# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, D.C. 20549**

# FORM 10-Q

**(Mark One)**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended December 31, 2016**

**or**

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

**For the transition period from ________ to ________**

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

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

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

As of February 3, 2017, 381,860,792 shares of Class A Common Stock and 199,630,240 shares of Class B Common Stock were outstanding.

**NEWS CORPORATION**

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(Unaudited; millions, except per share amounts)

**NEWS CORPORATION**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**
(Unaudited; millions)

| | For the three months ended December 31, | | For the six months ended December 31, | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Net (loss) income | $ (219) | $ 82 | $ (219) | $ 271 |
| Other comprehensive (loss) income: | | | | |
| Foreign currency translation adjustments | (347) | | | |

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

**NEWS CORPORATION**

**CONSOLIDATED BALANCE SHEETS**
(Millions, except share and per share amounts)

| | Notes | As of |
|---|---|---|

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

## NEWS CORPORATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; millions)

| | Notes | For the six months ended December 31, 2016 | 2015 |
|---|---|---|---|
| **Operating activities:** | | | |
| Net (loss) income | | $ (219) | $ 271 |
| Less: Income from discontinued operations, net of tax | | — | 22 |
| (Loss) income from continuing operations | | (219) | 249 |
| Adjustments to reconcile (loss) income from continuing operations to cash provided by operating activities: | | | |
| Depreciation and amortization | | 240 | 244 |
| Equity losses (earnings) of affiliates | 5 | 253 | (23) |
| Cash distributions received from affiliates | | — | 30 |
| Impairment charges | 4 | 310 | — |
| Other, net | 14 | (140) | 1 |
| Deferred income taxes and taxes payable | 12 | (102) | (98) |
| Change in operating assets and liabilities, net of acquisitions: | | | |
| Receivables and other assets | | (131) | (97) |
| Inventories, net | | (9) | 72 |
| Accounts payable and other liabilities | | 52 | (32) |
| NAM Group settlement | | (250) | — |
| Net cash provided by operating activities from continuing operations | | 4 | 346 |
| **Investing activities:** | | | |
| Capital expenditures | | (108) | (120) |
| Changes in restricted cash for Wireless Group acquisition | | 315 | — |
| Acquisitions, net of cash acquired | | (342) | (101) |
| Investments in equity affiliates and other | | (39) | (36) |
| Proceeds from dispositions | | 59 | 2 |
| Other, net | | (3) | 5 |
| Net cash used in investing activities from continuing operations | | (118) | (250) |
| **Financing activities:** | | | |
| Repayment of borrowings acquired in Wireless Group acquisition | | (23) | — |
| Repurchase of shares | | — | (18) |
| Dividends paid | | (77) | (74) |
| Other, net | | (21) | (7) |
| Net cash used in financing activities from continuing operations | | (121) | (99) |
| Net decrease in cash and cash equivalents from continuing operations | | (235) | (3) |
| Net decrease in cash and cash equivalents from discontinued operations | | (3) | (40) |
| Cash and cash equivalents, beginning of period | | 1,832 | 1,951 |
| Exchange movement on opening cash balance | | (30) | (25) |
| Cash and cash equivalents, end of period | | $ 1,564 | $ 1,883 |

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

**NEWS CORPORATION**
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

## NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

months ended January 1, 2017 and December 27, 2015, respectively. For convenience purposes, the Company continues to date its consolidated financial statements as of December 31.

***Recently issued accounting pronouncements***

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 removes inconsistencies and differences in existing revenue requirements between GAAP

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”). The amendments in ASU 2016-13 require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. ASU 2016-13 is effective for the Company for annual and interim reporting periods beginning July 1, 2020. The Company is currently evaluating the impact ASU 2016-13 will have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)” (“ASU 2016-15”). The amendments in ASU 2016-15 address 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 under Topic 230, Statement of Cash Flows, and other Topics. ASU 2016-15 is effective for the Company for annual and interim reporting periods beginning July 1, 2018. The Company is currently evaluating the impact ASU 2016-15 will have on its consolidated financial statements.

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

In October 2016, the FASB issued ASU 2016-17, “Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control” (“ASU 2016-17”). The amendments in ASU 2016-17 require that in determining whether a reporting entity satisfies the condition of a primary beneficiary that it is the single decision maker of a variable interest entity (“VIE”), a reporting entity should include all of its direct variable interests in a VIE and, on a proportionate basis, its indirect variable interests in a VIE held through related parties, including related parties that are under common control with the reporting entity. If, after performing that assessment, a reporting entity that is the single decision maker of a VIE concludes that it does not have the characteristics of a primary beneficiary, the amendments continue to require that reporting entity to evaluate whether it and one or more of its related parties under common control, as a group, have the characteristics of a primary beneficiary. If the single decision maker and its related parties that are under common control, as a group, have the characteristics of a primary beneficiary, then the party within the related party group that is most closely associated with the VIE is the primary beneficiary. ASU 2016-17 is effective for the Company for annual and interim reporting periods beginning July 1, 2017. The Company is currently evaluating the impact ASU 2016-17 will have on its consolidated obriab1y((d)-ua)T6nih7.327h7h7h7h7h7h7hThe Novg pere g per”1g per, “S5(p)-5.1B TD-.(t)-5.7(ciar5(p)-5.1(a)-1.5(ct)

