

**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, 2019

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 Corp

NEWS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

1211 Avenue of the Americas, New York, New York
(Address of principal executive offices)

46-2950970

(I.R.S. Employer
Identification No.)

10036
(Zip Code)

(212) 416-3400

(Registrant's telephone number, including area code)

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value \$0.01 per share	NWSA	The Nasdaq Global Select Market
Class B Common Stock, par value \$0.01 per share	NWS	The Nasdaq Global Select Market
Class A Preferred Stock Purchase Rights	N/A	The Nasdaq Global Select Market
Class B Preferred Stock Purchase Rights	N/A	The Nasdaq Global Select Market

As of May 3, 2019, 385,531,724 shares of Class A Common Stock and 199,630,240 shares of Class B Common Stock were outstanding.

NEWS CORPORATION

FORM 10-Q
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PART I

ITEM 1. FINANCIAL STATEMENTS

NEWS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; millions, except per share amounts)

	Notes	For the three months ended		For the nine months ended	
		March 31,		March 31,	
		2019	2018	2019	2018
Revenues:					
Circulation and subscription		\$ 1,025	\$ 659	\$ 3,088	\$ 1,947
Advertising		670	702	2,052	2,101
Consumer		403	381	1,281	1,220
Real estate		218	208	693	633
Other		141	143	494	430
Total Revenues	2	2,457	2,093	7,608	6,331
Operating expenses		(1,400)	(1,151)	(4,224)	(3,439)
Selling, general and administrative		(810)	(761)	(2,409)	(2,135)
Depreciation and amortization		(168)	(100)	(494)	(297)
Impairment and restructuring charges	4	(34)	(246)	(71)	(273)
Equity losses of affiliates	5	(4)	(974)	(13)	(1,002)
Interest (expense) income, net		(14)	2	(45)	9
Other, net	14	3	30	30	9
Income (loss) before income tax expense		30	(1,107)	382	(797)
Income tax expense	12	(7)	(3)	(112)	(292)
Net income (loss)		23	(1,110)	270	(1,089)
Less: Net income attributable to noncontrolling interests		(13)	(18)	(64)	(54)
Net income (loss) attributable to News Corporation stockholders		<u>\$ 10</u>	<u>\$(1,128)</u>	<u>\$ 206</u>	<u>\$(1,143)</u>
Basic and diluted earnings (loss) per share:	10				
Net income (loss) available to News Corporation stockholders per share		\$ 0.02	\$ (1.94)	\$ 0.35	\$ (1.96)

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

NEWS CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited; millions)

	For the three months ended		For the nine months ended	
	March 31,		March 31,	
	2019	2018	2019	2018
Net income (loss)	\$ 23	\$ (1,110)	\$ 270	\$ (1,089)
Other comprehensive income (loss):				
Foreign currency translation adjustments	75	10	(182)	144
Net change in the fair value of cash flow hedges ^(a)	(5)	—	2	—
Unrealized holding gains on securities, net ^(b)	—	—	—	5
Benefit plan adjustments, net ^(c)	(3)	(9)	10	(14)
Share of other comprehensive income from equity affiliates, net ^(d)	—	—	—	1
Other comprehensive income (loss)	<u>67</u>	<u>1</u>	<u>(170)</u>	<u>136</u>
Comprehensive income (loss)	90	(1,109)	100	(953)
Less: Net income attributable to noncontrolling interests	(13)	(18)	(64)	(54)
Less: Other comprehensive (income) loss attributable to noncontrolling interests	(10)	2	46	(1)
Comprehensive income (loss) attributable to News Corporation stockholders	<u>\$ 67</u>	<u>\$ (1,125)</u>	<u>\$ 82</u>	<u>\$ (1,008)</u>

(a) Net of income tax expense of nil and \$1 million for the three and nine months ended March 31, 2019, respectively.

(b) Net of income tax expense of \$1 million and \$3 million for the three and nine months ended March 31, 2018, respectively.

(c) Net of income tax benefit of \$1 million and \$2 million for the three months ended March 31, 2019 and 2018, respectively, and income tax expense (benefit) of \$2 million and (\$4) million for the nine months ended March 31, 2019 and 2018, respectively.

(d) Net of income tax expense of nil for the three and nine months ended March 31, 2019 and 2018, respectively.

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

NEWS CORPORATION

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

	Notes	As of March 31, 2019 (unaudited)	As of June 30, 2018 (audited)
Assets:			
Current assets:			
Cash and cash equivalents		\$ 1,648	\$ 2,034
Receivables, net	14	1,631	1,612
Inventory, net		404	376
Other current assets		564	372
Total current assets		<u>4,247</u>	<u>4,394</u>
Non-current assets:			
Investments	5	347	393
Property, plant and equipment, net		2,557	2,560
Intangible assets, net		2,514	2,671
Goodwill		5,223	5,218
Deferred income tax assets	12	257	279
Other non-current assets	14	913	831
Total assets		<u>\$ 16,058</u>	<u>\$ 16,346</u>
Liabilities and Equity:			
Current liabilities:			
Accounts payable		\$ 432	\$ 605
Accrued expenses		1,364	1,340
Deferred revenue	2	460	516
Current borrowings	6	678	462
Other current liabilities	14	745	372
Total current liabilities		<u>3,679</u>	<u>3,295</u>
Non-current liabilities:			
Borrowings	6	868	1,490
Retirement benefit obligations		237	245
Deferred income tax liabilities	12	321	389
Other non-current liabilities		495	430
Commitments and contingencies	11		
Redeemable preferred stock	7	—	20
Class A common stock ^(a)		4	4
Class B common stock ^(b)		2	2
Additional paid-in capital		12,229	12,322
Accumulated deficit		(1,927)	(2,163)
Accumulated other comprehensive loss		(1,019)	(874)
Total News Corporation stockholders' equity		9,289	9,291
Noncontrolling interests		1,169	1,186
Total equity	8	<u>10,458</u>	<u>10,477</u>
Total liabilities and equity		<u>\$ 16,058</u>	<u>\$ 16,346</u>

(a) **Class A common stock**, \$0.01 par value per share ("Class A Common Stock"), 1,500,000,000 shares authorized, 385,444,822 and 383,385,353 shares issued and outstanding, net of 27,368,413 treasury shares at par at March 31, 2019 and June 30, 2018, 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, 2019 and June 30, 2018.

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

NEWS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; millions)

	Notes	For the nine months ended	
		March 31,	
		2019	2018
Operating activities:			
Net income (loss)		\$ 270	\$ (1,089)
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Depreciation and amortization		494	297
Equity losses of affiliates	5	13	1,002
Cash distributions received from affiliates		30	2
Impairment charges	4	9	225
Other, net	14	(30)	(9)
Deferred income taxes and taxes payable	12	22	182
Change in operating assets and liabilities, net of acquisitions:			
Receivables and other assets		37	(86)
Inventories, net		(74)	(14)
Accounts payable and other liabilities		(110)	(45)
Net cash provided by operating activities		<u>661</u>	<u>465</u>
Investing activities:			
Capital expenditures		(417)	(200)
Acquisitions, net of cash acquired		(187)	(62)
Investments in equity affiliates and other		(36)	(42)
Proceeds from property, plant and equipment and other asset dispositions		99	137
Other, net		18	23
Net cash used in investing activities		<u>(523)</u>	<u>(144)</u>
Financing activities:			
Borrowings	6	450	—
Repayment of borrowings	6	(801)	(93)
Dividends paid		(102)	(99)
Other, net		(48)	(42)
Net cash used in financing activities		<u>(501)</u>	<u>(234)</u>
Net change in cash and cash equivalents		(363)	87
Cash and cash equivalents, beginning of period		2,034	2,016
Exchange movement on opening cash balance		(23)	9
Cash and cash equivalents, end of period		<u>\$ 1,648</u>	<u>\$ 2,112</u>

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

NEWS CORPORATION
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

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, subscription video services in Australia, book publishing and digital real estate services.

In April 2018, News Corp and Telstra Corporation Limited (“Telstra”) combined their respective 50% interests in Foxtel and News Corp’s 100% interest in FOX SPORTS Australia into a new company, which the Company refers to as “new Foxtel” (the “Transaction”). Following the completion of the Transaction, News Corp owns a 65% interest in the combined business, with Telstra owning the remaining 35%. Consequently, the Company began consolidating Foxtel in the fourth quarter of fiscal 2018. See Note 3—Acquisitions, Disposals and Other Transactions; Note 5—Investments; Note 6—Borrowings; and Note 9—Financial Instruments and Fair Value Measurements.

Basis of Presentation

The accompanying unaudited consolidated financial statements of the Company, which are referred to herein as the “Consolidated Financial Statements,” have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments consisting only of normal recurring adjustments necessary for a fair presentation have been reflected in these Consolidated Financial Statements. Operating results for the interim period presented are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2019. The preparation of the Company’s Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts that are reported in the Consolidated Financial Statements and accompanying disclosures. Actual results could differ from those estimates.

Intercompany 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. In accordance with ASU 2016-01, investments in which the Company is not able to exercise significant influence over the investee are measured at fair value, if the fair value is readily determinable. If an investment’s fair value is not readily determinable, the Company will measure the investment at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer.

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

The accompanying Consolidated Financial Statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2018 as filed with the Securities and Exchange Commission (the “SEC”) on August 15, 2018 (the “2018 Form 10-K”).

Certain reclassifications have been made to the prior period consolidated financial statements to conform to the current year presentation. Specifically, in the first quarter of fiscal 2019, the Company reclassified Conference Sponsorship revenues at its Dow Jones reporting unit and Merchandising revenues at News America Marketing from Other revenues to Advertising revenues as the Company believes that the reclassification more accurately reflects the nature of those revenue streams. These revenue reclassifications totaled \$15 million and \$42 million for the three and nine months ended March 31, 2018, respectively, and \$57 million for the fiscal year ended June 30, 2018.

The Company’s fiscal year ends on the Sunday closest to June 30. Fiscal 2019 and fiscal 2018 include 52 weeks. All references to the three and nine months ended March 31, 2019 and 2018 relate to the three and nine months ended March 31, 2019 and April 1, 2018, respectively. For convenience purposes, the Company continues to date its Consolidated Financial Statements as of March 31.

NEWS CORPORATION
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Recently Issued Accounting Pronouncements

Adopted

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”), which amended the FASB Accounting Standards Codification by creating Topic 606, “Revenue from Contracts with Customers” (“ASC 606”). ASU 2014-09 removes inconsistencies and differences in revenue recognition requirements between GAAP and International Financial Reporting Standards and requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The Company adopted ASU 2014-09 on a modified retrospective basis as of July 1, 2018. As a result, the Company recorded a \$20 million decrease to Accumulated deficit as of July 1, 2018 to reflect the cumulative impact of its adoption of ASC 606. See Note 2—Revenues.

