European industry has implemented a self-regulatory regime for online behavioral advertising that is largely consistent with the U.S. self-regulatory framework. It is unclear how compliance with the GDPR will affect the Company's business and it is not possible to predict the measures that the e-PR, if and when enacted, will contain and the resulting impact on the Company's business. Canada, Australia, Russia, China, Japan and other countries in South/Latin America and Asia are also strengthening their privacy laws and the enforcement of privacy and data security requirements.

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

Intellectual Property

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

The Company devotes significant resources to protecting its intellectual property in the United States and other key foreign territories. To protect these assets, the Company relies upon a combination of copyright, trademark, unfair competition, patent, trade secret and other laws and contract provisions. However, there can be no assurance of the

degree to which these measures will be successful in any given case. Policing unauthorized use of the Company's products and services and related intellectual property is often difficult and the steps taken may not in every case prevent the infringement by unauthorized third parties of the Company's intellectual property. The Company seeks to limit that threat

through a combination of approaches, including offering legitimate market alternatives, deploying digital rights management technologies, pursuing legal sanctions for infringement, promoting appropriate legislative initiatives and international treaties and enhancing public awareness of the meaning and value of intellectual property and intellectual property laws. Piracy, including in the digital environment, continues to present a threat to revenues from products and services based on intellectual property.

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

ITEM 1A. RISK FACTORS

Prospective investors should consider carefully the risk factors set forth below before making an investment in the Company's securities.

Risks related to transactions

Disney Transaction and Creation of New Fox

The Transaction may cause disruption in the Company's business.

On June 20, 2018, the Company entered into the Amended and Restated Merger Agreement with Disney, which amends and restates in its entirety the Agreement and Plan of Merger that the Company entered into with Disney in December 2017. Pursuant to the Amended and Restated Merger Agreement, the Company will, after completing the New Fox Separation and the New Fox Distribution, become a wholly-owned subsidiary of New Disney (see Item 1 – Background under the heading “Business” and Note 3 – Acquisitions, Disposals and Other Transactions to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading “Disney Transaction/Distribution of New Fox” for further details). The Amended and Restated Merger Agreement generally requires the Company to operate its business in the ordinary course pending consummation of the Mergers and restricts the Company, without Disney's consent, from taking certain specified actions until the Transaction is consummated or the Amended and Restated Merger Agreement is terminated, including making certain acquisitions and divestitures, entering into certain contracts, incurring certain indebtedness and expenditures, paying dividends in excess of certain thresholds, and repurchasing or issuing securities outside of existing equity award programs. These restrictions may affect the Company's ability to execute its business strategies and attain its financial and other goals and may impact its financial condition, results of operations and cash flows.

In connection with the pending Transaction, current and prospective employees of the Company may experience uncertainty about their future roles with the Company (and Disney) or New Fox following the consummation of the Transaction, which may materially adversely affect the ability of the Company to attract, retain and motivate key personnel while the Transaction is pending. Despite the Company's retention planning and programs that the Company has and will implement, key employees may depart because of issues relating to the uncertainty and difficulty of integration with Disney and the New Fox Separation and establishment of New Fox, or a desire not to remain with the Company (and Disney) or New Fox following the consummation of the Transaction. Accordingly, no assurance can be given that the Company will be able to attract and retain key employees to the same extent that the Company has

been able to in the past.

The proposed Transaction further could cause disruptions to the Company's business or business relationships (including the business to be conducted by, and business relationships of, New Fox after the consummation of the transactions), which could have an adverse impact on the Company's businesses, financial condition, results of operations or prospects. In addition, the risk, and adverse effect, of such

disruptions could be exacerbated by a delay in the consummation of the Transaction or a termination of the Amended and Restated Merger Agreement. Parties with which the Company has business relationships may experience uncertainty as to the future of such relationships and may delay or defer certain business decisions, seek alternative relationships with third parties or seek to alter their present business relationships with the Company. Parties with whom the Company otherwise may have sought to establish business relationships may seek alternative relationships with third parties.

The pursuit of the proposed Transaction and the preparation for both the integration with Disney and the establishment of New Fox may place a significant burden on the Company's management and internal resources. The diversion of management's attention away from day-to-day business concerns could adversely affect the Company's financial results.

The Company has incurred and expects to continue to incur significant costs, expenses and fees for professional services and other transaction costs in connection with the Transaction. The substantial majority of these costs will be non-recurring expenses relating to the Transaction, including costs relating to the New Fox Separation, and many of these costs are payable regardless of whether or not the Transaction is consummated. The Company is currently subject to certain litigation related to the proposed Transaction as described in Item 3 – Legal Proceedings, and the Company could be subject to additional litigation, which could result in significant costs and expenses. Even if the proposed Transaction is not consummated, these risks may materialize and may adversely affect the Company's businesses, financial condition, financial results and stock price.

Failure to consummate the Transaction in a timely manner or at all could negatively impact the market price of the Company's common stock, as well as the Company's future business and its financial condition, results of operations and cash flows.

The Company currently anticipates the Transaction will be consummated in the first half of calendar year 2019, but it cannot be certain when or if the conditions for the Transaction will be satisfied or (if permissible under applicable law) waived. The Transaction cannot be consummated until the conditions to closing are satisfied or (if permissible under applicable law) waived, including (i) receipt of certain required governmental approvals and consents, (ii) receipt by the Company of a surplus and solvency opinion with respect to the New Fox Separation and the cash dividend in connection with the Transaction, (iii) effectiveness of registration statements with respect to the New Fox Distribution and the issuance of New Disney shares in connection with the Transaction, (iv) authorization of New Disney and New Fox shares for listing on NYSE or NASDAQ, as applicable, (v) the consummation of the New Fox Separation and Distribution, (vi) receipt of certain tax opinions by each of the Company and Disney with respect to the treatment of the transactions under U.S. and Australian tax laws, including a legal opinion on the intended tax treatment of the Transaction and (vii) the accuracy of the representations and warranties made by the Company or Disney, as applicable, in the Amended and Restated Merger Agreement. The obligation of Disney to consummate the Transaction is also subject to, among other conditions, the absence of regulatory authorities requiring Disney to take certain actions.

The satisfaction of the required conditions could delay the consummation of the Transaction for a significant period of time or prevent it from occurring. Further, there can be no assurance that the conditions to the closing of the Transaction will be satisfied or waived or that the Transaction will be consummated.

In the event that the Transaction is not consummated for any reason, (i) the holders of the Company's common stock will not receive any consideration for their shares of the Company's common stock in connection with the proposed Transaction and (ii) the New Fox Separation and Distribution of New Fox will not occur and the holders of the Company's common stock will not receive shares in New Fox. Instead, the Company will remain an independent public company and holders of the Company's common stock will continue to own their shares of the Company's

common stock.

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Additionally, if the proposed Transaction is not consummated in a timely manner or at all, the Company's ongoing business may be adversely affected as follows:

- the Company may experience negative reactions from financial markets and the stock price could decline;
- it may experience negative reactions from employees, customers, suppliers or other third parties;
- management's focus would have been diverted from pursuing other opportunities that could have been beneficial to the Company; and
- the Company's costs of pursuing the Transaction may be higher than anticipated and, in any event, would be borne entirely by the Company.

If the Transaction is not consummated, there can be no assurance that these risks will not materialize and will not materially adversely affect the Company's stock price, business, financial conditions, results of operations or cash flows.

In order to consummate the Transaction, Disney and the Company must obtain certain governmental approvals, and if such approvals are not granted or are granted with conditions, consummation of the Transaction may be jeopardized or the anticipated benefits of the Transaction could be reduced.

Although Disney and the Company have agreed to use reasonable best efforts, subject to certain limitations, to make certain governmental filings and obtain the governmental approvals or expirations or earlier termination of applicable waiting periods, as the case may be, there can be no assurance that the applicable waiting periods will expire or be terminated or that the applicable approvals will be obtained. As a condition to approving the Transaction, governmental authorities may impose conditions, terms, obligations or restrictions or require divestitures or place restrictions on the conduct of the combined company's business after consummation of the Transaction, including those which Disney may not be required to accept pursuant to the terms of the Amended and Restated Merger Agreement. Disney has agreed to accept certain restrictions on certain of its and the Company's assets if and to the extent necessary to obtain the governmental regulatory approvals required to consummate the Transaction, as described in the Amended and Restated Merger Agreement. There can be no assurance that regulators will not impose conditions, terms, obligations or restrictions and that such conditions, terms, obligations or restrictions will not have the effect of delaying or preventing consummation of the Transaction or imposing additional material costs on or materially limiting the revenues of the combined company following the Transaction, or otherwise adversely affecting, including to a material extent, the combined company's businesses and results of operations after consummation of the Transaction. If the Company and Disney are required to divest assets or businesses, there can be no assurance that they will be able to negotiate such divestitures expeditiously or on favorable terms or that the governmental authorities will approve the terms of such divestitures. The Company can provide no assurance that these conditions, terms, obligations or restrictions will not result in the abandonment of the Transaction.

Sky Acquisition

The Sky Acquisition Involves a Number of Risks, including, among others, the Risk that the Sky Acquisition is Not Completed on a Timely Basis, or at All, and Risks Associated with the Company's Use of a Significant Portion of its Cash and Taking on Significant Additional Indebtedness.

The Sky Acquisition is conditional on, among other things, the Company securing valid acceptances of the Increased Offer in respect of Sky shares which represent 75% or more of the Sky shares that the Company does not own. The Company reserves the right to reduce this acceptance condition to a level which is not less than a simple majority of all Sky shares (including those held by the Company and its wholly-owned subsidiaries). The Sky Acquisition has received unconditional clearance by all competent competition authorities including the European Commission, and has been cleared on public interest and plurality grounds. In addition, on July 12, 2018, the Sky Acquisition received approval by the Secretary of State, subject to accepted undertakings regarding the divestment of and financial support for Sky News as described in Note 3 – Acquisitions, Disposals and Other Transactions to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading "Sky Acquisition".

The Company cannot predict whether and when any of the outstanding conditions will be satisfied and/or whether Sky shareholders will ultimately decide to support the Sky Acquisition or the Comcast Offer. If the Sky Acquisition does not receive, or timely receive, the requisite acceptance of Sky shareholders unaffiliated with the Company, any delay or failure to complete the Sky Acquisition and the acquisition process may cause uncertainty or other negative consequences that may adversely affect the Company's business, financial condition and results of operations and the price per share for the Company's common stock could be negatively impacted.

In addition, the Sky Acquisition will require the use of a significant portion of the Company's cash and increase the amount of debt on the Company's balance sheet leading to substantial additional interest expense. These factors could limit the Company's flexibility to respond to changing business and economic conditions and reduce funds available for working capital, capital expenditures, acquisitions and other general corporate purposes. If the Sky Acquisition is completed but the financial performance of the Company after the Sky Acquisition does not meet management's current expectations, the Company's ability to reduce its level of indebtedness may be adversely impacted. More information regarding risks related to financing the Sky Acquisition and paying the consideration to the Sky shareholders in Pounds Sterling is set forth below in the risk factor describing the Company's exposure to risks associated with weak domestic and global economic conditions and increased volatility and disruption in the financial markets and in the risk factor describing the adverse effect that fluctuations in foreign exchange rates could have on the Company's cash flows and results of operations.

Risks related to our business

The Company Must Respond to Changes in Consumer Behavior as a Result of New Technologies in Order to Remain Competitive.

Technology, particularly digital technology used in the entertainment industry, continues to evolve rapidly, leading to alternative methods for the delivery and storage of digital content. These technological advancements have driven changes in consumer behavior and have empowered consumers to seek more control over when, where and how they consume digital content. Content owners are increasingly delivering their content directly to consumers over the Internet and innovations in distribution platforms have enabled consumers to view such Internet-delivered content on televisions and portable devices. The growth of direct to consumer video offerings, including video-on-demand, downloadable content and simultaneous live streaming of broadcast content including on social media, offerings by cable providers of smaller packages of programming to customers at price points lower than traditional cable distribution offerings and the trend of consumers "cord-cutting" or cancelling their multi-channel video programming

distributors (“MVPD”) subscriptions could adversely affect demand for our cable channels. Enhanced Internet capabilities and other new media may reduce television viewership, the demand for home entertainment and the desire to see motion pictures in theaters, which could negatively affect the Company’s revenues. In addition, increased video consumption through streaming apps, digital MVPD

services and social media with no advertising or less advertising than on video programming networks, time shifted viewing of television programming and the use of DVRs to skip advertisements could also negatively affect the Company's advertising revenues. There is a risk that the Company's responses to these changes and strategies to remain competitive, or failure to effectively anticipate or adapt to new market changes, could adversely affect our business. The Company's failure to protect and exploit the value of its content, while responding to and developing new technology and business models to take advantage of advancements in technology and the latest consumer preferences, could have a significant adverse effect on the Company's businesses, asset values and results of operations.

Acceptance of the Company's Content, Including Its Films and Television Programming, by the Public is Difficult to Predict, Which Could Lead to Fluctuations in Revenues.

Feature film and television production and distribution are speculative businesses since the revenues derived from the production and distribution of a feature film or television series depend primarily upon its acceptance by the public, which is difficult to predict. The commercial success of a feature film or television program also depends upon the quality and acceptance of other competing films and television programming released into the marketplace at or near the same time, the availability of a growing number of alternative forms of entertainment and leisure time activities, general economic conditions and their effects on consumer spending and other tangible and intangible factors, all of which can change and cannot be predicted with certainty. Further, the theatrical success of a feature film and the audience ratings for a television program are generally key factors in generating revenues from other distribution channels, such as home entertainment and premium pay television, with respect to feature films, and content licensing and syndication, with respect to television programming. In addition, a decline in the ratings or popularity of the Company's entertainment, sports or news television programming, which could be a result of the loss of talent or rights to certain programming, could adversely affect advertising revenues in the near term and, over a longer period of time, adversely affect affiliate revenues.

The Company's Businesses Operate in Highly Competitive Industry.

The Company competes with other media companies for content to achieve large audiences and distribution relationships, and to generate advertising revenue. The Company also competes for distribution on various multichannel video programming distributors and other third-party digital platforms. The Company's ability to attract viewers and advertisers and obtain favorable distribution depends in part on its ability to provide popular television programming and motion pictures and adapt to new technologies and distribution platforms, which are increasing the number of media and entertainment choices available to audiences. Competition for audiences and/or advertising comes from: broadcast television networks; cable television systems and networks; film studios; Internet-delivered free, advertising supported, subscription and rental services; other sources of information and entertainment; radio; print and other media. Increased competition from additional entrants into the market for development and production of original programming may increase our costs of development and production including obtaining creative and technical personnel. Increased competition in the acquisition of programming may also affect the scope of rights we are able to acquire and the cost of such rights, and the value of the rights we acquire or retain cannot be predicted with certainty in the future. The Company cannot be assured that it will be able to compete successfully in the future against existing or potential competitors, or that competition or consolidation in the marketplace will not have a material adverse effect on its business, financial condition or results of operations.

The Inability to Renew Sports Programming Rights Could Cause the Company's Affiliate and Advertising Revenue to Decline Significantly in any Given Period or in Specific Markets.

The sports rights contracts between the Company, on the one hand, and various professional sports leagues and teams, on the other, have varying duration and renewal terms. As these contracts expire, renewals on favorable terms may be

sought; however, third parties may outbid the current rights holders for the rights contracts. In addition, professional sports leagues or teams may create their own networks or the renewal costs could substantially exceed the original contract cost. The loss of rights or renewal on less favorable terms could impact the extent of the sports coverage offered by the Company and its

affiliates, as it relates to FOX, and could adversely affect the Company's advertising and affiliate revenues. Upon renewal, the Company's results could be adversely affected if escalations in sports programming rights costs are unmatched by increases in advertising rates and, in the case of cable networks, subscriber fees.

A Decline in Advertising Expenditures Could Cause the Company's Revenues and Operating Results to Decline Significantly in any Given Period or in Specific Markets.

The Company derives substantial revenues from the sale of advertising on or in its television stations and broadcast and cable networks. Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions, as well as budgeting and buying patterns. A decline in the economic prospects of advertisers or the economy in general could alter current or prospective advertisers' spending priorities. Demand for the Company's products is also a factor in determining advertising rates. For example, ratings points for the Company's television stations and broadcast and cable networks are factors that are weighed when determining advertising rates, and with respect to the Company's television stations and broadcast and television networks, when determining the affiliate rates received by the Company. In addition, newer technologies, including new video formats, streaming and downloading capabilities via the Internet, video-on-demand, personal video recorders and other devices and technologies are increasing the number of media and entertainment choices available to audiences. Some of these devices and technologies allow users to view television or motion pictures from a remote location or on a time-delayed basis and provide users the ability to fast-forward, rewind, pause and skip programming and advertisements. These technological developments could affect the attractiveness of the Company's offerings to viewers, advertisers and/or distributors. Failure to effectively anticipate or adapt to emerging technologies or changes in consumer behavior could have an adverse effect on our business. Further, a decrease in advertising expenditures, reduced demand for the Company's offerings or the inability to obtain market ratings that adequately measure demand for the Company's content on personal video recorders and mobile devices could lead to a reduction in pricing and advertising spending, which could have an adverse effect on the Company's businesses and assets.

The Loss of Carriage Agreements Could Cause the Company's Revenue and Operating Results to Decline Significantly in any Given Period or in Specific Markets.

The Company's broadcast stations and cable networks maintain affiliation and carriage arrangements that enable them to reach a large percentage of households through cable television systems, direct broadcast satellite operators, telecommunications companies and online video distributors. The loss of a significant number of these arrangements or the loss of carriage on basic programming tiers could reduce the distribution of the Company's broadcast stations and cable networks, which may adversely affect those networks' revenues from affiliate fees and their ability to sell national and local advertising time. Further, the loss of favorable packaging, positioning, pricing or other marketing opportunities with any distributor could reduce revenues from subscriber fees. Also, consolidation among MVPDs and increased vertical integration of such distributors into the cable or broadcast network business have provided more leverage to these distributors and could adversely affect the Company's ability to maintain or obtain distribution for its network programming or distribution and/or marketing of its subscription program services on favorable or commercially reasonable terms, or at all. The Company is dependent upon the maintenance of affiliation agreements with third party owned television stations and there can be no assurance that these affiliation agreements will be renewed in the future on terms acceptable to the Company. The loss of a significant number of these affiliation arrangements could reduce the distribution of FOX and MyNetworkTV and adversely affect the Company's ability to sell national advertising time.

The Company Relies on Network and Information Systems and Other Technology Whose Degradation, 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 hacking and phishing, theft, computer viruses, ransomware, 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 or other disasters (including extreme weather), terrorist activities or human error that may affect such systems, could result in disruption of our services 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 sophisticated cyber attacks on 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 has been material to the Company to date. While we continue to develop, implement and maintain security measures seeking to prevent unauthorized access to or misuse of our network and information systems, such efforts may not be successful in preventing these events from occurring given that the techniques used to access, disable or degrade service, or sabotage systems change frequently. 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. Significant security breaches, such as misappropriation, misuse, alteration, theft, loss, leakage, falsification, accidental or premature release, or otherwise improper disclosure of information maintained in the Company's information systems and networks or those of our vendors, including financial, personal, confidential and proprietary information relating to personnel, customers, vendors and our business, including our intellectual property, or a degradation or interruption in the technologies and networks that facilitate content distribution could result in a disruption of our operations, customer or advertiser dissatisfaction, damage to our reputation or brands, regulatory investigations, claims, lawsuits or loss of customers or revenue. In addition, the Company may be subject to liability under relevant contractual obligations and laws and regulations protecting personal data and privacy, may be required to expend significant resources to remedy any such security breach, and while the Company maintains insurance to assist in the cost of recovery in the event of a security breach, the Company may not have adequate insurance coverage to compensate it for any losses that may occur.

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

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

potentially receive from the legitimate sale and distribution of its products and services.

The Company has taken, and will continue to take, a variety of actions to combat piracy and signal theft, both individually and, in some instances, together with industry associations. However, protection of the Company's intellectual property rights is dependent on the scope and duration of the Company's rights as defined by applicable laws in the United States and abroad and the manner in which those laws are construed. If those laws are drafted or interpreted in ways that limit the extent or duration of the Company's rights, or if existing laws are changed, the Company's ability to generate revenue from intellectual property may decrease, or the cost of obtaining and enforcing our rights may increase. A change in the laws of one jurisdiction may also have an impact on the Company's overall ability to protect its intellectual property rights across other jurisdictions. In addition, many parts of the world where piracy is prevalent lack effective copyright and other legal protections or enforcement measures. There can be no assurance that the Company's efforts to enforce its rights and protect its products, services and intellectual property will be successful in preventing content piracy or signal theft. Further, while piracy and the proliferation of piracy-enabling technology tools continue to escalate, if any U.S. or international laws intended to combat piracy and protect intellectual property are repealed or weakened or not adequately enforced, or if the applicable legal systems fail to evolve and adapt to new technologies that facilitate piracy, we may be unable to effectively protect our rights and the value of our intellectual property may be negatively impacted, and our costs of enforcing our rights could increase.

Fluctuations in Foreign Exchange Rates Could Have an Adverse Effect on the Company's Cash Flows and Results of Operations.

The Company has significant operations in a number of foreign jurisdictions and certain of the Company's operations are conducted in foreign currencies. The Company has acquired and may in the future acquire assets and businesses using foreign currencies. The value of these currencies fluctuates relative to the U.S. dollar. As a result, the Company is exposed to exchange rate fluctuations, which could have an adverse effect on its cash flows and results of operations in a given period or in specific markets. As part of the Sky Acquisition, the Company will be obligated to pay the Sky shareholders cash consideration in Pounds Sterling thereby increasing the Company's exposure to exchange rate fluctuations for Pounds Sterling. The UK began the formal two-year process of exiting the European Union in March 2017, which could lead to additional political and economic instability that may contribute to volatility in the value of Pounds Sterling and other foreign exchange markets. Even though the Company uses foreign currency derivative instruments to hedge certain exposures to foreign currency exchange rate risks, and has purchased a foreign currency exchange option to limit its foreign currency exchange rate risk in connection with the Sky Acquisition, the use of such derivative instruments may not be effective in reducing the adverse financial effects of unfavorable movements in foreign exchange rates. In addition, countries where we have operations may be classified in the future to be highly inflationary economies, requiring special accounting and financial reporting treatment for such operations. The Argentine Peso has been designated highly inflationary and will be accounted for as such starting July 1, 2018.