## NOTE 2. ACQUISITIONS, DISPOSALS AND OTHER TRANSACTIONS

### *Fiscal 2017*

*Wireless Group plc*

In September 2016, the Company completed its acquisition of Wireless Group plc ("Wireless Group") for a purchase price of 315 pence per share in cash, or approximately £220 million (approximately $285 million) in the aggregate, plus $23 million of assumed debt which was repaid subsequent to closing. Wireless Group operates talkSPORT, the leading sports radio network in the U.K., and a portfolio of radio stations in the U.K. and Ireland. The acquisition broadens the Company's range of services in the U.K., Ireland and internationally, and the Company expects to closely align Wireless Group's operations with those of *The Sun* and *The Times*. The Company utilized the restricted cash which was specifically set aside at June 30, 2016 for purposes of funding the acquisition and therefore the Company has no restricted cash as of December 31, 2016.

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

Under the acquisition method of accounting, the total consideration is allocated to net tangible and intangible assets based upon the fair value as of the date of completion of the acquisition. The excess of the total consideration over the fair value of the net tangible and intangible assets acquired was recorded as goodwill. The allocation is as follows (in millions):

The acquired intangible assets primarily relate to broadcast licenses, which have a fair value of approximately $178 million, tradenames, which have a fair value of approximately $27 million, and customer relationships with a fair value of approximately $8 million. The broadcast licenses and tradenames have indefinite lives and the customer relationship will be amortized over a weighted-average useful life of approximately 6 years. The valu

*REA Group European Business*

In December 2016, REA Group Limited ("REA Group"), in which the Company holds a 61.6% interest, sold its European business for approximately $140 million (approximately €133 million) in cash which resulted in a pre-tax gain of $120 million. The gain was recorded in Other, net for the three months ended December 31, 2016. The sale allows REA Group to focus on its core businesses in Australia and Asia. The cash from the sale was received in February 2017.

***Fiscal 2016***

*Checkout 51 Mobile Apps ULC*

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

*Unruly Holdings Limited*

On September 30, 2015, the Company acquired Unruly Holdings Limited ("Unruly") for approximately £60 million (approximately $90 million) in cash and up to £56 million (approximately $86 million) in future cash consideration related to payments primarily contingent upon the achievement of certain performance objectives. As a result of the acquisition, the Company recognized a lia liability of approximately $76 million, which reflected the present value of the amount expected to be paid for the remaining interest based on the formula specified in the acquisition agreement. The acquisition was funded primarily with the proceeds from borrowings under an unsecured syndicated revolving loan facility (the "REA Facility"). (Refer to Note 6—Borrowings). The acquisition of iProperty extends REA Group's market leading business in Australia to attractive markets throughout Southeast Asia. iProperty is a subsidiary of REA Group, and its results are included within the Digital Real Estate Services segment.

In accordance with ASC 805 "Business Combinations," REA Group recognized a gain of $29 million resulting from the revaluation of its previously held equity interest in iProperty in Other, net in the Statement of Operations for the fiscal year ended June 30, 2016. The total fair value of iProperty at the acquisition date is set forth below (in millions):

| | |
|---|---|
| Cash paid for iProperty equity | $340 |
| Deferred consideration | 76 |
| Total consideration | |

Under the acquisition method of accounting, the total consideration is allocated to net tangible and intangible assets based upon the fair value as of the date of completion of the acquisition. The excess of the total consideration over the fair value of the net tangible and intangible assets acquired was recorded as goodwill. The allocation is as follows (in millions):

The acquired intangible assets primarily relate to tradenames which have an indefinite life.

*Flatmates.com.au Pty Ltd*

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

## NOTE 3. DISCONTINUED OPERATIONS

During the first quarter of fiscal 2016, management approved a plan to dispose of the Company's digital education business. As a result of the plan and the discontinuation of further significant business activities in the Digital Education segment, the assets and liabilities of this segment were classified as held for sale and the results of operations have been classified as discontinued operations for all periods presented in accordance with ASC 205-20, "Discontinued Operations."

In the first quarter of fiscal 2016, the Company recognized a pre-tax non-cash impairment charge of $76 million reflecting a write down of the digital education business to its fair value less costs to sell. In addition, the Company recognized a tax benefit of $144 million upon reclassification of the Digital Education segment to discontinued operations. Th

Changes in restructuring program liabilities were as follows:

As of December 31, 2016, restructuring liabilities of approximately $42 million were included in the Balance Sheet in Other current liabilities and $10 million were included in Other non-current liabilities.