In January 2016, the FASB issued ASU 2016-01, “Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities” (“ASU 2016-01”). The amendments in ASU 2016-01 address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 is effective for the Company for annual and interim reporting periods beginning July 1, 2018. The Company adopted the guidance on a cumulative-effect basis for its investments with readily determinable fair values effective July 1, 2018. In accordance with ASU 2016-01, the cumulative net unrealized gains (losses) for these investments contained within Accumulated other comprehensive loss were reclassified through Accumulated deficit as of July 1, 2018, and the Company recorded a \$22 million decrease to Accumulated deficit. The Company has elected to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. There was no financial statement impact upon adoption for these investments. See Note 5—Investments and Note 14—Additional Financial Information.

In March 2017, the FASB issued ASU 2017-07, “Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost” (“ASU 2017-07”). The amendments in ASU 2017-07 require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net periodic benefit cost (income) as defined in paragraphs 715-30-35-4 and 715-60-35-9 are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. ASU 2017-07 allows for a practical expedient that permits a company to use the amounts disclosed in its pension and other postretirement benefit plans note for the prior comparative periods as the estimation basis for applying the retrospective presentation requirements. ASU 2017-07 is effective for the Company for annual and interim reporting periods beginning July 1, 2018. The Company adopted ASU 2017-07 utilizing the practical expedient. The other components of net periodic benefit cost (income) are included in Other, net in the Statements of Operations. The adoption did not have a material impact on the Company’s Consolidated Financial Statements.

In June 2018, the FASB issued ASU 2018-07, “Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting” (“ASU 2018-07”). The amendments in ASU 2018-07 expanded the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. As permitted by ASU 2018-07, the Company early-adopted this standard and the adoption did not have a material impact on the Company’s Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-15, “Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force)” (“ASU 2018-15”). The amendments in ASU 2018-15 align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). As permitted by ASU 2018-15, the Company early-adopted this standard on a prospective basis. The adoption did not have a material impact on the Company’s Consolidated Financial Statements.

NEWS CORPORATION
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Issued

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)” (“ASU 2016-02”). The amendments in ASU 2016-02 require lessees to recognize all leases on the balance sheet by recording a right-of-use asset and a lease liability, and lessor accounting has been updated to align with the new requirements for lessees. The new standard also provides changes to the existing sale-leaseback guidance. ASU 2016-02 is effective for the Company for annual and interim reporting periods beginning July 1, 2019. The FASB has also issued additional standards which provide additional clarification and implementation guidance on the previously issued ASU 2016-02 and have the same effective date as the original standard. The Company plans to apply this guidance on a modified retrospective basis at the beginning of the period of adoption through a cumulative-effect adjustment to retained earnings, with no restatement of prior periods. The Company has selected its lease management system and is in the process of completing its inventory of its lease contracts and implementing processes and controls to enable the preparation of the required financial information for this standard. The Company is currently evaluating the impact ASU 2016-02 will have on its consolidated financial statements.

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

In August 2017, the FASB issued ASU 2017-12, “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities” (“ASU 2017-12”). The amendments in ASU 2017-12 more closely align the results of cash flow and fair value hedge accounting with risk management activities through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results in the financial statements. The amendments address specific limitations in current GAAP by expanding hedge accounting for both nonfinancial and financial risk components and by refining the measurement of hedge results to better reflect an entity’s hedging strategies. ASU 2017-12 is effective for the Company for annual and interim reporting periods beginning July 1, 2019. The Company is currently evaluating the impact ASU 2017-12 will have on its consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, “Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income” (“ASU 2018-02”). The amendments in ASU 2018-02 provide a reclassification from Accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Act (as defined below). See Note 12—Income Taxes. Consequently, the amendments eliminate the stranded tax effects resulting from the Tax Act and will improve the usefulness of information reported to financial statement users. ASU 2018-02 is effective for the Company for annual and interim reporting periods beginning July 1, 2019. The Company is currently evaluating the impact ASU 2018-02 will have on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement” (“ASU 2018-13”). ASU 2018-13 removes, modifies and adds certain disclosure requirements in Topic 820, “Fair Value Measurement.” ASU 2018-13 eliminates certain disclosures related to transfers and the valuation process, modifies disclosures for investments that are valued based on net asset value, clarifies the measurement uncertainty disclosure, and requires additional disclosures for Level 3 fair value measurements. ASU 2018-13 is effective for the Company for annual and interim reporting periods beginning July 1, 2020. The Company is currently evaluating the impact ASU 2018-13 will have on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, “Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans” (“ASU 2018-14”). The amendments in ASU 2018-14 modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. ASU 2018-14 eliminates the disclosures for amounts in Accumulated other comprehensive loss expected to be recognized as a component of net periodic benefit cost (income) and the effect of a percentage change in health care cost trend rate. ASU 2018-14 is effective for the Company for annual and interim reporting periods beginning July 1, 2021. The Company will comply with the new disclosure requirements in ASU 2018-14 beginning with its Annual Report on Form 10-K for the fiscal year ending June 30, 2019.

NEWS CORPORATION
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. REVENUES

On July 1, 2018, the Company adopted ASC 606 on a modified retrospective basis for all contracts which were not completed as of the adoption date. Results for reporting periods beginning after July 1, 2018 are presented under ASC 606 while prior periods have not been restated. Under ASC 606, revenue is recognized when or as the Company satisfies its respective performance obligations under each contract. The Company recorded a \$20 million decrease to Accumulated deficit as of July 1, 2018 to reflect the cumulative impact of its adoption of ASC 606.

When implementing ASC 606, the Company applied the practical expedient to reflect the aggregate effect of all contract modifications occurring before the beginning of the earliest period presented when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations.

The adoption of ASC 606 primarily resulted in the following changes related to the Company's revenue recognition policies:

- Reclassification of certain payments to customers

For certain revenue streams within the Subscription Video Services, Book Publishing and News and Information Services segments, the Company previously recorded certain marketing and sales incentive payments to customers within Operating expenses and Selling, general and administrative expenses. In accordance with ASC 606, such payments are now recorded as a reduction of revenue. For the three and nine months ended March 31, 2019, revenues were \$22 million and \$84 million lower, respectively, as a result of this reclassification, with no impact on the Company's net income.

- Deferred installation revenues in the Subscription Video Services segment

Under ASC 606, each customer subscription sold is accounted for as a distinct performance obligation. Installation services are not accounted for as a distinct performance obligation and are instead included within the overall services being provided. Therefore, installation revenues are deferred and recognized over the respective customer contract term. Historically, installation revenues were deferred and recognized over the estimated customer life. For the three and nine months ended March 31, 2019, revenues were \$5 million and \$18 million higher, respectively, as a result of the adoption of ASC 606.

- Acceleration of revenue associated with REA Group's financial services business

The Company has historically delayed the recognition of trailing commission revenue associated with REA Group's financial services business until such amounts became fixed or determinable. Under ASC 606, trailing commission revenue is recognized when the related mortgage loan is established. As a result, the Company established a commission receivable of \$121 million and a broker commission payable of \$94 million as of July 1, 2018. The current portion of the commission receivable and broker commission payable are classified in Receivables, net and Other current liabilities, respectively, with the non-current portion of each classified within Other non-current assets and liabilities, respectively, in the Balance Sheets. The change in accounting for trailing commission revenue did not have a material impact on the Statement of Operations.

NEWS CORPORATION
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Company's revenues and expenses for the three and nine months ended March 31, 2019 and the opening balance sheet as of July 1, 2018 under both ASC 606 and the prior standard, ASC 605 are as follows:

	For the three months ended March 31, 2019		
	ASC 605	Effects of Adoption (in millions)	ASC 606
Revenue:			
Circulation and subscription	\$ 1,019	\$ 6	\$ 1,025
Advertising	673	(3)	670
Consumer	420	(17)	403
Real estate	218	—	218
Other	144	(3)	141
Total Revenues	\$ 2,474	\$ (17)	\$ 2,457
Operating expenses and Selling, general and administrative	\$ (2,228)	\$ 18	\$ (2,210)
Net income	\$ 22	\$ 1	\$ 23

	For the nine months ended March 31, 2019		
	ASC 605	Effects of Adoption (in millions)	ASC 606
Revenue:			
Circulation and subscription	\$ 3,076	\$ 12	\$ 3,088
Advertising	2,055	(3)	2,052
Consumer	1,328	(47)	1,281
Real estate	693	—	693
Other	510	(16)	494
Total Revenues	\$ 7,662	\$ (54)	\$ 7,608
Operating expenses and Selling, general and administrative	\$ (6,706)	\$ 73	\$ (6,633)
Net income	\$ 256	\$ 14	\$ 270

NEWS CORPORATION
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

	As of July 1, 2018		
	ASC 605	Effects of Adoption (in millions)	ASC 606
Assets:			
Receivables, net	\$ 1,612	\$ 200	\$ 1,812
Other current assets	372	(4)	368
Deferred income tax assets	279	2	281
Other non-current assets	831	92	923
Liabilities and Equity:			
Deferred revenue	\$ 516	\$ (6)	\$ 510
Other current liabilities	372	194	566
Deferred income tax liabilities	389	11	400
Other non-current liabilities	430	71	501
Accumulated deficit	(2,163)	20	(2,143)

Disaggregated revenue

The following table presents revenue by type and segment for the three and nine months ended March 31, 2019:

	For the three months ended March 31, 2019					Total Revenues
	News and Information Services	Subscription Video Services	Book Publishing (in millions)	Digital Real Estate Services	Other	
Revenues:						
Circulation and subscription	\$ 538	\$ 474	\$ —	\$ 12	\$ 1	\$ 1,025
Advertising	593	50	—	27	—	670
Consumer	—	—	403	—	—	403
Real estate	—	—	—	218	—	218
Other	93	15	18	15	—	141
Total Revenues	\$ 1,224	\$ 539	\$ 421	\$ 272	\$ 1	\$ 2,457

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	For the nine months ended March 31, 2019					Total Revenues
	News and Information Services	Subscription Video Services	Book Publishing (in millions)	Digital Real Estate Services	Other	
Revenues:						
Circulation and subscription	\$ 1,593	\$ 1,455	\$ —	\$ 39	\$ 1	\$ 3,088
Advertising	1,801	162	—	89	—	2,052
Consumer	—	—	1,281	—	—	1,281
Real estate	—	—	—	693	—	693
Other	335	49	54	55	1	494
Total Revenues	\$ 3,729	\$ 1,666	\$ 1,335	\$ 876	\$ 2	\$ 7,608

Disclosures regarding the nature, timing and uncertainty of the Company's revenue streams across its segments are as follows:

Circulation and subscription revenues

Circulation and subscription revenues include single-copy newspaper, newspaper subscription, information services subscription and pay television broadcast subscription revenues. Circulation revenues are based on the number of copies of the printed newspaper (through home-delivery subscriptions and single-copy sales) and/or digital subscriptions sold, and the associated rates charged to the customers. Single-copy revenue is recognized at a point in time on the date the newspapers are sold to distribution outlets, net of provisions for related returns.

