

NEWS CORP
Form 10-Q
May 09, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2014

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 001-35769

NEWS CORPORATION

(Exact Name of Registrant as Specified in its Charter)

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Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

46-2950970
(I.R.S. Employer Identification No.)

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

10036
(Zip Code)

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

As of May 5, 2014, 379,392,985 shares of Class A Common Stock and 199,630,240 shares of Class B Common Stock were outstanding.

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Table of Contents**NEWS CORPORATION****CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS**

(Unaudited; millions, except per share amounts)

	Notes	For the three months ended March 31,		For the nine months ended March 31,	
		2014	2013	2014	2013
Revenues:					
Advertising		\$ 952	\$ 1,046	\$ 2,990	\$ 3,250
Circulation and Subscription		665	703	2,005	1,965
Consumer		342	297	1,030	969
Other		119	134	363	450
Total Revenues		2,078	2,180	6,388	6,634
Operating expenses					
Selling, general and administrative		(644)	(657)	(1,917)	(2,036)
Depreciation and amortization		(142)	(144)	(421)	(398)
Impairment and restructuring charges	3	(10)	(54)	(73)	(231)
Equity earnings of affiliates	4	23	27	53	81
Interest, net		17	25	50	54
Other, net	14	(1)	314	(673)	1,569
Income (loss) before income tax (expense) benefit		62	337	(421)	1,633
Income tax (expense) benefit	12	(1)	(5)	686	27
Net income		61	332	265	1,660
Less: Net income attributable to noncontrolling interests		(13)	(9)	(39)	(30)
Net income attributable to News Corporation stockholders		\$ 48	\$ 323	\$ 226	\$ 1,630
Net income available to News Corporation stockholders per share:					
Basic and diluted	8	\$ 0.08	\$ 0.56	\$ 0.39	\$ 2.82

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

Table of Contents**NEWS CORPORATION****CONSOLIDATED AND COMBINED STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited; millions)

	For the three months ended March 31,		For the nine months ended March 31,	
	2014	2013	2014	2013
Net income	\$ 61	\$ 332	\$ 265	\$ 1,660
Other comprehensive income (loss):				
Foreign currency translation adjustments	223	(17)	184	60
Unrealized holding gains (losses) on securities		2	(1)	3
Benefit plan adjustments, net ^(a)	12	(2)	21	(5)
Share of other comprehensive income from equity affiliates, net ^(b)	(5)		6	
Other comprehensive income (loss)	230	(17)	210	58
Comprehensive income	291	315	475	1,718
Less: Net income attributable to noncontrolling interests	(13)	(9)	(39)	(30)
Less: Other comprehensive (income) loss attributable to noncontrolling interests	(5)		1	(2)
Comprehensive income attributable to News Corporation stockholders	\$ 273	\$ 306	\$ 437	\$ 1,686

^(a) Net of income tax expense (benefit) of \$11 million and \$(1) million for the three months ended March 31, 2014 and 2013, respectively, and income tax expense (benefit) of \$19 million and \$(3) million for the nine months ended March 31, 2014 and 2013, respectively.

^(b) Net of income tax benefit of \$2 million and nil for the three months ended March 31, 2014 and 2013, respectively, and income tax expense of \$2 million and nil for the nine months ended March 31, 2014 and 2013, respectively.

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

Table of Contents**NEWS CORPORATION****CONSOLIDATED BALANCE SHEETS**

(Millions, except share and per share amounts)

	Notes	As of March 31, 2014 (unaudited)	As of June 30, 2013 (audited)
Assets:			
Current assets:			
Cash and cash equivalents		\$ 3,207	\$ 2,381
Amounts due from 21st Century Fox	9	91	247
Receivables, net	14	1,394	1,335
Other current assets	14	678	680
Total current assets		5,370	4,643
Non-current assets:			
Investments	4	2,551	2,499
Property, plant and equipment, net		2,959	2,992
Intangible assets, net		2,116	2,186
Goodwill		2,763	2,725
Other non-current assets	14	784	598
Total assets		\$ 16,543	\$ 15,643
Liabilities and Equity:			
Current liabilities:			
Accounts payable		\$ 245	\$ 242
Accrued expenses		1,200	1,108
Deferred revenue		406	389
Other current liabilities	14	647	432
Total current liabilities		2,498	2,171
Non-current liabilities:			
Retirement benefit obligations	11	253	345
Deferred income taxes		295	152
Other non-current liabilities		309	279
Commitments and contingencies	10		
Redeemable preferred stock		20	20
Class A common stock ^(a)		4	4
Class B common stock ^(b)		2	2
Additional paid-in capital		12,321	12,281
Retained earnings		225	
Accumulated other comprehensive income		482	271
Total News Corporation stockholders' equity		13,034	12,558
Noncontrolling interests		134	118

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Total equity	6	13,168	12,676
Total liabilities and equity		\$ 16,543	\$ 15,643

- (a) **Class A common stock**, \$0.01 par value per share (Class A Common Stock), 1,500,000,000 shares authorized, 379,392,985 and 379,174,445 shares issued and outstanding, net of 27,333,277 and 27,395,821 treasury shares at par at March 31, 2014 and June 30, 2013, respectively.
- (b) **Class B common stock**, \$0.01 par value per share (Class B Common Stock), 750,000,000 shares authorized, 199,630,240 shares issued and outstanding, net of 78,430,424 treasury shares at par at March 31, 2014 and June 30, 2013.

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

Table of Contents**NEWS CORPORATION****CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS**

(Unaudited; millions)

	Notes	For the nine months ended March 31,	
		2014	2013
Operating activities:			
Net income		\$ 265	\$ 1,660
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization		421	398
Equity earnings of affiliates	4	(53)	(81)
Cash distributions received from affiliates		47	119
Impairment charges, net of tax	3	12	
Other, net	14	(48)	(1,569)
Deferred income taxes and taxes payable	12	85	(97)
Change in operating assets and liabilities, net of acquisitions:			
Receivables and other assets		(140)	(62)
Inventories, net		(32)	(79)
Accounts payable and other liabilities		281	173
Pension and postretirement benefit plans		(35)	(42)
Net cash provided by operating activities		803	420
Investing activities:			
Capital expenditures		(244)	(227)
Acquisitions, net of cash acquired		(39)	(2,157)
Investments in equity affiliates and other		(12)	(10)
Proceeds from dispositions		109	702
Net cash used in investing activities		(186)	(1,692)
Financing activities:			
Net transfers from 21st Century Fox and affiliates		217	1,927
Repayment of borrowings acquired in the CMH acquisition			(235)
Dividends paid		(23)	(20)
Purchase of subsidiary shares from noncontrolling interest			(9)
Other, net		(3)	
Net cash provided by financing activities		191	1,663
Net increase in cash and cash equivalents		808	391
Cash and cash equivalents, beginning of period		2,381	1,133
Exchange movement on opening cash balance		18	15
Cash and cash equivalents, end of period		\$ 3,207	\$ 1,539

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

Table of Contents**NEWS CORPORATION****NOTES TO THE UNAUDITED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS****NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION**

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

The Separation and Distribution

On June 28, 2013 (the Distribution Date), the Company completed the separation of its businesses (the Separation) from Twenty-First Century Fox, Inc. (21st Century Fox). As of the effective time of the Separation, all of the outstanding shares of the Company were distributed to 21st Century Fox stockholders based on a distribution ratio of one share of Company Class A or Class B Common Stock for every four shares of 21st Century Fox Class A or Class B Common Stock, respectively, held of record as of June 21, 2013 (the Record Date). Following the Separation, the Company's Class A and Class B Common Stock began trading independently on The NASDAQ Global Select Market (NASDAQ), and CHES Depository Interests representing the Company's Class A and Class B Common Stock began trading on the Australian Securities Exchange (ASX). In connection with the Separation, the Company entered into the Separation and Distribution Agreement (the Separation and Distribution Agreement) and certain other related agreements which govern the Company's relationship with 21st Century Fox following the Separation. (See Note 9 Related Party Transactions and 21st Century Fox Investment for further information).