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

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

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

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

administered by various federal agencies, including the FCC. The FCC generally regulates, among other things, the ownership of media, broadcast and multichannel video programming and technical operations of broadcast licensees. Our program services and online properties are subject to a variety of laws and regulations, including those relating to issues such as content regulation, user privacy and data protection, and consumer protection, among others. Further, the United States Congress, the FCC and state legislatures currently have under consideration, and may in the future adopt, new laws, regulations and policies regarding a wide variety of matters, including technological changes and measures relating to network neutrality, privacy and data security, which could, directly or indirectly, affect the operations and ownership of the Company's U.S. media properties. Similarly, new laws or regulations or changes in interpretations of law or in regulations imposed by governments in other jurisdictions in which the Company, or entities in which the Company has an interest, operate could require changes in the operations or ownership of our media properties. Laws in non-U.S. jurisdictions which regulate, among other things, licensing arrangements, local content requirements, carriage requirements regarding pricing and distribution, and limitations on advertising time, may impact the operations and results of our international businesses. In addition, the GDPR applies as of May 25, 2018 and will tighten regulation of the collection, use and security of personal data and will continue to restrict the trans-border flow of such data while increasing the potential fines for non-compliance. We have committed significant resources to ensure that we are in compliance with the GDPR but, particularly given the complexity of both the GDPR and our business, as well as the uncertainties that accompany new, comprehensive legislation, the GDPR could affect the operations and results of the Company's businesses or result in claims despite our efforts.

In addition, changes in laws, regulations or the interpretations thereof in the U.S. and other jurisdictions in which the Company has operations could affect the Company's results of operations.

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

The Company owns broadcast station licensees in connection with its ownership and operation of U.S. television stations. Under U.S. law, no broadcast station licensee may be owned by a corporation if more than 25% of its stock is owned or voted by non-U.S. persons, their representatives, or by any other corporation organized under the laws of a foreign country. The Company's Restated Certificate of Incorporation authorizes the Board of Directors to prevent, cure or mitigate the effect of stock ownership above the applicable foreign ownership threshold by taking any action including: refusing to permit any transfer of common stock to or ownership of common stock by a non-U.S. stockholder; voiding a transfer of common stock to a non-U.S. stockholder; suspending rights of stock ownership if held by a non-U.S. stockholder; or redeeming common stock held by a non-U.S. stockholder. The Company is currently in compliance with applicable U.S. law and continues to monitor its foreign ownership based on its assessment of the information reasonably available to it, but it is not able to predict whether it will need to take action pursuant to its Restated Certificate of Incorporation. The FCC could review the Company's compliance with applicable U.S. law in connection with its consideration of the Company's renewal applications for licenses to operate the broadcast stations the Company owns.

The Company Could Be Subject to Significant Additional Tax Liabilities.

We are subject to taxation in U.S. federal, state and local jurisdictions and many non-U.S. jurisdictions. Changes in tax laws, regulations, practices or the interpretations thereof could affect the Company's results of operations. Judgment is required in evaluating and estimating our provision and accruals for taxes. In addition, transactions occur during the ordinary course of business or otherwise for which the ultimate tax determination is uncertain.

Our tax returns are routinely audited, tax-related litigation or settlements may occur, and U.S. or foreign jurisdictions may assess additional income tax liabilities against us. The final outcomes of tax audits, investigations, and any related litigation could result in materially different tax recognition from our historical tax provisions and accruals. These outcomes could conflict with private letter rulings, opinions of counsel or other interpretations provided to the

Company. If these matters are adversely resolved, we may be required to recognize additional charges to our tax provisions and pay significant additional

amounts with respect to current or prior periods or our taxes in the future could increase, which could affect our operating results and financial condition.

In connection with the News Corp Separation, the Company received a private letter ruling from the IRS and an opinion from Hogan Lovells US LLP confirming the tax-free status of the distribution and related internal transactions for U.S. federal income tax purposes. Notwithstanding the private letter ruling and the opinion, the IRS could determine on audit that the distribution or the internal transactions should be treated as taxable transactions if it determines that any of these facts, assumptions or representations relied upon for the private letter ruling is not correct or has been violated. If these transactions are determined to be taxable, the Company would recognize gains on the internal reorganization and/or recognize gain in an amount equal to the excess of the fair market value of shares of the News Corp common stock distributed to our stockholders on the distribution date over our tax basis in such shares of our common stock. In addition, other tax authorities could determine on audit that the distribution or the related internal reorganizations should be treated as taxable transactions.

Under the terms of a tax sharing and indemnification agreement that we entered into in connection with the News Corp Separation, we are required to indemnify News Corp against U.S. consolidated and combined tax liabilities attributable to all tax periods or portions thereof prior to June 29, 2013. Disputes or assessments could arise during future audits by the IRS that could give rise to indemnification obligations under this agreement in amounts that we cannot quantify.

In addition, on December 22, 2017, the U.S. government enacted the comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). The changes included in the Tax Act are broad and complex. As permitted by guidance issued by the SEC, we will finalize the recording of the related impacts of the Tax Act prior to the date that is one year after the enactment date of the Tax Act. For fiscal 2018, the Company recorded a provisional income tax benefit to adjust its net deferred tax liability position, a provisional liability for the transition tax to a territorial tax system and a provisional valuation allowance for foreign tax credits that it does not expect to be able to utilize before they expire in accordance with the Tax Act. The Company may make adjustments to the provisional amounts recorded during this measurement period and such adjustments could possibly be material. For additional information regarding the Tax Act, see Note 2 – Summary of Significant Accounting Policies to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading “U.S. Tax Reform”.

The Company is Exposed to Risks Associated with Weak Domestic and Global Economic Conditions and Increased Volatility and Disruption in the Financial Markets.

The Company’s businesses, financial condition and results of operations may be adversely affected by weak domestic and global economic conditions. Factors that affect economic conditions include the rate of unemployment, the level of consumer confidence, changes in consumer spending habits, political uncertainties and potential changes in trade relationships between the U.S. and other countries. The Company also faces risks, including currency volatility and the stability of global local economies, associated with the impact of weak domestic and global economic conditions on advertisers, affiliates, suppliers, wholesale distributors, retailers, insurers, theater operators and others with which it does business.

Increased volatility and disruptions in the financial markets could make it more difficult and more expensive for the Company to refinance outstanding indebtedness and obtain new financing, including financing for the Sky Acquisition. While the Company has entered into a bridge credit agreement, dated as of December 15, 2016 and as amended on July 11, 2018 (the “Bridge Credit Agreement”), we may obtain permanent financing in the capital markets to fund a portion of the purchase price for the Sky Acquisition in lieu of utilizing funds available under the Bridge Credit Agreement or to prepay funds drawn under the Bridge Credit Agreement, but we cannot guarantee that the Company will obtain such permanent financing on terms that are acceptable to the Company or at all. If we are not

successful in obtaining permanent financing due to market conditions or other factors and utilize funds under the Bridge Credit Agreement, we will incur significantly higher borrowing costs than the contemplated permanent

financing in the capital markets, which may have an adverse impact on our business. See Note 3 – Acquisitions, Disposals and Other Transactions to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading “Sky Acquisition”.

Disruptions in the financial markets can also adversely affect the Company’s lenders, insurers, customers and counterparties, including vendors, retailers and film co-financing partners. For instance, the inability of the Company’s counterparties to obtain capital on acceptable terms could impair their ability to perform under their agreements with the Company and lead to negative effects on the Company, including business disruptions, decreased revenues and increases in bad debt expenses.

The Company Could Suffer Losses Due to Asset Impairment Charges for Goodwill, Intangible Assets and Programming.

In accordance with applicable generally accepted accounting principles, the Company performs an annual impairment assessment of its recorded goodwill and indefinite-lived intangible assets, including FCC licenses. The Company also continually evaluates whether current factors or indicators, such as the prevailing conditions in the capital markets, require the performance of an interim impairment assessment of those assets, as well as other investments and other long-lived assets. Any significant shortfall, now or in the future, in advertising revenue and/or the expected popularity of the programming for which the Company has acquired rights could lead to a downward revision in the fair value of certain reporting units. A downward revision in the fair value of a reporting unit, indefinite-lived intangible assets, investments or long-lived assets could result in an impairment and a non-cash charge would be required. Any such charge could be material to the Company’s reported net earnings.

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

Certain of our directors and executive officers own shares of News Corp’s common stock, and the individual holdings may be significant for some of these individuals compared to their total assets. In addition, certain of our officers and directors also serve as officers and/or as directors of News Corp, including our Executive Chairmen K. Rupert Murdoch, who serves as News Corp’s Executive Chairman, and Lachlan K. Murdoch, who serves as News Corp’s Co-Chairman, and our Chief Executive Officer James Murdoch, who serves as a director of News Corp. This ownership or service to both companies may create, or may create the appearance of, conflicts of interest when these directors and officers are faced with decisions that could have different implications for News Corp and us. In addition to any other arrangements that the Company and News Corp may agree to implement, the Company and News Corp agreed that officers and directors who serve at both companies will recuse themselves from decisions where conflicts arise due to their positions at both companies.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

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

North America

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

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

South America

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

- (a) The owned broadcasting and transmission facility of FNG Latin America in Buenos Aires, Argentina;
- (b) The owned sports broadcasting and production facility of FNG Latin America in Rio de Janeiro, Brazil; and
- (c) The owned production facility, film stages, warehouses and office of FNG Latin America in Bogota, Colombia.

Europe

The Company's principal real property in Europe is the leased office and theater space of TCFF and FNG Europe and Africa in London, England.

Australia and Asia

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

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

ITEM 3. LEGAL PROCEEDINGS

Fox News Channel

The Company and certain of its current and former employees have been subject to allegations of sexual harassment and discrimination and racial discrimination relating to alleged misconduct at the Company's Fox News Channel business. The Company has resolved many of these claims and is contesting other claims in litigation. The Company has also received regulatory and investigative inquiries relating to these matters. To date, none of the amounts paid in settlements or reserved for pending or future claims, is individually or in the aggregate, material to the Company. The amount of liability, if any, that may result from these or related matters cannot be estimated at this time. However, the Company does not currently anticipate that the ultimate resolution of any such pending matters will have a material adverse effect on its consolidated financial condition, future results of operations or liquidity.

Litigation Relating to the Transaction

On July 9, 2018, the Company received notice of a complaint filed July 6, 2018 by Robert Weiss, a purported stockholder of the Company, on behalf of himself and all others similarly situated, against the Company and the Company's Board of Directors. The purported class action lawsuit was filed in the District of Delaware and is captioned Weiss v. Twenty-First Century Fox, Inc. et al., No. 18-1007 (D. Del.). The complaint alleges, among other things, that the Company and the Company's Board of Directors violated Sections 14(a) and 20(a) of the Exchange Act, 15.U.S.C. §§ 78n(a), 78t(a), and SEC Rule 14a-9, 17 C.F.R. 240.14a-9. Specifically, Mr. Weiss alleges that material information concerning various aspects of the transactions has been omitted or misrepresented. On July 11, 2018, purported Company stockholder Robert Lowinger, on behalf of himself and all others similarly situated, filed a complaint in the Southern District of New York alleging, among other things, that the Company and the Company's Board of Directors violated Sections 14(a) and 20(a) of the Exchange Act, 15.U.S.C. §§ 78n(a), 78t(a), and SEC Rule 14a-9, 17 C.F.R. 240.14a-9. The case is captioned Lowinger v. Twenty-First Century Fox, Inc. et al., No. 18-6261 (S.D.N.Y.). Specifically, Mr. Lowinger alleges that material information concerning various aspects of the transactions has been omitted or misrepresented. On July 16, 2018 and July 17, 2018, purported Company stockholders Melvin Gross and Max Federman, on behalf of themselves and all others similarly situated, filed complaints in the District of Delaware alleging, among other things, that the Company and the Company's Board of Directors violated Sections 14(a) and 20(a) of the Exchange Act, 15.U.S.C. §§ 78n(a), 78t(a), and SEC Rule 14a-9, 17 C.F.R. 240.14a-9. The cases are captioned Gross v. Twenty-First Century Fox, Inc. et al., No. 18-1046 (D. Del.) and Federman v. Twenty-First Century Fox, Inc. et al., No. 18-1061 (D. Del.), respectively. Both Messrs. Gross and Federman allege that material information concerning various aspects of the transactions has been omitted or misrepresented. On July 17, 2018 purported Company stockholder Belle Cohen, individually and on behalf of all others similarly situated, filed a complaint in the Southern District of New York captioned Cohen v. Twenty-First Century Fox, Inc. et al., No. 18-6462 (S.D.N.Y.). The complaint alleges, among other things, that the Company and the Company board violated Sections 14(a) and 20(a) of the Exchange Act, 15.U.S.C. §§ 78n(a), 78t(a), and SEC Rule

14a-9, 17 C.F.R. 240.14a-9 by omitting or misrepresenting material information concerning various aspects of the transactions.

Through these actions, the plaintiffs sought to enjoin the July 27, 2018 special meeting of the Company's stockholders. The defendants believe that all of the actions are without merit.

Other

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Twenty-First Century Fox's Class A Common Stock and Class B Common Stock are listed and traded on the NASDAQ Global Select Market ("NASDAQ") under the symbols "FOXA" and "FOX", respectively. As of June 30, 2018, there were approximately 28,800 holders of record of shares of Class A Common Stock and 6,400 holders of record of shares of Class B Common Stock.

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

	Class B			Class A		
	Common Stock		Dividend ^(a)	Common Stock		Dividend ^(a)
	High	Low		High	Low	
Fiscal Year Ended June 30, 2017						
First Quarter	\$28.62	\$24.12	\$ 0.18	\$28.12	\$23.57	\$ 0.18
Second Quarter	28.48	24.68	-	28.64	24.35	-
Third Quarter	31.82	28.00	0.18	32.44	28.72	0.18
Fourth Quarter	31.57	26.53	-	32.15	26.74	-
2018						
First Quarter	29.22	25.38	0.18	29.63	25.79	0.18
Second Quarter	34.72	24.43	-	35.24	24.97	-
Third Quarter	38.40	34.09	0.18	38.81	34.56	0.18
Fourth Quarter	49.33	35.33	-	49.79	35.69	-

^(a)Cash dividend declared per share.

The timing and amount of cash dividends, if any, is determined by the Company's Board of Directors (the "Board"). Subsequent to June 30, 2018, the Company declared a semi-annual dividend of \$0.18 per share on both the Class A Common Stock and the Class B Common Stock. The dividend declared is payable on October 17, 2018 with a record date for determining dividend entitlements of September 12, 2018.

The Board had previously authorized a stock repurchase program, under which the Company is authorized to acquire Class A Common Stock. In August 2016 and 2015, the Board authorized the repurchase of an additional \$3 billion and \$5 billion, respectively, of Class A Common Stock, excluding commissions. As of June 30, 2018, the Company's remaining buyback authorization was approximately \$3.1 billion representing \$3 billion under the fiscal 2017 authorization and approximately \$110 million under the fiscal 2016 authorization. Pursuant to the Amended and Restated Merger Agreement (See Note 3 – Acquisitions, Disposals and Other Transactions to the accompanying Consolidated Financial Statements of the Company under the heading "Disney Transaction/Distribution of New Fox"), the Company is prohibited from repurchasing any additional shares without Disney's consent. The Company did not repurchase any of its Class A Common Stock or Class B Common Stock during the fiscal year ended June 30, 2018.

ITEM 6. SELECTED FINANCIAL DATA

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

	For the years ended June 30,				
	2018 ^(a)	2017 ^(a)	2016 ^(a)	2015 ^(b)	2014 ^(c)
	(in millions, except per share data)				
STATEMENT OF OPERATIONS DATA					
Revenues	\$30,400	\$28,500	\$27,326	\$28,987	\$31,867
Income from continuing operations attributable to Twenty-First Century Fox, Inc. stockholders	4,476	2,996	2,763	8,373	3,785
Net income attributable to Twenty-First Century Fox, Inc. stockholders	4,464	2,952	2,755	8,306	4,514
Income from continuing operations attributable to Twenty-First Century Fox, Inc. stockholders per share - basic	\$2.42	\$1.62	\$1.42	\$3.94	\$1.67
Income from continuing operations attributable to Twenty-First Century Fox, Inc. stockholders per share - diluted	\$2.41	\$1.61	\$1.42	\$3.93	\$1.67
Net income attributable to Twenty-First Century Fox, Inc. stockholders per share - basic	\$2.41	\$1.59	\$1.42	\$3.91	\$1.99
Net income attributable to Twenty-First Century Fox, Inc. stockholders per share - diluted	\$2.40	\$1.59	\$1.42	\$3.90	\$1.99
Cash dividend per share	\$0.360	\$0.360	\$0.300	\$0.275	\$0.250

	As of June 30,				
	2018	2017	2016	2015	2014
	(in millions)				
BALANCE SHEET DATA					
Cash and cash equivalents	\$7,622	\$6,163	\$4,424	\$8,428	\$5,415
Total assets ^(d)	53,831	50,872	48,301	49,967	54,814
Borrowings ^(d)	19,523	19,913	19,553	18,868	18,893
Twenty-First Century Fox, Inc. stockholders' equity	19,564	15,722	13,661	17,220	17,418

^(a) See Notes 2, 3, 4, 5, 6, 7 and 22 to the accompanying Consolidated Financial Statements of the Company for information with respect to significant acquisitions, disposals, discontinued operations, accounting changes, impairment charges, restructuring charges and other transactions during fiscal 2018, 2017 and 2016.

^(b) In fiscal 2015, the Company sold its 100% and 57% ownership stakes in Sky Italia and Sky Deutschland, respectively, to Sky for approximately \$8.8 billion in value comprised of approximately \$8.2 billion in cash received, net of \$650 million of cash paid to acquire Sky’s 21% interest in NGC Network International LLC and NGC Network Latin America LLC (collectively, “NGC International”), increasing the Company’s ownership stake in NGC International to 73%. In connection with this transaction, the Company participated in Sky’s equity offering in July 2014 by purchasing additional shares in Sky for approximately \$900 million and maintained the Company’s 39% ownership interest. As a result of the transaction, Sky Italia and Sky Deutschland ceased to be consolidated subsidiaries of the Company. The Company recorded a pre-tax gain of approximately \$5.0 billion on this transaction.

^(c)In fiscal 2014, the Company acquired an additional 31% interest in the Yankees Entertainment and Sports Network (the “YES Network”), increasing the Company’s ownership interest to an 80% controlling interest, for approximately \$680 million, net of cash acquired. As a result of this transaction, the

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Company consolidated the balance sheet and operating results of the YES Network, including \$1.7 billion in debt. Also in fiscal 2014, a subsidiary of News Corp (as defined in Note 4 – Discontinued Operations to the accompanying Consolidated Financial Statements of Twenty-First Century Fox), prior to the News Corp Separation (as defined in Note 4 – Discontinued Operations to the accompanying Consolidated Financial Statements of Twenty-First Century Fox), had filed for tax reimbursement in a foreign jurisdiction. During fiscal 2014, the foreign jurisdiction notified News Corp that it had accepted its claims and would reimburse the taxes plus interest to News Corp. As of June 30, 2014, the net amount that the Company received, pursuant to the tax sharing and indemnification agreement with News Corp, was approximately \$720 million, which was included in income from discontinued operations, net of tax. Also during fiscal 2014, through separate transactions, the Company sold its 47% interest in CMC-News Asia Holdings Limited, its 50% interest in STATS LLC, its 50% interest in STAR CJ Network India Pvt. Ltd. and its 12% interest in Phoenix Satellite Television Holdings Ltd. for approximately \$465 million. The Company recorded a gain on these transactions.

^(d)On July 1, 2016, the Company adopted Accounting Standards Update (“ASU”) 2015-03, “Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”) on a retrospective basis. The adoption of ASU 2015-03 resulted in a \$172 million, \$171 million and \$165 million decrease in Other non-current assets and Non-current Borrowings in the Consolidated Balance Sheets as of June 30, 2016, 2015 and 2014, respectively.

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

This document contains statements that constitute “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 27A of the Securities Act of 1933, as amended. The words “expect,” “estimate,” “anticipate,” “predict,” “believe” and similar expressions and variations thereof are intended to identify forward-looking statements. These statements appear in a number of places in this document and include statements regarding the intent, belief or current expectations of Twenty-First Century Fox, Inc., its directors or its officers with respect to, among other things, the Transaction, Sky Acquisition and trends affecting Twenty-First Century Fox, Inc.’s financial condition or results of operations. The readers of this document are cautioned that any forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed in any forward-looking statements, including, but not limited to, a failure to consummate the Transaction or the Sky Acquisition in a timely matter or at all. More information regarding these risks, uncertainties and other factors is set forth under the heading “Risk Factors” in Item 1A of this Annual Report on Form 10-K (the “Annual Report”). Twenty-First Century Fox, Inc. does not ordinarily make projections of its future operating results and undertakes no obligation (and expressly disclaims any obligation) to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Readers should carefully review this document and the other documents filed by Twenty-First Century Fox, Inc. with the Securities and Exchange Commission (the “SEC”). This section should be read together with the audited Consolidated Financial Statements of Twenty-First Century Fox, Inc. and related notes set forth elsewhere in this Annual Report.

INTRODUCTION

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

- **Overview of the Company’s Business** - This section provides a general description of the Company’s businesses, as well as developments that occurred either during the fiscal year ended June 30, (“fiscal”) 2018 or early fiscal 2019 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 fiscal 2018, 2017 and 2016. This analysis is presented on both a consolidated and a segment basis. In addition, a brief description is provided of significant transactions and events that impact the comparability of the results being analyzed.
- **Liquidity and Capital Resources** - This section provides an analysis of the Company’s cash flows for fiscal 2018, 2017 and 2016, as well as a discussion of the Company’s outstanding debt and commitments, both firm and contingent, that existed as of June 30, 2018. Included in the discussion of outstanding debt is a discussion of the amount of financial capacity available to fund the Company’s future commitments and obligations, as well as a discussion of other financing arrangements.
- **Critical Accounting Policies** - This section discusses accounting policies considered important to the Company’s financial condition and results of operations, and which require significant judgment and estimates on the part of management in application. In addition, Note 2 to the accompanying Consolidated Financial Statements of Twenty-First Century Fox summarizes the Company’s significant accounting policies, including the critical accounting policy discussion found in this section.

