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)

Delaware	26-0075658

(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer 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
Class A Common Stock, par value $0.01 per share	The NASDAQ Global Select Market
Class B Common Stock, par value $0.01 per share	The NASDAQ Global Select Market

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,

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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

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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 programing (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

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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.

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	44(5)	UHF	6.3	%
		WWOR [(b)(c)]	25(9)	UHF		
Los Angeles, CA	2	KTTV	11(11)	VHF	4.7	%
		KCOP [(b)]	13(13)	VHF		
Chicago, IL	3	WFLD	31(32)	UHF	2.9	%
		WPWR [(b)(d)(e)]	31(50)	UHF		
Philadelphia, PA	4	WTXF	42(29)	UHF	2.6	%
Dallas, TX	5	KDFW	35(4)	UHF	2.4	%
		KDFI [(b)]	36(27)	UHF		
Washington, DC	6	WTTG	36(5)	UHF	2.2	%
		WDCA [(b)(f)]	35(20)	UHF		
Houston, TX	7	KRIV	26(26)	UHF	2.2	%
		KTXH [(b)]	19(20)	UHF		
San Francisco, CA	8	KTVU	44(2)	UHF	2.2	%
		KICU [(g)]	36(36)	UHF		
Atlanta, GA	9	WAGA	27(5)	UHF	2.2	%
Phoenix, AZ	11	KSAZ	10(10)	VHF	1.7	%
		KUTP [(b)]	26(45)	UHF		
Tampa, FL	13	WTVT	12(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)]	29(29)	UHF		
Orlando, FL	18	WOFL	22(35)	UHF	1.4	%
		WRBW [(b)]	41(65)	UHF		
Charlotte, NC	23	WJZY	47(46)	UHF	1.0	%
		WMYT [(b)(i)]	47(55)	UHF		
Austin, TX	39	KTBC	7(7)	VHF	0.7	%
Gainesville, FL	159	WOGX	31(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.

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(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

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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.

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

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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

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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.

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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 prejudge 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 prejudge 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.

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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

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

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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.

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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.

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

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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, In. 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, In. 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 Common Stock			Class A Common Stock		
	High	Low	Dividend[a]	High	Low	Dividend[a]
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.

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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

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 a intended to identify forward-looking statements. These statements appear in a number of places in this document and include statements regarding the intent, belief or current expectations of Twenty-First Century Fox, Inc., its directors or its officers with respect to, among other things, 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

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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)		