Basis of Presentation

Subsequent to the Distribution Date, the Company's financial statements as of June 30, 2013 and as of and for the three and nine months ended March 31, 2014 are presented on a consolidated basis, as the Company became a separate consolidated group on June 28, 2013. The Company's consolidated statements of operations for the three and nine months ended March 31, 2014 reflect the Company's operations as a stand-alone company. The Company's consolidated balance sheets as of June 30, 2013 and March 31, 2014 consist of the Company's consolidated balances, subsequent to the Separation.

Prior to the Separation, the Company's combined financial statements were prepared on a stand-alone basis derived from the consolidated financial statements and accounting records of 21st Century Fox. The Company's financial statements for the three and nine months ended March 31, 2013 were prepared on a combined basis and presented as carve-out financial statements, as the Company was not a separate consolidated group prior to the Distribution Date. These statements reflect the combined historical results of operations and cash flows of 21st Century Fox's publishing businesses, its education division and other Australian assets.

Prior to the Separation, the Company's combined statements of operations included allocations of general corporate expenses for certain support functions that were provided on a centralized basis by 21st Century Fox and not recorded at the business unit level, such as expenses related to finance, human resources, information technology, facilities, and legal, among others. These expenses were allocated to the Company on the basis of direct usage when identifiable, with the remainder allocated on a pro rata basis of combined revenues, operating income, headcount or other measures of the Company. Management believes the assumptions underlying the combined financial statements, including the assumptions regarding allocating general corporate expenses from 21st Century Fox, are reasonable. Nevertheless, the combined financial statements may not include all of the actual expenses that would have been incurred by the Company and may not reflect the Company's combined results of operations and cash flows had it been a stand-alone company during the periods presented. Actual costs that would have been incurred if the Company had been a stand-alone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure.

The consolidated and combined financial statements will be referred to as the Financial Statements herein. The consolidated and combined statements of operations will be referred to as the Statements of Operations herein. The consolidated balance sheets will be referred to as the Balance Sheets herein.

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NOTES TO THE UNAUDITED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

For purposes of the Company's Financial Statements for periods prior to the Separation, income tax expense was recorded as if the Company filed tax returns on a stand-alone basis separate from 21st Century Fox. This separate return methodology applies the accounting guidance for income taxes to the stand-alone financial statements as if the Company was a stand-alone enterprise for the periods prior to the Distribution Date. Therefore, cash tax payments for periods prior to the Separation may not be reflective of the Company's actual tax balances. Prior to the Separation, the Company's operating results were included in 21st Century Fox's consolidated U.S. federal and state income tax returns. The calculation of the Company's income taxes involves considerable judgment and the use of both estimates and allocations.

The accompanying Financial Statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments consisting only of normal recurring adjustments necessary for a fair presentation have been reflected in these unaudited consolidated and combined financial statements. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2014.

The accompanying Financial Statements and notes thereto should be read in conjunction with the audited consolidated and combined financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2013 as filed with the Securities and Exchange Commission (SEC) on September 20, 2013 (the 2013 Form 10-K).

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

The preparation of the Company's Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts that are reported in the Financial Statements and accompanying disclosures. Actual results could differ from those estimates.

The Company's fiscal year ends on the Sunday closest to June 30. Fiscal 2014 and fiscal 2013 include 52 weeks. All references to March 31, 2014 and March 31, 2013 relate to the three and nine months ended March 30, 2014 and March 31, 2013, respectively. For convenience purposes, the Company continues to date its financial statements as of March 31.

Certain fiscal 2013 amounts have been reclassified to conform to the fiscal 2014 presentation.

Recent Accounting Guidance

In July 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) ASU 2012-02, Intangibles - Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment (ASU 2012-02), which permits an entity to make a qualitative assessment of whether it is more likely than not that the fair value of a reporting unit's indefinite-lived intangible asset is less than the asset's carrying value before applying a quantitative impairment assessment. If it is determined through the qualitative assessment that the fair value of a reporting unit's indefinite-lived intangible asset is more likely than not greater than the asset's carrying value, the remaining impairment steps would be unnecessary. The qualitative assessment is optional, allowing companies to go directly to the quantitative assessment. ASU 2012-02 is effective for the Company for annual and interim indefinite-lived intangible asset impairment tests performed beginning July 1, 2013. The adoption of ASU 2012-02 did not have an impact on the Company's Financial Statements.

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In February 2013, the FASB issued ASU 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* (ASU 2013-02), which requires the Company to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, it requires the Company to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, the Company is required to cross-reference to other disclosures required under GAAP that provide additional detail about those amounts. ASU 2013-02 was effective for the Company for interim reporting periods beginning July 1, 2013. (See Note 11 *Pension and Other Postretirement Benefits*).

In February 2013, the FASB issued ASU 2013-04, *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date* (ASU 2013-04). The objective of ASU 2013-04 is to provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation (within the scope of this guidance) is fixed at the reporting date. Examples of obligations within the scope of ASU 2013-04 include debt arrangements, other contractual obligations, and settled litigation and judicial rulings. ASU 2013-04 is effective for the Company for interim reporting periods beginning July 1, 2014, however, early adoption is permitted. The Company is currently evaluating the impact that ASU 2013-04 will have on its Financial Statements, but does not expect the adoption will have a significant impact on the Company's Financial Statements.

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

In July 2013, the FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (ASU 2013-11). ASU 2013-11 clarifies guidance and eliminates diversity in practice on the presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. ASU 2013-11 is effective for the Company for annual reporting periods beginning July 1, 2014 and subsequent interim periods. Based on its review, the Company has determined that ASU 2013-11 will not have a significant impact on its Financial Statements.

In April 2014, the FASB issued ASU 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* (ASU 2014-08). ASU 2014-08 changes the criteria for reporting discontinued operations with only disposals representing a strategic shift in operations being presented as discontinued operations. Additionally, ASU 2014-08 requires expanded disclosures about discontinued operations. The Company early adopted ASU 2014-08 which did not have an impact on the Company's Financial Statements.

NOTE 2. ACQUISITIONS, DISPOSALS AND OTHER TRANSACTIONS***Fiscal 2014***

In September 2013, the Company sold the Dow Jones Local Media Group (LMG), which operated eight daily and 15 weekly newspapers in seven states. The gain recognized on the sale of LMG was not significant as the carrying value of the assets held for sale on the date of sale approximated the proceeds received. The net income, assets, liabilities and cash flows attributable to the LMG operations were not material to the Company in any of the periods presented and, accordingly have not been presented separately.

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

Fiscal 2013

In July 2012, the Company acquired Australian Independent Business Media Pty Limited (AIBM) for approximately \$30 million in cash. AIBM publishes a subscription-based online newsletter for investors and a business news and commentary website.

In July 2012, the Company acquired Thomas Nelson, Inc. (Thomas Nelson), one of the leading Christian book publishers in the U.S., for approximately \$200 million in cash. The acquisition of Thomas Nelson increased the Company's presence and reach in the Christian publishing market. In accordance with Accounting Standards Codification (ASC) 350, Intangibles—Goodwill and Other (ASC 350), the excess purchase price of approximately \$160 million has been allocated as follows: \$65 million to publishing rights with a useful life of 20 years, \$25 million to imprints which have an indefinite life and approximately \$70 million representing the goodwill on the transaction.

In November 2012, the Company acquired Consolidated Media Holdings Ltd. (CMH), a media investment company that operates in Australia, for approximately \$2 billion in cash and assumed debt of approximately \$235 million. This acquisition supports the Company's strategic priority of acquiring greater control of investments that complement its portfolio of businesses. CMH owned a 25% interest in Foxtel through its 50% interest in FOX SPORTS Australia. The acquisition doubled the Company's stakes in FOX SPORTS Australia and Foxtel to 100% and 50%, respectively. Prior to November 2012, the Company accounted for its investments in FOX SPORTS Australia and Foxtel under the equity method of accounting. The Company's investment in Foxtel continues to be accounted for under the equity method of accounting.