## NOTE 5. INVESTMENTS

The Company's investments were comprised of the following:

In November 2012, the Company acquired CMH, a media investment company that operates in Australia. CMH owned a 25% interest in Foxtel through its 50% interest in FOX SPORTS Australia. The

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

**Equity (Losses) Earnings of Affiliates**

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

Additionally, in accordance with ASC 350, the Company amortized $18 million and $37 million, respectively, related to excess cost over the Company's proportionate share of its investment's underlying net assets allocated to finite-lived intangible assets during the three and six months ended December 31, 2016, respectively, and $13 million a

sublimit of $100 million available for issuances of letters of credit. Under the Credit Agreement, the Company may request increases in the amount of the Facility up to a maximum amount of $900 million.

In October 2015, the Company entered into an amendment to the Credit Agreement (the “Amendment”) which, among other things, extended the original term of the Facility by two years and lowered the commitment fee payable by the Company. As a result of the Amendment, the lenders’ commitments now terminate on October 23, 2020, and any borrowings will be due at that time. The Company may request that the commitments be extended under certain circumstances as set forth in the Credit Agreement for up to two additional one-year periods.

The Credit Agreement contains customary affirmative and negative covenants and events of default, with customary exceptions, including limitations on the ability of the Company and its subsidiaries to engage in transactions with affiliates, incur liens, merge into or consolidate with any other entity, incur subsidiary debt or dispose of all or substantially all of its assets or all or substantially all of the stock of its subsidiaries. In addition, the Credit Agreement requires the Company to maintain an adjusted operating income leverage ratio of not more than 3.0 to 1.0 and an interest coverage ratio of not less than 3.0 to 1.0. If any of the events of default occur and are not cured within applicable grace periods or waived, any unpaid amounts under the Credit Agreement may be declared immediately due and payable. As of December 31, 2016, the Company was in compliance with all of the applicable debt covenants.

Interest on borrowings under the Facility is based on either (a) a Eurodollar Rate formula or (b) the Base Rate formula, each as set forth in the Credit Agreement. The applicable margin and the commitment fee are based on the pricing grid in the Credit Agreement, which varies based on the Company’s adjusted operating income le announced it had begun repurchasing shares of Class A Common Stock under the stock repurchase program. No stock repurchases were made during the six months ended December 31, 2016. Through February 3, 2017, the Company repurchased approximately 5.2 million shares of Class A Common Stock for an aggregate cost of approximately $71 million. The remaining authorized amount under the stock repurchase program as of February 3, 2017 was a

3.9 million, respectively, will be settled in Class A Common Stock, assuming performance conditions are met, with the remaining, having been granted to executive directors and to employees in certain foreign locations, being settled in cash. Cash settled awards are marked-to-market each reporting period.

During the six months ended December 31, 2016, approximately 2.8 million PSUs vested, of which approximately 1.8 million were settled in shares of Class A Common Stock before statutory tax withholdings. The remaining 1.0 million PSUs that vested during the six months ended December 31, 2016 were settled in cash for approximately $13.1 million before statutory tax withholdings.

*Fiscal 2016*

During the three and six months ended December 31, 2015, the Company granted approximately 0.3 million and 4.0 million PSUs, respectively, at target, of which approximately 0.3 million and 2.9 million, respectively, will be settled in Class A Common Stock, assuming performance conditions are met, with the remaining, having been granted to executive directors and to employees in certain foreign locations, being settled in cash. Cash settled awards are marked-to-market each reporting period.

During the six months ended December 31, 2015, approximately 1.2 million PSUs vested, of which approximately 1.0 million were settled in shares of Class A Common Stock before statutory tax withholdings. The remaining 0.2 million PSUs that vested during the six months ended December 31, 2015 were settled in cash for approximately $3.3 million before statutory tax withholdings.

**Restricted Stock Units**

*Fiscal 2017*

During the six months ended December 31, 2016, approximately 0.1 million RSUs vested, all of which were settled in shares of Class A Common Stock.

*Fiscal 2016*

During the six months ended December 31, 2015, the Company granted approximately 0.2 million RSUs, all of which will be settled in Class A Common Stock.

During the six months ended December 31, 2015, approximately 0.1 million RSUs vested, all of which were settled in shares of Class A Common Stock.

***Contingencies***

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

The Company establishes an accrued liability for legal claims when it determines that a loss is both probable and the amount of the loss can be reasonably estimated. Once established, accruals are adjusted from time to time, as appropriate, in light of additional information. The amount of any loss ultimately incurred in relation to matters for which an accrual has been established may be higher or lower than the amounts accrued for such matters. Legal fees associated with litigation and similar proceedings are expensed as incurred. Except as otherwise provided below, for the contingencies disclosed for which there is at least a reasonable possibility that a loss may be incurred, the Company was unable to estimate the amount of loss or range of loss. The Company recognizes gain contingencies when the gain becomes realized or realizable.