OVERVIEW OF THE COMPANY'S BUSINESS

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

• **Cable Network Programming**, which principally consists of the production and licensing of programming distributed primarily through cable television systems, direct broadcast satellite operators, telecommunication companies and online video distributors, (collectively, “multi-channel video programming distributors”) (“MVPDs”) in the United States (“U.S.”) and internationally.

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

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

• **Other, Corporate and Eliminations**, which principally consists of corporate overhead costs and intercompany eliminations.

Cable Network Programming and Television

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

The television operations derive revenues primarily from the sale of advertising and affiliate fee revenue. Adverse changes in general market conditions for advertising may affect revenues.

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

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

The profitability of U.S. national sports contracts and certain international sports rights agreements is based on the Company's best estimates at June 30, 2018 of attributable revenues and costs; such estimates may change in the future and such changes may be significant. Should revenues decline materially from estimates applied at June 30, 2018, amortization of rights may be accelerated. Should revenues improve as

compared to estimated revenues, the Company may have improved results related to the contract, which may be recognized over the remaining contract term.

Filmed Entertainment

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

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

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

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

Other Business Developments

In June 2018, the Company entered into an Amended and Restated Merger Agreement and Plan of Merger (the "Amended and Restated Merger Agreement") with The Walt Disney Company ("Disney"), which amends and restates in

its entirety the Agreement and Plan of Merger that the Company entered into with Disney in December 2017. Prior to the mergers contemplated by the Amended and Restated

Merger Agreement, the Company will transfer a portfolio of the Company's news, sports and broadcast businesses and certain other assets and liabilities into a newly formed subsidiary ("New Fox") and the holders of the outstanding shares of the Company's Class A Common Stock and Class B Common Stock (other than holders that are subsidiaries of the Company) will receive, on a pro rata basis, all of the issued and outstanding common stock of New Fox.

In December 2016, the Company made an offer to purchase the fully diluted share capital of Sky plc ("Sky") which the Company does not already own. In July 2018, the Company announced an increased offer price for the Sky Acquisition (the "Increased Offer"). On August 7, 2018, the Company posted an offer document to Sky shareholders in connection with the Increased Offer and announced that it intends to implement the Sky Acquisition by way of a takeover offer within the meaning of Part 28 of the Companies Act 2006 (the "UK Companies Act") rather than by means of a scheme of arrangement in accordance with Part 26 of the UK Companies Act, which had been the proposed structure of the Sky Acquisition prior to that date. The Company has noted that the deadline for publication of any revised offer document in respect of its Increased Offer is September 22, 2018.

See Note 3 – Acquisitions, Disposals and Other Transactions to the accompanying Consolidated Financial Statements of Twenty-First Century Fox for further details.

RESULTS OF OPERATIONS

Results of Operations—Fiscal 2018 versus Fiscal 2017

The following table sets forth the Company's operating results for fiscal 2018, as compared to fiscal 2017:

	For the years ended June 30, 2018 2017 % Change (in millions, except %)			
Revenues				
Affiliate fee	\$13,569	\$12,172	11	%
Advertising	7,772	8,039	(3)	%
Content	8,479	7,707	10	%
Other	580	582	-	%
 Total revenues	 30,400	 28,500	 7	 %
Operating expenses	(19,769)	(18,094)	9	%
Selling, general and administrative	(3,668)	(3,298)	11	%
Depreciation and amortization	(584)	(553)	6	%
Impairment and restructuring charges	(72)	(315)	(77)	%
Equity losses of affiliates	(138)	(41)	**	
Interest expense, net	(1,248)	(1,219)	2	%
Interest income	39	36	8	%
Other, net	(550)	(327)	(68)	%
 Income from continuing operations before income tax benefit (expense)	 4,410	 4,689	 (6)	 %
Income tax benefit (expense)	364	(1,419)	**	
 Income from continuing operations	 4,774	 3,270	 46	 %
Loss from discontinued operations, net of tax	(12)	(44)	(73)	%
 Net income	 4,762	 3,226	 48	 %
Less: Net income attributable to noncontrolling interests	(298)	(274)	9	%
 Net income attributable to Twenty-First Century Fox stockholders	 \$4,464	 \$2,952	 51	 %

**not meaningful

Overview – The Company's revenues increased 7% for fiscal 2018, as compared to fiscal 2017, primarily due to higher affiliate fee and content revenues partially offset by lower advertising revenue. The increase in affiliate fee revenue was primarily attributable to contractual rate increases at the Cable Network Programming and Television segments. The increase in content revenue was primarily due to higher subscription video-on-demand ("SVOD") revenue from the licensing of television productions, higher worldwide theatrical revenue and the sublicensing of Big Ten programming rights to third party networks. The decrease in advertising revenue was primarily due to the comparative effect of the broadcast of the National Football League ("NFL") Super Bowl LI in February 2017 and lower U.S. political advertising revenue due to the impact of the 2016 presidential election last year partially offset by the broadcasts of the Indian Premier League ("IPL") and the Fédération Internationale de Football Association ("FIFA") World Cup. These revenue

increases include a benefit of approximately \$135 million due to the strengthening of local currencies against the U.S. dollar for fiscal 2018, as compared to fiscal 2017.

Operating expenses increased 9% for fiscal 2018, as compared to fiscal 2017, primarily due to higher sports and entertainment programming rights amortization at the Cable Network Programming segment and higher production amortization and participation costs from television and motion picture productions at the Filmed Entertainment segment.

Selling, general and administrative expenses increased 11% for fiscal 2018, as compared to fiscal 2017, primarily due to higher compensation expenses, including approximately \$65 million of additional compensation expense related to the Transaction (See Note 3 – Acquisitions, Disposals and Other Transactions to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading “Disney Transaction/Distribution of New Fox”), and higher legal fees.

Impairment and restructuring charges – See Note 5 – Restructuring Programs and Note 6 – Inventories, net to the accompanying Consolidated Financial Statements of Twenty-First Century Fox.

Equity losses of affiliates – Equity losses of affiliates increased \$97 million for fiscal 2018, as compared to fiscal 2017, primarily due to higher losses at Hulu, LLC (“Hulu”) resulting from higher programming costs partially offset by higher subscription and advertising revenues. Partially offsetting the increased Hulu equity losses were higher earnings at Sky, principally as a result of increased revenues partially offset by higher programming and operating costs, and improved results at Endemol Shine Group, primarily due to the absence of a goodwill impairment recorded in fiscal 2017.

	For the years ended June 30,		
	2018	2017	% Change
	(in millions, except %)		
Sky	\$426	\$338	26 %
Hulu	(445)	(215)	**
Other equity affiliates	(119)	(164)	27 %
Equity losses of affiliates	\$(138)	\$(41)	**

**not meaningful

Interest expense, net – Interest expense increased \$29 million for fiscal 2018, as compared to fiscal 2017, primarily due to the bridge credit agreement and the bridge commitment letter related to the Sky Acquisition and the Transaction, respectively (as described in Note 3 – Acquisitions, Disposals and Other Transactions to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the headings “Sky Acquisition” and “Disney Transaction/Distribution of New Fox”).

Other, net – See Note 22 – Additional Financial Information to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading “Other, net”.

Income tax benefit (expense) – The Company’s effective tax rate of (8)% for fiscal 2018 was lower than the statutory rate of 28% primarily due to a provisional \$1.5 billion tax benefit which reflects the effects of the legislation in the U.S. passed in December 2017 commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”) (See Note 2 – Summary of Significant Accounting Policies to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading “U.S. Tax Reform”).

The Company’s tax provision and related effective tax rate of 30% for fiscal 2017 was lower than the statutory rate of 35% primarily due to a 3% benefit from domestic production activities and a 2% benefit from the Company’s foreign operations.

Net income – Net income increased for fiscal 2018, as compared to fiscal 2017, primarily due to the income tax benefit as a result of the Tax Act.

Results of Operations—Fiscal 2017 versus Fiscal 2016

The following table sets forth the Company's operating results for fiscal 2017, as compared to fiscal 2016:

	For the years ended June 30,		
	2017	2016	% Change
	(in millions, except %)		
Revenues			
Affiliate fee	\$12,172	\$11,221	8 %
Advertising	8,039	7,659	5 %
Content	7,707	7,949	(3) %
Other	582	497	17 %
Total revenues	28,500	27,326	4 %
Operating expenses	(18,094)	(17,419)	4 %
Selling, general and administrative	(3,298)	(3,385)	(3) %
Depreciation and amortization	(553)	(530)	4 %
Impairment and restructuring charges	(315)	(323)	(2) %
Equity losses of affiliates	(41)	(34)	21 %
Interest expense, net	(1,219)	(1,184)	3 %
Interest income	36	38	(5) %
Other, net	(327)	(335)	2 %
Income from continuing operations before income tax expense	4,689	4,154	13 %
Income tax expense	(1,419)	(1,130)	26 %
Income from continuing operations	3,270	3,024	8 %
Loss from discontinued operations, net of tax	(44)	(8)	**
Net income	3,226	3,016	7 %
Less: Net income attributable to noncontrolling interests	(274)	(261)	5 %
Net income attributable to Twenty-First Century Fox stockholders	\$2,952	\$2,755	7 %

** not meaningful

Overview – The Company's revenues increased 4% for fiscal 2017, as compared to fiscal 2016, primarily due to higher affiliate fee, advertising and other revenues partially offset by lower content revenue. The increase in affiliate fee revenue was primarily attributable to higher average rates per subscriber at the domestic channels. The increase in advertising revenue was primarily due to the broadcast of Super Bowl LI in February 2017, higher ratings and pricing at Fox News Channel ("Fox News") and the broadcast of the Major League Baseball ("MLB") World Series, which benefited from higher ratings and two additional games. Partially offsetting these increases in advertising revenue were lower entertainment advertising revenue at both FOX and the Company's television stations due to lower entertainment ratings at FOX as compared to fiscal 2016, which included the final season of American Idol. The increase in other revenues was primarily due to the acquisition of the publishing, travel and certain other businesses

(the “NGS Media Business”) in November 2015 from the National Geographic Society (See Note 3 – Acquisitions, Disposals and Other Transactions to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading “National Geographic Partners”). The decrease in content revenue was primarily attributable to lower worldwide theatrical and home entertainment revenues from motion pictures partially offset by higher SVOD and network and syndication revenues. The 4% revenue increase is net of a decrease of approximately \$220 million due to the strengthening of the U.S. dollar against local currencies for fiscal 2017, as compared to fiscal 2016.

Operating expenses increased 4% for fiscal 2017, as compared to fiscal 2016, primarily due to higher sports programming rights amortization at the Cable Network Programming and Television segments, including Super Bowl LI at the Television segment, and the acquisition of the NGS Media Business partially offset by lower marketing costs at the Filmed Entertainment segment.

Selling, general and administrative expenses decreased 3% for fiscal 2017, as compared to fiscal 2016, primarily due to lower compensation expense partially offset by the acquisition of the NGS Media Business.

Impairment and restructuring charges – See Note 5 – Restructuring Programs and Note 6 – Inventories, net to the accompanying Consolidated Financial Statements of Twenty-First Century Fox.

Equity losses of affiliates – Equity losses of affiliates increased \$7 million for fiscal 2017, as compared to fiscal 2016, primarily due to higher losses at Hulu and lower equity earnings for Sky principally due to the impact of the strengthening of the U.S. dollar against the Pound Sterling partially offset by improved results at Endemol Shine Group. For fiscal 2016, Endemol Shine Group’s results include the Company’s proportionate share related to the loss on deconsolidation of a subsidiary and other impairment charges of approximately \$95 million (See Note 7 – Investments to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading “Other Equity Affiliates”).

	For the years ended June 30,		
			%
	2017	2016	Change
	(in millions, except %)		
Sky	\$338	\$383	(12)%
Hulu	(215)	(157)	(37)%
Other equity affiliates	(164)	(260)	37 %

Equity losses of affiliates \$(41) \$(34) 21 %

Interest expense, net – Interest expense increased \$35 million for fiscal 2017, as compared to fiscal 2016, primarily due to the bridge credit agreement (as described in Note 3 – Acquisitions, Disposals and Other Transactions to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading “Sky Acquisition”) and higher average debt outstanding as a result of the issuance in November 2016 of \$450 million of 3.375% Senior Notes due 2026 and \$400 million of 4.750% Senior Notes due 2046.

Other, net – See Note 22 – Additional Financial Information to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading “Other, net”.

Income tax expense – The Company’s tax provision and related effective tax rate of 30% for fiscal 2017 was lower than the statutory rate of 35% primarily due to a 3% benefit from domestic production activities and a 2% benefit from the Company’s foreign operations.

The Company’s tax provision and related effective tax rate of 27% for fiscal 2016 was lower than the statutory rate of 35% primarily due to a 3% rate reduction from the Company’s foreign operations and a 4% rate reduction from increased tax amortization deductions for certain film and television properties as a result of a ruling that was received by the Company. In addition, increases in the net provision for uncertain tax positions were substantially offset by the final settlement of a foreign matter.

Net income – Net income increased for fiscal 2017, as compared to fiscal 2016, primarily due to higher operating results.

Segment Analysis

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

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

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

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

Fiscal 2018 versus Fiscal 2017

The following table reconciles Income from continuing operations before income tax benefit (expense) to Total Segment OIBDA for fiscal 2018, as compared to fiscal 2017:

	For the years ended June 30,		
	2018	2017	% Change
	(in millions, except %)		
Income from continuing operations before income tax benefit (expense)	\$4,410	\$4,689	(6) %
Add			
Amortization of cable distribution investments	69	65	6 %
Depreciation and amortization	584	553	6 %
Impairment and restructuring charges	72	315	(77) %
Equity losses of affiliates	138	41	**
Interest expense, net	1,248	1,219	2 %
Interest income	(39)	(36)	8 %
Other, net	550	327	(68) %
Total Segment OIBDA	\$7,032	\$7,173	(2) %

**not meaningful

The following table sets forth the computation of Total Segment OIBDA for fiscal 2018, as compared to fiscal 2017:

	For the years ended June 30,		
	2018	2017	% Change
	(in millions, except %)		
Revenues	\$30,400	\$28,500	7 %
Operating expenses	(19,769)	(18,094)	9 %
Selling, general and administrative	(3,668)	(3,298)	11 %
Amortization of cable distribution investments	69	65	6 %
Total Segment OIBDA	\$7,032	\$7,173	(2) %

The following tables set forth the Company's Revenues and Segment OIBDA for fiscal 2018, as compared to fiscal 2017:

	For the years ended June 30,		
	2018	2017	% Change
	(in millions, except %)		
Revenues			
Cable Network Programming	\$17,946	\$16,130	11 %
Television	5,162	5,649	(9) %

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Filmed Entertainment	8,747	8,235	6	%
Other, Corporate and Eliminations	(1,455)	(1,514)	4	%
Total revenues	\$30,400	\$28,500	7	%

	For the years ended June 30,		
	2018	2017	% Change
	(in millions, except %)		
Segment OIBDA			
Cable Network Programming	\$6,173	\$5,601	10 %
Television	362	894	(60) %
Filmed Entertainment	962	1,051	(8) %
Other, Corporate and Eliminations	(465)	(373)	(25) %
Total Segment OIBDA	\$7,032	\$7,173	(2) %

Cable Network Programming (59% and 57% of the Company's consolidated revenues in fiscal 2018 and 2017, respectively)

For fiscal 2018, revenues at the Cable Network Programming segment increased \$1.8 billion, or 11%, as compared to fiscal 2017, primarily due to higher affiliate fee, advertising and content and other revenues as shown below:

	Fiscal 2018					
	% Increase					
	Domestic		International		Consolidated	
Affiliate fee	11 %	12 %	11 %	11 %	11 %	11 %
Advertising	1 %	21 %	9 %	9 %	9 %	9 %
Content and other	16 %	16 %	16 %	16 %	16 %	16 %
Total	9 %	16 %	11 %	11 %	11 %	11 %

For fiscal 2018, Cable Network Programming Segment OIBDA increased \$572 million, or 10%, as compared to fiscal 2017, primarily due to the revenue increases noted above partially offset by higher expenses of \$1.2 billion, or 12%. For fiscal 2018, the increase in expenses was primarily due to higher sports programming rights amortization and production costs.

Domestic Channels

For fiscal 2018, domestic affiliate fee revenue increased, as compared to fiscal 2017, primarily due to contractual rate increases led by the Regional Sports Networks ("RSNs"), Fox News, FS1 and FX Networks. For fiscal 2018, domestic advertising revenue increased, as compared to fiscal 2017, primarily due to higher pricing at Fox News. The increase in domestic content and other revenues for fiscal 2018, as compared to fiscal 2017, was primarily due to the sublicensing of Big Ten programming rights to third party networks.

For fiscal 2018, domestic channels OIBDA increased 8%, as compared to fiscal 2017, primarily due to the revenue increases noted above partially offset by higher expenses. Operating expenses increased approximately \$635 million for fiscal 2018, as compared to fiscal 2017, primarily due to higher sports programming rights amortization and production costs, including the addition of Big Ten and FIFA World Cup programming and higher National Basketball Association ("NBA") and MLB costs as a result of contractual rate increases. Selling, general and administrative expenses increased approximately \$85 million for fiscal 2018, as compared to fiscal 2017, primarily

due to higher legal fees and compensation expenses.

International Channels

For fiscal 2018, international affiliate fee revenue increased, as compared to fiscal 2017, as a result of higher rates and additional subscribers in Latin America, Europe and India. For fiscal 2018, international advertising revenues increased, as compared to fiscal 2017, led by the addition of the IPL at STAR India (“STAR”), higher pricing and viewership at STAR’s general entertainment channels and growth in Latin America. The increase in international content and other revenues for fiscal 2018, as

compared to fiscal 2017, was primarily due to the sublicensing of soccer programming rights in Latin America.

For fiscal 2018, international channels OIBDA increased 22%, as compared to fiscal 2017, as the revenue increases noted above were partially offset by higher expenses. Operating expenses increased approximately \$490 million for fiscal 2018, as compared to fiscal 2017, primarily due to the addition of the IPL programming rights at STAR and higher sports and entertainment programming rights amortization at Fox Networks Group International (“FNGI”), led by higher soccer rights in Latin America and Europe.

Television (17% and 20% of the Company’s consolidated revenues in fiscal 2018 and 2017, respectively)

For fiscal 2018, revenues at the Television segment decreased \$487 million, or 9%, as compared to fiscal 2017, as higher affiliate fee revenue was more than offset by lower advertising and content and other revenues. Affiliate fee revenue increased 12%, as compared to fiscal 2017, due to contractual rate increases. Advertising revenue decreased 15%, as compared to fiscal 2017, due to lower NFL revenue primarily due to the comparative effect of the broadcast of Super Bowl LI in February 2017 of approximately \$425 million, the broadcast of one less postseason game and lower ratings combined with lower ratings for the MLB World Series games and lower political advertising revenue due to the 2016 presidential election. These decreases were partially offset by the broadcast of the FIFA World Cup and a higher number of college football games in fiscal 2018. Content and other revenues decreased 15%, as compared to fiscal 2017, primarily due to the absence of revenue generated in the prior year by one of the Company’s television stations granting a license to permit the commercial use of adjacent wireless spectrum in that market.

For fiscal 2018, Television Segment OIBDA decreased \$532 million, or 60%, as compared to fiscal 2017, primarily due to the revenue decreases noted above as well as increased expenses of \$45 million, or 1%, as compared to fiscal 2017. Operating expenses remained relatively consistent with fiscal 2017, as the decreased expenses due to absence of Super Bowl LI were offset by higher sports programming rights amortization primarily due to the broadcast of a higher number of college football games, the addition of the FIFA World Cup and contractual rate increases with the NFL and MLB. Selling, general and administrative expenses increased primarily due to higher compensation, legal and facility costs. The absence of Super Bowl LI in the current year decreased Segment OIBDA by approximately \$100 million for fiscal 2018.

Filmed Entertainment (29% of the Company’s consolidated revenues in fiscal 2018 and 2017)

For fiscal 2018, revenues at the Filmed Entertainment segment increased \$512 million, or 6%, as compared to fiscal 2017, primarily due to higher SVOD revenue from television productions, led by the licensing of Bob’s Burgers and This Is Us, and higher worldwide theatrical and home entertainment revenues from motion picture productions partially offset by lower television licensing revenues from motion picture productions. The revenues at the Filmed Entertainment segment include benefits of approximately \$110 million due to the strengthening of local currencies against the U.S. dollar for fiscal 2018, as compared to fiscal 2017.

The following feature film titles contributed significant revenues for fiscal 2018 and 2017:

	Fiscal 2018	Fiscal 2017
Worldwide theatrical performances	Deadpool 2	The Boss Baby
Worldwide theatrical and home entertainment performances	War for the Planet of the Apes	Logan
	The Greatest Showman	Trolls
	Kingsman: The Golden Circle	Ice Age: Collision Course
		Independence Day: Resurgence
	Murder on the Orient Express	

For fiscal 2018, Filmed Entertainment Segment OIBDA decreased \$89 million, or 8%, as compared to fiscal 2017, primarily due to higher expenses of \$601 million, or 8% partially offset by the revenue increases noted above. Operating expenses increased approximately \$490 million for fiscal 2018, as compared to fiscal 2017, primarily due to higher production amortization and participation costs from television and motion picture productions and higher costs at FoxNext Games related to the release of the mobile game, Marvel Strike Force. Selling, general and administrative expenses increased approximately \$110 million for fiscal 2018, as compared to fiscal 2017, primarily due to higher compensation costs, including higher costs at FoxNext Games. Segment OIBDA for fiscal 2018 decreased approximately \$95 million due to the new releases and initiatives at FoxNext Games. The strengthening of local currencies against the U.S. dollar resulted in a Segment OIBDA increase of approximately \$75 million for fiscal 2018, as compared to fiscal 2017.