Revenues from home delivery and digital subscriptions are recognized over the subscription term as the newspapers and/or digital subscriptions are delivered. Information services subscription revenues are recognized over time as the subscriptions are delivered. Payments from subscribers are generally due at the beginning of the month and are recorded as deferred revenue. Such amounts are recognized as revenue as the associated subscription is delivered.

Revenue generated from subscriptions to receive pay television broadcast services, broadband and home phone services for residential and commercial subscribers is recognized over time on a monthly basis as the services are provided. Payment is generally received monthly in advance of providing services, and is deferred upon receipt. Such amounts are recognized as revenue as the related services are provided.

Advertising revenues

Revenue from print advertising is recognized at the point in time the print advertisement is circulated. Broadcast advertising revenue is recognized over the time that the broadcast advertisement is aired. For impressions-based digital advertising, revenues are recognized as impressions are delivered over the term of the arrangement, while revenue from non-impressions-based digital advertising is recognized over the period that the advertisements are displayed. Such amounts are recognized net of agency commissions and provisions for estimated sales incentives, including rebates, rate adjustments or discounts.

Advertising revenues earned from integrated marketing services are recognized at the point in time when free-standing inserts are published. Revenues earned from in-store marketing services are partially recognized upon installation, with the remaining revenue recognized over the in-store campaign.

Billings to clients and payments received in advance of performance of services or delivery of products are recorded as deferred revenue until the services are performed or the product is delivered. Payment for advertising services is typically due shortly after the Company has satisfied its performance obligation to print, broadcast or place the advertising specified in the contract. For advertising campaigns that extend beyond one month, the Company generally invoices the advertiser in arrears based on the number of advertisements that were printed, broadcast or placed, or impressions delivered during the month.

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Consumer revenues

Revenue from the sale of physical books and electronic books (“e-books”) is recognized at the point in time of physical receipt by the customer or electronic delivery. Such amounts are recorded net of provisions for returns and payments to customers when a distinct good or service is not received. If the Company prohibits its customer from selling a physical book until a future date, it recognizes revenue when that restriction lapses.

Revenue is recognized net of any amounts billed to customers for taxes remitted to government authorities. Payments for the sale of physical books and e-books are generally collected within one to three months of sale or delivery and are based on the number of physical books or e-books sold.

Real Estate revenues

Real estate revenues are derived from the sale of online real estate listing products and advanced client management and reporting products, as well as services to agents, brokers and developers. Revenue is typically recognized over the contractual period during which the services are provided. Payments are generally due monthly over the subscription term.

Other revenues

Other revenues are recognized when the related services are performed or the product has been delivered.

Areas of judgment

Contracts with multiple performance obligations

The Company has certain revenue contracts which contain multiple performance obligations such as print and digital advertising bundles and bundled video service subscriptions. Revenues derived from sales contracts that contain multiple products and services are allocated based on the relative standalone selling price of each performance obligation to be delivered. Standalone selling price is typically determined based on prices charged to customers for the same or similar goods or services on a standalone basis. If observable standalone prices are not available, the Company estimates standalone selling price by maximizing the use of observable inputs to most accurately reflect the price of each individual performance obligation. Revenue is recognized as each performance obligation included in the contract is satisfied.

Identification of a customer and gross versus net revenue recognition

In the normal course of business, the Company acts as or uses an intermediary or agent in executing transactions with third parties. When the intermediary or agent is determined to be the Company’s customer, the Company records revenue based on the amount it expects to receive from the agent or intermediary.

In other circumstances, the determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Company is acting as the principal or an agent in the transaction. If the Company is acting as a principal in a transaction, the Company reports revenue on a gross basis. If the Company is acting as an agent in a transaction, the Company reports revenue on a net basis. The determination of whether the Company is acting as a principal or an agent in a transaction involves judgment and is based on an evaluation of the terms of the arrangement. The Company serves as the principal in transactions in which it controls the goods or services prior to being transferred to the ultimate customer.

Sales returns

Certain of the Company’s products, such as books and newspapers, are sold with the right of return. The Company records the estimated impact of such returns as a reduction of revenue. To estimate product sales that will be returned and the related products that are expected to be placed back into inventory, the Company analyzes historical returns, current economic trends, changes in customer demand and acceptance of the Company’s products. Based on this information, the Company reserves a percentage of each dollar of product sales that provide the customer with the right of return. As a result of the adoption of ASC 606, the Company reclassified its sales returns reserve from Receivables, net to Other current liabilities.

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Contract liabilities and assets

The Company's deferred revenue balance primarily relates to amounts received from customers for subscriptions paid in advance of the services being provided. The following table presents changes in the deferred revenue balance for the three and nine months ended March 31, 2019:

	<u>For the three months ended March 31, 2019</u> (in millions)	<u>For the nine months ended March 31, 2019</u> (in millions)
Balance, beginning of period	\$ 430	\$ 510
Deferral of revenue	934	2,271
Recognition of deferred revenue ^(a)	(883)	(2,300)
Other	(21)	(21)
Balance, end of period	<u>\$ 460</u>	<u>\$ 460</u>

^(a) For the three and nine months ended March 31, 2019, the Company recognized approximately \$241 million and \$461 million, respectively, of revenue which was included in the opening deferred revenue balance for each of the respective periods.

Contract assets were immaterial for disclosure as of March 31, 2019.

Practical expedients and other revenue disclosures

The Company typically expenses sales commissions incurred to obtain a customer contract as those amounts are incurred as the amortization period is twelve months or less. These costs are recorded within Selling, general and administrative in the Statements of Operations. The Company also applies the practical expedient for significant financing components when the transfer of the good or service is paid within twelve months or less, or the receipt of consideration is received within twelve months or less of the transfer of the good or service.

During the three and nine months ended March 31, 2019, the Company recognized approximately \$75 million and \$227 million, respectively, in revenues related to performance obligations that were satisfied or partially satisfied in a prior reporting period. The remaining transaction price related to unsatisfied performance obligations as of March 31, 2019 was approximately \$297 million, of which approximately \$39 million is expected to be recognized over the remainder of fiscal 2019, approximately \$133 million is expected to be recognized in fiscal 2020, \$98 million is expected to be recognized in fiscal 2021, with the remainder to be recognized thereafter. These amounts do not include (i) contracts with an expected duration of one year or less, (ii) contracts for which variable consideration is determined based on the customer's subsequent sale or usage and (iii) variable consideration allocated to performance obligations accounted for under the series guidance that meets the allocation objective under ASC 606.

NOTE 3. ACQUISITIONS, DISPOSALS AND OTHER TRANSACTIONS

Opcity

In October 2018, the Company acquired Opcity Inc. ("Opcity"), a market-leading real estate technology platform that matches qualified home buyers and sellers with real estate professionals in real time. The total transaction value was approximately \$210 million, consisting of approximately \$182 million in cash, net of \$7 million of cash acquired, and approximately \$28 million in deferred payments and restricted stock unit awards for Opcity's founders and qualifying

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employees, which is being recognized as compensation expense over the three years following the closing. Included in the cash amount was approximately \$20 million that is being held back for approximately 18 months after closing. The acquisition broadens realtor.com®’s lead generation product portfolio, allowing real estate professionals to choose between traditional lead products or a concierge-based model that provides highly vetted, transaction-ready leads. Opcity is a subsidiary of Move, and its results are included within the Digital Real Estate Services segment.

Under the acquisition method of accounting, the total consideration was first allocated to net tangible assets and identifiable intangible assets based upon their fair values as of the date of completion of the acquisition. As a result of the acquisition, the Company recorded approximately \$73 million of assets, of which \$49 million primarily related to the Opcity technology and data platform with a weighted average useful life of 12 years and \$24 million primarily related to intangible assets resulting from previously acquired leads and customer relationships with a weighted average useful life of 9 years. In accordance with ASC 350, “Intangibles – Goodwill and Other” (“ASC 350”) the excess of the total consideration over the fair values of the net tangible and intangible assets of approximately \$124 million was recorded as goodwill on the transaction.

New Foxtel

In April 2018, News Corp and Telstra combined their respective 50% interests in Foxtel and News Corp’s 100% interest in FOX SPORTS Australia into a new company. Following the completion of the Transaction, News Corp owns a 65% interest in the combined business, with Telstra owning the remaining 35%. Consequently, the Company began consolidating Foxtel in the fourth quarter of fiscal 2018. The combination allows Foxtel and FOX SPORTS Australia to leverage their media platforms and content to improve services for consumers and advertisers. The results of new Foxtel are reported within the Subscription Video Services segment (formerly the Cable Network Programming segment), and new Foxtel is considered a separate reporting unit for purposes of the Company’s annual goodwill impairment review.

The Transaction was accounted for in accordance with ASC 805 “Business Combinations” (“ASC 805”) which requires the Company to re-measure its previously held equity interest in Foxtel at its Transaction completion date fair value. The carrying amount of the Company’s previously held equity interest in Foxtel was equal to its fair value as of the Transaction completion date, as the Company wrote its investment in Foxtel down to fair value during the third quarter of fiscal 2018. In accordance with ASC 805, as the Company did not relinquish control of its investment in FOX SPORTS Australia, the reduction in the Company’s ownership interest to 65% was accounted for as a common control transaction on a carryover basis. See Note 5—Investments.

The total aggregate purchase price associated with the Transaction at the completion date is set forth below (in millions):

Consideration transferred ^(a)	\$ 331
Fair value of News Corp previously held equity interest in Foxtel	631
Fair value of noncontrolling interest ^(b)	<u>578</u>
Fair value of net assets	<u>\$1,540</u>

a) Primarily represents the fair value of 35% of FOX SPORTS Australia exchanged as consideration in the Transaction and has been included in noncontrolling interest.

b) Primarily represents the fair value of 35% of Foxtel, which includes the impact of certain market participant synergies.

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Under the acquisition method of accounting, the aggregate purchase price, based on a valuation of 100% of Foxtel, was allocated to net tangible and intangible assets based upon their fair value as of the date of completion of the Transaction. The excess of the aggregate purchase price over the fair value of the net tangible and intangible assets acquired was recorded as goodwill. The allocation is as follows (in millions):

Assets acquired:	
Cash	\$ 78
Current assets	492
Property, plant and equipment	967
Intangible assets	861
Goodwill	1,559
Other non-current assets	268
Total assets acquired	<u>\$4,225</u>
Liabilities assumed:	
Current liabilities	\$ 611
Long-term borrowings	1,751
Other non-current liabilities	323
Total liabilities assumed	<u>2,685</u>
Net assets acquired	<u>\$1,540</u>

As a result of the Transaction, the Company recorded net tangible assets of approximately \$871 million, excluding long-term borrowings, primarily consisting of property, plant and equipment, which mainly relate to digital set top units and installations and technical equipment, as well as accounts receivable, inventory, accounts payable and accruals at their estimated fair values at the completion date of the Transaction. The Company recorded outstanding borrowings of approximately \$1.8 billion as a result of the Transaction. See Note 6—Borrowings.