*News America Marketing*

*In-Store Marketing and FSI Purchasers*

On February 29, 2016, the parties agreed to settle the litigation in the U.S. District Court for the Southern District of New York in which The Dial Corporation, Henkel Consumer Goods, Inc., H.J. Heinz Company, H.J. Heinz Company, L.P., Foster Poultry Farms, Smithfield Foods, Inc., HP Hood LLC and BEF Foods, Inc. alleged various claims under federal and state antitrust law against News Corporation, News America Incorporated (“NAI”), News America Marketing FSI L.L.C. (“NAM FSI”) and News America Marketing In-Store Services L.L.C. (“NAM In-Store Services” and, together with News Corporation, NAI and NAM FSI, the “NAM Group”). Under the terms of the settlement, the NAM Group agreed, among other things, to pay the plaintiffs and their attorneys approximately $250 million, and the parties agreed to dismiss the litigation with prejudice. As requ

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

For the six months ended December 31, 2016, the Company recorded a tax benefit of $33 million on a pre-tax loss of $252 million resulting in an effective tax rate that was lower than the U.S. statutory tax rate. The lower tax rate was primarily due to a net tax benefit of $121 million on the non-cash write-down of assets and investments in Australia and a full valuation allowance recorded on losses incurred in Australia and other certain foreign jurisdictions, offset by lower taxes on the sale of REA Group's European business.

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit the use of existing deferred tax assets. Due to adverse trends in future expected performance of the Australian newspapers and the downward revision of Foxtel's future outlook, management determined it was more likely than not that certain deferred tax assets in Australia would not be realized.

The Company's effective tax rate for the three months ended December 31, 2015 was lower than the U.S. statutory tax rate primarily due to the impact from foreign operations which are subject to lower tax rates, partially offset by the impact of nondeductible items. The Company's effective tax rate for the six months ended December 31, 2015 was lower than the U.S. statutory tax rate primarily due to a tax benefit of approximately $106 million related to the release of previously established valuation allowances related to certain U.S. federal net operating losses and state deferred tax assets. This benefit was recognized in conjunction with management's plan to dispose of the Company's digital education business in the first quarter of fiscal 2016, as the Company now expects to generate sufficient U.S. taxable income to utilize these deferred tax assets prior to expiration.

In addition, the Company recognized a tax

Move is a leading provider of online real estate services in the U.S. and primarily operates realtor.com®, a premier real estate information and services marketplace. Move offers real estate advertising solutions to agents and brokers, including its Connection for Co-brokerage℠ and Advantage products. Move also offers a number of professional software and services products, including Top Producer® and ListHub™. The Company owns an 80% interest in Move, with the remaining 20% being held by REA Group.

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

Segment EBITDA is the primary measure used addition, this measure does not reflect cash available to fund requirements and excludes items, such as depreciation and amortization and impairment and restructuring charges, which are significant components in assessing the Company’s financial performance. The

## NOTE 14. ADDITIONAL FINANCIAL INFORMATION

***Receivables, net***

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

Receivables, net consist of:

The Company's receivables did not contain significant concentrations of credit risk as of December 31, 2016 or June 30, 2016 due to the wide variety of customers, markets and geographic areas

***Other Current Assets***

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

| | As of December 31, 2016 | As of June 30, 2016 |
|---|---|---|
| | (in millions) | |
| Inventory[a] | $ 226 | $ 218 |
| Amounts due from 21st Century Fox[b] | 53 | 55 |
| Prepayments and other current assets | 220 | 240 |
| Total Other current assets | $ 499 | $ 513 |

(a) Inventory at December 31, 2016 and June 30, 2016 was primarily comprised of books, newsprint and programming rights.
(b) Relates to costs incurred in connection with the U.K. Newspaper Matters which will be indemnified by 21st Century Fox.

***Other Non-Current Assets***

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

| | As of December 31, 2016 | As of June 30, 2016 |
|---|---|---|
| | (in millions) | |
| Royalty advances to authors | $ 300 | $ 311 |
| Other | 85 | 85 |
| Total Other non-current assets | $ 385 | $ 396 |

***Other Current Liabilities***

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

| | As of December 31, 2016 | As of June 30, 2016 |
|---|---|---|
| | (in millions) | |
| Current tax payable | $ 38 | $ 33 |
| Royalties and commissions payable | 185 | 179 |
| Current portion of long term debt | 87 | 3 |
| Other | 250 | 251 |
| Total Other current liabilities | $ 560 | $ 466 |

***Other, net***

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

## NOTE 15. SUBSEQUENT EVENTS

In January 2017, REA Group acquired an approximately 15% interest in Elara Technologies Pte. Ltd., a leading online real estate services provider in India (“Elara”), fo

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

*This document, including the following discussion and analysis, contains statements that constitute “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 27A of the Securities Act of 1933, as amended. All statements that are not statements of historical fact are forward-looking statements. The words “expect,” “estimate,” “anticipate,” “predict,” “believe” and similar expressions and variations thereof are intended to identify forward-looking statements. These statements appear in a number of places in this discussion and analysis and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to,* Management's discussion and analysis of financial condition and results of operations is intended to help provide an understanding of the Company's financial condition, changes in financial condition and results of operations. This discussion is organized as follows:

- ***Overview of the Company's Business***—This section provides a general description of the Company's businesses, as well as developments that occurred to date during fiscal 2017 and in the six months ended December 31, 2015 that the Company believes are important in understanding its financial condition and results of operations or to disclose known trends.
- ***Results of Operations***—

**OVERVIEW OF THE COMPANY'S BUSINESSES**

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

Move is a leading provider of online real estate services in the U.S. and primarily operates realtor.com®, a premier real estate information and services marketplace. Move offers real estate advertising solutions to agents and brokers, including its Connection for Co-brokerage℠ and

Advantage products. Move also offers a number of professional software and services products, including Top Producer® and ListHub™. The Company owns an 80% interest in Move, with the remaining 20% being held by REA Group.