Fiscal 2017 versus Fiscal 2016

The following table reconciles Income from continuing operations before income tax expense to Total Segment OIBDA for fiscal 2017, as compared to fiscal 2016:

	For the years ended June 30,			
	2017	2016	%	
	(in millions, except %)			
Income from continuing operations before income tax expense	\$4,689	\$4,154	13	%
Add				
Amortization of cable distribution investments	65	75	(13)	%
Depreciation and amortization	553	530	4	%
Impairment and restructuring charges	315	323	(2)	%
Equity losses of affiliates	41	34	21	%

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Interest expense, net	1,219	1,184	3	%
Interest income	(36)	(38)	(5)	%
Other, net	327	335	2	%
Total Segment OIBDA	\$7,173	\$6,597	9	%

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The following table sets forth the computation of Total Segment OIBDA for fiscal 2017, as compared to fiscal 2016:

	For the years ended June 30,			
	2017	2016	%	
	(in millions, except %)			
Revenues	\$28,500	\$27,326	4	%
Operating expenses	(18,094)	(17,419)	4	%
Selling, general and administrative	(3,298)	(3,385)	(3)	%
Amortization of cable distribution investments	65	75	(13)	%
Total Segment OIBDA	\$7,173	\$6,597	9	%

The following tables set forth the Company's Revenues and Segment OIBDA for fiscal 2017, as compared to fiscal 2016:

	For the years ended June 30,			
	2017	2016	% Change	
	(in millions, except %)			
Revenues				
Cable Network Programming	\$16,130	\$15,029	7	%
Television	5,649	5,105	11	%
Filmed Entertainment	8,235	8,505	(3)	%
Other, Corporate and Eliminations	(1,514)	(1,313)	(15)	%
Total revenues	\$28,500	\$27,326	4	%

	For the years ended June 30,			
	2017	2016	% Change	
	(in millions, except %)			
Segment OIBDA				
Cable Network Programming	\$5,601	\$5,145	9	%
Television	894	744	20	%
Filmed Entertainment	1,051	1,085	(3)	%
Other, Corporate and Eliminations	(373)	(377)	1	%
Total Segment OIBDA	\$7,173	\$6,597	9	%

Cable Network Programming (57% and 55% of the Company's consolidated revenues in fiscal 2017 and 2016, respectively)

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For fiscal 2017, revenues at the Cable Network Programming segment increased \$1.1 billion, or 7%, as compared to fiscal 2016, primarily due to higher affiliate fee, advertising and content and other revenues as shown below:

Fiscal 2017						
	% Increase (Decrease)					
	Domestic		International		Consolidated	
Affiliate fee	8	%	7	%	8	%
Advertising	6	%	(3)	%	2	%
Content and other	30	%	5	%	19	%
Total	9	%	3	%	7	%

These revenue increases are net of a decrease of approximately \$155 million due to the strengthening of the U.S. dollar against local currencies, primarily in Latin America and Europe, for fiscal 2017, as compared to fiscal 2016.

For fiscal 2017, Cable Network Programming Segment OIBDA increased \$456 million, or 9%, as compared to fiscal 2016, primarily due to the revenue increases noted above partially offset by higher expenses of \$645 million, or 7%. For fiscal 2017, the Segment OIBDA increase is net of a decrease of approximately \$60 million due to the strengthening of the U.S. dollar against local currencies as compared to fiscal 2016. The incremental revenues and expenses related to the NGS Media Business as a result of the acquisition were approximately \$140 million for fiscal 2017, as compared to fiscal 2016.

Domestic Channels

For fiscal 2017, domestic affiliate fee revenue increased, as compared to fiscal 2016, primarily due to higher average rates per subscriber led by Fox News and the RSNs partially offset by the impact of lower average subscribers. Also contributing to the increase were FS1 and FS2 due to higher average rates per subscriber and higher average subscribers and FX Networks due to higher average rates per subscriber. For fiscal 2017, domestic advertising revenue increased, as compared to fiscal 2016, primarily due to higher ratings and pricing at Fox News and the broadcasts of the MLB postseason games at FS1 partially offset by the impact of lower ratings at FX Networks. The increase in domestic content and other revenues for fiscal 2017, as compared to fiscal 2016, was primarily due to the acquisition of the NGS Media Business and higher SVOD revenue.

For fiscal 2017, domestic channels OIBDA increased 10%, as compared to fiscal 2016, primarily due to the revenue increases noted above partially offset by higher expenses. Operating expenses increased approximately \$505 million for fiscal 2017, as compared to fiscal 2016, principally due to higher sports rights amortization, including the MLB, NBA and National Association of Stock Car Auto Racing (“NASCAR”) rights at the Company’s sports channels, higher programming and marketing costs related to the launch of new programming at FX Networks and National Geographic and the acquisition of the NGS Media Business.

International Channels

For fiscal 2017, international affiliate fee revenue increased, as compared to fiscal 2016, as a result of local currency growth of 11%, led by additional subscribers and higher rates at FNGI in Latin America and Europe and at STAR. Partially offsetting the affiliate fee increase for fiscal 2017 was the adverse impact of the strengthening of the U.S. dollar against local currencies. For fiscal 2017, international advertising revenues decreased, as compared to fiscal 2016, as local currency growth at FNGI in Latin America and Europe was more than offset by lower local currency advertising revenue at STAR due to the effect of the Indian government’s demonetization initiatives on the general advertising market in India, a lower volume of cricket matches broadcast in the current year and a decrease in market share. The adverse impact of the strengthening of the U.S. dollar against local currencies also contributed to the decrease in international advertising revenue. The increase in international content and other revenues for fiscal 2017, as compared to fiscal 2016, was primarily due to higher network and syndication revenues in Latin America and Asia at FNGI partially offset by lower syndication revenues related to sports rights at STAR.

For fiscal 2017, international channels OIBDA increased 4%, as compared to fiscal 2016, primarily due to the revenue increases noted above partially offset by higher expenses. Operating expenses increased approximately \$125 million for fiscal 2017, as compared to fiscal 2016, primarily due to higher entertainment programming rights amortization at FNGI in Europe and Latin America and at STAR partially offset by lower sports programming amortization at STAR, due to lower volume of cricket matches broadcast in the current year.

Television (20% and 19% of the Company’s consolidated revenues in fiscal 2017 and 2016, respectively)

For fiscal 2017, revenues at the Television segment increased \$544 million, or 11%, as compared to fiscal 2016, primarily due to higher advertising, affiliate fee and content and other revenues. Advertising revenue increased 8% for

fiscal 2017, as compared to fiscal 2016, primarily due to revenues resulting from the broadcast of Super Bowl LI in February 2017 of approximately \$425 million after agency

commissions, the MLB World Series which benefited from higher ratings and two additional games, higher political advertising related to the 2016 U.S. elections, the broadcast of one additional NFL divisional playoff game and higher ratings and pricing of the NFL postseason. Partially offsetting these increases in advertising revenue were lower entertainment advertising revenue at both FOX and the Company's television stations due to lower entertainment ratings at FOX as compared to fiscal 2016, which included the final season of American Idol and the Emmy Awards, and lower ratings for the broadcast of the NFL regular season. Affiliate fee revenue increased 14% for fiscal 2017, as compared to fiscal 2016, as a result of higher rates. Content and other revenues increased 45% for fiscal 2017, as compared to fiscal 2016, primarily due to higher SVOD revenue at FOX and revenue generated by one of the Company's television stations granting a license to permit the commercial use of adjacent wireless spectrum in that market.

For fiscal 2017, Television Segment OIBDA increased \$150 million, or 20%, as compared to fiscal 2016, primarily due to the revenue increases noted above, partially offset by higher expenses of \$394 million, or 9%, as compared to fiscal 2016. Operating expenses increased approximately \$440 million for fiscal 2017, as compared to fiscal 2016, primarily due to higher sports programming rights amortization and production costs at FOX, including Super Bowl LI and one additional NFL divisional playoff game, and higher advertising and promotion costs at FOX related to new television series. Partially offsetting these increases in operating expenses were a decrease in entertainment programming rights amortization at FOX, primarily due to the absence of American Idol and the mix of programming in the current year compared to the prior year. The increase in operating expenses noted above was partially offset by a decrease in selling, general and administrative expenses.

Filmed Entertainment (29% and 31% of the Company's consolidated revenues in fiscal 2017 and 2016, respectively)

For fiscal 2017, revenues at the Filmed Entertainment segment decreased \$270 million, or 3%, as compared to fiscal 2016, primarily due to lower worldwide theatrical and home entertainment revenues from motion picture productions. Partially offsetting these decreases were higher SVOD revenue from television productions, led by the licensing of Homeland and The People v. O.J. Simpson: American Crime Story, and higher network and syndication revenues from television productions, led by a number of new series licensed for distribution. The strengthening of the U.S. dollar against local currencies resulted in a revenue decrease of approximately \$65 million for fiscal 2017, as compared to fiscal 2016.

The following feature film titles contributed significant revenues for fiscal 2017 and 2016:

	Fiscal 2017	Fiscal 2016
Worldwide theatrical and home entertainment releases	Logan	Deadpool
	Trolls	The Martian
	Ice Age: Collision Course	Kung Fu Panda 3
	Independence Day: Resurgence	Maze Runner: The Scorch Trials
Worldwide theatrical releases	The Boss Baby	X-Men: Apocalypse

For fiscal 2017, Filmed Entertainment Segment OIBDA decreased \$34 million, or 3%, as compared to fiscal 2016, primarily due to the revenue decreases noted above partially offset by lower expenses of \$236 million, or 3%. For fiscal 2017, operating expenses decreased approximately \$200 million, as compared to fiscal 2016, primarily due to lower production amortization and participation costs and lower marketing costs related to motion picture productions due to the mix of theatrical releases in the current period compared to the prior year partially offset by higher

production amortization and participation costs related to television productions due to the number and mix of television series delivered in the current period compared to the prior year. The strengthening of the U.S. dollar against local currencies resulted in a Segment OIBDA decrease of approximately \$50 million for fiscal 2017, as compared to fiscal 2016.

LIQUIDITY AND CAPITAL RESOURCES

Current Financial Condition

The Company's principal source of liquidity is internally generated funds. The Company also has an unused \$1.4 billion revolving credit facility, as amended, which expires in May 2020, and has access to various film co-financing alternatives to supplement its cash flows. In addition, the Company has access to the worldwide capital markets, subject to market conditions. As of June 30, 2018, the Company was in compliance with all of the covenants under the revolving credit facility, and it does not anticipate any violation of such covenants. The Company's internally generated funds are highly dependent upon the state of the advertising markets and public acceptance of its film and television productions.

As of June 30, 2018, the Company's consolidated assets included \$7.6 billion in cash and cash equivalents, of which approximately \$1.1 billion was held by the Company's foreign subsidiaries. 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 nor foresee a need to repatriate these funds. Should the Company require more capital in the U.S. than is generated by or available to its domestic operations, the Company could elect to repatriate funds held in foreign jurisdictions which, for certain balances, may result in higher effective tax rates and higher cash paid for income taxes for the Company. As a result of the Tax Act, the Company will continue to evaluate whether or not to assert indefinite reinvestment on a part or all the foreign undistributed earnings as further guidance becomes available.

The principal uses of cash that affect the Company's liquidity position include the following: investments in the production and distribution of new motion pictures and television programs; the acquisition of rights and related payments for entertainment and sports programming; operational expenditures including employee costs; capital expenditures; interest expenses; income tax payments; investments in associated entities; dividends; acquisitions; debt repayments; and stock repurchases.

In addition to the acquisitions, sales and possible acquisitions disclosed elsewhere, the Company has evaluated, and expects to continue to evaluate, possible acquisitions and dispositions of certain businesses and assets. Such transactions may be material and may involve cash, the Company's securities or the assumption of additional indebtedness (See Note 3 – Acquisitions, Disposals and Other Transactions to the accompanying Consolidated Financial Statements of Twenty-First Century Fox).

Sources and Uses of Cash – Fiscal 2018 vs. Fiscal 2017

Net cash provided by operating activities for fiscal 2018 and 2017 was as follows (in millions):

For the years ended June 30,	2018	2017
Net cash provided by operating activities from continuing operations	\$4,227	\$3,795

The increase in net cash provided by operating activities during fiscal 2018, as compared to fiscal 2017, is primarily due to lower production spending for motion picture productions and a decrease in taxes paid partially offset by lower operating results.

Net cash used in investing activities for fiscal 2018 and 2017 was as follows (in millions):

For the years ended June 30,	2018	2017
Net cash used in investing activities from continuing operations	\$(1,177)	\$(752)

The increase in net cash used in investing activities during fiscal 2018, as compared to fiscal 2017, was primarily due to cash paid related to the premium for the foreign currency option contract, additional investments in Hulu and higher capital expenditures partially offset by cash received from the Federal Communications Commission's reverse auction for broadcast spectrum (See Note 3 – Acquisitions, Disposals and Other Transactions to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading "Fiscal 2017" under the subheading "Other").

Net cash used in financing activities for fiscal 2018 and 2017 was as follows (in millions):

For the years ended June 30,	2018	2017
Net cash used in financing activities from continuing operations	\$(1,464)	\$(1,291)

The increase in net cash used in financing activities during fiscal 2018, as compared to fiscal 2017, was primarily due to net repayments over borrowings in the current year partially offset by the absence of stock repurchases in fiscal 2018.

Stock Repurchase Program

The Company has a stock repurchase program, but did not repurchase any of its Class A Common Stock or Class B Common Stock during fiscal 2018. Pursuant to the Amended and Restated Merger Agreement, the Company is prohibited from repurchasing any additional shares without Disney's consent (See Note 12 – Stockholders' Equity to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading "Stock Repurchase Program").

Dividends

The total dividends paid in fiscal 2018 were \$0.36 per share of Class A Common Stock and Class B Common Stock. Subsequent to June 30, 2018, the Company declared a semi-annual dividend of \$0.18 per share on both the Class A Common Stock and the Class B Common Stock, resulting in a prospective annual dividend of \$0.36 per share. The dividend declared is payable on October 17, 2018 with a record date for determining dividend entitlements of September 12, 2018.

Based on the number of shares outstanding as of June 30, 2018 and the prospective annual dividend rate stated above, the total aggregate cash dividends expected to be paid to stockholders in fiscal 2019 is approximately \$665 million.

Sources and Uses of Cash – Fiscal 2017 vs. Fiscal 2016

Net cash provided by operating activities for fiscal 2017 and 2016 was as follows (in millions):

For the years ended June 30,	2017	2016
Net cash provided by operating activities from continuing operations	\$3,795	\$3,142

The increase in net cash provided by operating activities during fiscal 2017, as compared to fiscal 2016, primarily reflects higher operating results and the absence of a payment at the Cable Network Programming segment to the Board of Control for Cricket in India ("BCCI") for contract termination costs related to a program rights contract for the Champions League Twenty20 ("CLT20") cricket tournament through 2018 partially offset by higher tax payments and lower cash distributions received from Sky (See Note 7 – Investments to the accompanying Consolidated Financial Statements of Twenty-First Century Fox).

Net cash used in investing activities for fiscal 2017 and 2016 was as follows (in millions):

For the years ended June 30,	2017	2016
Net cash used in investing activities from continuing operations	\$(752)	\$(1,638)

The decrease in net cash used in investing activities during fiscal 2017, as compared to fiscal 2016, was primarily due to the comparative effect of the cash used for the National Geographic Partners and MAA Television Network transactions in fiscal 2016 (See Note 3 – Acquisitions, Disposals and Other Transactions to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading “Fiscal 2016”).

Net cash used in financing activities for fiscal 2017 and 2016 was as follows (in millions):

For the years ended June 30,	2017	2016
Net cash used in financing activities from continuing operations	\$(1,291)	\$(5,424)

The decrease in net cash used in financing activities during fiscal 2017, as compared to fiscal 2016, was primarily due to fewer shares repurchased partially offset by a decrease in net borrowings.

Debt Instruments

The following table summarizes cash from borrowings and cash used in repayment of borrowings for fiscal 2018, 2017 and 2016:

	For the years ended June 30,		
	2018	2017	2016
	(in millions)		
Borrowings			
Notes due 2026 and 2046 ^(a)	\$-	\$842	\$-
Notes due 2025 and 2045 ^(a)	-	-	987
Bank loans ^(b)	1,469	76	373
Total borrowings	\$1,469	\$918	\$1,360
Repayment of borrowings			
Notes due May 2018 ^(c)	\$(350)	\$-	\$-
Notes due October 2016 ^(c)	-	(400)	-
Notes due October 2015 ^(c)	-	-	(200)
Bank loans ^(b)	(1,522)	(173)	(487)
Total repayment of borrowings	\$(1,872)	\$(573)	\$(687)

^(a) See Note 11 – Borrowings to the accompanying Consolidated Financial Statements of Twenty-First Century Fox for further discussion under the heading “Public debt - Senior notes issued under August 2009 indenture”.

^(b) The fiscal 2018 activity includes the effect of the amendment to the Yankees Entertainment and Sports Network (the “YES Network”) credit agreement and the current borrowings at STAR (See Note 11 – Borrowings to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading “Bank Loans”). The fiscal 2017 and 2016 activity includes \$76 million and \$373 million in borrowings, respectively, and \$146 million and \$379 million in repayments, respectively, under the YES Network secured revolving credit facility. The balance of the repayments was related to the YES Network term loan facility.

^(c) See Note 11 – Borrowings to the accompanying Consolidated Financial Statements of Twenty-First Century Fox for further discussion under the heading “Public debt – Predecessor indentures”.

Ratings of the public debt

The following table summarizes the Company's credit ratings as of June 30, 2018:

Rating Agency	Senior Debt	Outlook
Moody's ^(a)	Baa1	Under review
Standard & Poor's ^(a)	BBB+	Watch developing

^(a)Moody's and Standard & Poor's changed the outlook of the Company's public debt from Stable to Under review and from Watch negative to Watch developing, respectively, in December 2017, following the Company's announcement of the Transaction (See Note 3 – Acquisitions, Disposals

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and Other Transactions to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading “Disney Transaction/Distribution of New Fox”).

Revolving Credit Agreement

21st Century Fox America, Inc. (“21CFA”), a wholly-owned subsidiary of the Company, is party to a credit agreement providing a \$1.4 billion unsecured revolving credit facility with a sub-limit of \$250 million (or its equivalent in Euros) available for the issuance of letters of credit and a maturity date of May 2020 (See Note 11 – Borrowings to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading “Revolving Credit Agreement”).

Bridge Credit Agreement

To provide financing in connection with the Sky Acquisition, the Company and 21CFA entered into a bridge credit agreement, which was subsequently amended (See Note 3 – Acquisitions, Disposals and Other Transactions to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading “Sky Acquisition”).

Commitments and Contingent Guarantees

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 following table summarizes the Company’s material firm commitments as of June 30, 2018:

	As of June 30, 2018				
	Payments due by period				
	Total	1 year	2 - 3 years	4 - 5 years	After 5 years
	(in millions)				
Operating leases and service agreements					
Land and buildings	\$1,579	\$286	\$495	\$284	\$514
Other	353	114	124	63	52
Other commitments					
Borrowings	19,680	1,056	1,499	1,401	15,724
Sports programming rights	57,825	6,782	13,984	13,825	23,234
Entertainment programming rights	2,228	1,244	735	221	28
Other commitments and contractual obligations	2,144	649	588	402	505
Total commitments, borrowings and contractual obligations	\$83,809	\$10,131	\$17,425	\$16,196	\$40,057

The firm commitments above do not include obligations and commitments related to the transactions described in Note 3 – Acquisitions, Disposals and Other Transactions to the accompanying Consolidated Financial Statements of Twenty-First Century Fox.

The Company also has certain contractual arrangements in relation to certain subsidiaries and investees that would require the Company to make payments or provide funding if certain circumstances occur (“contingent guarantees”). The Company does not expect that these contingent guarantees will result in any material amounts being paid by the Company in the foreseeable future. The timing of the amounts presented in the table below reflect when the maximum contingent guarantees will expire and does not indicate that the Company expects to incur an obligation to make payments during that time frame.

As of June 30, 2018					
Amount of guarantees expiration per period					
		1	2 - 3	4 - 5	After
	Total	year	years	years	5
	(in millions)				years
Contingent guarantees					
Sports programming rights	\$903	\$896	\$ -	\$ -	\$ 7
Hulu indemnity	113	-	-	113	-
Letters of credit and other	54	47	3	-	4
Total contingent guarantees	\$1,070	\$943	\$ 3	\$ 113	\$ 11

In addition to the contingent guarantees above, the Company is party to a capital funding agreement related to Hulu.

For additional details on commitments and contingent guarantees see Note 15 – Commitments and Contingencies to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the headings “Operating leases and service agreements”, “Sports programming rights”, “Other commitments and contractual obligations” and “Hulu indemnity”.

Pension and other postretirement benefits and uncertain tax benefits

The table excludes the Company’s pension, other postretirement benefits (“OPEB”) obligations and the gross unrecognized tax benefits for uncertain tax positions as the Company is unable to reasonably predict the ultimate amount and timing. The Company made contributions of \$36 million and \$98 million to its pension plans in fiscal 2018 and 2017, respectively. The majority of these contributions were voluntarily made to improve the funding status of the plans. Future plan contributions are dependent upon actual plan asset returns, interest rates and statutory requirements. Assuming that actual plan asset returns are consistent with the Company’s expected plan returns in fiscal 2019 and beyond, and that interest rates remain constant, the Company would not be required to make any material contributions to its U.S. pension plans for the immediate future. Required pension plan contributions for the next fiscal year are not expected to be material but the Company may make voluntary contributions in future periods. Payments due to participants under the Company’s pension plans are primarily paid out of underlying trusts. Payments due under the Company’s OPEB plans are not required to be funded in advance, but are paid as medical costs are incurred by covered retiree populations, and are principally dependent upon the future cost of retiree medical benefits under the Company’s pension plans. The Company does not expect its net OPEB payments to be material in fiscal 2019 (See Note 16 – Pension and Other Postretirement Benefits to the accompanying Consolidated Financial Statements of Twenty-First Century Fox for further discussion of the Company’s pension and OPEB plans).

Contingencies

See Note 15 – Commitments and Contingencies to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading “Contingencies”.

CRITICAL ACCOUNTING POLICIES

An accounting policy is considered to be critical if it is important to the Company’s financial condition and results and if it requires significant judgment and estimates on the part of management in its

application. The development and selection of these critical accounting policies have been determined by management of the Company and the related disclosures have been reviewed with the Audit Committee of the Company's Board of Directors. For the Company's summary of significant accounting policies, see Note 2 – Summary of Significant Accounting Policies to the accompanying Consolidated Financial Statements of Twenty-First Century Fox.