The results of FOX SPORTS Australia have been included within the Cable Network Programming segment in the Company's consolidated results of operations since November 2012.

At the time of acquisition, the carrying amount of the Company's previously held equity interest in FOX SPORTS Australia, through which the Company held its indirect 25% interest in Foxtel, was revalued to fair value as of the acquisition date, resulting in a non-taxable gain of approximately \$1.3 billion which was included in Other, net in the Statements of Operations for the nine months ended March 31, 2013. The fair value of the Company's previously held equity interest of \$1.6 billion was determined using an income approach (discounted cash flow analysis) adjusted to remove an assumed control premium. Significant unobservable inputs utilized in the income approach valuation method were discount rates ranging from 9.5% to 10.5%, based on the weighted average cost of capital for FOX SPORTS Australia and Foxtel using the capital asset pricing model, and long-term growth rates of approximately 2.5%, reflecting the Company's assessment of the long-term inflation rate for Australia.

In accordance with ASC 350 the excess purchase price, including the revalued previously held investment, of approximately \$3.2 billion has been allocated as follows: \$1.9 billion to equity method investments, approximately \$684 million to amortizable intangible assets, primarily customer relationships, with useful lives ranging from 15 to 25 years and approximately \$657 million representing the goodwill on the transaction.

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Summarized financial information for FOX SPORTS Australia for the period July 1, 2012 through the date of acquisition was as follows:

	For the period July 1 through November 19, 2012 (in millions)
Revenues	\$ 192
Operating income ^(a)	63
Net income	46

^(a) Includes Depreciation and amortization of \$4 million. Operating income before depreciation and amortization was \$67 million for the period July 2012 through the date of acquisition.

NOTE 3. RESTRUCTURING AND IMPAIRMENT***Fiscal 2014***

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

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

Fiscal 2013

During the three and nine months ended March 31, 2013, the Company recorded restructuring charges of \$54 million and \$231 million, respectively, of which \$53 million and \$227 million, respectively, related to the newspaper businesses. The restructuring charges primarily related to the reorganization of the Australian newspaper businesses which was announced at the end of fiscal 2012 and the continued reorganization of the U.K. newspaper business. The restructuring charges recorded in the three and nine months ended March 31, 2013 were primarily for employee termination benefits in Australia and contract termination payments in the U.K.

Changes in restructuring program liabilities were as follows:

	For the three months ended March 31,							
	2014				2013			
	One time employee termination benefits	Facility related costs	Other costs	Total	One time employee termination benefits	Facility related costs	Other costs	Total
	(in millions)							
Balance, beginning of period	\$ 23	\$ 8	\$ 1	\$ 32	\$ 34	\$ 7	\$ 3	\$ 44
Additions	7	2	1	10	34	1	19	54
Payments	(11)	(1)		(12)	(37)	(1)	(17)	(55)
Other		(2)	(1)	(3)			(5)	(5)

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Balance, end of period	\$ 19	\$ 7	\$ 1	\$ 27	\$ 31	\$ 7	\$ 38
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	For the nine months ended March 31,							
	2014				2013			
	One time employee termination benefits	Facility related costs	Other costs	Total	One time employee termination benefits	Facility related costs	Other costs	Total
	(in millions)							
Balance, beginning of period	\$ 51	\$ 6	\$ 2	\$ 59	\$ 51	\$ 8	\$	\$ 59
Additions	52	7	2	61	153	1	77	231
Payments	(85)	(4)	(1)	(90)	(173)	(2)	(68)	(243)
Other	1	(2)	(2)	(3)			(9)	(9)
Balance, end of period	\$ 19	\$ 7	\$ 1	\$ 27	\$ 31	\$ 7	\$	\$ 38

For existing restructuring programs, the Company expects to record approximately \$6 million of restructuring charges for the remainder of fiscal 2014. As of March 31, 2014, restructuring liabilities of approximately \$22 million were included in the Balance Sheet in Other current liabilities and \$5 million were included in Other non-current liabilities.

Dow Jones

As a result of the Dow Jones acquisition, in fiscal 2008, the Company established and approved plans to integrate the acquired operations into the Company's News and Information Services segment. The cost to implement these plans consisted of separation payments for certain Dow Jones executives under the change in control plan Dow Jones had established prior to the acquisition, non-cancelable lease commitments and lease termination charges for leased facilities and other contract termination costs associated with the restructuring activities. As of March 31, 2014, all of the material aspects of the plans have been completed and the remaining obligation primarily pertains to the lease termination charges for leased facilities of approximately \$24 million.

NOTE 4. INVESTMENTS

The Company's investments were comprised of the following:

	Ownership Percentage as of March 31, 2014	As of March 31, 2014	As of June 30, 2013
		(in millions)	
Equity method investments:			
Foxtel ^(a)	50%	\$ 1,913	\$ 1,875
Other equity method investments	various	34	35
Loan receivable from Foxtel ^(b)	N/A	417	412
China Broadband Capital Partners L.P. funds I and II	~20%	67	59
The Rubicon Project ^(c)	19.3%	40	40
SEEKAsia Limited ^(d)	12.1%	38	37
Other investments	various	42	41
Total Investments		\$ 2,551	\$ 2,499

- (a) For the nine months ended March 31, 2014 and 2013, the Company received dividends from Foxtel of \$46 million and \$57 million, respectively.

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- (b) In May 2012, Foxtel purchased Austar United Communications Ltd. The transaction was funded by Foxtel bank debt and Foxtel's shareholders made pro rata capital contributions in the form of subordinated shareholder notes based on their respective ownership interests. The Company's share of the subordinated shareholder notes was approximately A\$451 million (\$417 million and \$412 million as of March 31, 2014 and June 30, 2013, respectively). The subordinated shareholder note can be repaid beginning in July 2022 provided that Foxtel's senior debt has been repaid. The subordinated shareholder note has a maturity date of July 15, 2027, with interest of 12% payable on June 30 each year and at maturity. Upon maturity, the principal advanced will be repayable.
- (c) In April 2014, The Rubicon Project (Rubicon), in which the Company owned approximately 5.6 million shares as of March 31, 2014, completed an initial public offering of its common stock. The Company sold approximately 850 thousand shares as part of the public offering which resulted in a gain on sale of \$6 million and reduced the Company's ownership percentage to 13.7%. Prior to the public offering, the Company's investment in Rubicon was recorded in the Balance Sheets at cost. As a result of the offering, the Company's remaining investment in Rubicon will be designated as an available-for-sale security as of April 2014, and carried at fair value. Unrealized gains and losses from available-for-sale securities are reported as a component of accumulated other comprehensive income, net of tax, in stockholders' equity. While the Rubicon investment is classified as an available-for-sale security, the Company is contractually restricted from selling these shares for at least six months from the date of the public offering.
- (d) In February 2014, SEEKAsia Limited (SEEK Asia) agreed to purchase the online employment businesses of JobStreet Corporation Berhad (JobStreet), which will be combined with JobsDB, Inc., SEEK Asia's existing online employment business. The transaction, which is subject to certain conditions, including regulatory approval and JobStreet shareholder approval, will be funded primarily through additional contributions by SEEK Asia shareholders. The Company's share of the funding contribution is expected to be approximately \$50 million and is subject to the closing of the JobStreet acquisition. The Company will continue to hold its 12.1% investment in SEEK Asia following the transaction.