**News and Information Services**

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

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

The News and Information Services segment's advertising volume and rates, circulation and the price of paper are the key variables whose fluctuations can have a material effect on the Company's operating results and cash flow. The Company has to anticipate the level of advertising volume and rates, circulation and paper prices in managing its businesses to maximize operating profit during expanding and contracting economic cycles. The Company continues to be exposed to risks associated with paper used for printing. Paper is a basic commodity and its price is sensitive to the balance of supply and demand. The Company's expenses are affected continues to invest in its digital products. Technologies such as smartphones, tablets and similar devices and their related applications provide continued opportunities for the Company to make its journalism available to a new audience of readers, introduce new or different pricing schemes, and develop its products to continue to attract advertisers and/or affect the relationship between publisher and consumer. The Company continues to develop and implement strategies to exploit its content across a variety of media channels and platforms.

**Book Publishing**

The Book Publishing segment derives revenues from the sale of general fiction, nonfiction, children’s and religious books in the U.S. and internationally. The revenues and operating results of the Book Publishing segment are significantly affected by the timing of releases and the number of its books in the marketplace. The book publishing marketplace is subject to increased periods of demand during the end-of-year holiday season in it

currently owned will become mandatorily redeemable during fiscal 2018, and as a result, the Company recognized a liability of approximately $76 million. The acquisition was funded primarily with the proceeds from borrowings under an unsecured syndicated revolving loan facility (the “REA Facility”). (See Note 6 to the Consolidated Financial Statements). The acquisition of iProperty extends REA Group’s market leading business in Australia to attractive markets throughout Southeast Asia. iProperty is a subsidiary of REA Group, and its results are included within the Digital Real Estate Services segment. During the fiscal year ended June 30,

## RESULTS OF OPERATIONS

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

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

***Revenues***

The revenue decrease for the three months ended December 31, 2016 was mainly due to a decrease in revenues at the News and Information Services segment of $97 million, primarily resulting from weakness in the print advertising market and the negative impact of foreign currency fluctuations. This decrease was partially offset by increased revenues at the Digital Real Estate Services segment of $34 million due to higher Real estate revenues at both REA Group and Move and at the Book Publishing segment of $20 million due to strong frontlist and backlist sales. The impact of foreign currency fluctuations of the U.S. dollar against local

The increase in Selling, general and administrative expenses for the six months ended December 31, 2016 was primarily due to an increase at the Digital Real Estate Services segment, primarily related to higher costs at REA Group associated with revenue growth and higher marketing costs at both REA Group and Move, and the acquisition of iProperty. This increase was partially offset by lower selling, general and administrative costs at the News and Information Services segment, mainly related to lower marketing costs, the impact of cost savings initiatives and the positive impact of foreign currency fluctuations. The decreases in the News and Information Services segment were partially offset by higher costs related to the acquisition of Unruly and Wireless Group in September 2015 and 2016, respectively. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Selling, general and administrative expense decrease of $51 million for the six months ended December 31, 2016 as compared to the corresponding period of fiscal 2016.

***Depreciation and amortization***—Depreciation and amortization expense decreased 2% for the three and six months ended December 31, 2016 as compared to the corresponding periods of fiscal 2016 due to the positive impact of foreign currency fluctuations. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Depreciation and amortization expense decrease of $3 million and $5 million for the three and six months ended December 31, 2016, respectively, as compared to the corresponding periods of fiscal 2016.

***Impairment and restructuring charges***—During the three and six months ended December 31, 2016, the Company recorded restructuring charges of $47 million and $67 million, respectively, of which $47 million and $66 million, respectively, related to the News and Information Services segment. The restructuring charges recorded in the three and six months ended December 31, 2016 were for employee termination benefits.

Additionally, in connection with a reorganization at Dow Jones, the Company expects to incur approximately $30 to $40 million in restructuring charges during the remainder of fiscal 2017. The reorganization is expected to reduce the Company's costs by approximately $100 million on an annualized basis by the end of fiscal 2018.

During the three months ended December 31, 2016, the Company recognized a non-cash impairment charge of approximately $310 million primarily related to the write-down of fixed assets at the Australian newspapers. The write-down was a result of the impact of adverse trends on the future expected performance of the Australian newspapers, where revenue declines from continued weakness in the print advertising market accelerated during the quarter. The write-down is comprised of approximately $149 million related to printing presses and print related equipment, $77 million related to facilities, $66 million related to capitalized analysis, and would have required the completion of step two of the goodwill impairment analysis. Including those reporting units disclosed in the 2016 Form 10-K, the News and Information Services and Cable Network Programming segments have reporting units with goodwill and indefinite-lived intangible assets of approximately $2.4 billion at December 31, 2016 that are at risk for future impairment, of which $1.9 billion related to the News and Information Services segment and $0.5 billion related to the Cable Network Programming segment.