In addition, the Company recorded approximately \$0.9 billion of intangible assets of which \$468 million has been allocated to subscriber relationships with a weighted-average useful life of 10 years, \$270 million has been allocated to the tradenames which have an indefinite life and approximately \$123 million has been allocated to advertiser relationships with a weighted-average useful life of 15 years. In accordance with ASC 350, the excess of the purchase price over the fair values of the net tangible and intangible assets of approximately \$1.6 billion was recorded as goodwill on the transaction.

As a result of the Transaction, the Company recognized a \$337 million loss in Other, net in the fourth quarter of fiscal 2018, primarily related to the Company's settlement of its pre-existing contractual arrangement between Foxtel and FOX SPORTS Australia which resulted in a \$317 million write-off of its channel distribution agreement intangible asset at the time of the Transaction.

NOTE 4. IMPAIRMENT AND RESTRUCTURING CHARGES

Fiscal 2019

During the three and nine months ended March 31, 2019, the Company recorded restructuring charges of \$25 million and \$62 million, respectively, of which \$23 million and \$55 million, respectively, related to the News and Information Services segment. The restructuring charges recorded in fiscal 2019 were for employee termination benefits.

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Fiscal 2018

During the three and nine months ended March 31, 2018, the Company recorded restructuring charges of \$21 million and \$48 million, respectively, of which \$13 million and \$38 million, respectively, related to the News and Information Services segment. The restructuring charges recorded in fiscal 2018 were primarily for employee termination benefits.

During the three and nine months ended March 31, 2018, the Company recognized non-cash impairment charges of \$225 million primarily related to the impairment of goodwill and intangible assets at the News America Marketing reporting unit and impairment of goodwill at the FOX SPORTS Australia reporting unit.

The Company recognized a \$165 million non-cash impairment of goodwill and indefinite-lived intangible assets at its News America Marketing reporting unit. Due to the impact of adverse trends on the future expected performance of the business, the Company revised its future outlook which resulted in a reduction in expected future cash flows. Based on the revised projections, the Company determined that the fair value of the reporting unit was less than its carrying value. The assumptions utilized in the income approach valuation method were discount rates (ranging from 12.5%-14%), long-term growth rates (ranging from (1.9%)-0.9%) and a royalty rate of 2.5%.

The Company recognized a \$41 million non-cash impairment of goodwill at its FOX SPORTS Australia reporting unit. As a result of lower-than-expected revenues at Foxtel, the Company revised its future outlook for FOX SPORTS Australia whose revenues are heavily predicated on Foxtel subscribers. Based on the revised projections, the Company determined that the fair value of the reporting unit was less than its carrying value. The assumptions utilized in the income approach valuation method were a discount rate of 9.5% and a long-term growth rate of 2.0%. See Note 5—Investments.

Changes in restructuring program liabilities were as follows:

	For the three months ended March 31,							
	2019				2018			
	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	\$ 20	\$ 2	\$ 11	\$ 33	\$ 22	\$ 4	\$ 10	\$ 36
Additions	25	—	—	25	21	—	—	21
Payments	(17)	—	(1)	(18)	(22)	—	—	(22)
Other	—	—	—	—	3	—	—	3
Balance, end of period	<u>\$ 28</u>	<u>\$ 2</u>	<u>\$ 10</u>	<u>\$ 40</u>	<u>\$ 24</u>	<u>\$ 4</u>	<u>\$ 10</u>	<u>\$ 38</u>

	For the nine months ended March 31,							
	2019				2018			
	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	\$ 29	\$ 2	\$ 11	\$ 42	\$ 33	\$ 6	\$ 10	\$ 49
Additions	62	—	—	62	47	—	1	48
Payments	(61)	—	(2)	(63)	(60)	(1)	(1)	(62)
Other	(2)	—	1	(1)	4	(1)	—	3
Balance, end of period	<u>\$ 28</u>	<u>\$ 2</u>	<u>\$ 10</u>	<u>\$ 40</u>	<u>\$ 24</u>	<u>\$ 4</u>	<u>\$ 10</u>	<u>\$ 38</u>

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As of March 31, 2019, restructuring liabilities of approximately \$30 million were included in the Balance Sheets in Other current liabilities and \$10 million were included in Other non-current liabilities.

NOTE 5. INVESTMENTS

The Company's investments were comprised of the following:

	Ownership Percentage as of March 31, 2019	As of March 31, 2019	As of June 30, 2018
		(in millions)	
Equity method investments ^(a)	various	\$ 160	\$ 173
Equity securities ^(b)	various	187	220
Total Investments		\$ 347	\$ 393

(a) Equity method investments are primarily comprised of new Foxtel's investment in Nickelodeon Australia Joint Venture and Elara Technologies Pte. Ltd., which operates PropTiger.com, Makaan.com. and Housing.com.

(b) Equity securities are primarily comprised of certain investments in China and the Company's investment in HT&E Limited, which operates a portfolio of Australian radio and outdoor media assets.

The Company has equity securities with quoted prices in active markets as well as equity securities without readily determinable fair market values. Equity securities without readily determinable fair market values are valued at cost, less any impairment, plus or minus changes in fair value resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. The components comprising total gains and losses on equity securities are set forth below:

	For the three months ended March 31,		For the nine months ended March 31,	
	2019	2018	2019	2018
	(in millions)		(in millions)	
Total gains (losses) recognized on equity securities	\$ 6	\$ 30	\$ (23)	\$ 13
Less: Net gains recognized on equity securities sold or impaired	—	29	—	5
Unrealized gains (losses) recognized on equity securities held at end of period	\$ 6	\$ 1	\$ (23)	\$ 8

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Equity Losses of Affiliates

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

	For the three months ended		For the nine months ended	
	March 31,		March 31,	
	2019	2018	2019	2018
	(in millions)		(in millions)	
Foxtel ^(a)	\$ —	\$ (970)	\$ —	\$ (974)
Other equity affiliates, net ^(b)	(4)	(4)	(13)	(28)
Total Equity losses of affiliates	\$ (4)	\$ (974)	\$ (13)	\$ (1,002)

(a) Following completion of the Transaction in April 2018, News Corp ceased accounting for Foxtel as an equity method investment and began consolidating its results in the fourth quarter of fiscal 2018. See Note 3— Acquisitions, Disposals and Other Transactions.

During the three and nine months ended March 31, 2018, the Company recognized a \$957 million non-cash write-down of the carrying value of its investment in Foxtel. In the third quarter of fiscal 2018, the Company assessed the long-term prospects for Foxtel, on both a stand-alone and combined basis. As a result of lower-than-expected revenues from certain products and broadcast subscribers at Foxtel, the Company revised its outlook for Foxtel, which resulted in a reduction in expected future cash flows. Based on the revised projections, the Company concluded that the fair value of its investment in Foxtel declined below its carrying value. The assumptions utilized in the income approach valuation method were a discount rate of 10.25% and a long-term growth rate of 2.0%. The write-down was reflected in Equity losses of affiliates in the Statements of Operations for the three and nine months ended March 31, 2018.

In accordance with ASC 350, the Company amortized \$17 million and \$49 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, 2018, respectively. Such amortization was reflected in Equity losses of affiliates in the Statement of Operations.

(b) Other equity affiliates, net for the three and nine months ended March 31, 2019 include losses primarily from the Company's interest in Elara. During the nine months ended March 31, 2018, the Company recognized \$13 million in non-cash write-downs of certain equity method investments' carrying values. The write-downs were reflected in Equity losses of affiliates in the Statements of Operations for the nine months ended March 31, 2018.

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

	For the nine months ended March 31, 2018 (in millions)
Revenues	\$ 1,818
Operating income ^(a)	155
Net income	64

(a) Includes Depreciation and amortization of \$187 million for the nine months ended March 31, 2018. Operating income before depreciation and amortization was \$342 million for the nine months ended March 31, 2018.

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NOTE 6. BORROWINGS

The Company's total borrowings consist of the following:

	<u>Interest rate at March 31, 2019</u>	<u>Due date at March 31, 2019</u>	<u>As of March 31, 2019</u>	<u>As of June 30, 2018</u>
(in millions)				
Foxtel Group				
Credit facility 2013 ^{(a)(b)}	3.55%	Apr 7, 2019	\$ —	\$ 222
Credit facility 2014 — tranche 1 ^(a)	3.55%	May 30, 2019	142	148
Credit facility 2014 — tranche 2 ^(a)	3.65%	Jan 31, 2020	142	148
Credit facility 2015 ^(a)	3.70%	Jul 31, 2020	284	296
Credit facility 2016 ^{(a)(c)}	4.25%	Sept 11, 2021	53	108
Working capital facility 2017 ^{(a)(c)}	3.85%	Jul 3, 2020	57	59
US private placement 2009 — tranche 3	6.20%	Sept 24, 2019	74	75
US private placement 2012 — USD portion — tranche 1 ^(d)	3.68%	Jul 25, 2019	150	150
US private placement 2012 — USD portion — tranche 2 ^(d)	4.27%	Jul 25, 2022	198	196
US private placement 2012 — USD portion — tranche 3 ^(d)	4.42%	Jul 25, 2024	148	146
US private placement 2012 — AUD portion	7.04%	Jul 25, 2022	78	83
REA Group				
Credit facility 2016 — tranche 2 ^{(e)(f)}	—	Dec 31, 2018	—	89
Credit facility 2016 — tranche 3 ^{(e)(f)}	3.01%	Dec 31, 2019	170	178
Credit facility 2018 ^(e)	2.71%	Apr 27, 2021	50	54
Total borrowings			<u>1,546</u>	<u>1,952</u>
Less: current portion ^(g)			<u>(678)</u>	<u>(462)</u>
Long-term borrowings			<u>\$ 868</u>	<u>\$1,490</u>

- (a) Borrowings under these facilities bear interest at a floating rate of Australian BBSY plus an applicable margin of between 1.10% and 2.70% per annum payable quarterly.
- (b) During the three and nine months ended March 31, 2019, the Foxtel Group repaid its A\$300 million (approximately \$216 million) facility maturing in April 2019 using A\$300 million of shareholder loans provided by the Company.
- (c) As of March 31, 2019, the Foxtel Group has undrawn commitments of \$241 million under these facilities for which it pays a commitment fee in the range of 40% to 45% of the applicable margin.
- (d) The carrying value of the borrowings include any fair value adjustments related to the Company's fair value hedges. See Note 9 — Financial Instruments and Fair Value Measurements.
- (e) Borrowings under these facilities bear interest at a floating rate of the Australian BBSY plus a margin of between 0.85% and 1.45% depending on REA Group's net leverage ratio. As of March 31, 2019, REA Group was paying a margin of between 0.85% and 1.05%.
- (f) During the nine months ended March 31, 2019, REA Group repaid A\$120 million (approximately \$87 million) of the A\$480 million revolving loan facility. Remaining borrowings under the facility of A\$240 million (approximately \$170 million) will mature in fiscal 2020.
- (g) The Company classifies the current portion of long term debt as non-current liabilities on the Balance Sheets when it has the intent and ability to refinance the obligation on a long-term basis, in accordance with ASC 470-50 "Debt."