Equity Earnings of Affiliates

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

	For the three months ended March 31,		For the nine months ended March 31,	
	2014	2013	2014	2013
	(in millions)			
Foxtel ^(a)	\$ 23	\$ 17	\$ 53	\$ 30
Pay television and cable network programming equity affiliates ^(b)		10		52
Other equity affiliates, net				(1)
Total Equity earnings of affiliates	\$ 23	\$ 27	\$ 53	\$ 81

- (a) The Company owned 25% of Foxtel through November 2012. In November 2012, the Company increased its ownership in Foxtel to 50% as a result of the CMH acquisition. In accordance with ASC 350, the Company amortized \$15 million and \$46 million related to excess cost over the Company's proportionate share of its investment's underlying net assets allocated to finite-lived intangible assets during the three and nine months ended March 31, 2014, respectively, and \$20 million and \$26 million in the corresponding periods of fiscal 2013, respectively. Such amortization is reflected in Equity earnings of affiliates in the Statements of Operations.

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(b) Includes equity earnings of FOX SPORTS Australia and SKY Network Television Ltd. The Company acquired the remaining interest in FOX SPORTS Australia in November 2012 as a result of the CMH acquisition. The results of FOX SPORTS Australia have been included within the Cable Network Programming segment in the Company's consolidated results of operations since November 2012. In March 2013, the Company sold its 44% equity interest in SKY Network Television Ltd. for approximately \$675 million and recorded a gain of approximately \$321 million which was included in Other, net in the Statements of Operations for the three and nine months ended March 31, 2013. For the nine months ended March 31, 2013, the Company received dividends from SKY Network Television Ltd. of \$60 million.

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

	For the nine months ended March 31,	
	2014	2013
	(in millions)	
Revenues	\$ 2,154	\$ 2,398
Operating income ^(a)	392	332
Net income	198	135

(a) Includes Depreciation and amortization of \$263 million and \$343 million for the nine months ended March 31, 2014 and 2013, respectively. Operating income before depreciation and amortization was \$655 million and \$675 million for the nine months ended March 31, 2014 and 2013, respectively.

For the nine months ended March 31, 2014, Foxtel revenues, while higher in local currency as a result of growth in subscriber revenue, were down from the corresponding period in the prior year due to the adverse impact of foreign currency fluctuations. Operating income increased reflecting cost savings and reduced intangible asset amortization from the Austar acquisition as well as the absence of costs associated with the London Olympics, partially offset by the adverse impact of foreign currency fluctuations.

NOTE 5. CREDIT FACILITY

In October 2013, the Company entered into a Credit Agreement (the "Credit Agreement") which provides for an unsecured \$650 million five-year revolving credit facility (the "Facility") to the Company for general corporate purposes. The Facility has a sublimit of \$100 million available for issuances of letters of credit. Under the Credit Agreement, the Company may request increases in the amount of the Facility up to a total maximum amount of \$900 million. Subject to certain conditions stated in the Credit Agreement, the Company may borrow, prepay and reborrow amounts under the Facility during the term of the Credit Agreement. All amounts under the Credit Agreement are due on October 23, 2018, unless the commitments are terminated earlier either at the request of the Company or, if an event of default occurs, by the designated agent at the request or with the consent of the lenders (or automatically in the case of certain bankruptcy-related events). The Company may request that the commitments be extended under certain circumstances as set forth in the Credit Agreement for up to two additional one-year periods. Additionally, interest on borrowings is based on either (a) a Eurodollar Rate formula or (b) the Base Rate formula, each as set forth in the Credit Agreement.

The Credit Agreement contains certain customary affirmative and negative covenants and events of default, with customary exceptions, including limitations on the ability of the Company and the Company's subsidiaries to engage in transactions with affiliates, incur liens, merge into or consolidate with any other entity, incur subsidiary debt or dispose of all or substantially all of its assets or all or substantially all of the stock of its subsidiaries taken as a whole. In addition, the Credit Agreement requires the Company to maintain an adjusted operating income leverage ratio of not more than 3.0 to 1.0 and an interest coverage ratio of not less than 3.0 to 1.0. If any of the events of default occur and are not cured within applicable grace periods or waived, any unpaid amounts under the Credit Agreement may be declared immediately due and payable. As of March 31, 2014, the Company was in compliance with all of the applicable debt covenants.

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The applicable margin and the commitment fee are based on the pricing grid in the Credit Agreement which varies based on the Company's adjusted operating income leverage ratio. As of March 31, 2014, the Company is paying a commitment fee of 0.25% on any undrawn balance and an applicable margin of 0.50% for a Base Rate borrowing and 1.50% for a Eurodollar Rate borrowing.

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

NOTE 6. EQUITY

The following table summarizes changes in equity:

	For the nine months ended March 31,					
	2014			2013		
	News Corporation stockholders	Noncontrolling Interests	Total Equity	News Corporation stockholders	Noncontrolling Interests	Total Equity
	(in millions)					
Balance, beginning of period	\$ 12,558	\$ 118	\$ 12,676	\$ 8,809	\$ 110	\$ 8,919
Net income	226	39	265	1,630	30	1,660
Other comprehensive income (loss)	211	(1)	210	56	2	58
Dividends	(1)	(22)	(23)		(20)	(20)
Other	40		40		(3)	(3)
Net increase in 21st Century Fox investment				1,952		1,952
Balance, end of period	\$ 13,034	\$ 134	\$ 13,168	\$ 12,447	\$ 119	\$ 12,566

NOTE 7. EQUITY BASED COMPENSATION

Prior to the Separation from 21st Century Fox, the Company's employees participated in 21st Century Fox's equity-based compensation plans. The equity-based compensation expense recorded by the Company in the three and nine months ended March 31, 2013 included the expense associated with the employees historically attributable to the Company, as well as the expense associated with the allocation of equity-based compensation expense for 21st Century Fox corporate employees which did not recur in periods subsequent to the Separation.

In connection with the Separation, restricted stock units (RSUs) and performance stock units (PSUs) that vested after December 31, 2013 and stock option awards that expired after December 31, 2013 were converted into new equity awards of the Company using a formula designed to preserve the value of the awards immediately prior to the Separation. Such awards have the same terms and features as the original awards. In addition to the awards converted, the Company has the ability to award up to 30 million shares under the terms of the News Corporation 2013 Long-Term Incentive Plan (the 2013 LTIP).

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

	For the three months ended March 31,		For the nine months ended March 31,	
	2014	2013	2014	2013
	(in millions)			
News Corporation's employees	\$ 3	\$ 11	\$ 23	\$ 32
Allocated		1		7
Total	\$ 3	\$ 12	\$ 23	\$ 39

During the nine months ended March 31, 2014, the Company granted 4.3 million PSUs, of which 2.7 million will be settled in Class A Common Stock of the Company with the remaining, having been granted to executive directors and to employees in certain foreign locations, being settled in cash. Cash settled awards are marked to market each reporting period. In addition, the Company granted 0.1 million RSUs during the nine months ended March 31, 2014, which will be settled in Class A Common Stock of the Company.

NOTE 8. EARNINGS PER SHARE

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

On the Distribution Date, approximately 579 million shares of News Corporation common stock were distributed to 21st Century Fox stockholders as of the Record Date. This share amount is being utilized for the calculation of both basic and diluted earnings per share for the three and nine months ended March 31, 2013 as no News Corporation common stock or equity-based awards were outstanding prior to June 28, 2013.

The dilutive effect of the Company's equity-based awards issued in connection with the Separation is included in the computation of diluted earnings per share in periods subsequent to the Separation.