Use of Estimates

See Note 2 – Summary of Significant Accounting Policies to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading "Use of Estimates".

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, the fees are fixed or determinable, the product or service has been delivered and collectability is reasonably assured. The Company considers the terms of each arrangement to determine the appropriate accounting treatment.

Cable Network Programming and Television

Advertising revenue is recognized as the commercials are aired, net of agency commissions. Subscriber fees received from MVPDs for Cable Network Programming and Television are recognized as affiliate fee revenue in the period services are provided.

The Company classifies the amortization of cable distribution investments (capitalized fees paid to MVPDs to facilitate carriage of a cable network) against affiliate fee revenue in accordance with ASC 605-50, "Revenue Recognition—Customer Payments and Incentives." The Company defers the cable distribution investments and amortizes the amounts on a straight-line basis over the contract period.

Filmed Entertainment

Content revenues from the distribution of motion pictures and television series are recognized in accordance with ASC 926. Revenues from the theatrical distribution of motion pictures are recognized as they are exhibited, and revenues from home entertainment sales, net of a reserve for estimated returns, are recognized on the date that DVD and Blu-ray units are made widely available for sale by retailers or when made available for viewing via digital distribution platforms and all Company-imposed restrictions on the sale or availability have expired. Revenues from television distribution are recognized when the motion picture or television series is made available to the licensee for broadcast.

License agreements for the broadcast of motion pictures and television series in the broadcast network, syndicated television and cable television markets are routinely entered into in advance of their available date for broadcast. Cash received and amounts billed in connection with such contractual rights for which revenue is not yet recognizable is classified as deferred revenue. Because deferred revenue generally relates to contracts for the licensing of motion pictures and television series which have already been produced, the recognition of revenue for such completed product is principally only dependent upon the commencement of the availability period for broadcast under the terms of the related licensing agreement.

The Company earns and recognizes revenues as a distributor on behalf of third parties. In such cases, determining whether revenue should be reported on a gross or net basis is based on management's assessment of whether the Company acts as the principal or agent in the transaction. To the extent the Company acts as the principal in a transaction, revenues are reported on a gross basis. Determining whether the Company acts as principal or agent in a

transaction involves judgment and is based on an evaluation of whether the Company has the substantial risks and rewards of ownership under the terms of an arrangement.

Filmed Entertainment Costs and Programming Rights

Filmed Entertainment Costs

Accounting for the production and distribution of motion pictures and television programming is in accordance with ASC 926, which requires management's judgment as it relates to total revenues to be received and costs to be incurred throughout the life of each program or its license period. These judgments are used to determine the amortization of capitalized filmed entertainment and television programming costs, the expensing of participation and residual costs associated with revenues earned and any fair value adjustments.

In accordance with ASC 926, the Company amortizes filmed entertainment and television programming costs using the individual-film-forecast method. Under the individual-film-forecast method, such programming costs are amortized for each film or television program in the ratio that current period actual revenue for such title bears to management's estimated ultimate revenue as of the beginning of the current fiscal year to be recognized over approximately a six year period from all media and markets for such title. Management bases its estimates of ultimate revenue for each motion picture on the historical performance of similar motion pictures, incorporating factors such as the past box office record of the lead actors and actresses, the genre of the motion picture, pre-release market research, the expected number of theaters in which the motion picture will be released and, once released, actual results of each motion picture. For each television program, management bases its estimates of ultimate revenue on the performance of the television programming in the initial markets, the existence of future firm commitments to sell additional episodes of the program and the past performance of similar television programs. Management regularly reviews, and revises when necessary, its total revenue estimates on a title-by-title basis, which may result in a change in the rate of amortization and/or a write-down of the asset to fair value.

Programming Costs

Costs incurred in acquiring program rights or producing programs are accounted for in accordance with ASC 920, "Entertainment—Broadcasters." Program rights and the related liabilities are recorded at the gross amount of the liabilities when the license period has begun, the cost of the program is determinable and the program is accepted and available for airing. Television broadcast network entertainment programming and cable network entertainment programming, which includes acquired series, series produced in-house, movies and other programs, are amortized primarily on an accelerated basis. Management regularly reviews, and revises when necessary, its total revenue estimates on a contract basis, which may result in a change in the rate of amortization and/or a write-down of the asset to fair value.

As a result of the evaluation of the recoverability of the unamortized costs associated with programming rights, the Company recognized impairment charges of \$44 million, \$91 million and \$92 million in fiscal 2018, 2017 and 2016, respectively, for entertainment programming rights principally relating to programming that it will no longer broadcast (See Note 6 – Inventories, net to the accompanying Consolidated Financial Statements of Twenty-First Century Fox for further discussion).

The Company has single and multi-year contracts for broadcast rights of programs and sporting events. The costs of multi-year national sports contracts at FOX and the national sports channels are primarily charged to expense and allocated to segments based on the ratio of each current period's attributable revenue for each contract to the estimated total remaining attributable revenue for each contract. Estimates can change and accordingly, are reviewed periodically and amortization is adjusted as necessary. Such changes in the future could be material. The recoverability of certain sports rights contracts for content broadcast on FOX and the national sports channels is assessed on an aggregate basis.

The costs of local and regional sports contracts for a specified number of events are amortized on an event-by-event basis while costs for local and regional sports contracts for a specified season are amortized over the season on a straight-line basis.

Goodwill and Intangible Assets

The Company's intangible assets include goodwill, film and television libraries, Federal Communications Commission ("FCC") licenses, MVPD affiliate agreements and relationships and trademarks and other copyrighted products. Intangible assets acquired in business combinations are recorded at their estimated fair value at the date of acquisition. Goodwill is recorded as the difference between the consideration transferred to acquire entities and the estimated fair values assigned to their tangible and identifiable intangible net assets and is assigned to one or more reporting units for purposes of testing for impairment. The judgments made in determining the estimated fair value assigned to each class of intangible assets acquired, their reporting unit, as well as their useful lives can significantly impact net income.

The Company accounts for its business combinations under the acquisition method of accounting. The total cost of acquisitions is allocated to the underlying net assets, based on their respective estimated fair values. The excess of the purchase price over the estimated fair values of the tangible net assets acquired is recorded as intangibles. Amounts recorded as goodwill are assigned to one or more reporting units. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives and market multiples, among other items. Identifying reporting units and assigning goodwill to them requires judgment involving the aggregation of business units with similar economic characteristics and the identification of existing business units that benefit from the acquired goodwill. The Company allocates goodwill to disposed businesses using the relative fair value method.

Carrying values of goodwill and intangible assets with indefinite lives are reviewed at least annually for possible impairment in accordance with ASC 350 "Intangibles—Goodwill and Other." The Company's impairment review is based on, among other methods, a discounted cash flow approach that requires significant management judgment. The Company uses its judgment in assessing whether assets may have become impaired between annual valuations. Indicators such as unexpected adverse economic factors, unanticipated technological change or competitive activities, loss of key personnel and acts by governments and courts, may signal that an asset has become impaired.

The Company uses direct valuation methods to value identifiable intangibles for acquisition accounting and impairment testing. The direct valuation method used for FCC licenses requires, among other inputs, the use of published industry data that are based on subjective judgments about future advertising revenues in the markets where the Company owns television stations. This method also involves the use of management's judgment in estimating an appropriate discount rate reflecting the risk of a market participant in the U.S. broadcast industry. The resulting fair values for FCC licenses are sensitive to these long-term assumptions and any variations to such assumptions could result in an impairment to existing carrying values in future periods and such impairment could be material.

During fiscal 2018, the Company determined that the goodwill and indefinite-lived intangible assets included in the accompanying Consolidated Balance Sheet of Twenty-First Century Fox as of June 30, 2018 were not impaired. The Company determined there are no reporting units with goodwill considered to be at risk and will continue to monitor its goodwill and intangible assets for possible future impairment.

See Note 10 – Goodwill and Intangible Assets, net to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading "Annual Impairment Review" for further discussion.

Income Taxes

The Company is subject to income taxes in the U.S. and numerous foreign jurisdictions in which it operates. The Company computes its annual tax rate based on the statutory tax rates and tax planning opportunities available to it in

the various jurisdictions in which it earns income. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities.

Significant judgment is required in determining the Company's tax expense and in evaluating its tax positions including evaluating uncertainties under ASC 740, "Income Taxes".

The Company records valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. In making this assessment, management analyzes future taxable income, reversing temporary differences and ongoing tax planning strategies. Should a change in circumstances lead to a change in judgment about the realizability of deferred tax assets in future years, the Company would adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income.

For information regarding the impact of the Tax Act, see Note 2 – Summary of Significant Accounting Policies to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading "U.S. Tax Reform".

Employee Costs

The measurement and recognition of costs of the Company's pension and OPEB plans require the use of significant management judgments, including discount rates, expected return on plan assets, future compensation and other actuarial assumptions.

The Company participates in and/or sponsors various pension, savings and postretirement benefit plans. The major pension plans and postretirement benefit plans are closed to new participants (with the exception of groups covered by collective bargaining agreements). In fiscal 2018, 2017 and 2016, the Company settled a portion of its pension obligations by irrevocably transferring pension liabilities to an insurance company through the purchase of group annuity contracts and/or through lump sum distributions. These transactions, primarily funded with pension plan assets, resulted in pre-tax settlement losses related to the recognition of accumulated deferred actuarial losses of \$91 million, \$39 million and \$75 million for fiscal 2018, 2017 and 2016, respectively, which were included in Other, net in the Consolidated Statements of Operations.

For financial reporting purposes, net periodic pension expense is calculated based upon a number of actuarial assumptions, including a discount rate, an expected rate of return on plan assets and mortality. The Company considers current market conditions, including changes in investment returns and interest rates, in making these assumptions. In developing the expected long-term rate of return, the Company considered the pension portfolio's future return expectations of the various asset classes. The expected long-term rate of return is based on an asset allocation assumption of 47% equity securities, 28% fixed income securities and 25% in other investments. The mortality assumptions reflect data from the mortality table released by the Society of Actuaries in fiscal 2015 and subsequently updated in fiscal 2016, 2017 and 2018.

The discount rate reflects the market rate for high-quality fixed income investments on the Company's annual measurement date of June 30 and is subject to change each fiscal year. The discount rate assumptions used to account for pension and other postretirement benefit plans reflect the rates at which the benefit obligations could be effectively settled. The rate was determined by matching the Company's expected benefit payments for the primary plans to a hypothetical yield curve developed using a portfolio of several hundred high-quality non-callable corporate bonds.

Beginning in fiscal 2017, the Company changed the method used to estimate the service and interest cost components of net periodic benefit cost for its pension and other postretirement benefit plans. This change in estimate did not have a material impact on the Company's pension and postretirement net periodic benefit expense in fiscal 2017 (See Note 16 – Pension and Other Postretirement Benefits to the accompanying Consolidated Financial Statements of Twenty-First Century Fox for further discussion).

The key assumptions used in developing the Company's fiscal 2018, 2017 and 2016 net periodic pension expense for its plans consist of the following:

	2018	2017	2016
	(in millions, except %)		
Discount rate used to determine net periodic benefit costs	3.9 %	3.8 %	4.7 %
Assets			
Expected rate of return	6.9 %	6.9 %	6.9 %
Actual return	\$77	\$163	\$19
Expected return	94	89	97
(Loss) / Gain	\$(17)	\$74	\$(78)
One year actual return	5.9 %	13.2 %	2.0 %
Five year actual return	6.6 %	6.9 %	4.8 %
Ten year actual return	5.5 %	4.8 %	4.7 %

The weighted average discount rate is volatile from year to year because it is determined based upon the prevailing rates in the U.S. and U.K. as of the measurement date. The Company will utilize a weighted average discount rate of 4.2% in calculating the fiscal 2019 net periodic pension expense for its plans. The Company will use a weighted average long-term rate of return of 6.7% for fiscal 2019 based principally on future return expectation of the plans' asset mix. The accumulated net pre-tax losses on the Company's pension plans as of June 30, 2018 were \$449 million which decreased from \$584 million as of June 30, 2017. This decrease of \$135 million was primarily due to the settlement of pension obligations through the purchase of a group annuity contract and through lump sum distributions and the recognition of deferred losses related to amortization. The accumulated pre-tax net losses as of June 30, 2018 were primarily the result of changes in discount rates. Lower discount rates increase present values of benefit obligations and increase the Company's deferred losses and also increase subsequent-year pension expense. Higher discount rates decrease the present values of benefit obligations and reduce the Company's accumulated net loss and also decrease subsequent-year pension expense. These deferred losses are being systematically recognized in future net periodic pension expense in accordance with ASC 715, "Compensation—Retirement Benefits." Unrecognized losses in excess of 10% of the greater of the market-related value of plan assets or the plans' projected benefit obligation ("PBO") are recognized over the average future service of the plan participants or average future life of the plan participants.

The Company made contributions of \$36 million, \$98 million and \$195 million to its pension plans in fiscal 2018, 2017 and 2016, respectively. The majority of these contributions were voluntarily made to improve the funding status of the plans which were impacted by the economic conditions noted above. Future plan contributions are dependent upon actual plan asset returns, statutory requirements and interest rate movements. Assuming that actual plan returns are consistent with the Company's expected plan returns in fiscal 2019 and beyond, and that interest rates remain constant, the Company would not be required to make any material statutory contributions to its primary U.S. pension plans for the immediate future. The Company will continue to make voluntary contributions as necessary to improve funded status.

Changes in net periodic pension expense may occur in the future due to changes in the Company's expected rate of return on plan assets and discount rate resulting from economic events. The following table highlights the sensitivity of the Company's pension obligations and expense to changes in these assumptions, assuming all other assumptions remain constant:

Changes in Assumption	Impact on Annual	
	Pension Expense	Impact on PBO
0.25 percentage point decrease in discount rate	Increase \$5 million	Increase \$60 million
0.25 percentage point increase in discount rate	Decrease \$5 million	Decrease \$56 million
0.25 percentage point decrease in expected rate of return on assets	Increase \$3 million	-
0.25 percentage point increase in expected rate of return on assets	Decrease \$3 million	-

Fiscal 2019 net periodic pension expense for the Company's pension plans is expected to be approximately \$65 million, which is consistent with fiscal 2018.

Recent Accounting Pronouncements

See Note 2 – Summary of Significant Accounting Policies to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading “Recently Adopted and Recently Issued Accounting Guidance and U.S. Tax Reform”.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has exposure to several types of market risk: changes in foreign currency exchange rates, interest rates and stock prices. The Company neither holds nor issues financial instruments for trading purposes.

The following sections provide quantitative and qualitative information on the Company's exposure to foreign currency exchange rate risk, interest 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 Exchange Rates

The U.S. dollar is the functional currency of the Company's U.S. operations and continues to be the principal currency in which the Company conducts its operations. For operations outside the U.S., the respective local currency is generally the functional currency. In most regions where the Company operates, the net earnings of wholly-owned subsidiaries are reinvested locally and working capital requirements are met from existing liquid funds. To the extent such funds are not sufficient to meet working capital requirements, draw downs in the appropriate local currency are generally available from intercompany borrowings. The Company uses foreign currency forward contracts, primarily denominated in Pounds Sterling and Canadian Dollars, to hedge certain exposures to foreign currency exchange rate risks associated with revenues and the cost of producing or acquiring films and television programming. The Company also entered into foreign currency option contracts to limit its foreign currency exchange rate risk in connection with the Sky Acquisition. For accounting purposes, the option contracts do not qualify for hedge accounting and therefore have been treated as economic hedges (See Note 3 – Acquisitions, Disposals and Other Transactions to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading "Sky Acquisition"). Information on the derivative financial instruments with exposure to foreign currency exchange rate risk is presented below:

	As of June 30,	
	2018	2017
	(in millions)	
Notional Amount (Foreign currency purchases and sales, including options)		
Foreign currency purchases	\$12,889	\$12,529
Foreign currency sales	18	51
Aggregate notional amount	\$12,907	\$12,580
Notional Amount (Hedge type)		
Cash flow hedges	\$119	\$209
Economic hedges	12,788	12,371
Aggregate notional amount	\$12,907	\$12,580
Fair Value		
Total fair value of financial instruments with foreign currency exchange rate risk: asset	\$6	\$38
Sensitivity Analysis		
Potential change in fair values resulting from a 10% adverse change in quoted foreign currency exchange rates: loss	\$(17)	\$(53)

Interest Rates

The Company's current financing arrangements and facilities include approximately \$18.4 billion of outstanding fixed-rate debt and, at the YES Network and STAR India, approximately \$1.2 billion and \$73 million, respectively, of outstanding variable-rate bank debt, before adjustments for unamortized discount and debt issuance costs (See Note 11 – Borrowings to the accompanying Consolidated Financial Statements of Twenty-First Century Fox for further discussion).

Fixed and variable-rate debts are impacted differently by changes in interest rates. A change in the interest rate or yield of fixed-rate debt will only impact the fair market value of such debt, while a change in the interest rate of variable-rate debt will impact interest expense, as well as the amount of cash required to service such debt. As of June 30, 2018, substantially all of the Company's financial instruments with exposure to interest rate risk were denominated in U.S. dollars. Information on financial instruments with exposure to interest rate risk is presented below:

	As of June 30, 20182017 (in millions)	
Fair Value		
Borrowings: liability ^(a)	\$(22,591)	\$(23,853)
Interest rate swaps: asset ^(b)	8	1
Total fair value of financial instruments with exposure to interest rate risk: liability	\$(22,583)	\$(23,852)
Sensitivity Analysis		
Potential change in fair values resulting from a 10% adverse change in quoted interest rates: loss	\$(882)	\$(859)

^(a)The change in the fair values of the Company's borrowings is primarily due to the effect of changes in interest rates and lower average debt outstanding.

^(b)The notional amount of interest rate swap contracts outstanding was \$608 million and \$663 million as of June 30, 2018 and 2017, respectively.

Stock Prices

The Company has common stock investments in publicly traded companies that are subject to market price volatility. These investments principally represent the Company's investment in an equity method affiliate. Information on the Company's investments with exposure to stock price risk is presented below:

	As of June 30, 2018 2017 (in millions)	
Fair Value		
Total fair value of common stock investments	\$13,241	\$8,713
Sensitivity Analysis		
	\$(1,324)	\$(871)

Potential change in fair values resulting from a 10% adverse change in quoted market prices:
loss^(a)

^(a) A hypothetical decrease would not result in a material adjustment recognized in the Consolidated Statements of Operations, as any changes in fair value of the Company's equity method affiliates are not recognized unless the fair value declines below the investment's carrying value and the decline is deemed other-than-temporary.

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Concentrations of Credit Risk

See Note 2 – Summary of Significant Accounting Policies to the accompanying Consolidated Financial Statements of Twenty-First Century Fox under the heading “Concentrations of Credit Risk”.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
TWENTY-FIRST CENTURY FOX, INC.

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Twenty-First Century Fox, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Twenty-First Century Fox, Inc.'s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Twenty-First Century Fox, Inc.;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America;
- provide reasonable assurance that receipts and expenditures of Twenty-First Century Fox, Inc. are being made only in accordance with authorization of management and directors of Twenty-First Century Fox, Inc.; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Internal control over financial reporting includes the controls themselves, monitoring and internal auditing practices and actions taken to correct deficiencies as identified.

Because of its inherent limitations, internal control over financial reporting, no matter how well designed, may not prevent or detect misstatements. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Also, the assessment of the effectiveness of internal control over financial reporting was made as of a specific date. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including the Company's principal executive officer and principal financial officer, conducted an assessment of the effectiveness of Twenty-First Century Fox, Inc.'s internal control over financial reporting as of June 30, 2018, based on criteria for effective internal control over financial reporting described in the 2013 "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included an evaluation of the design of Twenty-First Century Fox, Inc.'s internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of Twenty-First Century Fox, Inc.'s Board of Directors.

Based on this assessment, management determined that, as of June 30, 2018, Twenty-First Century Fox, Inc. maintained effective internal control over financial reporting.

Ernst & Young LLP, the independent registered public accounting firm who audited and reported on the Consolidated Financial Statements of Twenty-First Century Fox, Inc. included in the Annual Report on Form 10-K for the fiscal year ended June 30, 2018, has audited the Company's internal control over financial reporting. Their report appears on the following page.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Twenty-First Century Fox, Inc.:

Opinion on Internal Control over Financial Reporting

We have audited Twenty-First Century Fox, Inc.'s internal control over financial reporting as of June 30, 2018, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Twenty-First Century Fox, Inc. maintained, in all material respects, effective internal control over financial reporting as of June 30, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Twenty-First Century Fox, Inc. as of June 30, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, cash flows and equity for each of the three years in the period ended June 30, 2018, and the related notes and our report dated August 13, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

Twenty-First Century Fox, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

New York, New York

August 13, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Twenty-First Century Fox, Inc.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Twenty-First Century Fox, Inc. (the “Company”) as of June 30, 2018 and 2017, the related consolidated statements of operations, comprehensive income, cash flows and equity for each of the three years in the period ended June 30, 2018, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of June 30, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated August 13, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2002.