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NOTE 7. REDEEMABLE PREFERRED STOCK

In connection with the Company's separation of its businesses (the "Separation") from Twenty-First Century Fox, Inc. ("21st Century Fox") on June 28, 2013 (the "Distribution Date"), 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 paid dividends at a rate of 9.5% per annum, payable quarterly, in arrears. The preferred stock was callable by the Company at any time after the fifth year and puttable at the option of the holder after 10 years. In July 2018, the Company exercised its call option and redeemed 100% of the outstanding redeemable preferred stock.

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NOTE 8. EQUITY

The following tables summarize changes in equity for the three and nine months ended March 31, 2019 and 2018:

	For the three months ended March 31, 2019									
	Class A		Class B		Additional	Accumulated	Other	Total News	Noncontrolling	Total
	Common Stock		Common Stock							
	Shares	Amount	Shares	Amount	Capital	Loss	Equity	Interests	Equity	
	(in millions)									
Balance, December 31, 2018	385	\$ 4	200	\$ 2	\$ 12,271	\$ (1,937)	\$ (1,076)	\$ 9,264	\$ 1,170	\$10,434
Net income	—	—	—	—	—	10	—	10	13	23
Other comprehensive income	—	—	—	—	—	—	57	57	10	67
Dividends	—	—	—	—	(58)	—	—	(58)	(20)	(78)
Other	—	—	—	—	16	—	—	16	(4)	12
Balance, March 31, 2019	<u>385</u>	<u>\$ 4</u>	<u>200</u>	<u>\$ 2</u>	<u>\$ 12,229</u>	<u>\$ (1,927)</u>	<u>\$ (1,019)</u>	<u>\$ 9,289</u>	<u>\$ 1,169</u>	<u>\$10,458</u>

	For the three months ended March 31, 2018									
	Class A		Class B		Additional	Accumulated	Other	Total News	Noncontrolling	Total
	Common Stock		Common Stock							
	Shares	Amount	Shares	Amount	Capital	Loss	Equity	Interests	Equity	
	(in millions)									
Balance, December 31, 2017	383	\$ 4	200	\$ 2	\$ 12,350	\$ (664)	\$ (832)	\$ 10,860	\$ 298	\$11,158
Net (loss) income	—	—	—	—	—	(1,128)	—	(1,128)	18	(1,110)
Other comprehensive income (loss)	—	—	—	—	—	—	3	3	(2)	1
Dividends	—	—	—	—	(59)	—	—	(59)	(19)	(78)
Other	—	—	—	—	19	—	—	19	1	20
Balance, March 31, 2018	<u>383</u>	<u>\$ 4</u>	<u>200</u>	<u>\$ 2</u>	<u>\$ 12,310</u>	<u>\$ (1,792)</u>	<u>\$ (829)</u>	<u>\$ 9,695</u>	<u>\$ 296</u>	<u>\$ 9,991</u>

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	For the nine months ended March 31, 2019									
	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total News Corporation Equity	Noncontrolling Interests	Total Equity
	Shares	Amount	Shares	Amount						
Balance, June 30, 2018	383	\$ 4	200	\$ 2	\$ 12,322	\$ (2,163)	\$ (874)	\$ 9,291	\$ 1,186	\$10,477
Cumulative impact from adoption of new accounting standards	—	—	—	—	—	32	(22)	10	10	20
Net income	—	—	—	—	—	206	—	206	64	270
Other comprehensive loss	—	—	—	—	—	—	(124)	(124)	(46)	(170)
Dividends	—	—	—	—	(117)	—	—	(117)	(43)	(160)
Other	2	—	—	—	24	(2)	1	23	(2)	21
Balance, March 31, 2019	<u>385</u>	<u>\$ 4</u>	<u>200</u>	<u>\$ 2</u>	<u>\$ 12,229</u>	<u>\$ (1,927)</u>	<u>\$ (1,019)</u>	<u>\$ 9,289</u>	<u>\$ 1,169</u>	<u>\$10,458</u>

	For the nine months ended March 31, 2018									
	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total News Corporation Equity	Noncontrolling Interests	Total Equity
	Shares	Amount	Shares	Amount						
Balance, June 30, 2017	382	\$ 4	200	\$ 2	\$ 12,395	\$ (648)	\$ (964)	\$ 10,789	\$ 284	\$11,073
Net (loss) income	—	—	—	—	—	(1,143)	—	(1,143)	54	(1,089)
Other comprehensive income	—	—	—	—	—	—	135	135	1	136
Dividends	—	—	—	—	(118)	—	—	(118)	(40)	(158)
Other	1	—	—	—	33	(1)	—	32	(3)	29
Balance, March 31, 2018	<u>383</u>	<u>\$ 4</u>	<u>200</u>	<u>\$ 2</u>	<u>\$ 12,310</u>	<u>\$ (1,792)</u>	<u>\$ (829)</u>	<u>\$ 9,695</u>	<u>\$ 296</u>	<u>\$ 9,991</u>

Stock Repurchases

In May 2013, the Company's Board of Directors (the "Board of Directors") authorized the Company to repurchase up to an aggregate of \$500 million of its Class A Common Stock. No stock repurchases were made during the nine months ended March 31, 2019. Through May 3, 2019, the Company cumulatively repurchased approximately 5.2 million shares of Class A Common Stock for an aggregate cost of approximately \$71 million. The remaining authorized amount under the stock repurchase program as of May 3, 2019 was approximately \$429 million. All decisions regarding any future stock

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repurchases are at the sole discretion of a duly appointed committee of the Board of Directors and management. The committee's decisions regarding future stock repurchases will be evaluated from time to time in light of many factors, including the Company's financial condition, earnings, capital requirements and debt facility covenants, other contractual restrictions, as well as legal requirements, regulatory constraints, industry practice, market volatility and other factors that the committee may deem relevant. The stock repurchase authorization may be modified, extended, suspended or discontinued at any time by the Board of Directors and the Board of Directors cannot provide any assurances that any additional shares will be repurchased.

Dividends

In February 2019, the Board of Directors declared a semi-annual cash dividend of \$0.10 per share for Class A Common Stock and Class B Common Stock. This dividend was paid on April 17, 2019 to stockholders of record at the close of business on March 13, 2019. The timing, declaration, amount and payment of future dividends to stockholders, if any, is within the discretion of the Board of Directors. The Board of Directors' decisions regarding the payment of future dividends will depend on many factors, including the Company's financial condition, earnings, capital requirements and debt facility covenants, other contractual restrictions, as well as legal requirements, regulatory constraints, industry practice, market volatility and other factors that the Board of Directors deems relevant.

The following table sets forth the cash dividend declared per share for the three and nine months ended March 31, 2019 and 2018:

	<u>For the three months ended March 31,</u>		<u>For the nine months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Cash dividend declared per share	\$ 0.10	\$ 0.10	\$ 0.20	\$ 0.20

NOTE 9. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

In accordance with ASC 820, "Fair Value Measurements" ("ASC 820") fair value measurements are required to be disclosed using a three-tiered fair value hierarchy which distinguishes market participant assumptions into the following categories:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs other than quoted prices included in Level 1. The Company could value assets and liabilities included in this level using dealer and broker quotations, certain pricing models, bid prices, quoted prices for similar assets and liabilities in active markets, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. For the Company, this primarily includes the use of forecasted financial information and other valuation related assumptions such as discount rates and long term growth rates in the income approach as well as the market approach which utilizes certain market and transaction multiples.

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Under ASC 820, certain assets and liabilities are required to be remeasured to fair value at the end of each reporting period. The following table summarizes those assets and liabilities measured at fair value on a recurring basis:

	As of March 31, 2019				As of June 30, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(in millions)							
Assets:								
Foreign currency derivatives - cash flow hedges	\$ —	\$ 3	\$ —	\$ 3	\$ —	\$ 3	\$ —	\$ 3
Cross currency interest rate derivatives - fair value hedges	—	27	—	27	—	29	—	29
Cross currency interest rate derivatives - economic hedges	—	12	—	12	—	10	—	10
Cross currency interest rate derivatives - cash flow hedges	—	107	—	107	—	76	—	76
Equity securities ^(a)	72	—	115	187	93	—	—	93
Total assets	\$ 72	\$ 149	\$ 115	\$336	\$ 93	\$ 118	\$ —	\$211
Liabilities:								
Interest rate derivatives - cash flow hedges	\$ —	\$ 19	\$ —	\$ 19	\$ —	\$ 20	\$ —	\$ 20
Mandatorily redeemable noncontrolling interests	—	—	12	12	—	—	12	12
Cross currency interest rate derivatives - cash flow hedges	—	15	—	15	—	12	—	12
Total liabilities	\$ —	\$ 34	\$ 12	\$ 46	\$ —	\$ 32	\$ 12	\$ 44

(a) See Note 5—Investments.

There have been no transfers between levels of the fair value hierarchy during the periods presented.

Equity securities

The fair values of equity securities with quoted prices in active markets are determined based on the closing price at the end of each reporting period. These securities are classified as Level 1 in the fair value hierarchy outlined above. The fair values of equity securities without readily determinable fair market values are determined based on cost, less any impairment, plus or minus changes in fair value resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. These securities are classified as Level 3 in the fair value hierarchy outlined above.

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A rollforward of the Company's equity securities classified as Level 3 is as follows:

	For the nine months ended March 31, 2019
	(in millions)
Balance - beginning of period ^(a)	\$ 127
Purchases	7
Sales	(10)
Foreign exchange and other	(9)
Balance - end of period	<u>\$ 115</u>

^(a) Includes impact from the adoption of ASU 2016-01. See Note 1—Description of Business and Basis of Presentation.

Mandatorily redeemable noncontrolling interests

The Company has liabilities recorded in its Balance Sheets for its mandatorily redeemable noncontrolling interests. These liabilities represent management's best estimate of the amounts expected to be paid in accordance with the contractual terms of the underlying acquisition agreements. The fair values of these liabilities are based on the contractual payout formulas included in the acquisition agreements taking into account the expected performance of the business. Any remeasurements or accretion related to the Company's mandatorily redeemable noncontrolling interests are recorded through Interest (expense) income, net in the Statements of Operations. As the fair value does not rely on observable market inputs, the Company classifies these liabilities as Level 3 in the fair value hierarchy.