During the three and six months ended December 31, 2015, the Company recorded restructuring charges ofk

***Other, net***

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

***Income tax benefit (expense)***—For the three months ended December 31, 2016, the Company recorded a tax benefit of $32 million on a pre-tax loss of $251 million resulting in an effective tax rate that was lower than the U.S. statutory tax rate. The lower tax rate was primarily due to a net tax benefit of $121 million on the non-cash write-down of assets and investments in Australia and a full valuation allowance recorded on losses incurred in Australia and other certain foreign jurisdictions, offset by lower taxes on the sale of REA Group's European operations.

For the six months ended December 31, 2016, the Company recorded a tax benefit of $33 million on a pre-tax loss of $252 million resulting in an effective tax rate that was lower than the U.S. statutory tax rate. The lower tax rate was primarily due to a net tax benefit of $121 million on the non-cash write-down of assets and investments in Australia and a full valuation allowance recorded on losses incurred in Australia and other certain foreign jurisdictions, offset by lower taxes on the sale of REA Group's European

Total Segment EBITDA is a non-GAAP measure and should be considered in addition to, not as a substitute for, net (loss) income, cash flow and other measures of financial performance reported in accordance with GAAP. In addition, this measure does not reflect cash available to fund requirements and excludes items, such as depreciation and amortization and impairment and restructuring charges, which are significant components in assessing the Company's financial performance. The Company believes that information about Total Segment EBITDA allows users of its Consolidated Financial Statements to evaluate changes in the operating results of the Company separate from non-operational factors that affect net (loss) income, thus providing insight into both operations and the other factors that affect reported results. The following table reconciles Total Segment EBITDA to (Loss) Income from continuing operations:

| | For the three months ended December 31, | | | | For the six months ended December 31, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | Change | % Change | 2016 | 2015 | Change | % Change |
| (in millions, except %) | | | Better/(Worse) | | | | | |

| | For the six months ended December 31, | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| (in millions) | Revenues | Segment EBITDA | Revenues | Segment EBITDA |
| News and Information Services | $ 2,525 | $ 188 | $ 2,690 | $ 241 |
| Book Publishing | 855 | 123 | 855 | 99 |
| Digital Real Estate Services | 468 | 162 | 399 | 130 |

***News and Information Services*** (62% and 64% of the Company's consolidated revenues in the six months ended December 31, 2016 and 2015, respectively)

Revenues at the News and Information Services segment decreased $97 million, or 7%, for the three months ended December 31, 2016 as compared to the corresponding period of fiscal 2016. The revenue decrease was mainly due to lower advertising revenues of $72 million as compared to the corresponding period of fiscal 2016, primarily resulting from weakness in the print advertising market and a $12 million negative impact from foreign currency fluctuations, partially offset by the acquisition of Wireless Group which contributed $22 million of revenue in the quarter. Circulation and subscription revenues for the three months ended December 31, 2016 decreased $24 million as compared to the corresponding period of fiscal 2016 as a result of a $28 million negative impact from foreign currency fluctuations, which more than offset a modest increase in circulation revenues at Dow Jones.

Segment EBITDA at the News and Information Services segment decreased $16 million, or 10%, for the three months ended December 31, 2016 as compared to the corresponding period of fiscal 2016. The decrease was primarily due to the lower advertising revenues noted above, and increased investment spending at Checkout 51 of $8 million. The decrease was partially offset by lower newsprint, production and distribution costs and the impact of cost savings initiatives.

Revenues at the News and Information Services segment decreased $165 million, or 6%, for the six months ended December 31, 2016 as compared to the corresponding period of fiscal 2016. The revenue decrease was mainly due to lower advertising revenues of $144 million as compared to the corresponding period of fiscal 2016, primarily resulting from weakness in the print advertising market and an $18 million negative impact from foreign currency fluctuations, partially offset by the acquisition of Wireless Group which contributed $22 million of revenue in the period. Circulation and subscription revenues for the six months ended December 31, 2016 decreased $43 million as compared to the corresponding period of fiscal 2016, primarily as a result of the $52 million negative impact of foreign currency fluctuations, which more than offset higher circulation and subscription revenues at Dow Jones. Other revenues for the six months ended December 31, 2016 increased $22 million, primarily due to the acquisition of Unruly and Wireless Group, which contributed $13 million and $5 million, respectively, to the increase.

Segment EBITDA at the News and Information Services segment decreased $53 million, or 22%, for the six months ended December 31, 2016 as compared to the corresponding period of fiscal 2016. The decrease was primarily due to the lower advertising revenues noted above, increased investment spending at Checkout 51 of $20 million and $5 million of transaction related costs associated with the acquisition of Wireless Group in September 2016. The decrease was partially offset by lower newsprint, production and distribution costs and the impact of cost savings initiatives.