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	For the three months ended March 31,		For the nine months ended March 31,	
	2014	2013	2014	2013
	(in millions, except per share amounts)			
Net income attributable to News Corporation stockholders	\$ 48	\$ 323	\$ 226	\$ 1,630
Less: Adjustments to Net income attributable to News Corporation stockholders				
Redeemable preferred stock dividends ^(a)			(1)	
Net income available to News Corporation stockholders basic and diluted	\$ 48	\$ 323	\$ 225	\$ 1,630
Weighted-average number of shares of common stock outstanding basic	579.0	578.8	578.9	578.8
Add: Effect of dilutive securities				
Equity awards	0.8		0.7	
Weighted-average number of shares of common stock outstanding diluted	579.8	578.8	579.6	578.8
Net income per share available to News Corporation stockholders basic	\$ 0.08	\$ 0.56	\$ 0.39	\$ 2.82
Net income per share available to News Corporation stockholders diluted	\$ 0.08	\$ 0.56	\$ 0.39	\$ 2.82

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

NOTE 9. RELATED PARTY TRANSACTIONS AND 21ST CENTURY FOX INVESTMENT***Relationship Between News Corp and 21st Century Fox After the Separation***

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

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

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

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Under the TSA, the Company and 21st Century Fox will provide to each other certain specified services on a transitional basis, including, among others, payroll, employee benefits and pension administration, information systems, insurance, legal and other corporate services, as well as procurement and sourcing support. The charges for the transition services are generally intended to allow the providing company to fully recover the allocated direct costs of providing the services, plus all out-of-pocket costs and expenses, generally without profit. The Company anticipates that it will generally be in a position to complete the transition of most services (excluding certain insurance, sourcing and other services) on or before 24 months following the Distribution Date. Services under the TSA began on July 1, 2013. Costs associated with these services were not material in the three and nine months ended March 31, 2014.

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

The Company entered into an Employee Matters Agreement that governs the Company's and 21st Century Fox's obligations with respect to employment, compensation, benefits and other related matters for employees of certain of the Company's U.S.-based businesses. In general, the Employee Matters Agreement addresses matters relating to employees transferring to the Company's U.S.-based businesses and former employees of those businesses that participated in benefit plans (including postretirement benefits) and programs that were retained by 21st Century Fox following the Separation. The Employee Matters Agreement also addresses equity compensation matters relating to employees of all of the Company's businesses, both U.S. and non-U.S. (See Note 7 Equity-Based Compensation and Note 11 Pension and Other Postretirement Benefits).

Relationship Between News Corp and 21st Century Fox Prior to the Separation

Historically, prior to the Separation, 21st Century Fox provided services to and funded certain expenses for the Company that have been included as a component of 21st Century Fox Investment within Stockholders' Equity such as: global real estate and occupancy; and employee benefits. In addition, as discussed in Note 1 Description of Business and Basis of Presentation, the Company's Financial Statements include general corporate expenses of 21st Century Fox which were not historically allocated to the Company for certain support functions that are provided on a centralized basis within 21st Century Fox and not recorded at the business unit level, such as expenses related to finance, human resources, information technology, facilities, and legal, among others (General Corporate Expenses). For purposes of these stand-alone financial statements, the General Corporate Expenses incurred prior to the Separation have been allocated to the Company. The General Corporate Expenses incurred prior to the Separation are included in the Statements of Operations in Selling, general and administrative expenses and accordingly as a component of equity. These expenses have been allocated to the Company on the basis of direct usage when identifiable, with the remainder allocated on a pro rata basis of consolidated or combined revenues, operating income, headcount or other measures of the Company. Management believes the assumptions underlying the Financial Statements, including the assumptions regarding allocating General Corporate Expenses from 21st Century Fox are reasonable. Nevertheless, the Financial Statements may not include all of the actual expenses that would have been incurred and may not reflect the Company's combined results of operations, financial position and cash flows had it been a stand-alone company during the periods presented. Actual costs that would have been incurred if the Company had been a stand-alone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure. The corporate allocations made during the three and nine months ended March 31, 2013 of \$56 million and \$167 million, respectively, included both General Corporate Expenses of 21st Century Fox which were not historically allocated to the Company of \$22 million and \$69 million, respectively, and historical direct allocations primarily consisting of rent, insurance and stock compensation expense of approximately \$34 million and \$98 million, respectively.

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All significant intercompany transactions that occurred prior to the Distribution Date between the Company and 21st Century Fox have been included in these Financial Statements and were considered to be effectively settled for cash at the time the transaction was recorded. The total net effect of the settlement of these intercompany transactions is reflected in the Statements of Cash Flows as a financing activity.

The following table summarizes the components of the net (decrease) increase in 21st Century Fox Investment:

	For the nine	
	For the three months	months
	ended March 31, 2014	ended March 31, 2013
	(in millions)	
Cash pooling and general financing activities ^(a)	\$ (233)	\$ (228)
Corporate allocations	56	167
Cash transfer from 21st Century Fox for acquisitions and dispositions		2,013
Net (decrease) increase in 21st Century Fox Investment	\$ (177)	\$ 1,952

^(a) The nature of activities included in the line item "Cash pooling and general financing activities" includes financing activities for capital transfers, cash sweeps and other treasury services prior to the Separation. Such pooling activities no longer exist between the Company and 21st Century Fox post-Separation.

Amounts due from 21st Century Fox as of March 31, 2014 included \$91 million for amounts to be received relating to the indemnification of the U.K. Newspaper Matters. (See Note 10 "Commitments and Contingencies" for further information). Amounts due from 21st Century Fox as of June 30, 2013 included a \$207 million cash receivable from 21st Century Fox and \$40 million for amounts to be received relating to the indemnification of the U.K. Newspaper Matters. The \$207 million cash receivable was received from 21st Century Fox during the first quarter of fiscal 2014.

NOTE 10. COMMITMENTS AND CONTINGENCIES***Commitments***

The Company has commitments under certain firm contractual arrangements ("firm commitments") to make future payments. These firm commitments secure the future rights to various assets and services to be used in the normal course of operations.

In January 2014, the Company signed a 30 year lease to relocate all of its various London operations to a single new location. The lease terminates in fiscal 2044, with an early termination option in fiscal 2039. The Company's London-based staff of News U.K., Dow Jones and HarperCollins will be housed together for the first time which the Company expects will allow for improved collaboration and additional efficiencies. Staff are expected to commence relocation to the new London site in the summer of 2014. In connection with this relocation, the Company will pay average rent of approximately \$35 million a year.

Other than as previously discussed above, the Company's commitments as of March 31, 2014 have not changed significantly from the disclosures included in the 2013 Form 10-K.

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Contingencies

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

The Company establishes an accrued liability for legal claims when it determines that a loss is both probable and the amount of the loss can be reasonably estimated. Once established, accruals are adjusted from time to time, as appropriate, in light of additional information. The amount of any loss ultimately incurred in relation to matters for which an accrual has been established may be higher or lower than the amounts accrued for such matters. Legal fees associated with litigation and similar proceedings that are not expected to provide a benefit in future periods are expensed as incurred. Except as otherwise provided below, for the contingencies disclosed for which there is at least a reasonable possibility that a loss may be incurred, the Company was unable to estimate the amount of loss or range of loss.

U.K. Newspaper Matters and Related Investigations and Litigation

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

On June 5, 2012, the court issued an order appointing the Avon Pension Fund (*Avon*) as lead plaintiff in the litigation and Robbins Geller Rudman & Dowd as lead counsel. Thereafter, on July 3, 2012, the court issued an order providing that an amended consolidated complaint was to be filed by July 31, 2012. Avon filed an amended consolidated complaint on July 31, 2012, which among other things, added as defendants the Company's subsidiary, NI Group Limited (now known as News Corp UK & Ireland Limited), and Les Hinton, and expanded the class period to include February 15, 2011 to July 18, 2011. Defendants filed motions to dismiss the litigation, which were granted by the court on March 31, 2014. Plaintiffs were given until April 30, 2014 to amend their complaint. On April 30, 2014, plaintiffs filed a second amended consolidated complaint, which generally repeats the allegations of the amended consolidated complaint and also expands the class period to July 8, 2009 to July 18, 2011. The Company's management believes these claims are entirely without merit and intends to vigorously defend this action. As described below, the Company will be indemnified by 21st Century Fox for certain payments made by the Company that relate to, or arise from, the U.K. Newspaper Matters, including all payments in connection with the *Wilder Litigation*.