A rollforward of the Company's mandatorily redeemable noncontrolling interest liabilities classified as Level 3 is as follows:

	For the nine months ended March 31,	
	2019	2018
	(in millions)	
Balance - beginning of period	\$ 12	\$ 79
Additions	—	12
Accretion	1	2
Foreign exchange movements	(1)	(1)
Balance - end of period	<u>\$ 12</u>	<u>\$ 92</u>

Derivative Instruments

The Company is directly and indirectly affected by risks associated with changes in certain market conditions. When deemed appropriate, the Company uses derivative instruments to mitigate the potential impact of these market risks. The primary market risks managed by the Company through the use of derivative instruments include:

- foreign currency exchange rate risk: arising primarily through Foxtel Group borrowings denominated in U.S. dollars and payments for license fees; and
- interest rate risk: arising from fixed and floating rate Foxtel Group borrowings.

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The Company formally designates qualifying derivatives as hedge relationships (“hedges”) and applies hedge accounting when considered appropriate. For economic hedges where no hedge relationship has been designated, changes in fair value are included as a component of net income in each reporting period within Other, net in the Statements of Operations. The Company does not use derivative financial instruments for trading or speculative purposes.

Hedges are classified as current or non-current in the Balance Sheets based on their maturity dates. Refer to the table below for further details:

	<u>Balance Sheet Location</u>	<u>Fair value as of</u>	
		<u>March 31, 2019</u>	<u>June 30, 2018</u>
		(in millions)	
Foreign currency derivatives - cash flow hedges	Other current assets	\$ 3	\$ 3
Cross currency interest rate derivatives - fair value hedges	Other current assets	8	—
Cross currency interest rate derivatives - economic hedges	Other current assets	12	—
Cross currency interest rate derivatives - cash flow hedges	Other current assets	32	—
Cross currency interest rate derivatives - fair value hedges	Other non-current assets	19	29
Cross currency interest rate derivatives - cash flow hedges	Other non-current assets	75	76
Cross currency interest rate derivatives - economic hedges	Other non-current assets	—	10
Interest rate derivatives - cash flow hedges	Other current liabilities	(3)	—
Interest rate derivatives - cash flow hedges	Other non-current liabilities	(16)	(20)
Cross currency interest rate derivatives - cash flow hedges	Other non-current liabilities	(15)	(12)

Cash flow hedges

The Company utilizes a combination of foreign currency derivatives, interest rate derivatives and cross currency interest rate derivatives to mitigate currency exchange and interest rate risk in relation to payments for license fees and future interest payments.

The total notional value of foreign currency contract derivatives designated for hedging was \$34 million as of March 31, 2019. The maximum hedged term over which the Company is hedging exposure to foreign currency fluctuations is to June 2019. As of March 31, 2019, the Company estimates that approximately \$3 million of net derivative gains related to its foreign currency contract derivative cash flow hedges included in Accumulated other comprehensive loss will be reclassified into the Statement of Operations within the next 12 months.

The total notional value of interest rate swap derivatives designated as cash flow hedges was approximately A\$700 million as of March 31, 2019. The maximum hedged term over which the Company is hedging exposure to variability in interest payments is to September 2022. As of March 31, 2019, the Company estimates that approximately \$4 million of net derivative gains related to its interest rate swap derivative cash flow hedges included in Accumulated other comprehensive loss will be reclassified into the Statement of Operations within the next 12 months.

The total notional value of the cross currency interest rate swaps that were designated as cash flow hedges was approximately A\$400 million as of March 31, 2019. The maximum hedged term over which the Company is hedging exposure to variability in interest payments is to July 2024. As of March 31, 2019, the Company estimates that approximately \$1 million of net derivative gains related to its cross currency interest rate swap derivative cash flow hedges included in Accumulated other comprehensive loss will be reclassified into the Statement of Operations within the next 12 months.

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The following tables present the impact that changes in the fair values of derivatives designated as cash flow hedges had on Accumulated other comprehensive loss and the Statement of Operations during the three and nine months ended March 31, 2019. The Company did not have any such hedges in the three and nine months ended March 31, 2018.

	(Gain) loss recognized in Accumulated		Gain (loss) reclassified from Accumulated		Income statement location
	Other Comprehensive Loss for the three months ended March 31,		Other Comprehensive Loss for the three months ended March 31,		
	2019	2018	2019	2018	
	(in millions)				
Derivative instruments designated as cash flow hedges:					
Foreign currency derivatives - cash flow hedges	\$ 2	\$ —	\$ —	\$ —	Operating expenses
Cross currency interest rate derivatives - cash flow hedges	9	—	(7)	—	Interest (expense) income, net
Interest rate derivatives - cash flow hedges	4	—	(2)	—	Interest (expense) income, net
Total	\$ 15	\$ —	\$ (9)	\$ —	

	(Gain) loss recognized in Accumulated		Gain (loss) reclassified from Accumulated		Income statement location
	Other Comprehensive Loss for the nine months ended March 31,		Other Comprehensive Loss for the nine months ended March 31,		
	2019	2018	2019	2018	
	(in millions)				
Derivative instruments designated as cash flow hedges:					
Foreign currency derivatives - cash flow hedges	\$ (2)	\$ —	\$ 2	\$ —	Operating expenses
Cross currency interest rate derivatives - cash flow hedges	(7)	—	5	—	Interest (expense) income, net
Interest rate derivatives - cash flow hedges	6	—	(6)	—	Interest (expense) income, net
Total	\$ (3)	\$ —	\$ 1	\$ —	

During the three and nine months ended March 31, 2019 the amount recognized in the Statement of Operations for the ineffective portion of derivative instruments designated as cash flow hedges was approximately \$2 million and \$3 million, respectively, and the Company did not exclude any component of the changes in fair value of the derivative instruments from the assessment of hedge effectiveness.

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Fair value hedges

The Company's primary interest rate risk arises from its borrowings acquired as a part of the Transaction. Borrowings issued at fixed rates and in U.S. dollars expose new Foxtel to fair value interest rate risk and currency exchange rate risk. The Company manages fair value interest rate risk and currency exchange rate risk through the use of cross currency interest rate swaps under which the Company exchanges fixed interest payments equivalent to the interest payments on the U.S. dollar denominated debt for floating rate Australian dollar denominated interest payments. The changes in fair value of derivatives designated as fair value hedges and the offsetting changes in fair value of the hedged items are recognized in Other, net. As of March 31, 2019, such adjustments increased the carrying value of borrowings by approximately \$3 million.

The total notional value of the fair value hedges was approximately A\$100 million as of March 31, 2019. The maximum hedged term over which the Company is hedging exposure to variability in interest payments is to July 2024.

During the three and nine months ended March 31, 2019, the amount recognized in the Statement of Operations on derivative instruments designated as fair value hedges related to the ineffective portion was nil and the Company did not exclude any component of the changes in fair value of the derivative instruments from the assessment of hedge effectiveness.

Economic (non-designated) hedges

In addition to derivative instruments that are designated and qualify for hedge accounting, the Company also uses certain derivatives not designated as accounting hedges to mitigate currency exchange and interest rate risk. These are referred to as economic hedges. The changes in fair value of economic hedges are immediately recognized in the Statement of Operations. The total notional value of these cross currency interest rate derivatives was \$75 million as of March 31, 2019, which relate to the U.S. private placement 2009 debt.

Nonrecurring Fair Value Measurements

In addition to assets and liabilities that are remeasured at fair value on a recurring basis, the Company has certain assets, primarily goodwill, intangible assets, equity method investments and property, plant and equipment, that are not required to be remeasured to fair value at the end of each reporting period. On an ongoing basis, the Company monitors whether events occur or circumstances change that would more likely than not reduce the fair values of these assets below their carrying amounts. If the Company determines that these assets are impaired, the Company would write down these assets to fair value. These nonrecurring fair value measurements are considered to be Level 3 in the fair value hierarchy.

In the third quarter of fiscal 2018, the Company recognized a \$957 million non-cash write-down of the carrying value of its equity method investment in Foxtel from \$1,588 million to \$631 million. In the second quarter of fiscal 2018, the Company recognized non-cash write-downs of certain equity method investments of approximately \$13 million. The carrying value of these equity method investments decreased from \$136 million to \$123 million. See Note 5 – Investments.

In the third quarter of fiscal 2018, the Company recognized non-cash impairment charges of \$120 million and \$45 million related to goodwill and intangible assets, respectively, at the News America Marketing reporting unit. The carrying value of goodwill at News America Marketing decreased from \$301 million to \$181 million and the carrying value of intangible assets decreased from \$391 million to \$346 million. See Note 4 – Impairment and Restructuring Charges.

In the third quarter of fiscal 2018, the Company recognized a \$41 million non-cash impairment charge related to goodwill at the FOX SPORTS Australia reporting unit. The carrying value of goodwill at FOX SPORTS Australia decreased from \$490 million to \$449 million. See Note 4 – Impairment and Restructuring Charges.

Other Fair Value Measurements

As of March 31, 2019, the carrying value of the Company's outstanding borrowings approximates the fair value and is classified as Level 3 in the fair value hierarchy.

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NOTE 10. EARNINGS (LOSS) PER SHARE

The following tables set forth the computation of basic and diluted earnings (loss) per share under ASC 260, "Earnings per Share":

	For the three months ended March 31,		For the nine months ended March 31,	
	2019	2018	2019	2018
	(in millions, except per share amounts)			
Net income (loss)	\$ 23	\$ (1,110)	\$ 270	\$ (1,089)
Less: Net income attributable to noncontrolling interests	(13)	(18)	(64)	(54)
Less: Redeemable preferred stock dividends ^(a)	—	—	—	(1)
Net income (loss) available to News Corporation stockholders	<u>\$ 10</u>	<u>\$ (1,128)</u>	<u>\$ 206</u>	<u>\$ (1,144)</u>
Weighted-average number of shares of common stock outstanding - basic	585.0	582.8	584.6	582.6
Dilutive effect of equity awards ^(b)	3.8	—	2.6	—
Weighted-average number of shares of common stock outstanding - diluted	<u>588.8</u>	<u>582.8</u>	<u>587.2</u>	<u>582.6</u>
Net income (loss) available to News Corporation stockholders per share - basic and diluted	<u>\$ 0.02</u>	<u>\$ (1.94)</u>	<u>\$ 0.35</u>	<u>\$ (1.96)</u>

- (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 paid dividends at a rate of 9.5% per annum, payable quarterly, in arrears. The preferred stock was callable by the Company at any time after the fifth year and puttable at the option of the holder after 10 years. In July 2018, the Company exercised its call option and redeemed 100% of the outstanding redeemable preferred stock.
- (b) The dilutive impact of the Company's performance stock units, restricted stock units and stock options has been excluded from the calculation of diluted loss per share for the three and nine months ended March 31, 2018 because their inclusion would have an antidilutive effect on the net loss per share.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Commitments

The Company has commitments under certain firm contractual arrangements ("firm commitments") to make future payments. These firm commitments secure the future rights to various assets and services to be used in the normal course of operations. The Company's commitments as of March 31, 2019 have not changed significantly from the disclosures included in the 2018 Form 10-K.