*News Corp Australia*

Revenues at the Australian newspapers for the three months ended December 31, 2016 decreased 6% as compared to the corresponding period of fiscal 2016. The impact of foreign currency fluctuations of the U.S. dollar against the Australian dollar resulted in a revenue increase of $12 million, or 4%. Advertising revenues decreased $25 million due to weakness in the print advertising market in Australia, partially offset by the positive impact of foreign currency fluctuations. Circulation and subscription revenues were flat primarily due to the positive impact of foreign currency fluctuations, as price increases and digital subscriber growth were more than offset by print volume declines.

Revenues at the Australian newspapers for the six months ended December 31, 2016 decreased 3% as compared to the corresponding period of fiscal 2016, with the impact of foreign currency fluctuations of the U.S. dollar against the Australian dollar resulting in a revenue increase of $25 million, or 4%. Advertising revenues declined $38 million, primarily as a result of weakness in the print advertising market in Australia, partially offset by the positive impact of foreign currency fluctuations. Circulation and subscription revenues increased $6 million due to the positive impact of foreign currency fluctuations, as price increases and digital subscriber growth were more than offset by print volume declines.

*News UK*

For the three months ended December 31, 2016, revenues at the U.K. newspapers decreased 22% as compared to the corresponding period of fiscal 2016. Advertising revenues decreased $35 million, primarily due to the negative impact of foreign currency fluctuations and weakness in the print advertising market, part advertising market. Circulation and subscription revenues increased $5 million as a result of growth in circulation revenues at *The Wall Street Journal*

Revenues at the Book Publishing segment were flat for the six months ended December 31, 2016 as compared to the corresponding period of fiscal 2016, as higher revenues from strong frontlist and backlist sales and foreign language publishing were offset by the absence of revenues associated with sales of *Go Set a Watchman* by Harper Lee in the prior year and the negative impact of foreign currency fluctuations. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of $20 million, or 2%, for the six months ended December 31, 2016 as compared to the corresponding period of fiscal 2016. Digital sales represented 18% of Consumer revenues during the six months ended December 31, 2016. Digital sales decreased 2% as compared to the corresponding period of fiscal 2016 due to the mix of titles as compared to the prior year period.

Segment EBITDA at the Book Publishing segment increased $24 million, or 24%, for the six months ended December 31, 2016 as compared to the corresponding period of fiscal 2016. The increase was primarily due to the mix of titles as compared to the prior year quarter.

***Digital Real Estate Services***

Revenues at the Digital Real Estate Services segment increased $69 million, or 17%, for the six months ended December 31, 2016 as compared to the corresponding period of fiscal 2016. At REA Group, revenues increased 20% due to an increase in Australian residential depth revenue, the positive impact of foreign currency fluctuations and higher revenues due to the acquisition of iProperty. Revenues at Move increased 8%, primarily due to an increase in Connection for Co-brokerage[SM] product revenues and non-listing media revenues. Revenues from DIAKRIT contributed $9 million to the increase in revenues for the six months ended December 31, 2016. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue increase of $11 million, or 2%, for the six months ended December 31, 2016 as compared to the corresponding period of fiscal 2016.

simulcast and certain one-time cricket rights costs were offset by the absence of costs associated with the Rugby World Cup and the English Premier League rights. The impact of foreign currency fluctuations of the U.S. dollar against the Australian dollar resulted in a revenue increase of $6 million, or 3%, and a Segment EBITDA decrease of $3 million, or 4%, for the six months ended December 31, 2016 as compared to the corresponding period of fiscal 2016.

## LIQUIDITY AND CAPITAL RESOURCES

### *Current Financial Condition*

The Company's principal source of liquidity is internally generated funds and cash and cash equivalents on hand. As of December 31, 2016, the Company's cash and cash equivalents were $1,564 million. The Company expects these elements of liquidity will enable it to meet its liquidity needs in the foreseeable future. As described in greater detail below, in October 2013, the Company established a revolving credit facility of $650 million, which terminates on October 23, 2020. The Company may request that the commitments be extended under certain circumstances as set forth in the credit agreement and may also request increases in the amount of the facility up to a maximum amount of $900 million. In addition, the Company expects to have access to the worldwide capital markets, subject to market conditions, in order to issue debt if needed or desired. Although the Company believes that its cash on hand and future cash from operations, together with its access to the capital markets, will provide adequate resources to fund its operating and financing needs, its access to, and the availability of, financing on acceptable terms in the future will be affected by many factors, including: (i) the Company's performance, (ii) its credit rating or absence of a credit rating, (iii) the liquidity of the overall capital markets and (iv) the current state of the economy. There can be no assurances that the Company will continue to have access to the capital markets on acceptable terms. See Part II, "Item 1A. Risk Factors" for further discussion.