New York, New York

August 13, 2018

TWENTY-FIRST CENTURY FOX, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	For the years ended June 30,		
	2018	2017	2016
Revenues	\$30,400	\$28,500	\$27,326
Operating expenses	(19,769)	(18,094)	(17,419)
Selling, general and administrative	(3,668)	(3,298)	(3,385)
Depreciation and amortization	(584)	(553)	(530)
Impairment and restructuring charges	(72)	(315)	(323)
Equity losses of affiliates	(138)	(41)	(34)
Interest expense, net	(1,248)	(1,219)	(1,184)
Interest income	39	36	38
Other, net	(550)	(327)	(335)
Income from continuing operations before income tax benefit (expense)	4,410	4,689	4,154
Income tax benefit (expense)	364	(1,419)	(1,130)
Income from continuing operations	4,774	3,270	3,024
Loss from discontinued operations, net of tax	(12)	(44)	(8)
Net income	4,762	3,226	3,016
Less: Net income attributable to noncontrolling interests	(298)	(274)	(261)
Net income attributable to Twenty-First Century Fox, Inc. stockholders	\$4,464	\$2,952	\$2,755
EARNINGS PER SHARE DATA			
Income from continuing operations attributable to Twenty-First Century Fox, Inc. stockholders	\$4,476	\$2,996	\$2,763
Income from continuing operations attributable to Twenty-First Century Fox, Inc. stockholders per share - basic	\$2.42	\$1.62	\$1.42
Income from continuing operations attributable to Twenty-First Century Fox, Inc. stockholders per share - diluted	\$2.41	\$1.61	\$1.42
Net income attributable to Twenty-First Century Fox, Inc. stockholders per share - basic	\$2.41	\$1.59	\$1.42
Net income attributable to Twenty-First Century Fox, Inc. stockholders per share - diluted	\$2.40	\$1.59	\$1.42

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

TWENTY-FIRST CENTURY FOX, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(IN MILLIONS)

	For the years ended June 30,		
	2018	2017	2016
Net income	\$ 4,762	\$ 3,226	\$ 3,016
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments	(160)	62	(147)
Cash flow hedges	(1)	28	(12)
Unrealized holding gains (losses) on securities	132	-	(4)
Benefit plan adjustments	100	102	(98)
Equity method investments	(51)	(60)	(321)
Other comprehensive income (loss), net of tax	20	132	(582)
Comprehensive income	4,782	3,358	2,434
Less: Net income attributable to noncontrolling interests ^(a)	(298)	(274)	(261)
Less: Other comprehensive (income) loss attributable to noncontrolling interests	(3)	(6)	8
Comprehensive income attributable to Twenty-First	\$ 4,481	\$ 3,078	\$ 2,181

Century Fox, Inc.
stockholders

^(a)Net income attributable to noncontrolling interests includes \$118 million, \$138 million and \$114 million for the fiscal years ended June 30, 2018, 2017 and 2016, respectively, relating to redeemable noncontrolling interests.

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

TWENTY-FIRST CENTURY FOX, INC.

CONSOLIDATED BALANCE SHEETS

(IN MILLIONS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	As of June 30,	
	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$7,622	\$6,163
Receivables, net	7,120	6,625
Inventories, net	3,669	3,101
Other	922	545
Total current assets	19,333	16,434
Non-current assets		
Receivables, net	724	543
Investments	4,112	3,902
Inventories, net	7,518	7,452
Property, plant and equipment, net	1,956	1,781
Intangible assets, net	6,101	6,574
Goodwill	12,768	12,792
Other non-current assets	1,319	1,394
Total assets	\$53,831	\$50,872
LIABILITIES AND EQUITY		
Current liabilities		
Borrowings	\$1,054	\$457
Accounts payable, accrued expenses and other current liabilities	3,248	3,451
Participations, residuals and royalties payable	1,748	1,657
Program rights payable	1,368	1,093
Deferred revenue	826	728
Total current liabilities	8,244	7,386
Non-current liabilities		
Borrowings	18,469	19,456
Other liabilities	3,664	3,616
Deferred income taxes	1,892	2,782
Redeemable noncontrolling interests	764	694
Commitments and contingencies		
Equity		
Class A common stock ^(a)	11	11
Class B common stock ^(b)	8	8

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Additional paid-in capital	12,612	12,406
Retained earnings	8,934	5,315
Accumulated other comprehensive loss	(2,001)	(2,018)
Total Twenty-First Century Fox, Inc. stockholders' equity	19,564	15,722
Noncontrolling interests	1,234	1,216
Total equity	20,798	16,938

Total liabilities and equity	\$53,831	\$50,872
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^(a) Class A common stock, \$0.01 par value per share, 6,000,000,000 shares authorized, 1,054,032,541 shares and 1,052,536,963 shares issued and outstanding, net of 123,687,371 treasury shares at par as of June 30, 2018 and 2017, respectively.

^(b) Class B common stock, \$0.01 par value per share, 3,000,000,000 shares authorized, 798,520,953 shares issued and outstanding, net of 356,993,807 treasury shares at par as of June 30, 2018 and 2017.

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

TWENTY-FIRST CENTURY FOX, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN MILLIONS)

	For the years ended June 30,		
	2018	2017	2016
OPERATING ACTIVITIES			
Net income	\$4,762	\$3,226	\$3,016
Less: Loss from discontinued operations, net of tax	(12)	(44)	(8)
Income from continuing operations	4,774	3,270	3,024
Adjustments to reconcile income from continuing operations to cash provided by operating activities			
Depreciation and amortization	584	553	530
Amortization of cable distribution investments	69	65	75
Impairment and restructuring charges	72	315	323
Equity-based compensation	204	126	196
Equity losses of affiliates	138	41	34
Cash distributions received from affiliates	235	186	351
Other, net	550	327	335
CLT20 contract termination costs ^(a)	-	-	(420)
Deferred income taxes and other taxes	(903)	89	466
Change in operating assets and liabilities, net of acquisitions and dispositions			
Receivables	(801)	(441)	(332)
Inventories net of program rights payable	(422)	(1,030)	(721)
Accounts payable and accrued expenses	401	221	46
Other changes, net	(674)	73	(765)
Net cash provided by operating activities from continuing operations	4,227	3,795	3,142
INVESTING ACTIVITIES			
Property, plant and equipment	(551)	(377)	(263)
Acquisitions, net of cash acquired	(7)	(75)	(916)
Investments in equity affiliates	(444)	(128)	(182)
Proceeds from dispositions, net	365	-	-
Other investing activities, net	(540)	(172)	(277)
Net cash used in investing activities from continuing operations	(1,177)	(752)	(1,638)
FINANCING ACTIVITIES			
Borrowings	1,469	918	1,360
Repayment of borrowings	(1,872)	(573)	(687)
Repurchase of shares	-	(619)	(4,904)
Dividends paid and distributions	(993)	(943)	(821)

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Purchase of subsidiary shares from noncontrolling interests	-	(1)	(290)
Other financing activities, net	(68)	(73)	(82)
Net cash used in financing activities from continuing operations	(1,464)	(1,291)	(5,424)
Net decrease in cash and cash equivalents from discontinued operations	(61)	(28)	(20)
Net increase (decrease) in cash and cash equivalents	1,525	1,724	(3,940)
Cash and cash equivalents, beginning of year	6,163	4,424	8,428
Exchange movement on cash balances	(66)	15	(64)
Cash and cash equivalents, end of year	\$7,622	\$6,163	\$4,424

^(a) See Note 5 – Restructuring Programs under the heading “Fiscal 2016”.

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

TWENTY-FIRST CENTURY FOX, INC.

CONSOLIDATED STATEMENTS OF EQUITY

(IN MILLIONS)

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Retained Earnings and Accumulated Other Comprehensive Loss	Total Twenty-First Century Fox, Inc. Stockholders' Equity	Noncontrolling Interests ^(a)	Total Equity
Balance, June 30, 2015	1,240	\$ 12	799	\$ 8	\$ 13,427	\$ 3,773	\$ 17,220	\$ 966	\$ 18,186
Net income	-	-	-	-	-	2,755	2,755	147	2,902
Other comprehensive loss	-	-	-	-	-	(574)	(574)	(8)	(582)
Dividends declared	-	-	-	-	-	(586)	(586)	-	(586)
Shares (repurchased) issued, net ^(b)	(169)	(1)	-	-	(1,011)	(3,854)	(4,866)	-	(4,866)
Other	-	-	-	-	(205)	(83)	(288)	115	(173)
Balance, June 30, 2016	1,071	\$ 11	799	\$ 8	\$ 12,211	\$ 1,431	\$ 13,661	\$ 1,220	\$ 14,881
Net income	-	-	-	-	-	2,952	2,952	136	3,088
Other comprehensive income	-	-	-	-	-	126	126	6	132
Dividends declared	-	-	-	-	-	(668)	(668)	-	(668)
Shares (repurchased) issued, net ^(b)	(18)	-	-	-	(115)	(407)	(522)	-	(522)
Other	-	-	-	-	310	(137)	173	(146)	27
Balance, June 30, 2017	1,053	\$ 11	799	\$ 8	\$ 12,406	\$ 3,297	\$ 15,722	\$ 1,216	\$ 16,938
Net income	-	-	-	-	-	4,464	4,464	180	4,644
Other comprehensive income	-	-	-	-	-	17	17	3	20
Dividends declared	-	-	-	-	-	(667)	(667)	-	(667)
Shares issued	1	-	-	-	42	-	42	-	42
Other	-	-	-	-	164	(178)	(14)	(165)	(179)
Balance, June 30, 2018	1,054	\$ 11	799	\$ 8	\$ 12,612	\$ 6,933	\$ 19,564	\$ 1,234	\$ 20,798

(a)

Excludes Redeemable noncontrolling interests which are reflected in temporary equity (See Note 8 – Fair Value under the heading “Redeemable Noncontrolling Interests”).

^(b) Shares repurchased are retired.

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

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF BUSINESS

Twenty-First Century Fox, Inc., a Delaware corporation, and its subsidiaries (together, “Twenty-First Century Fox” or the “Company”) is a diversified global media and entertainment company, which currently manages and reports its businesses in the following four segments: Cable Network Programming, which principally consists of the production and licensing of programming distributed primarily through cable television systems, direct broadcast satellite operators, telecommunication companies and online video distributors (collectively, multi-channel video programming distributors) (“MVPDs”) primarily in the United States (“U.S.”) and internationally; Television, which principally consists of the acquisition, marketing and distribution of broadcast network programming in the U.S. and the operation of 28 full power broadcast television stations, including 11 duopolies, in the U.S. (of these stations, 17 are affiliated with the FOX Broadcasting Company (“FOX”), nine are affiliated with Master Distribution Service, Inc. (“MyNetworkTV”), one is affiliated with both The CW Television Network and MyNetworkTV and one is an independent station); Filmed Entertainment, which principally consists of the production and acquisition of live-action and animated motion pictures for distribution and licensing in all formats in all entertainment media worldwide, and the production and licensing of television programming worldwide; and Other, Corporate and Eliminations, which principally consists of corporate overhead costs and intercompany eliminations.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The Consolidated Financial Statements include the accounts of all majority-owned and controlled subsidiaries. In addition, the Company evaluates its relationships with other entities to identify whether they are variable interest entities as defined by Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 810-10, “Consolidation” (“ASC 810-10”) and whether the Company is the primary beneficiary. Consolidation is required if both of these criteria are met. All significant intercompany accounts and transactions have been eliminated in consolidation, including the intercompany portion of transactions with equity method investees.

Any change in the Company’s ownership interest in a consolidated subsidiary, where a controlling financial interest is retained, is accounted for as a capital transaction. When the Company ceases to have a controlling interest in a consolidated subsidiary, the Company will recognize a gain or loss in net income upon deconsolidation.

The Company’s fiscal year ends on June 30 (“fiscal”) of each year.

Reclassifications and adjustments

Certain fiscal 2017 and 2016 amounts have been reclassified to conform to the fiscal 2018 presentation. Unless indicated otherwise, the information in the notes to the Consolidated Financial Statements relates to the Company’s continuing operations.

The Company has reclassified certain fiscal 2017 and 2016 amounts for development and certain other costs from Selling, general and administrative to Operating expenses within the Consolidated Statements of Operations to conform to the fiscal 2018 presentation. These reclassifications did not affect previously reported Revenue, Income from continuing operations before income tax benefit (expense) or Net income in the Consolidated Statements of Operations.

Use of estimates

The preparation of the Company's Consolidated Financial Statements in conformity with generally accepted accounting principles in the U.S. ("GAAP") requires management to make estimates and

TWENTY-FIRST CENTURY FOX, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

assumptions that affect the amounts that are reported in the Consolidated Financial Statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and marketable securities with original maturities of three months or less.

Receivables

Receivables are presented net of an allowance for returns and doubtful accounts, which is an estimate of amounts that may not be collectible. 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 paid. 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 percentage of each dollar of product sales that provide the customer with the right of return.

The Company has receivables with original maturities greater than one year in duration principally related to the Company's sale of program rights in the television syndication markets within the Filmed Entertainment segment. Allowances for credit losses are established against these non-current receivables as necessary. As of June 30, 2018 and 2017, these allowances were not material.

Receivables, net consist of:

	As of June 30,	
	2018	2017
	(in millions)	
Total receivables	\$8,232	\$7,705
Allowances for returns and doubtful accounts	(388)	(537)
Total receivables, net	7,844	7,168
Less: current receivables, net	(7,120)	(6,625)
Non-current receivables, net	\$724	\$543

Inventories

Filmed Entertainment Costs

In accordance with ASC 926, "Entertainment—Films" ("ASC 926"), Filmed Entertainment costs include capitalized production costs, overhead and capitalized interest costs, net of any amounts received from outside investors. These

costs, as well as participations and talent residuals, are recognized as operating expenses for each individual motion picture or television series based on the ratio that the current year's gross revenues for such film or series bear to management's estimate of its total remaining ultimate gross revenues. Management bases its estimates of ultimate revenue for each motion picture on the historical performance of similar motion pictures, incorporating factors such as the past box office record of the lead actors and actresses, the genre of the motion picture, pre-release market research and the expected number of theaters in which the motion picture will be released. Management updates such estimates based on information available on the actual results of each motion picture through its life cycle. Television production costs incurred in excess of the amount of revenue contracted for each episode in the initial market are expensed as incurred on an episode-by-episode basis. Estimates for initial syndication revenue are not included in the estimated lifetime revenues of network series until such sales are probable. Television production costs incurred subsequent to the establishment of secondary markets are capitalized and amortized. Marketing costs are charged as operating expenses as incurred.

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Development costs for projects not produced are written-off at the earlier of the time the decision is made not to develop the story or after three years.

Filmed Entertainment costs are stated at the lower of unamortized cost or estimated fair value on an individual motion picture or television series basis. Revenue forecasts for both motion pictures and television series are continually reviewed by management and revised when warranted by changing conditions. When estimates of total revenues and other events or changes in circumstances indicate that a motion picture or television series has a fair value that is less than its unamortized cost, a loss is recognized currently for the amount by which the unamortized cost exceeds the film or television series' fair value. The Company receives tax credits on qualifying motion picture and television productions which are offset against Filmed Entertainment costs. The Company records these outstanding tax credits in Other non-current assets in the Consolidated Balance Sheets.

Programming Rights

In accordance with ASC 920, "Entertainment—Broadcasters," costs incurred in acquiring program rights or producing programs for the Cable Network Programming and Television segments, including advances, are capitalized and amortized over the license period or projected useful life of the programming. Program rights and the related liabilities are recorded at the gross amount of the liabilities when the license period has begun, the cost of the program is determinable and the program is accepted and available for airing. Television broadcast network entertainment programming and cable network entertainment programming, which includes acquired series, series produced in-house, movies and other programs, are amortized primarily on an accelerated basis.

The Company has single and multi-year contracts for broadcast rights of programs and sporting events. The Company evaluates the recoverability of the unamortized costs associated therewith, using total estimated advertising and other revenues attributable to the program material and considering the Company's expectations of the programming usefulness of the program rights. The recoverability of certain sports rights contracts for content broadcast on FOX and the national sports channels is assessed on an aggregate basis. Where an evaluation indicates that these multi-year contracts will result in an asset that is not recoverable, amortization of rights is accelerated. The costs of multi-year national sports contracts at FOX and the national sports channels are primarily amortized based on the ratio of each current period's attributable revenue for each contract to the estimated total remaining attributable revenue for each contract. Estimates can change and, accordingly, are reviewed periodically and amortization is adjusted as necessary. Such changes in the future could be material.

The costs of local and regional sports contracts for a specified number of events are amortized on an event-by-event basis while costs for local and regional sports contracts for a specified season are amortized over the season on a straight-line basis.

Investments

Investments in and advances to entities or joint ventures in which the Company has significant influence, but less than a controlling voting interest, are accounted for using the equity method. Significant influence is generally presumed to exist when the Company owns an interest between 20% and 50% and exercises significant influence.

Under the equity method of accounting, the Company includes its investments and amounts due to and from its equity method investees in its Consolidated Balance Sheets. The Company's Consolidated Statements of Operations include

the Company's share of the investees' earnings (losses), the Company's Consolidated Statements of Comprehensive Income include the Company's share of other comprehensive income (loss) of equity method investees and the Company's Consolidated Statements of Cash Flows include all cash received from or paid to the investees.

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The difference between the Company's investment and its share of the fair value of the underlying net assets of the investee is first allocated to either finite-lived intangibles or indefinite-lived intangibles and the balance is attributed to goodwill. The Company follows ASC 350, "Intangibles—Goodwill and Other" ("ASC 350"), which requires that equity method finite-lived intangibles be amortized over their estimated useful life while indefinite-lived intangibles and goodwill are not amortized.

Investments in which the Company has no significant influence (generally less than a 20% ownership interest) are designated as available-for-sale investments if readily determinable market values are available. If an investment's fair value is not readily determinable, the Company accounts for its investment at cost. The Company reports available-for-sale investments at fair value based on quoted market prices. Unrealized gains and losses on available-for-sale investments are included in Accumulated other comprehensive loss, net of applicable taxes and other adjustments until the investment is sold or considered impaired.

Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is provided using the straight-line method over an estimated useful life of three to 40 years. Leasehold improvements are amortized using the straight-line method over the shorter of their useful lives or the life of the lease. Costs associated with the repair and maintenance of property are expensed as incurred. Changes in circumstances, such as technological advances, or changes to the Company's business model or capital strategy, could result in the actual useful lives differing from the Company's estimates. In those cases where the Company determines that the estimated useful life of property, plant and equipment should be shortened, the Company would depreciate the asset over its revised remaining useful life, thereby increasing depreciation expense.

Goodwill and Intangible assets

The Company's intangible assets include goodwill, Federal Communications Commission ("FCC") licenses, MVPD affiliate agreements and relationships, film and television libraries, and trademarks and other copyrighted products. Intangible assets acquired in business combinations are recorded at their estimated fair value at the date of acquisition. Goodwill is recorded as the difference between the consideration transferred to acquire entities and the estimated fair values assigned to their tangible and identifiable intangible net assets. In accordance with ASC 350, the Company's goodwill and indefinite-lived intangible assets, which primarily consist of FCC licenses, are tested annually for impairment, or earlier, if events occur or circumstances change that would more likely than not reduce the fair value below its carrying amount. The impairment assessment of indefinite-lived intangibles compares the fair value of the assets to their carrying value. Intangible assets with finite lives are generally amortized over their estimated useful lives.

The Company's goodwill impairment reviews are determined using a two-step process. The first step of the process is to compare the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, the goodwill of the reporting unit is not impaired and the second step of the impairment review is not necessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment review is required to be performed to estimate the implied fair value of the reporting unit's goodwill. The implied fair value of the reporting unit's goodwill is compared with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

When a business within a reporting unit is disposed of, goodwill is allocated to the disposed business using the relative fair value method.

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Asset impairments

Investments

Equity method investments are reviewed for impairment by comparing their fair value to their respective carrying amounts. The Company determines the fair value of its public company investments by reference to their publicly traded stock prices. With respect to private company investments, the Company makes its estimate of fair value by considering other available information, including recent investee equity transactions, discounted cash flow analyses, estimates based on comparable public company operating multiples and, in certain situations, balance sheet liquidation values. If the fair value of the investment has dropped below the carrying amount, management considers several factors when determining whether an other-than-temporary decline in market value has occurred, including the length of time and extent to which the market value has been below cost, the financial condition and near-term prospects of the issuer of the security, the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value and other factors influencing the fair market value, such as general market conditions.

The Company regularly reviews available-for-sale investment securities and investments accounted for at cost for other-than-temporary impairment based on criteria that include the extent to which the investment's carrying value exceeds its related market value or estimated fair value, the duration of the decline, the Company's ability to hold until recovery and the financial strength and specific prospects of the issuer of the security.

Long-lived assets

ASC 360, "Property, Plant, and Equipment," and ASC 350 require that the Company periodically review the carrying amounts of its long-lived assets, including property, plant and equipment and finite-lived intangible assets, to determine whether current events or circumstances indicate that such carrying amounts may not be recoverable. If the carrying amount of the asset is greater than the expected undiscounted cash flows to be generated by such asset, an impairment adjustment is recognized if the carrying value of such asset exceeds its fair value. The Company generally measures fair value by considering sale prices for similar assets or by discounting estimated future cash flows using an appropriate discount rate. Considerable management judgment is necessary to estimate the fair value of assets; accordingly, actual results could vary significantly from such estimates. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less their costs to sell.

Guarantees

The Company follows ASC 460, "Guarantees" ("ASC 460"). ASC 460 requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing certain guarantees. Subsequently, the initial liability recognized for the guarantee is generally reduced as the Company is released from the risk under the guarantee. The Company periodically reviews the facts and circumstances pertaining to its guarantees in determining the level of related risk.

Revenue recognition

Revenue is recognized when persuasive evidence of an arrangement exists, the fees are fixed or determinable, the product or service has been delivered and collectability is reasonably assured. The Company considers the terms of

each arrangement to determine the appropriate accounting treatment.

Cable Network Programming and Television

Advertising revenue is recognized as the commercials are aired, net of agency commissions. Subscriber fees received from MVPDs for Cable Network Programming and Television are recognized as affiliate fee revenue in the period services are provided.

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The Company classifies the amortization of cable distribution investments (capitalized fees paid to MVPDs to facilitate carriage of a cable network) against affiliate fee revenue in accordance with ASC 605-50, "Revenue Recognition—Customer Payments and Incentives." The Company defers the cable distribution investments and amortizes the amounts on a straight-line basis over the contract period.

Filmed Entertainment

Content revenues from the distribution of motion pictures and television series are recognized in accordance with ASC 926. Revenues from the theatrical distribution of motion pictures are recognized as they are exhibited, and revenues from home entertainment sales, net of a reserve for estimated returns, are recognized on the date that DVD and Blu-ray units are made widely available for sale by retailers or when made available for viewing via digital distribution platforms and all Company-imposed restrictions on the sale or availability have expired. Revenues from television distribution are recognized when the motion picture or television series is made available to the licensee for broadcast.

License agreements for the broadcast of motion pictures and television series in the broadcast network, syndicated television and cable television markets are routinely entered into in advance of their available date for broadcast. Cash received and amounts billed in connection with such contractual rights for which revenue is not yet recognizable is classified as deferred revenue. Because deferred revenue generally relates to contracts for the licensing of motion pictures and television series which have already been produced, the recognition of revenue for such completed product is principally only dependent upon the commencement of the availability period for broadcast under the terms of the related licensing agreement.