In addition, U.K. and U.S. regulators and governmental authorities continue to conduct investigations initiated in 2011 with respect to the U.K. Newspaper Matters. The investigation by the U.S. Department of Justice (the *DOJ*) is directed at conduct that occurred within 21st Century Fox prior to the creation of the Company. Accordingly, 21st Century Fox has been and continues to be responsible for responding to the DOJ investigation. The Company, together with 21st Century Fox, is cooperating with these investigations.

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

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

settled on an after-tax basis.

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The Company incurred gross legal and professional fees related to the U.K. Newspaper Matters and costs for civil settlements totaling approximately \$46 million and \$34 million for the three months ended March 31, 2014 and 2013, respectively, and approximately \$137 million and \$144 million for the nine months ended March 31, 2014 and 2013, respectively. These costs are included in Selling, general and administrative expenses in the Company's Statements of Operations. With respect to the fees and costs incurred during the three and nine months ended March 31, 2014, the Company has been or will be indemnified by 21st Century Fox for \$26 million, net of tax, and \$81 million, net of tax, respectively, pursuant to the indemnification arrangements described above. Accordingly, the Company recorded a contra expense for the after-tax costs that were or will be indemnified of \$26 million and \$81 million in Selling, general and administrative expenses for the three and nine months ended March 31, 2014, respectively, and recorded a corresponding receivable from 21st Century Fox. Therefore, the net impact on Selling, general and administrative expenses was \$20 million and \$56 million for the three and nine months ended March 31, 2014, respectively.

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

	For the three months ended March 31,		For the nine months ended March 31,	
	2014	2013	2014	2013
	(in millions)			
Gross legal and professional fees related to the U.K. Newspaper Matters	\$ 46	\$ 34	\$ 137	\$ 144
Indemnification from 21st Century Fox	(26)		(81)	
Net impact on Selling, general and administrative expenses	\$ 20	\$ 34	\$ 56	\$ 144

As of March 31, 2014, the Company has provided for its best estimate of the liability for the claims that have been filed and costs incurred and has accrued approximately \$112 million, of which approximately \$91 million will be indemnified by 21st Century Fox and a corresponding receivable was recorded in Amounts due from 21st Century Fox on the Balance Sheet as of March 31, 2014. It is not possible to estimate the liability or corresponding receivable for any additional claims that may be filed given the information that is currently available to the Company. If more claims are filed and additional information becomes available, the Company will update the liability provision and corresponding receivable for such matters.

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

HarperCollins

Commencing on August 9, 2011, 29 purported consumer class actions were filed in the U.S. District Courts for the Southern District of New York and for the Northern District of California, which related to the decisions by certain publishers, including HarperCollins Publishers L.L.C. (HarperCollins), to sell their e-books pursuant to an agency relationship. The Judicial Panel on Multidistrict Litigation transferred the various class actions to the Honorable Denise L. Cote in the Southern District of New York. On January 20, 2012, plaintiffs filed a consolidated amended complaint, again alleging that certain named defendants, including HarperCollins, violated the antitrust and unfair competition laws by virtue of the switch to the agency model for e-books. The actions sought as relief treble damages, injunctive relief and attorneys' fees. As a result of the settlement agreement with the Attorneys General discussed below, consumers in all states other than Minnesota were ultimately barred from participating in these class actions. On June 21, 2013, plaintiffs filed a motion for preliminary approval of a settlement with HarperCollins, among others, for a class of consumers residing in Minnesota, which was the only state that did not sign onto the settlement agreement with the Attorneys General. On December 6, 2013, Judge Cote granted final approval of the Minnesota consumer settlement, which did not have a material impact on the results of operations or the financial position of the Company. Additional information about In re MDL Electronic Books Antitrust Litigation, Civil Action No. 11-md-02293 (DLC), can be found on Public Access to Court Electronic Records (PACER).

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Following an investigation, on April 11, 2012, the DOJ filed an action in the U.S. District Court for the Southern District of New York against certain publishers, including HarperCollins, and Apple, Inc. The DOJ's complaint alleged antitrust violations related to defendants' decisions to sell e-books pursuant to an agency relationship. The case was assigned to Judge Cote. Simultaneously, the DOJ announced that it had reached a proposed settlement with three publishers, including HarperCollins, and filed a Proposed Final Judgment and related materials detailing that agreement. Among other things, the Proposed Final Judgment required that HarperCollins terminate its agreements with certain e-book retailers and placed certain restrictions on any agreements subsequently entered into with such retailers. On September 5, 2012, Judge Cote entered the Final Judgment. Additional information about the Final Judgment can be found on the DOJ's website.

Following an investigation, on April 11, 2012, 16 state Attorneys General led by Texas and Connecticut (the AGs) filed a similar action against certain publishers and Apple, Inc. in the Western District of Texas. On April 26, 2012, the AGs' action was transferred to Judge Cote. On May 17, 2012, 33 AGs filed a second amended complaint. As a result of a memorandum of understanding agreed upon with the AGs for Texas and Connecticut, HarperCollins was not named as a defendant in this action. Pursuant to the terms of the memorandum of understanding, HarperCollins entered into a settlement agreement with the AGs for Texas, Connecticut and Ohio on June 11, 2012. By August 28, 2012, 49 states (all but Minnesota) and five U.S. territories had signed on to that settlement agreement. On August 29, 2012, the AGs simultaneously filed a complaint against HarperCollins and two other publishers, a motion for preliminary approval of that settlement agreement and a proposed distribution plan. On September 14, 2012, Judge Cote granted the AGs' motion for preliminary approval of the settlement agreement and approved the AGs' proposed distribution plan. Notice was subsequently sent to potential class members, and a fairness hearing took place on February 8, 2013 at which Judge Cote gave final approval to the settlement. The settlement is now effective, and the final judgment bars consumers from states and territories covered by the settlement from participating in the class actions.

On October 12, 2012, HarperCollins received a Civil Investigative Demand from the Minnesota Attorney General (the Minnesota AG). HarperCollins complied with the Demand on November 16, 2012. On June 26, 2013, the Minnesota AG filed a petition for an order approving an assurance of discontinuance in the Second Judicial District Court for the State of Minnesota, wherein Minnesota agreed to cease its investigation and not seek further legal remedies relating to or arising from the alleged conduct. On June 28, 2013, Judge Gary Bastion signed an order approving the discontinuance.

The European Commission conducted an investigation into whether certain companies in the book publishing and distribution industry, including HarperCollins, violated the antitrust laws by virtue of the switch to the agency model for e-books. HarperCollins settled the matter with the European Commission on terms substantially similar to the settlement with the DOJ. On December 13, 2012, the European Commission formally adopted the settlement.

Commencing on February 24, 2012, five purported consumer class actions were filed in the Canadian provinces of British Columbia, Quebec and Ontario, which relate to the decisions by certain publishers, including HarperCollins, to sell their e-books in Canada pursuant to an agency relationship. The actions seek as relief special, general and punitive damages, injunctive relief and the costs of the litigations. While it is not possible to predict with any degree of certainty the ultimate outcome of these class actions, HarperCollins believes it was compliant with applicable antitrust and competition laws and intends to defend itself vigorously.

In July 2012, HarperCollins Canada, a wholly-owned subsidiary of HarperCollins, learned that the Canadian Competition Bureau (CCB) had commenced an inquiry regarding the sale of e-books in Canada. In February 2014, HarperCollins reached a proposed settlement with the CCB on terms substantially similar to the DOJ settlement described above, and on February 7, 2014, the CCB registered that consent agreement with the Competition Tribunal. On February 21, 2014, Kobo Inc. (Kobo) filed an application to rescind or vary the consent agreement with the Competition Tribunal, and, on March 18, 2014, the Competition Tribunal issued an order staying the registration of the consent agreement. A hearing currently is scheduled for June 25, 2014 to address further proceedings related to Kobo's application.