As of December 31, 2016, the Company's consolidated assets included $726 million in cash and cash equivalents that was held by its foreign subsidiaries. $120 million of this amount is cash not readily accessible by the Company as it is held by REA Group, a majority owned but separately listed public company. REA Group must declare a dividend in order for the Company to have access to its share of REA Group's cash balance. The Company earns income outside the U.S., which is deemed to be permanently reinvested in certain foreign jurisdictions. The Company does not currently intend to repatriate these earnings. Should the Company require more capital in the U.S. than is generated by and/or available to its domestic operations, the Company could elect to transfer funds sole discretion of a duly appointed committee of the Board of Directors and management. The committee's decisions regarding future stock repurchases will be evaluated from time to time in light of many factors, including the Company's financial condition, earnings, capital requirements and debt facility covenants, other contractual restrictions, as well as legal requirements, regulatory constraints, industry practice, market volatility and other factors that the committee may deem relevant. The stock repurchase authorization may be modified, extended, suspended or discontinued at any time by the Board of Directors and the Board of Directors cannot provide any assurances that any additional shares will be repurchased.

***Dividends***

In August 2016, the Board of Directors declared a semi-annual cash dividend of $0.10 per share for Class A Common Stock and Class B Common Stock. This dividend was paid on October 19, 2016 to stockholders of record at the close of business on September 14, 2016. The timing, declaration, amount and payment of future dividends to stockholders, if any, is within the discretion of the Board of Directors. The Board of Directors' decisions regarding the payment of future dividends will depend on many factors, including the Company's financial condition, earnings, capital re

Net cash used in financing activities for the six months ended December 31, 2016 and 2015 was as follows (in millions):

The Company had net cash used in financing activities of $121 million for the six months ended December 31, 2016 as compared to net cash used in financing activities of $99 million for the corresponding period of fiscal 2016. During the six months ended December 31, 2016, the Company paid dividends of $58 million to News Corporation stockholders and repaid the debt assumed in the acquisition of Wireless Group of $23 million.

During the six months ended December 31, 2015, the Company paid dividends of $58 million to News Corporation stockholders and repurchased News Corp shares for $18 million.

***Reconciliation of Free Cash Flow Available to News Corporation***

Free cash flow available to News Corporation is a non-GAAP financial measure defined as net cash provided by operating activities from continuing operations, less capital expenditures ("free cash flow"), less REA Group free cash flow, plus cash dividends received from REA Group. Free cash flow available to News Corporation excludes cash flows from discontinued operations. Free cash flow available to News Corporation should be considered in addition to, not as a substitute for, cash flows from continuing operations and other measures of financial performance reported in accordance with GAAP. Free cash flow available to News Corporation may not be comparable to similarly titled measures reported by other companies, since companies and investors may differ as to what items should be included in the calculation of free cash flow.

The Company considers free cash flow available to News Corporation to provide useful information to management and investors about the amount of cash that is available to be used to strengthen the Company's balance sheet and for strategic opportunities including, among others, investing in the CompTJ8d oup herrherrherr078 TDs2.3(e)-.6(sl.)6(Co)-42f68 investing in the Corted s9Nm9 0 T(uinorp

*Revolving*

***Contingencies***

The Company routinely is involved in various legal proceedings, claims and governmental inspections or investigations, including those discussed in Note 10 to the Consolidated Financial Statements. The outcome of these matters and claims is subject to significant uncertainty, and the Company often cannot predict what the eventual outcome of pending matters will be or the timing of the ultimate resolution of these matters. Fees, expenses, fines, penalties, judgments or settlement costs which might be incurred by the Company in connection with the various proceedings could adversely affect its results of operations and financial condition.

The Company establishes an accrued liability for legal claims when it determines that

period, the Company’s disclosure controls and procedures were effective

# PART II

The following information supplements the discussion set forth under “Legal Proceedings” in the Company’s 2016 Form 10-K.

*Valassis Communications, Inc.*

As reported in the 2016 Form 10-K, Valassis Communications, Inc. (“Valassis”) initiated two separate legal proceedings against certain of the Company’s subsidiaries on November 8, 2013. In the first proceeding (“Valassis I”), Valassis filed a motion for expedited discovery in a previously settled case involving NAI, NAM FSI and NAM In-Store Services based on its belief that defendants had engaged in activities prohibited under an order issued by the U.S. District Court for the Eastern District of Michigan (the “Order”) in connection with the parties’ settlement. Valassis subsequently filed a Notice of Violation of the Order (the “Notice”) in Valassis I alleging violations of federal and state antitrust laws and common law business torts and seeking treble damages, injunctive relief and attorneys’ fees. In the second proceeding (“Valassis II”), Valassis filed a new complaint against the NAM Group in the same District Court, which also alleged violations of federal and state antitrust laws and common law business torts and sought treble damages, injunctive relief and attorneys’ fees and costs. On March 30, 2016, the District Court ordered that the Notice in Valassis I and the remaining claims in the NAM Group’s motion to dismiss in Valassis II (the bundling and tying claims in Valassis II were dismissed without prejudice to Valassis’s rights to purs

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

Not applicable.

**Exhibit 31.1**

## Chief Executive Officer Certification

## Required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended

I, Robert J. Thomson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of News Corporation;

February 10, 2017

**Exhibit 31.2**

**Chief Financial Officer Certification**

**Required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended**

I, Bedi Ajay Singh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of News Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact

**Exhibit 32.1**