The Company earns and recognizes revenues as a distributor on behalf of third parties. In such cases, determining whether revenue should be reported on a gross or net basis is based on management's assessment of whether the Company acts as the principal or agent in the transaction. To the extent the Company acts as the principal in a transaction, revenues are reported on a gross basis. Determining whether the Company acts as principal or agent in a transaction involves judgment and is based on an evaluation of whether the Company has the substantial risks and rewards of ownership under the terms of an arrangement.

Film production financing

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

Advertising expenses

The Company expenses advertising costs as incurred, including advertising expenses for theatrical and television productions in accordance with ASC 720-35, "Other Expenses—Advertising Cost." Advertising expenses recognized totaled \$2.3 billion, \$2.2 billion and \$2.4 billion for fiscal 2018, 2017 and 2016, respectively.

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Translation of foreign currencies

Foreign subsidiaries and affiliates are translated into U.S. dollars using the current rate method, whereby trading results are converted at the average rate of exchange for the period and assets and liabilities are converted at the closing rates on the period end date. The resulting translation adjustments are accumulated as a component of Accumulated other comprehensive loss. Gains and losses from foreign currency transactions are included in income for the period.

Income taxes

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). ASC 740 requires an asset and liability approach for financial accounting and reporting for income taxes. Under the asset and liability approach, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Valuation allowances are established where management determines that it is more likely than not that some portion or all of a deferred tax asset will not be realized. Deferred taxes have not been provided on the cumulative undistributed earnings of foreign subsidiaries to the extent amounts are reinvested indefinitely.

Earnings per share

Basic earnings per share for the Class A common stock, par value \$0.01 per share ("Class A Common Stock"), and Class B common stock, par value \$0.01 per share ("Class B Common Stock") is calculated by dividing Net income attributable to Twenty-First Century Fox stockholders by the weighted average number of outstanding shares of Class A Common Stock and Class B Common Stock. Diluted earnings per share for Class A Common Stock and Class B Common Stock is calculated similarly, except that the calculation for Class A Common Stock includes the dilutive effect of the assumed issuance of shares issuable under the Company's equity-based compensation plans.

Equity-based compensation

The Company accounts for share-based payments in accordance with ASC 718, "Compensation—Stock Compensation" ("ASC 718"). ASC 718 requires that the cost resulting from all share-based payment transactions be recognized in the Consolidated Financial Statements. ASC 718 establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all companies to apply a fair-value-based measurement method in accounting for generally all share-based payment transactions with employees (See Note 13 – Equity-Based Compensation).

Financial instruments and derivatives

The carrying value of the Company's financial instruments, such as cash and cash equivalents, receivables, payables and cost method investments, approximate fair value. The fair value of financial instruments is generally determined by reference to market values resulting from trading on a national securities exchange or in an over-the-counter market.

The Company uses derivative financial instruments to hedge its exposures to foreign currency exchange rate and interest rate risks. All derivative financial instruments used as hedges are recorded at fair value in the Consolidated

Balance Sheets (See Note 8 – Fair Value). The effective changes in fair values of derivatives designated as cash flow hedges are recorded in Accumulated other comprehensive loss and included in unrealized (losses) gains on cash flow hedges. The effective changes in the fair values of derivatives designated as cash flow hedges are reclassified from Accumulated other comprehensive loss to Net income when the underlying hedged item is recognized in earnings. Cash flows from the settlement of derivative contracts designated as cash flow hedges offset cash flows from the underlying hedged items and are included in operating activities in the Consolidated Statements of Cash Flows. The effective changes in fair values of derivatives designated as net investment hedges are recorded in Accumulated other comprehensive loss and included in foreign currency translation

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adjustments. The effective changes in the fair values of derivatives designated as net investment hedges are reclassified from Accumulated other comprehensive loss to Net income when the related foreign subsidiaries or equity method investments are sold. The related cash flows are reported in Proceeds from dispositions, net within Net cash (used in) provided by investing activities from continuing operations in the Consolidated Statements of Cash Flows.

Concentrations of credit risk

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

The Company's receivables did not represent significant concentrations of credit risk as of June 30, 2018 or 2017 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 June 30, 2018, the Company did not anticipate nonperformance by any of the counterparties.

Recently Adopted and Recently Issued Accounting Guidance and U.S. Tax Reform

Adopted

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09, "Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). The amendments in ASU 2016-09 simplify various aspects related to how share-based payments are accounted for and presented in the financial statements, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. On July 1, 2017, the Company adopted ASU 2016-09. In accordance with ASU 2016-09, the Company will prospectively recognize all excess tax benefits and tax deficiencies in Income tax benefit (expense) in the Statements of Operations. In the statement of cash flows, all excess tax benefits are presented retrospectively in Net cash provided by operating activities from continuing operations. In addition, the Company retrospectively adopted the guidance that requires cash paid by the Company when directly withholding shares for tax withholding purposes to be classified as a financing activity in the statement of cash flows. The adoption of ASU 2016-09 resulted in an increase in Net cash provided by operating activities from continuing operations and a corresponding increase in Net cash used in financing activities from continuing operations in the Statement of Cash Flows for fiscal 2017 and 2016. The other aspects of ASU 2016-09 did not have a material effect on the Company's consolidated financial statements.

On July 1, 2017, the Company early adopted ASU 2017-07, "Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" ("ASU 2017-07"). ASU 2017-07 requires an employer to report the service cost component of net benefit cost in the same line item as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. ASU 2017-07 did not have a material effect on the Company's consolidated financial statements.

Issued

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”). The core principle of ASU 2014-09 is that an entity should recognize revenue to depict

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the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, ASU 2014-09 requires additional disclosure around the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 will be effective for the Company for annual and interim reporting periods beginning July 1, 2018. The Company expects to apply ASU 2014-09 on a modified retrospective basis with the cumulative effect, if any, of initially applying the new guidance recognized at the date of initial application as an adjustment to opening retained earnings. The Company has completed its review of contracts for each of the Company's significant revenue streams and does not expect a material impact on its consolidated financial statements as a result of its adoption of ASU 2014-09. The Company expects that the new standard will impact the timing of revenue recognition for renewals or extensions of existing licensing agreements for intellectual property, which upon adoption will be recognized as revenue when the customer can begin to use and benefit from the license rather than when the agreement is extended or renewed, under historical GAAP. The new standard will require the Company's Filmed Entertainment segment to recognize revenues from certain television license deals earlier as opposed to recognizing those license fees over the term of the licenses. Conversely, revenues from certain of the Filmed Entertainment segment's trademark licensing deals will be recognized over the license terms as opposed to recognition at inception as under historical GAAP. In addition, the Company implemented appropriate changes to the Company's processes, systems and controls to support the recognition and disclosure requirements under the new standard.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"). The amendments in ASU 2016-01 address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the Company for annual and interim reporting periods beginning July 1, 2018. In accordance with ASU 2016-01, the Company will prospectively record changes in fair value of available-for-sale investments in net income rather than in Accumulated other comprehensive loss. On July 1, 2018, the Company will record a cumulative-effect adjustment to Retained Earnings for the balance of unrealized holding gains on securities in Accumulated other comprehensive loss as of June 30, 2018 (See Note 12 – Stockholders' Equity under the heading "Accumulated Other Comprehensive Loss"). Cost method investments that do not have readily determinable fair values will be recognized prospectively at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The adjustments related to the observable price changes will be recognized in net income.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). ASU 2016-02 requires recognition of lease assets and liabilities on the balance sheet and disclosure of key information about leasing arrangements. ASU 2016-02 will be effective for the Company for annual and interim reporting periods beginning July 1, 2019. The Company is currently evaluating the impact ASU 2016-02 will have on its consolidated financial statements. Since the Company has a significant amount of minimum lease commitments (See Note 15 – Commitments and Contingencies), the Company expects that the impact of recognizing lease assets and liabilities will be significant to the Company's Consolidated Balance Sheet.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"). ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for the Company for annual and interim reporting periods beginning July 1, 2018. The Company does not expect the adoption of this standard to have a significant impact on the Consolidated Financial Statements.

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

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does not expect the adoption of this standard to have a significant impact on the Consolidated Financial Statements.

In January 2017, the FASB issued ASU 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business” (“ASU 2017-01”). The objective of ASU 2017-01 is to clarify the definition of a business in order to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill and consolidation. ASU 2017-01 is effective for the Company for annual and interim reporting periods beginning July 1, 2018. The Company does not expect the adoption of this standard to have a significant impact on the Consolidated Financial Statements.

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

In August 2017, the FASB issued ASU 2017-12, “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities” (“ASU 2017-12”). The objective of ASU 2017-12 is to better align an entity’s risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. In addition, ASU 2017-12 simplifies the assessment of hedge effectiveness. ASU 2017-12 is effective for the Company for annual and interim reporting periods beginning July 1, 2019. Early adoption is permitted in an interim period. The Company is currently evaluating the impact ASU 2017-12 will have on its consolidated financial statements.

U.S. Tax Reform

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act significantly revises the future ongoing U.S. corporate income tax by, among other things, lowering U.S. corporate income tax rates and implementing a territorial tax system. Since the Company has a June 30 fiscal year-end, the lower corporate income tax rate will be phased in, resulting in a U.S. statutory federal rate of approximately 28% for fiscal 2018, and 21% for subsequent fiscal years. As part of the transition to the new territorial tax system, the Tax Act imposes a one-time transition tax on deemed repatriation of historical earnings of foreign entities.

The SEC has issued guidance that would allow for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts. As of June 30, 2018, the Company has not completed its analysis of the accounting for all the tax effects of the Tax Act but has recorded a provisional net tax benefit of \$1.5 billion for those items which it could reasonably estimate and which are discussed below. The Company currently anticipates finalizing its provisional amounts by the end of the current calendar year based on future interpretive guidance expected to be issued by the U.S. Treasury and the additional time required to refine calculations. There may be adjustments to the provisional amounts recorded during the measurement period and such adjustments could possibly be material.

For fiscal 2018, the Company recorded a provisional income tax benefit of \$1.8 billion to adjust its net deferred tax liability position in accordance with the Tax Act. The net deferred tax liability represents future tax obligations. Among the Company's more significant net deferred tax liabilities are basis differences and amortization, and sports rights contracts. The final amount of the adjustment to the net deferred tax liability could be revised based on changes in interpretations of the Tax Act and any updates or changes to estimates based on additional information the Company obtains or analyzes.

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During the fourth quarter of fiscal 2018, the Company recorded a provisional liability for the transition tax to a territorial tax system of \$139 million. The U.S. federal tax cost for the deemed repatriation is computed at 15.5% for foreign earnings held in liquid assets and 8% for non-liquid assets, reduced by applicable foreign tax credits. This amount is provisional due to additional information and analyses required to determine foreign unremitted earnings, some of which was not previously needed or not yet accumulated.

The Tax Act also imposed new restrictions on the use of foreign tax credits. The Company does not expect it will be able to fully utilize such credits before they expire. As a result, the Company has recorded a provisional tax expense and related increase to its valuation allowance of \$158 million.

The transition tax has generally removed U.S. federal taxes on distributions to the U.S. from foreign subsidiaries. Beginning in 2018, the Company will generally not record U.S. federal income tax on its share of the income of the Company's foreign subsidiaries generated after December 31, 2017, nor will the Company record a benefit for foreign tax credits related to that income. The Company will continue to evaluate whether or not to assert indefinite reinvestment on a part or all the foreign undistributed earnings as further guidance becomes available.

As a result of the shift to a territorial system for U.S. taxation, the new minimum tax on certain foreign earnings ("global intangible low-tax income") imposes a tax on foreign earnings and profits in excess of a deemed return on tangible assets of foreign subsidiaries. This provision is effective for tax years beginning on or after January 1, 2018, which for the Company would be the fiscal year beginning on July 1, 2018 (fiscal 2019). The Company is still evaluating whether to account for the effects of this provision either as a component of future income tax expense in the period the tax arises or as a component of deferred taxes on the related investments but does not expect there to be a material effect on the financial statements.

In February 2018, the FASB issued ASU 2018-02, "Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" ("ASU 2018-02"). The objective of ASU 2018-02 is to eliminate the stranded tax effects resulting from the Tax Act and to improve the usefulness of information reported to financial statement users. ASU 2018-02 is effective for the Company for annual and interim reporting periods beginning July 1, 2019. Early adoption is permitted, including adoption in any interim period. The Company is currently evaluating the impact ASU 2018-02 will have on its consolidated financial statements.

NOTE 3. ACQUISITIONS, DISPOSALS AND OTHER TRANSACTIONS

During fiscal 2018, 2017 and 2016, the Company announced and/or completed acquisitions as more fully described below. All of the Company's completed acquisitions were accounted for under ASC 805, "Business Combinations" ("ASC 805"), which requires, among other things, that an acquirer (i) remeasure any previously held equity interest in an acquiree at its acquisition date fair value and recognize any resulting gains or losses in earnings and (ii) record any noncontrolling interests in an acquiree at their acquisition date fair values.

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

For fiscal 2017 and 2016, the incremental revenues and Segment OIBDA (as defined in Note 18 – Segment Information), related to the acquisitions below, included in the Company’s consolidated results of operations were not material individually or in the aggregate for each respective year.

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Fiscal 2018

Disney Transaction/Distribution of New Fox

On June 20, 2018, the Company entered into an Amended and Restated Merger Agreement and Plan of Merger (the “Amended and Restated Merger Agreement”) with The Walt Disney Company (“Disney”) and TWDC Holdco 613 Corp., a newly formed holding company and wholly-owned subsidiary of Disney (“New Disney”), which amends and restates in its entirety the Agreement and Plan of Merger that the Company entered into with Disney in December 2017, pursuant to which, among other things, at the closing, the Company will merge with and into a subsidiary of New Disney (the “21CF Merger”), Disney will merge with and into a subsidiary of New Disney (the “Disney Merger,” and together with the 21CF Merger, the “Mergers”), and each of Disney and the Company will become wholly-owned subsidiaries of New Disney. Prior to the consummation of the Mergers, the Company will transfer a portfolio of the Company’s news, sports and broadcast businesses, including the Fox News Channel, Fox Business Network, FOX Broadcasting Company, Fox Television Stations Group, FS1, FS2, Fox Deportes and Big Ten Network and certain other assets and liabilities into a newly formed subsidiary (“New Fox”) (the “New Fox Separation”) and distribute all of the issued and outstanding common stock of New Fox to the holders of the outstanding shares of the Company’s Class A Common Stock and Class B Common Stock (other than holders that are subsidiaries of the Company (shares held by such holders, the “Hook Stock”)) on a pro rata basis (the “New Fox Distribution”). Prior to the New Fox Distribution, New Fox will pay the Company a dividend in the amount of \$8.5 billion. New Fox will incur indebtedness sufficient to fund the dividend, which indebtedness will be reduced after the Mergers by the amount of a cash payment paid by Disney to New Fox. As the New Fox Separation and New Fox Distribution will be taxable to the Company at the corporate level, the dividend is intended to fund the taxes resulting from the New Fox Separation and New Fox Distribution and certain other transactions contemplated by the Amended and Restated Merger Agreement (the “Transaction Tax”). The Company will retain all assets and liabilities not transferred to New Fox, including the Twentieth Century Fox Film and Television studios and certain cable and international television businesses, including FX Networks, National Geographic Partners, LLC (“National Geographic Partners”). Regional Sports Networks (“RSNs”), Fox Networks Group International and STAR India (“STAR”), as well as the Company’s interests in Hulu LLC (“Hulu”), Sky plc (“Sky”), Tata Sky Limited and Endemol Shine Group. The foregoing proposed transactions are collectively referred to as the “Transaction”.

Upon consummation of the Transaction, each share of the Company’s common stock issued and outstanding immediately prior to the effective time of the Mergers (other than (i) shares held in treasury by the Company that are not held on behalf of third parties, (ii) shares that are Hook Stock and (iii) shares held by the Company’s stockholders who have not voted in favor of the 21CF Merger and perfected and not withdrawn a demand for appraisal rights pursuant to Delaware law) will be exchanged for consideration (the “Merger Consideration”) in the form of either cash (the “Cash Consideration”) or a fraction of a share of New Disney common stock (the “Stock Consideration”). The value of the Merger Consideration may fluctuate with the market price of Disney common stock and will, subject to the collar described below, be determined based on the volume-weighted average trading price of a share of Disney common stock on the New York Stock Exchange over the fifteen day consecutive trading day period ending on (and including) the trading day that is three trading days prior to the date of the effective time of the Disney Merger (such price, the “Average Disney Price”). Subject to the election, proration and adjustment procedures set forth in the Amended and Restated Merger Agreement, each share of the Company’s common stock will be exchanged for an amount (such amount, the “Per Share Value”), payable in cash or New Disney common stock, equal to the sum of (i) \$19.00 plus (ii) fifty percent (50.0%) of the value (determined based on the Average Disney Price) of a number of shares of Disney common stock equal to the exchange ratio described below. The number of shares of New Disney

common stock to be delivered in exchange for each share of the Company's common stock to the Company's stockholders electing to receive Stock Consideration will be equal to the Per Share Value divided by the Average Disney Stock Price. If the Average Disney Price is greater than \$114.32, then the exchange ratio will be 0.3324. If the Average Disney Price is less than \$93.53, then the exchange ratio will be 0.4063. If the Average Disney Price is greater than or equal to \$93.53 but less than or equal to \$114.32, then the exchange ratio will be an amount equal to \$38.00 divided by the Average Disney Price. The Merger Consideration is subject to the proration provisions set forth in the Amended and Restated Merger

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Agreement, which ensure that the aggregate Cash Consideration (before giving effect to the adjustment for transaction taxes) is equal to \$35.7 billion. As a result, the form of consideration a stockholder elects to receive may be adjusted such that it may receive, in part, a different form of consideration than the form it elected. Any stockholder of the Company not making an election will receive the Cash Consideration, the Stock Consideration or a combination of both, as determined by the proration provisions of the Amended and Restated Merger Agreement.

To provide New Fox with financing in connection with the New Fox Distribution, 21st Century Fox America, Inc. ("21CFA"), a wholly-owned subsidiary of the Company, entered into a commitment letter on behalf of New Fox with the financial institutions party thereto (the "Bridge Commitment Letter") which provides for borrowings of up to \$9 billion. Given the Company's current debt ratings, 21CFA pays a commitment fee of 0.1%. While the Company has entered into the Bridge Commitment Letter, New Fox intends to finance the dividend by obtaining permanent financing in the capital markets on a standalone basis.

Under the terms of the Amended and Restated Merger Agreement, Disney will pay the Company \$2.5 billion if the Mergers are not consummated under certain circumstances relating to the failure to obtain approvals, or there is a final, non-appealable order preventing the transaction, in each case, relating to antitrust laws, communications laws or foreign regulatory laws.

On June 27, 2018, the Antitrust Division of the U.S. Department of Justice announced that it cleared the Transaction. The Company, Disney and the U.S. Department of Justice have entered into a consent decree that allows the Transaction to proceed, while requiring New Disney and the Company to sell the RSNs within 90 days following the closing of the Transaction, which consent decree is subject to court approval. At separate special meetings of stockholders on July 27, 2018, the Company's stockholders adopted the Amended and Restated Merger Agreement, Disney's stockholders approved the stock issuance, and each company's stockholders adopted or approved the other proposals voted on at the special meetings.

The consummation of the Transaction remains subject to various conditions, including among others, (i) the consummation of the New Fox Separation, (ii) the receipt of certain tax opinions with respect to the treatment of the Transaction under U.S. and Australian tax laws, and (iii) the receipt of certain regulatory approvals and governmental consents. The Transaction is expected to be completed in the first half of calendar year 2019.

The Amended and Restated Merger Agreement generally requires the Company to operate its business in the ordinary course pending consummation of the 21CF Merger and restricts the Company, without Disney's consent, from taking certain specified actions until the Transactions are consummated or the Amended and Restated Merger Agreement is terminated, including making certain acquisitions and divestitures, entering into certain contracts, incurring certain indebtedness and expenditures, paying dividends in excess of certain thresholds, and repurchasing or issuing securities outside of existing equity award programs.

In February 2018, the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee") established a cash bonus retention plan for certain employees of approximately \$110 million of which 50% is payable at the time of the Mergers and 50% on the 10-month anniversary of the Mergers, subject to each participant's continued employment through the applicable payment date. The cash bonus retention payment plans are subject to accelerated payment upon the occurrence of certain termination events. In the event the Amended and Restated Merger Agreement is terminated, the payments under the cash-based retention program will be made on the later of December 13, 2019 and the date of such termination. In addition, the Compensation Committee modified

certain equity awards and granted additional equity awards to certain executives (See Note 13 – Equity-based Compensation). The modification and grant of equity awards and the cash bonus retention plan resulted in additional compensation expenses of approximately \$130 million for fiscal 2018, of which approximately \$65 million was included in Selling, general and administrative expenses and the remaining amount was included in Other, net in the Consolidated Statements of Operations.

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Television Stations Acquisition

In May 2018, the Company entered into a definitive agreement (the “Purchase Agreement”) with Sinclair Broadcast Group, Inc. (“Sinclair”) and Tribune Media Company (“Tribune”) to acquire seven television stations from Tribune for approximately \$910 million subject to certain purchase price adjustments. On August 9, 2018, Tribune exercised its right to terminate its merger agreement with Sinclair and correspondingly, the Company’s Purchase Agreement was also terminated.

Other

In fiscal 2018, the Company acquired an additional 10% interest in a RSN, increasing the Company’s ownership interest to 70%, for approximately \$100 million. In July 2018, the Company paid in cash the first of four equal annual installments. This transaction was accounted for as the purchase of subsidiary shares from noncontrolling interests (See Note 8 – Fair Value under the heading “Redeemable Noncontrolling Interests”).