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On February 15, 2013, a purported class of independent bricks-and-mortar bookstores filed an action in the U.S. District Court for the Southern District of New York entitled *The Book House of Stuyvesant Plaza, Inc. et. al. v. Amazon.com, Inc., et. al.*, which related to the digital rights management protection (DRM) of certain publishers , including HarperCollins , e-books being sold by Amazon.com, Inc. Plaintiffs filed an Amended Complaint on March 21, 2013. The case involved allegations that certain named defendants in the book publishing and distribution industry, including HarperCollins, violated the antitrust laws by virtue of requiring DRM protection. The action sought declaratory and injunctive relief, reasonable costs and attorneys' fees. On April 1, 2013, Defendants moved to dismiss the Amended Complaint, and on December 5, 2013, the Court granted the motion in its entirety. The time to appeal the dismissal has passed. Additional information about *The Book House Of Stuyvesant Plaza, Inc. et. al. v. Amazon.com, Inc. et. al.*, Civil Action No. 1:13-cv-01111-JSR, can be found on PACER.

The Company is not able to predict the ultimate outcome or cost of the unresolved HarperCollins matters described above. During the fiscal years ended June 30, 2013 and 2012, the legal and professional fees and settlement costs incurred in connection with these matters were not material, and as of March 31, 2014, the Company did not have a material accrual related to these matters.

*News America Marketing**In-Store Marketing and FSI Purchasers*

On April 8, 2014, in connection with a pending action in the United States District Court for the Southern District of New York in which *The Dial Corporation, Henkel Consumer Goods, Inc., H.J. Heinz Company, H.J. Heinz Company, L.P., Foster Poultry Farms, Smithfield Foods, Inc., HP Hood LLC, BEF Foods, Inc., and Spectrum Brands, Inc.* allege various claims under federal and state antitrust law against *News Corporation, News America Incorporated (NAI), News America Marketing FSI L.L.C. (NAM FSI), and News America Marketing In-Store Services L.L.C. (NAM In-Store Services)* and, together with *News Corporation, NAI and NAM FSI, the NAM Group* , plaintiffs filed a fourth amended complaint on consent of the parties. The fourth amended complaint asserts federal and state antitrust claims both individually and on behalf of the two putative classes in connection with plaintiffs' purchase of in-store marketing services and free-standing insert coupons. The complaint seeks treble damages, injunctive relief and attorneys' fees. The NAM Group answered the fourth amended complaint and asserted counterclaims against *The Dial Corporation, H.J. Heinz Company, H.J. Heinz Company, L.P., and Foster Poultry Farms* on April 21, 2014, and discovery is proceeding.

In a parallel action, *NAM FSI and NAM In-Store Services* filed a complaint in the United States District Court for the Southern District of New York against *The Dial Corporation, H.J. Heinz Company, H.J. Heinz Company, L.P. and Foster Poultry Farms*, seeking a declaratory judgment that plaintiffs did not violate federal or state antitrust laws and for damages for breach of contract. On August 28, 2013, the defendants filed a motion to dismiss. On February 11, 2014, *NAM FSI and NAM In-Store Services* voluntarily dismissed, without prejudice, the claims made in their complaint.

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

Valassis Communications, Inc.

On November 8, 2013, *Valassis Communications, Inc. (Valassis)* filed a motion for expedited discovery in *Valassis Communications, Inc. v. News America Incorporated, et al.*, No. 2:06-cv-10240 (E.D. Mich.), which previously settled in February 2010. Also on November 8, 2013, *Valassis* filed a complaint in the United States District Court for the Eastern District of Michigan against the *NAM Group* alleging violations of federal and state antitrust laws and common law business torts. The complaint seeks treble damages, injunctive relief and attorneys' fees and costs. On December 19, 2013, *NAI, NAM FSI and NAM In-Store Services* opposed the motion for expedited discovery in the previously settled case, and the *NAM Group* filed a motion to dismiss the newly-filed complaint.

On February 4, 2014, the magistrate judge entered an order granting the motion for expedited discovery. *NAI, NAM FSI and NAM In-Store Services* filed their objections to the order before the District Court on February 11, 2014 and concurrently filed a motion to stay the decision of the magistrate judge pending the District Court's consideration of their objections. On March 10, 2014, *NAI, NAM FSI and NAM In-Store Services* filed a motion to enforce the parties' settlement agreement that sought an order that certain of *Valassis's* claims, if they are allowed to

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proceed, must be considered by a three-member panel of antitrust experts pursuant to the parties' agreements. Separately, on March 11, 2014, the Court referred the NAM Group's motion to dismiss Valsassis's newly-filed complaint to the magistrate judge for determination.

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

Other

The Company's operations are subject to tax in various domestic and international jurisdictions and as a matter of course, it is regularly audited by federal, state and foreign tax authorities. The Company believes it has appropriately accrued for the expected outcome of all pending tax matters and does not currently anticipate that the ultimate resolution of pending tax matters will have a material adverse effect on its financial condition, future results of operations or liquidity. As subsidiaries of 21st Century Fox prior to the Separation, the Company and each of its domestic subsidiaries have joint and several liability with 21st Century Fox for the consolidated U.S. federal income taxes of the 21st Century Fox consolidated group relating to any taxable periods during which the Company or any of the Company's domestic subsidiaries are or were a member of the 21st Century Fox consolidated group. Consequently, the Company could be liable in the event any such liability is incurred, and not discharged, by any other member of the 21st Century Fox consolidated group. The Tax Sharing and Indemnification Agreement requires 21st Century Fox to indemnify the Company for any such liability. Disputes or assessments could arise during future audits by the IRS or other taxing authorities in amounts that the Company cannot quantify.

NOTE 11. PENSION AND OTHER POSTRETIREMENT BENEFITS

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

Costs associated with the Company's benefit plans are included in net periodic benefit costs Direct below. Prior to the Separation, certain of the Company's U.S. employees participated in defined benefit pension plans that were sponsored by 21st Century Fox, which included participants from other 21st Century Fox subsidiaries and these costs are included in the net periodic benefit costs Employees participation in 21st Century Fox plans below. In addition, a portion of the benefit plan costs were allocated to the Company and these costs are included in net periodic benefit costs Corporate allocations. Benefit costs related to employee participation in 21st Century Fox plans and Corporate allocations did not recur in periods subsequent to the Separation.

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

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The components of net periodic benefits costs were as follows:

	Pension benefits		Postretirement benefits			
	Domestic	Foreign	For the three months ended March 31,			
	2014	2013	2014	2013		
	(in millions)					
Service cost benefits earned during the period	\$	\$	\$ 3	\$ 4	\$ 1	\$
Interest costs on projected benefit obligations	4	3	13	12	1	2
Expected return on plan assets	(5)	(4)	(19)	(16)		
Amortization of deferred losses	1		3	4		
Amortization of prior service costs (credits)					(3)	(3)
Settlements, curtailments and other				1		
Net periodic benefits costs- Direct		(1)		5	(1)	(1)
Employees participation in 21st Century Fox plans		2				
Corporate allocations		1				
Net periodic benefits costs- Total	\$	\$ 2	\$	\$ 5	\$ (1)	\$ (1)

	Pension benefits		Postretirement benefits			
	Domestic	Foreign	For the nine months ended March 31,			
	2014	2013	2014	2013		
	(in millions)					
Service cost benefits earned during the period	\$ 4	\$	\$ 9	\$ 14	\$ 1	\$ 1
Interest costs on projected benefit obligations	12	8	38	38	5	6
Expected return on plan assets	(13)	(10)	(56)	(48)		
Amortization of deferred losses	4	2	9	12		2
Amortization of prior service costs (credits)					(10)	(9)
Settlements, curtailments and other	4			6		
Net periodic benefits costs- Direct	11			22	(4)	
Employees participation in 21st Century Fox plans		11				
Corporate allocations		3				
Net periodic benefits costs- Total	\$ 11	\$ 14	\$	\$ 22	\$ (4)	\$

During the nine months ended March 31, 2014 and 2013, the Company contributed approximately \$41 million and \$63 million to its various pension and postretirement plans, respectively, of which \$13 million and \$37 million, respectively, was contributed in the third fiscal quarter of 2014 and 2013, respectively. The contributions for the nine months ended March 31, 2014 included approximately \$8 million paid to participants in connection with the termination of the Local Media Group non-qualified pension plans. In addition, during the first quarter of fiscal 2014 approximately \$37 million of contributions were made by a third party in connection with the sale of a business in a prior period on behalf of former employees who retained certain pension benefits. This resulted in a gain being recognized in Other, net in the Statements of Operations during the nine months ended March 31, 2014.