Contingencies

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

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

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Valassis Communications, Inc.

On November 8, 2013, Valassis Communications, Inc. (“Valassis”) filed a complaint in the U.S. District Court for the Eastern District of Michigan (the “District Court”) against News America Incorporated, News America Marketing FSI L.L.C., News America Marketing In-Store Services L.L.C. and News Corporation (together, the “NAM Group”) alleging violations of federal and state antitrust laws and common law business torts. The complaint sought treble damages, injunctive relief and attorneys’ fees and costs. On December 19, 2013, the NAM Group filed a motion to dismiss the complaint, and on March 30, 2016, the District Court ordered that Valassis’s bundling and tying claims be dismissed and that all remaining claims in the NAM Group’s motion to dismiss be referred to a panel of antitrust experts (the “Antitrust Expert Panel”) appointed in connection with a prior action brought by Valassis against certain members of the NAM Group. The Antitrust Expert Panel was convened and, on February 8, 2017, recommended that the NAM Group’s counterclaims in the action be dismissed with leave to replead three of the four counterclaims. The NAM Group filed an amended counterclaim on February 27, 2017. Valassis subsequently filed motions with the District Court seeking either to re-open the case in the District Court or to transfer the case to the U.S. District Court for the Southern District of New York (the “N.Y. District Court”). On September 25, 2017, the District Court granted Valassis’s motions and transferred the case to the N.Y. District Court. On April 13, 2018, the NAM Group filed a motion for summary judgment dismissing the case with the N.Y. District Court, and on February 21, 2019, the N.Y. District Court granted the NAM Group’s motion in part and denied it in part. The N.Y. District Court found that the NAM Group’s bidding practices were lawful but denied the NAM Group’s motion with respect to claims arising out of certain other alleged contracting practices. Valassis also ceased to pursue its claims relating to free-standing insert products, and those claims were dismissed. While it is not possible at this time to predict with any degree of certainty the ultimate outcome of this action, the NAM Group believes it has been compliant with applicable laws and intends to defend itself vigorously.

U.K. Newspaper Matters

Civil claims have been brought against the Company with respect to, among other things, voicemail interception and inappropriate payments to public officials at the Company’s former publication, *The News of the World*, and at *The Sun*, and related matters (the “U.K. Newspaper Matters”). The Company has admitted liability in many civil cases and has settled a number of cases. The Company also settled a number of claims through a private compensation scheme which was closed to new claims 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 would 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 previously concluded 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. 21st Century Fox’s indemnification obligations with respect to these matters are settled on an after-tax basis. In March 2019, as part of the separation of Fox Corporation (“FOX”) from 21st Century Fox, the Company, News Corp Holdings UK & Ireland, 21st Century Fox and FOX entered into a Partial Assignment and Assumption Agreement, pursuant to which, among other things, 21st Century Fox assigned, conveyed and transferred to FOX all of its indemnification obligations with respect to the U.K. Newspaper Matters.

The net expense (benefit) related to the U.K. Newspaper Matters in Selling, general and administrative was \$2 million for each of the three months ended March 31, 2019 and 2018 and \$8 million and (\$38) million for the nine months ended March 31, 2019 and 2018, respectively. As of March 31, 2019, the Company has provided for its best estimate of the liability for the claims that have been filed and costs incurred, including liabilities associated with employment taxes, and has accrued approximately \$54 million. The amount to be indemnified by FOX of approximately \$51 million was recorded as a receivable in Other current assets on the Balance Sheet as of March 31, 2019. The net benefit for the nine months ended March 31, 2018 reflects a \$46 million impact from the reversal of a portion of the Company’s previously accrued liability and the corresponding receivable as the result of an agreement reached with the relevant tax authority with respect to certain employment taxes. 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.

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The Company is not able to predict the ultimate outcome or cost of the civil claims. It is possible that these proceedings and any adverse resolution thereof could damage its reputation, impair its ability to conduct its business and adversely affect its results of operations and financial condition.

Other

The Company's tax returns are subject to on-going review and examination by various tax authorities. Tax authorities may not agree with the treatment of items reported in the Company's tax returns, and therefore the outcome of tax reviews and examinations can be unpredictable.

The Company believes it has appropriately accrued for the expected outcome of uncertain tax matters and believes such liabilities represent a reasonable provision for taxes ultimately expected to be paid; however, these liabilities may need to be adjusted as new information becomes known and as tax examinations continue to progress, or as settlements or litigations occur.

NOTE 12. INCOME TAXES

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 are individually computed and recognized in the interim period in which those items occur. In addition, the effects of changes in enacted tax laws or rates or tax status are recognized in the interim period in which the change occurs.

For the three months ended March 31, 2019, the Company recorded income tax expense of \$7 million on pre-tax income of \$30 million resulting in an effective tax rate that was higher than the U.S. statutory tax rate. The higher tax rate was primarily due to valuation allowances being recorded against tax benefits in certain foreign jurisdictions with operating losses and the impact from foreign operations which are subject to higher tax rates.

For the nine months ended March 31, 2019, the Company recorded income tax expense of \$112 million on pre-tax income of \$382 million resulting in an effective tax rate that was higher than the U.S. statutory tax rate. The higher tax rate was primarily due to valuation allowances being recorded against tax benefits in certain foreign jurisdictions with operating losses and the impact from foreign operations which are subject to higher tax rates.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act includes significant changes to the U.S. corporate income tax system including, among other things, lowering the U.S. statutory federal tax rate to 21%. The reduction of the U.S. corporate tax rate caused the Company to adjust its U.S. deferred tax assets and liabilities to the lower federal rate of 21% at the fiscal year ended June 30, 2018. The Tax Act also added many new provisions, including a one-time repatriation tax on deemed repatriation of historical earnings of foreign subsidiaries ("transition tax"), changes to bonus depreciation, limits on deductions for executive compensation and interest expense, a tax on global intangible low-taxed income ("GILTI"), the base erosion anti-abuse tax ("BEAT") and a deduction for foreign-derived intangible income. The Company has elected to account for the tax on GILTI and BEAT as a period cost and thus has not adjusted any net deferred tax assets of its foreign subsidiaries for the new tax. However, the Company has considered the potential impact of GILTI and BEAT on its U.S. federal net operating loss ("NOL") carryforward and determined that the projected tax benefit to be received from its NOL carryforward may be reduced due to these provisions.

The changes included in the Tax Act are broad and complex. The SEC issued Staff Accounting Bulletin No. 118 (SAB 118), as amended by ASU 2018-05, which provides guidance for companies related to the Tax Act. ASU 2018-05 allows for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts. The Company's accounting for the tax effects of the Tax Act were completed in the second quarter of fiscal 2019. Although the Company believes the effects of the Tax Act have been appropriately recorded, it will continue to monitor, among other things, changes in interpretations of the Tax Act, any legislative action arising because of the Tax Act and any

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changes in accounting standards for income taxes or related interpretations in response to the Tax Act. The Company intends to monitor and assess the impact of any future changes in legislative interpretations or standards and adjust its provision as new information becomes available. In accordance with SAB 118, the Company has made reasonable estimates related to (1) the remeasurement of its U.S. deferred tax balances for the reduction in the statutory tax rate, (2) the liability for the transition tax and (3) the partial valuation allowance recorded against its federal NOL carryforward due to the impact of the GILTI and BEAT provisions. As a result, the Company recognized a net provisional income tax expense of \$237 million associated with these items in the fiscal year ended June 30, 2018. In the second quarter of fiscal 2019, the Company determined that there were no material changes to the provisional amounts recorded as of June 30, 2018.

Management assesses available evidence to determine whether sufficient future taxable income will be generated to permit the use of existing deferred tax assets. Based on management's assessment of available evidence, it has been determined that it is more likely than not that certain deferred tax assets in U.S. Federal, State and foreign jurisdictions may not be realized and therefore, a valuation allowance has been established against those tax assets.

For the three months ended March 31, 2018, the Company recorded income tax expense of \$3 million on a pre-tax loss of \$1,107 million, resulting in an effective tax rate that was lower than the U.S. statutory tax rate. The lower tax rate was primarily due to a lower net tax benefit on the non-cash write-down of assets and investments in Australia and the U.S., and valuation allowances being recorded against tax benefits in certain foreign jurisdictions with operating losses.

For the nine months ended March 31, 2018, the Company recorded income tax expense of \$292 million on a pre-tax loss of \$797 million, resulting in an effective tax rate that was lower than the U.S. statutory tax rate. The lower tax rate was primarily due to a lower net tax benefit on the non-cash write-down of assets and investments in Australia and the U.S., valuation allowances being recorded against tax benefits in certain foreign jurisdictions with operating losses and the tax charge resulting from the enactment of the Tax Act which caused an increase in income tax expense of \$174 million.

The Company's tax returns are subject to on-going review and examination by various tax authorities. Tax authorities may not agree with the treatment of items reported in our tax returns, and therefore the outcome of tax reviews and examinations can be unpredictable. The Company is currently undergoing tax examinations by the Internal Revenue Service ("IRS"), various U.S. state and foreign jurisdictions. During the fiscal year ended June 30, 2018, the IRS commenced an audit of the Company for the fiscal year ended June 30, 2014. The Company believes it has appropriately accrued for the expected outcome of uncertain tax matters and believes such liabilities represent a reasonable provision for taxes ultimately expected to be paid. However, the Company may need to accrue additional income tax expense and its liability may need to be adjusted as new information becomes known and as these tax examinations continue to progress, or as settlements or litigations occur.

The Company paid gross income taxes of \$107 million and \$116 million during the nine months ended March 31, 2019 and 2018, respectively, and received tax refunds of \$17 million and \$6 million, respectively.

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 Company's global print, digital and broadcast radio media platforms. These product offerings include the global print and digital versions of *The Wall Street Journal* and Barron's Group, which includes *Barron's* and MarketWatch, the Company's suite of professional information products, including Factiva, Dow Jones Risk & Compliance, Dow Jones Newswires and DJX, and its live journalism events. The Company also owns, among other publications, *The Australian*, *The Daily Telegraph*, *Herald Sun*, *The Courier Mail* and *The Advertiser* in Australia, *The Times*, *The Sunday Times*, *The Sun* and *The Sun on Sunday* in the U.K. and the *New York Post* in the U.S. This segment also includes News America Marketing, a leading provider of home-delivered shopper media, in-store marketing products and services and digital marketing solutions, including Checkout 51's mobile application, as well as Unruly, a global video advertising marketplace, Wireless Group, operator of talkSPORT, the leading sports radio network in the U.K., and Storyful, a social media content agency.