Fiscal 2017

Sky Acquisition

In December 2016, the Company announced it reached agreement with Sky, in which the Company currently has an approximate 39% interest, on the terms of a recommended pre-conditional cash offer by the Company for the fully diluted share capital of Sky which the Company does not already own (the “Sky Acquisition”), at a price of £10.75 per Sky share subject to certain payments of dividends. On July 11, 2018, the Company announced an increased offer price for the Sky Acquisition, of £14.00 per Sky share (approximately \$19.9 billion in the aggregate), payable in cash, subject to reduction if certain dividends or other distributions are paid by Sky (the “Increased Offer”). In connection with the Increased Offer, the Company and Sky agreed to amend the surviving provisions of the co-operation agreement entered into on December 15, 2016 between the Company and Sky (the “Co-operation Agreement”), including those provisions regarding the Company switching from a scheme of arrangement to a takeover offer (as that term is defined in the UK Companies Act as defined below) as the method of implementing the Sky Acquisition, such that the restrictions on the level of the acceptance condition for a takeover offer by the Company have been terminated and the Company may reduce the minimum acceptance condition of a contractual offer to a simple majority of all shares of Sky (including those held by the Company and wholly-owned subsidiaries). Such amendment to the Co-operation Agreement also provides that the Company may bring forward or extend the last possible date for announcing that its offer is unconditional as to acceptances so that it is the same as that of any competing bidder for Sky. On August 7, 2018, the Company posted an offer document to Sky shareholders in connection with the Increased Offer and announced that it intends to implement the Sky Acquisition by way of a takeover offer within the meaning of Part 28 of the Companies Act 2006 (the “UK Companies Act”) rather than by means of a scheme of arrangement in accordance with Part 26 of the UK Companies Act, which had been the proposed structure of the Sky Acquisition prior to that date. The Company has noted that the deadline for publication of any revised offer document in respect of

its Increased Offer is September 22, 2018.

In connection with the Increased Offer, on July 11, 2018, the Company entered into a letter agreement with Disney, pursuant to which Disney consented to the increased indebtedness that would be incurred by the Company as a result of the Increased Offer. Also, in the event that Disney does not complete the Mergers due to the failure to obtain regulatory approvals or in certain other limited circumstances, Disney has agreed to reimburse the Company for an amount equal to the difference between the cash consideration of £14.00 and £13.00 for each share of Sky purchased by the Company pursuant to the revised terms of the Increased Offer, plus any interest and fees on such amount.

The Sky Acquisition has received unconditional clearance by all competent competition authorities including the European Commission and has been cleared on public interest and plurality grounds. On July 12, 2018, the Sky Acquisition received approval by the UK Secretary of State for Digital, Culture, Media and Sport (the “Secretary of State”), subject to accepted undertakings described below. However,

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the Sky Acquisition is conditional on, among other things, the Company securing valid acceptances of the Increased Offer in respect of Sky shares which represent 75% or more of the Sky shares that the Company does not own. The Company reserves the right to reduce this acceptance condition to a simple majority of all Sky shares (including those held by the Company).

In connection with the approval given by the Secretary of State, the Company has undertaken to the Secretary of State to separate the Sky News business into a separate company ("Sky News Newco"), and to transfer the shares in Sky News Newco to Disney or to an alternative suitable third party if Disney does not complete its acquisition of Sky News Newco within a specified period, (the "Sky News Divestment"). The Sky News Divestment is conditional upon the Sky Acquisition completing. The Company shall pay to Sky News NewCo an annual lump sum every year for 15 years from the date of the Sky News Divestment (the "NewCo Funding"), subject to a reduction to reflect the actual amount of revenue received or generated by Sky News NewCo in the relevant financial year. Disney has undertaken to maintain the operating investment in Sky News NewCo at an agreed level (plus inflation) for 15 years from the date of the Sky News Divestment, conditional upon Sky News NewCo receiving the NewCo Funding. Disney has also undertaken to ensure that the total funds available for Sky News Newco, including the funding the Company has undertaken to provide, is no less than £100 million per year for the next 15 years. Disney has undertaken to continue to operate Sky News for a period of 15 years after the Sky News Divestment and may only sell Sky News Newco with the approval of the Secretary of State. Disney and the Company have undertaken that the Sky News Newco board of directors shall consist of directors that are independent of the Company, News Corp, any member of the Murdoch family or companies controlled by the Murdoch family. The Secretary of State announced that the undertakings provided by the Company and Disney had been accepted on July 12, 2018.

If the Company does not acquire 100% of Sky pursuant to the Sky Acquisition or another party has not acquired more than 50% of the ordinary shares of Sky, in each case prior to the completion of the Transaction, Disney will be required to make a mandatory offer for all the outstanding ordinary shares of Sky not already owned by the Company within 28 days of the Transaction closing. On July 13, 2018, the Panel on Takeovers and Mergers of the United Kingdom (the "U.K. Takeover Panel"), ruled that any such offer would be required to be made in cash and at a price of £14.00 for each ordinary share in Sky (the "July 13 Ruling"), which ruling was upheld on August 3, 2018 by the U.K. Takeover Panel's Hearings Committee on appeal. Certain interested parties have appealed the ruling of the Hearings Committee to the Takeover Appeal Board.

To provide financing in connection with the Sky Acquisition, the Company and 21CFA entered into a bridge credit agreement with the lenders party thereto (the "Bridge Credit Agreement") which was subsequently amended as a result of the Increased Offer. The Bridge Credit Agreement provides for borrowings of up to £15.3 billion (approximately \$20.2 billion). Fees under the Bridge Credit Agreement are based on the Company's long-term senior unsecured non-credit enhanced debt ratings. Given the Company's current debt ratings, 21CFA pays a commitment fee on undrawn funds of 0.1% and the initial interest rate on advances will be London Interbank Offered Rate ("LIBOR") plus 1.125% with subsequent increases every 90 days up to LIBOR plus 1.875%. 21CFA has also agreed to pay a duration fee on each of the 90th, 180th and 270th day after the funding of the loans in an amount equal to 0.50%, 0.75%, and 1.00%, respectively, of the aggregate principal amount of the advances and undrawn commitments outstanding at the time. The terms of the Bridge Credit Agreement also include the requirement that 21CFA maintain a certain leverage ratio and limitations with respect to secured indebtedness. The Company purchased a foreign currency exchange option in February 2017, which expired in June 2018, to limit its foreign currency exchange rate risk in connection with the Sky Acquisition. In June 2018, the Company purchased a new foreign currency exchange option for the same objective (See Note 8 – Fair Value under the heading "Foreign Currency Contracts" and Note 22 – Additional Financial

Information under the heading “Other, net” for additional information).

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

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On April 25, 2018, Comcast Corporation (“Comcast”) announced a pre-conditional cash offer for the fully diluted share capital of Sky at a price of £12.50 per Sky share (the “Original Comcast Offer”) which was subject to regulatory preconditions (which have now been satisfied) as well as additional closing conditions. Following the announcement of the Original Comcast Offer, on April 25, 2018, the independent committee of the Sky Board of Directors (the “Sky Independent Committee”) withdrew its previously announced recommendation that unaffiliated Sky shareholders vote in favor of the Sky Acquisition and the Company received from Sky a written notice of termination of the Co-operation Agreement. Certain provisions relating to the Company’s conduct of the Sky Acquisition survived the termination of the Co-operation Agreement. As stated above, the Co-operation Agreement has since been further amended on July 11, 2018. On July 11, 2018, Comcast announced a revised cash offer for the fully diluted share capital of Sky at a price of £14.75 per Sky share that was recommended by the Sky Independent Committee.

Any increase in the debt financing for the Sky Acquisition or sale by the Company of its interest in Sky would require Disney’s consent. Completion of the Sky Acquisition is not a condition to either party’s obligation to consummate the Transaction. Completion of the Sky Acquisition will not affect the amount or form of consideration that stockholders of the Company receive in the Transaction.

Other

In March 2017, the FCC concluded a voluntary auction to reclaim television broadcast station spectrum. The Company had three stations’ bids of approximately \$350 million to relinquish spectrum accepted by the FCC as part of the auction. As a result, the spectrum previously utilized by its television stations in Washington, DC, Charlotte, NC and Chicago, IL designated market areas, in which the Company operates duopolies, has been relinquished to the FCC. The proceeds were received in July 2017 and the Company recorded a pre-tax gain of \$102 million for the portion of spectrum relinquished to the FCC prior to June 30, 2018, which was included in Other, net in the Consolidated Statements of Operations for fiscal 2018. The Company will record a nominal pre-tax gain in fiscal 2019 for the remaining spectrum relinquished to the FCC. These television stations will continue broadcasting using the spectrum of the existing FOX owned and operated station in that market.

Fiscal 2016

Acquisitions

National Geographic Partners

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

of eight years, \$60 million to goodwill on the transaction and other net assets of the NGS Media Business and \$55 million to the additional interest in National Geographic Partners.

MAA Television Network

In December 2015, the Company acquired the entirety of the broadcast business of MAA Television Network Limited (“MAA TV”), an entity in India that broadcasts and operates Telugu language

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entertainment channels, for approximately \$346 million in cash including payments toward non-compete agreements. The consideration transferred of approximately \$285 million has been allocated, based on a valuation of MAA TV, as follows: approximately \$90 million to intangible assets consisting of MVPD affiliate agreements and relationships with useful lives of 11 years, advertiser relationships with useful lives of eight years and the MAA TV trade name with a useful life of 10 years; and the balance representing the goodwill on the transaction.

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

Other

In February 2016, the Company acquired the 7% interest it did not already own in a RSN for \$225 million in cash. As a result of this transaction, the Company now owns 100% of the RSN. This transaction was accounted for as the purchase of subsidiary shares from noncontrolling interests (See Note 8 – Fair Value under the heading “Redeemable Noncontrolling Interests”).

NOTE 4. DISCONTINUED OPERATIONS

Separation of News Corp

On June 28, 2013, the Company completed the separation of its business into two independent publicly traded companies (the “News Corp Separation”) by distributing to its stockholders all of the outstanding shares of the new News Corporation (“News Corp”). The Company retained its interests in a global portfolio of media and entertainment assets spanning six continents. News Corp holds the Company’s former businesses including newspapers, information services and integrated marketing services, digital real estate services, book publishing, digital education and sports programming and pay-TV distribution in Australia.

Effective June 28, 2013, the News Corp Separation qualified for discontinued operations treatment in accordance with ASC 205-20, “Discontinued Operations” and accordingly the Company deconsolidated News Corp.

News Corp Separation and Distribution Agreement

The News Corp Separation and Distribution Agreement sets forth, among other things, the parties’ agreements regarding the principal transactions that were necessary to effect the News Corp Separation. It also provides that the Company will indemnify News Corp, on an after-tax basis, as described in Note 15 – Commitments and Contingencies under the heading “U.K. Newspaper Matters Indemnity”.

Summarized Financial Information

Loss from discontinued operations related to News Corp were as follows:

	For the years ended June 30, 2018 2017 2016 (in millions)		
Loss before income tax benefit	\$(29)	\$(54)	\$(14)
Income tax benefit	17	10	6
Loss, net of tax	\$(12)	\$(44)	\$(8)

Net cash used in operating activities from discontinued operations for fiscal 2018, 2017 and 2016 were \$(61) million, \$(28) million and \$(20) million, respectively.

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NOTE 5. RESTRUCTURING PROGRAMS

Fiscal 2017

In fiscal 2017, the Company recorded restructuring charges of \$224 million primarily related to costs in connection with management and employee transitions and restructuring at several of the Company's business units at the Cable Network Programming segment, including Fox News Channel, and Filmed Entertainment segment.

Fiscal 2016

In fiscal 2016, the Company recorded restructuring charges of \$231 million primarily related to a voluntary resignation program extended to certain employees across all segments as part of ongoing efforts to transform certain functions and reduce costs. Costs related to the voluntary resignation program are accrued over the relevant service period when the Company and the employee agree on the specific terms of the voluntary resignation.

In July 2015, the Company paid approximately \$420 million to the Board of Control for Cricket in India ("BCCI") for the contract termination, including service taxes, of the Champions League Twenty20 ("CLT20") cricket tournament. As a result of the contract termination, STAR no longer has the rights to broadcast future CLT20 cricket matches and has no additional payment obligations.

Changes in the restructuring program liabilities were as follows:

	One time termination and benefits (in millions)	Facility costs, license fees Total
Balance, June 30, 2015	\$(13)	\$(516) \$(529)
Additions	(208)	(23) (231)
Payments	160	463 623
Other	4	(3) 1
Balance, June 30, 2016	\$(57)	\$(79) \$(136)
Additions	(202)	(22) (224)
Payments	135	43 178
Other	5	- 5
Balance, June 30, 2017	\$(119)	\$(58) \$(177)
Additions	(22)	(6) (28)

Payments	87	24	111
Other	3	3	6
Balance, June 30, 2018	\$(51)	\$(37)	\$(88)

Restructuring charges are recorded in Impairment and restructuring charges in the Consolidated Statements of Operations. As of June 30, 2018, restructuring liabilities of approximately \$57 million were included in Current liabilities and the balance of the accrual was included in Non-current Other liabilities.

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NOTE 6. INVENTORIES, NET

The Company's inventories were comprised of the following:

	As of June 30, 2018 2017 (in millions)	
Programming rights		
Sports programming rights ^(a)	\$3,676	\$3,201
Entertainment programming rights	3,219	3,168
DVDs, Blu-rays and other merchandise	44	64
Filmed entertainment costs		
Films		
Released, less accumulated amortization	1,249	1,112
Completed, not released	98	398
In production	1,556	1,094
In development or preproduction	221	295
	3,124	2,899
Television productions		
Released, less accumulated amortization	743	838
In production, development or preproduction	381	383
	1,124	1,221
Total filmed entertainment costs, less accumulated amortization ^(b)	4,248	4,120
Total inventories, net	11,187	10,553
Less: current portion of inventories, net ^(c)	(3,669)	(3,101)
Total non-current inventories, net	\$7,518	\$7,452

^(a) Sports programming rights will be amortized over a weighted-average useful life of 8 years.

^(b) Does not include \$210 million and \$241 million of net intangible film library costs as of June 30, 2018 and 2017, respectively, which were included in intangible assets subject to amortization in the Consolidated Balance Sheets.

^(c) Current portion of inventories, net as of June 30, 2018 and 2017 was comprised of programming rights (\$3,625 million and \$3,037 million, respectively), DVDs, Blu-rays and other merchandise.

As of June 30, 2018, the Company estimated that approximately 71% of unamortized filmed entertainment costs from the completed films are expected to be amortized during fiscal 2019 and approximately 93% of released filmed entertainment costs will be amortized within the next three fiscal years. During fiscal 2019, the Company expects to pay \$1,319 million in accrued participation liabilities, which are included in Participations, residuals and royalties

payable in the Consolidated Balance Sheets. As of June 30, 2018, acquired film and television libraries had remaining unamortized film costs that were not material.

The Company evaluates the recoverability of unamortized costs associated with the Company's programming rights using total estimated advertising and other revenues attributable to the program material and considering the Company's expectation to utilize the programming rights as part of its ongoing programming plans. The evaluation considers, among other factors, the rapid evolution of digital technology used in the entertainment industry, alternative methods for the delivery and storage of digital content, and the resultant changes in consumer behavior and preferences and advertiser priorities and spending patterns. As a result of the evaluation, the Company recognized impairment charges of \$44 million, \$91 million and \$92 million for entertainment programming rights principally relating to programming that it will no longer broadcast at the Cable Network Programming segment which was recorded in Impairment and restructuring charges in the Consolidated Statements of Operations for fiscal 2018, 2017 and 2016, respectively.

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NOTE 7. INVESTMENTS

The Company's investments were comprised of the following:

		Ownership percentage as of	June 30, 2018	As of June 30, 2018 2017 (in millions)
Sky ^{(a)(b)}	European direct broadcast satellite operator	39%	\$3,306	\$3,175
Endemol Shine Group ^(b)	Global multi-platform content provider	50%	188	262
Other investments ^(c)		various	618	465
Total investments			\$4,112	\$3,902

^(a)The Company's investment in Sky had a market value of \$13 billion as of June 30, 2018 determined using its quoted market price on the London Stock Exchange (a Level 1 measurement as defined in Note 8 – Fair Value). The Company received dividends of approximately \$220 million, \$170 million and \$330 million from Sky for fiscal 2018, 2017 and 2016, respectively.

^(b)Equity method investment.

^(c)Includes an investment of \$257 million in available-for-sale securities as of June 30, 2018 (See Note 8 – Fair Value and Note 12 – Stockholders' Equity).

Equity Losses of Affiliates

The Company's share of the earnings (losses) of its equity affiliates was as follows:

	For the years ended June 30, 2018 2017 2016 (in millions)		
Sky	\$426	\$338	\$383
Hulu	(445)	(215)	(157)
Other equity affiliates	(119)	(164)	(260)
Total equity losses of affiliates	\$(138)	\$(41)	\$(34)

The Company's investment in several of its affiliates exceeded its equity in the underlying net assets by approximately \$1 billion as of June 30, 2018 and 2017, which represented the excess cost over the Company's proportionate share of its investments' underlying net assets. This excess was allocated between finite-lived intangible assets (primarily tradenames), indefinite-lived intangible assets and goodwill. The weighted average useful lives of these finite-lived intangible assets as of June 30, 2018 and 2017 were 17 and 14 years, respectively. In accordance with ASC 350, the Company amortized \$21 million, \$6 million and \$48 million during fiscal 2018, 2017 and 2016, respectively, related to amounts allocated to finite-lived intangible assets. Such amortization is reflected in Equity losses of affiliates.

Other Equity Affiliates

In fiscal 2016, the Company's share of the earnings of Other equity affiliates included approximately \$220 million of losses recorded by a joint venture comprised of Shine Group, Endemol and CORE Media Group. During the fourth quarter of fiscal 2016, Core Entertainment Inc., which retained a separate capital and management structure under ownership of the joint venture and was consolidated with Endemol and Shine solely for the purposes of financial reporting for the joint venture, was deconsolidated for the purposes of financial reporting upon commencement of its bankruptcy proceedings. The Company's proportionate share of the loss on deconsolidation and other impairment charges was approximately \$95 million which was included in Equity losses of affiliates in the Consolidated Statement of Operations. As a

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result of Core Entertainment Inc.'s bankruptcy proceedings, the joint venture no longer holds an equity interest in Core Entertainment Inc. The joint venture now consists of the Endemol Shine Group only.

Other

In fiscal 2016, the Company invested approximately \$160 million in cash for a minority equity interest in DraftKings, Inc. ("DraftKings"), a leading operator of online fantasy games and contests. The Company accounts for this investment at cost. During fiscal 2016, based on information concerning DraftKings' then current valuation in a financing transaction, the Company determined that a portion of its investment in DraftKings was impaired and reduced the carrying value by approximately \$95 million as reflected in Other, net in the Consolidated Statement of Operations (See Note 22 – Additional Financial Information under the heading "Other, net").

Impairments of Investments

The Company regularly reviews investments for impairments based on criteria that include the extent to which the investment's carrying value exceeds its related market value, the duration of the market decline, the Company's ability to hold its investment until recovery and the investment's financial strength and specific prospects. Impairments of investments are reflected in Other, net in the Consolidated Statements of Operations and were recorded as a result of either the deteriorating financial position of the investee or due to a permanent impairment resulting from sustained losses and limited prospects for recovery (See Note 22 – Additional Financial Information under the heading "Other, net").

Summarized Financial Information

Summarized financial information for a significant equity affiliate, determined in accordance with Regulation S-X of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), accounted for under the equity method was as follows:

	For the years ended June 30,		
	2018	2017	2016
	(in millions)		
Revenues	\$18,257	\$16,441	\$17,818
Operating income	1,293	1,214	1,434
Income from continuing operations	1,033	862	977
Net income	1,033	862	977

	As of June 30,	
	2018	2017
	(in millions)	
Current assets	\$6,286	\$7,009
Non-current assets	18,888	18,383
Current liabilities	7,208	7,451

Non-current liabilities 11,436 11,801

NOTE 8. FAIR VALUE

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

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

Fair value measurements As of June 30, 2018				
	Total	Level 1	Level 2	Level 3 ^(a)
(in millions)				
Assets				
Investments ^(b)	\$257	\$257	\$ -	\$ -
Derivatives ^(c)	14	-	14	-
Other ^(d)	73	-	-	73
Redeemable noncontrolling interests	(764)	-	-	(764)
Total	\$(420)	\$257	\$ 14	\$(691)
As of June 30, 2017				
	Total	Level 1	Level 2	Level 3 ^(a)
(in millions)				
Assets				
Derivatives ^(c)	\$48	\$ -	\$ 48	\$ -
Other ^(d)	43	-	-	43
Liabilities				
Derivatives ^(c)	(9)	-	(9)	-
Redeemable noncontrolling interests	(694)	-	-	(694)
Total	\$(612)	\$ -	\$ 39	\$(651)

^(a)The Company utilizes the market, income or cost approaches or a combination of these valuation techniques for its Level 3 fair value measures. Inputs to such measures could include observable market data obtained from independent sources such as broker quotes and recent market transactions for similar assets. It is the Company's policy to maximize the use of observable inputs in the measurement of its Level 3 fair value measurements. To the extent observable inputs are not available, the Company utilizes unobservable inputs based upon the assumptions market participants would use in valuing the asset (liability). Examples of utilized unobservable inputs are future cash flows, long term growth rates and applicable discount rates.

^(b)Represents investments in available-for-sale securities.

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

^(d)Relates to past acquisitions, including contingent consideration agreements.

Contingent Consideration

The Company records contingent consideration arrangements at fair value on a recurring basis and the associated balances presented as of June 30, 2018 and 2017 are related to past acquisitions.

Significant unobservable inputs used in the fair value measurement of the Company's contingent consideration are operating income before depreciation and amortization ("OIBDA") projections (generally within a 1% - 3% average growth rate range, where applicable) and discount rates (generally within an 8% - 10% range, where applicable). Significant increases (decreases) in growth rates and multiples, assuming no changes in discount rates, would generally result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in discount rates, assuming no changes in growth rates and multiples, would result in a significantly (lower) higher fair value measurement.

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The changes in contingent consideration classified as Level 3 measurements were as follows:

	For the years ended June 30, 2018 2017 (in millions)	
Beginning of year	\$43	\$(36)
Payments	86	83
Measurement adjustments	(56)	(10)
Other	-	6
End of year	\$73	\$43

Redeemable Noncontrolling Interests

The Company accounts for redeemable noncontrolling interests in accordance with ASC 480-10-S99-3A, “Distinguishing Liabilities from Equity” (“ASC 480-10-S99-3A”), because their exercise is outside the control of the Company. The redeemable noncontrolling interests recorded at fair value are put arrangements held by the noncontrolling interests in certain of the Company’s majority-owned sports networks.

The changes in redeemable noncontrolling interests classified as Level 3 measurements were as follows:

For
the
years
ended
June
30,