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The Company further reduced its Retirement benefit obligation by approximately \$69 million during the nine months ended March 31, 2014. Of the total reduction, \$41 million was due to changes made to the Company's retiree medical plans during the first quarter of fiscal 2014. The remaining \$28 million resulted from an amendment to freeze future benefits for certain domestic pension benefit plans in the third quarter of fiscal 2014. These reductions were recognized in other comprehensive income during the period in which the plan changes were made and will be amortized over the remaining expected life of the plans' participants as actuarially determined.

NOTE 12. INCOME TAXES

The Company's effective tax rate for the three months ended March 31, 2014 was lower than the U.S. statutory tax rate primarily due to the impact of foreign tax refunds and resolution of uncertain state tax positions in the quarter. The effective tax rate was also favorably impacted by certain non-taxable indemnification payments received from 21st Century Fox, partially offset by the impact of other permanent differences as well as the geographical mix of pre-tax earnings.

The Company's effective income tax rate for the nine months ended March 31, 2014 was higher than the statutory tax rate primarily due to the impact of tax refunds from a foreign jurisdiction, which is discussed below.

The Company's effective income tax rate for the three months ended March 31, 2013 was lower than the U.S. statutory rate, primarily due to the non-taxable gain on the sale of SKY Network Television Ltd., partially offset by the impact of other permanent differences as well as the geographical mix of pre-tax earnings.

The Company's effective income tax rate for the nine months ended March 31, 2013 was lower than the U.S. statutory rate, primarily due to the non-taxable gain and reversal of the historic deferred tax liability associated with the consolidation of FOX SPORTS Australia, the non-taxable gain on the sale of SKY Network Television Ltd., partially offset by the impact of other permanent differences as well as the geographical mix of pre-tax earnings.

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

The Company filed refund claims for certain losses pertaining to periods prior to the Separation in a foreign jurisdiction that were subject to litigation. As of June 30, 2013, the Company had not recognized an asset for these claims since such amounts were being disputed by the foreign tax authority and the resolution was not determinable at that date because the foreign tax authority had further legal recourse including the ability to appeal a favorable ruling for the Company.

In the first quarter of fiscal 2014, the foreign tax authority determined that it would not appeal such ruling received by the Company in July 2013 and therefore, a portion of the uncertain matter was resolved during the three months ended September 30, 2013. In the second quarter of fiscal 2014, the foreign tax authority completed its review and the remaining uncertain matter was resolved during the three months ended December 31, 2013. For the nine months ended March 31, 2014, the Company recorded \$794 million for the gross tax refund and interest owed to the Company by a foreign tax authority upon completion of its review of the uncertain tax matter.

The Company recorded a tax benefit, net of applicable taxes on interest, of \$721 million for the nine months ended March 31, 2014 to Income tax benefit in the Statements of Operations. Refunds received related to these matters are to be remitted to 21st Century Fox, net of applicable taxes on interest, in accordance with the terms of the Tax Sharing and Indemnification Agreement. Accordingly, for the nine months ended March 31, 2014, the Company recorded an expense to Other, net of \$721 million for the payable to 21st Century Fox in the Statements of Operations.

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Refer to the table below for the net impact of the tax refund and interest, net of tax, recorded in the Statements of Operations:

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

As of March 31, 2014, the Company received \$794 million from the foreign tax authority. As of March 31, 2014, the Company paid 21st Century Fox \$721 million. Amounts paid to 21st Century Fox are net of the estimated tax associated with interest related to the refund. The Company accounts for interest on taxes as a component of Income tax (expense) benefit.

During the nine months ended March 31, 2014 and 2013, the Company paid gross income taxes of \$69 million and \$82 million, respectively, and received income tax refunds of \$840 million and \$12 million, respectively. The income tax refunds for the nine months ended March 31, 2014 included the \$794 million related to amounts received from the foreign tax authority discussed above.

NOTE 13. SEGMENT INFORMATION

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

News and Information Services The News and Information Services segment includes the global product offerings of The Wall Street Journal and Barron's publications, The Wall Street Journal Digital Network (WSJDN), and the Company's suite of information services, including DJX, Dow Jones Newswires and Factiva. In addition to WSJ.com and Barrons.com, WSJDN includes MarketWatch, WSJ.D and related services.

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

Cable Network Programming The Cable Network Programming segment consists of FOX SPORTS Australia, the leading sports programming provider in Australia with seven standard definition television channels, high definition versions of five of these channels, an interactive viewing application, several IPTV channels and broadcast rights to live sporting events in Australia including: National Rugby League, the domestic football league, English Premier League and international cricket. Prior to the November 2012 acquisition of the portion of FOX SPORTS Australia that it did not own, the Company accounted for its investment in FOX SPORTS Australia under the equity method of accounting. The Company now owns 100% of FOX SPORTS Australia and its results are included within this segment.

Digital Real Estate Services The Company owns 61.6% of REA Group Limited (REA Group), a publicly traded company listed on the ASX (ASX: REA) that is a leading digital advertising business specializing in real estate services. REA Group operates

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Australia's largest residential property website, realestate.com.au, as well as Australia's leading commercial property website, realcommercial.com.au. REA Group also operates a market-leading Italian property site, casa.it, and other property sites and apps in Europe and Hong Kong.

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Book Publishing The Book Publishing segment consists of HarperCollins which is one of the largest English-language consumer publishers in the world, with particular strengths in general fiction, nonfiction, children's and religious publishing, and an industry leader in digital publishing. HarperCollins includes over 60 branded publishing imprints, including Avon, Harper, HarperCollins Children's Publishers, William Morrow and Christian publishers Zondervan and Thomas Nelson, and publishes works by well-known authors such as J.R.R. Tolkien, Paulo Coelho, Rick Warren and Agatha Christie and popular titles such as *The Hobbit*, *Goodnight Moon* and *To Kill a Mockingbird*.

Other The Other segment primarily consists of Amplify, the corporate Strategy and Creative Group, general corporate overhead expenses and costs related to the U.K. Newspaper Matters. Amplify, the Company's digital education business concentrating on the K-12 learning market, operates with three distinct divisions each focusing on a separate area of business.

Amplify Insight, Amplify's data and analytics division, which formerly operated as Wireless Generation, Inc., commenced operations in 2000 and was acquired in fiscal 2011. Amplify Insight provides powerful data and analytics services to enable real-time individualized instruction.

Amplify Learning, which is creating innovative digital curricula for K-12 education designed to enhance teaching and learning in English Language Arts, Science and Math.

Amplify Access, which is developing an open, tablet-based distribution platform that can incorporate its existing assessment and analytics tools and services with its digital curricula as well as third-party content and interactive applications.

The Company's corporate Strategy and Creative group was formed to identify new products and services across its businesses to increase revenues and profitability and to target and assess potential acquisitions and investments.

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

Segment EBITDA is defined as revenues less operating expenses and selling, general and administrative expenses. Segment EBITDA does not include: Depreciation and amortization; impairment and restructuring charges; equity earnings of affiliates; interest, net; other, net; income tax (expense) benefit and net income attributable to noncontrolling interests. The Company believes that information about Segment EBITDA assists all users of its Financial Statements by allowing them to evaluate changes in the operating results of the Company's portfolio of businesses separate from non-operational factors that affect net income, thus providing insight into both operations and the other factors that affect reported results.

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

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

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	For the three months ended		For the nine months ended	
	March 31,		March 31,	
	2014	2013	2014	2013
	(in millions)			
Revenues:				