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- **Subscription Video Services**—The Company’s Subscription Video Services segment provides video sports, entertainment and news services to pay-TV subscribers and other commercial licensees, primarily via cable, satellite and Internet Protocol, or IP, distribution, and consists of (i) its 65% interest in new Foxtel and (ii) Australian News Channel Pty Ltd (“ANC”). The remaining 35% interest in new Foxtel is held by Telstra, an Australian Securities Exchange (“ASX”)-listed telecommunications company. New Foxtel is the largest pay-TV provider in Australia, with over 200 channels covering sports, general entertainment, movies, documentaries, music, children’s programming and news and broadcast rights to live sporting events in Australia including: National Rugby League, Australian Football League, Cricket Australia, the domestic football league, the Australian Rugby Union and various motorsports programming. New Foxtel also operates Kayo Sports, a sports-only streaming service.

ANC operates the SKY NEWS network, Australia’s 24-hour multi-channel, multi-platform news service. ANC channels are distributed throughout Australia and New Zealand and available on Foxtel and Sky Network Television NZ. ANC also owns and operates the international Australia Channel IPTV service and offers content across a variety of digital media platforms, including mobile, podcasts and social media websites.

- **Book Publishing**—The Book Publishing segment consists of HarperCollins, the second largest consumer book publisher in the world, with operations in 17 countries and particular strengths in general fiction, nonfiction, children’s and religious publishing. HarperCollins owns more than 120 branded publishing imprints, including Harper, William Morrow, HarperCollins Children’s Books, Avon, Harlequin and Christian publishers Zondervan and Thomas Nelson, and publishes works by well-known authors such as Harper Lee, Chip and Joanna Gaines, Rick Warren, Sarah Young and Agatha Christie and popular titles such as *The Hobbit*, *Goodnight Moon*, *To Kill a Mockingbird*, *Jesus Calling* and *Hillbilly Elegy*.
- **Digital Real Estate Services**—The Digital Real Estate Services segment consists of the Company’s 61.6% interest in REA Group and 80% interest in Move. The remaining 20% interest in Move is held by REA Group. REA Group is a market-leading digital media business specializing in property and is listed on the ASX (ASX: REA). REA Group advertises property and property-related services on its websites and mobile applications across Australia and Asia, including Australia’s leading residential and commercial property websites, realestate.com.au and realcommercial.com.au, and property portals in Asia. In addition, REA Group provides property-related data to the financial sector and financial services through an end-to-end digital property search and financing experience and a mortgage broking offering.

Move is a leading provider of online real estate services in the U.S. and primarily operates realtor.com[®], a premier real estate information and services marketplace. Move offers real estate advertising solutions to agents and brokers, including its ConnectionsSM Plus and AdvantageSM Pro products as well as its Opicity performance-based product. Move also offers a number of professional software and services products, including Top Producer[®], FiveStreet[®] and ListHubTM.

- **Other**—The Other segment consists primarily of general corporate overhead expenses, the corporate Strategy Group and costs related to the U.K. Newspaper Matters. The Company’s Strategy Group identifies new products and services across its businesses to increase revenues and profitability and targets and assesses potential acquisitions, investments and dispositions.

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

Segment EBITDA is the primary measure used by the Company’s chief operating decision maker to evaluate the performance of and allocate resources within the Company’s businesses. Segment EBITDA provides management, investors and equity analysts with a measure to analyze the operating performance of each of the Company’s business segments and its enterprise value against historical data and competitors’ data, although historical results may not be indicative of future results (as operating performance is highly contingent on many factors, including customer tastes and preferences).

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Segment information is summarized as follows:

	For the three months ended		For the nine months ended	
	March 31,		March 31,	
	2019	2018	2019	2018
	(in millions)			
Revenues:				
News and Information Services	\$ 1,224	\$ 1,286	\$ 3,729	\$ 3,825
Subscription Video Services	539	129	1,666	394
Book Publishing	421	398	1,335	1,268
Digital Real Estate Services	272	279	876	842
Other	1	1	2	2
Total revenues	\$ 2,457	\$ 2,093	\$ 7,608	\$ 6,331
Segment EBITDA:				
News and Information Services	\$ 73	\$ 87	\$ 309	\$ 302
Subscription Video Services	98	16	295	76
Book Publishing	53	41	209	167
Digital Real Estate Services	74	88	300	302
Other	(51)	(51)	(138)	(90)
Depreciation and amortization	(168)	(100)	(494)	(297)
Impairment and restructuring charges	(34)	(246)	(71)	(273)
Equity losses of affiliates	(4)	(974)	(13)	(1,002)
Interest (expense) income, net	(14)	2	(45)	9
Other, net	3	30	30	9
Income (loss) before income tax expense	30	(1,107)	382	(797)
Income tax expense	(7)	(3)	(112)	(292)
Net income (loss)	\$ 23	\$ (1,110)	\$ 270	\$ (1,089)

	As of	As of
	March 31, 2019	June 30, 2018
	(in millions)	
Total assets:		
News and Information Services	\$ 5,840	\$ 6,039
Subscription Video Services	4,495	4,738
Book Publishing	2,073	1,898
Digital Real Estate Services	2,209	2,171
Other ^(a)	1,094	1,107
Investments	347	393
Total assets	\$ 16,058	\$ 16,346

^(a) The Other segment primarily includes Cash and cash equivalents.

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	As of March 31, 2019	As of June 30, 2018
	(in millions)	
Goodwill and intangible assets, net:		
News and Information Services	\$ 2,695	\$ 2,730
Subscription Video Services	2,662	2,853
Book Publishing	778	804
Digital Real Estate Services	1,602	1,502
Total Goodwill and intangible assets, net	<u>\$ 7,737</u>	<u>\$ 7,889</u>

NOTE 14. ADDITIONAL FINANCIAL INFORMATION

Receivables, net

Receivables are presented net of an allowance for doubtful accounts, which is an estimate of amounts that may not be collectible. The allowance for doubtful accounts is estimated based on historical experience, receivable aging, current economic trends and specific identification of certain receivables that are at risk of not being collected.

Receivables, net consist of:

	As of March 31, 2019	As of June 30, 2018
	(in millions)	
Receivables	\$ 1,681	\$ 1,829
Allowance for sales returns ^(a)	—	(171)
Allowance for doubtful accounts	(50)	(46)
Receivables, net	<u>\$ 1,631</u>	<u>\$ 1,612</u>

^(a) As a result of the adoption of the new revenue recognition standard during the first quarter of fiscal 2019, the Company reclassified the allowance for sales returns from Receivables, net to Other current liabilities. See Note 2—Revenues.

Other Non-Current Assets

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

	As of March 31, 2019	As of June 30, 2018
	(in millions)	
Royalty advances to authors	\$ 340	\$ 312
Retirement benefit assets	155	135
Inventory ^(a)	123	143
Other	295	241
Total Other non-current assets	<u>\$ 913</u>	<u>\$ 831</u>

^(a) Primarily consists of the non-current portion of programming rights.

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Other Current Liabilities

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

	As of March 31, 2019	As of June 30, 2018
	(in millions)	
Royalties and commissions payable	\$ 241	\$ 187
Allowance for sales returns	198	—
Current tax payable	15	17
Other	291	168
Total Other current liabilities	\$ 745	\$ 372

Other, net

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

	For the three months ended March 31,		For the nine months ended March 31,	
	2019	2018	2019	2018
	(in millions)			
Dividends received from equity security investments	\$ 1	\$ —	\$ 24	\$ —
Remeasurement of equity securities ^(a)	6	—	(23)	—
Write-down of available-for-sale securities ^(b)	—	(3)	—	(33)
Gain on sale of Australian property	2	—	14	—
Gain on sale of SEEKAsia ^(c)	—	32	—	32
Other, net ^(d)	(6)	1	15	10
Total Other, net	\$ 3	\$ 30	\$ 30	\$ 9

(a) As a result of the adoption of ASU 2016-01 during the first quarter of fiscal 2019, the Company has included the impact from the remeasurement of equity securities in Other, net in the Statement of Operations for the three and nine months ended March 31, 2019. During the three and nine months ended March 31, 2018, the impact from the remeasurement of equity securities was included in Accumulated other comprehensive loss in the Balance Sheets.

(b) For the three and nine months ended March 31, 2018, the write-downs of available-for-sale securities were reclassified out of Accumulated other comprehensive loss and included in Other, net in the Statements of Operations.

(c) During the three months ended March 31, 2018, the Company sold its investment in SEEKAsia for \$122 million in cash and recognized a \$32 million gain in Other, net in the Statements of Operations.

(d) As a result of the adoption of ASU 2017-07 during the first quarter of fiscal 2019, the Company has included the other non-service cost components of net periodic benefit cost (income) in Other, net in the Statements of Operations for the three and nine months ended March 31, 2019 and 2018.

Supplemental Cash Flow Information

The following table sets forth the Company's cash paid for taxes and interest:

	For the nine months ended March 31,	
	2019	2018
	(in millions)	
Cash paid for interest	\$ 67	\$ 8
Cash paid for taxes	107	116

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

This document, including the following discussion and analysis contains statements that constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the Securities Act of 1933, as amended. All statements that are not statements of historical fact are forward-looking statements. The words "expect," "estimate," "anticipate," "predict," "believe" and similar expressions and variations thereof are intended to identify forward-looking statements. These statements appear in a number of places in this discussion and analysis and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things, trends affecting the Company's financial condition or results of operations and the outcome of contingencies such as litigation and investigations. Readers are cautioned that any forward-looking statements are not guarantees of future performance and involve risks and uncertainties. More information regarding these risks, uncertainties and other important factors that could cause actual results to differ materially from those in the forward-looking statements is set forth under the heading "Risk Factors" in Part I, Item 1A in News Corporation's Annual Report on Form 10-K for the fiscal year ended June 30, 2018 as filed with the Securities and Exchange Commission (the "SEC") on August 15, 2018 (the "2018 Form 10-K"), and as may be updated in this and other subsequent Quarterly Reports on Form 10-Q. The Company does not ordinarily make projections of its future operating results and undertakes no obligation (and expressly disclaims any obligation) to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Readers should carefully review this document and the other documents filed by the Company with the SEC. This section should be read together with the unaudited consolidated financial statements of News Corporation and related notes set forth elsewhere herein and the audited consolidated financial statements of News Corporation and related notes set forth in the 2018 Form 10-K.

INTRODUCTION

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, subscription video services in Australia, book publishing and digital real estate services.

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

In April 2018, News Corp and Telstra Corporation Limited ("Telstra") combined their respective 50% interests in Foxtel and News Corp's 100% interest in FOX SPORTS Australia into a new company, which the Company refers to as "new Foxtel" (the "Transaction"). Following the completion of the Transaction, News Corp owns a 65% interest in the combined business, with Telstra owning the remaining 35%. Consequently, the Company began consolidating Foxtel in the fourth quarter of fiscal 2018. (See Note 3—Acquisitions, Disposals and Other Transactions in the accompanying Consolidated Financial Statements). The results of the combined business are reported within the Subscription Video Services segment (formerly the Cable Network Programming segment). To enhance the comparability of the financial information provided to users, the Company has supplementally included pro forma financial information for the three and nine months ended March 31, 2018 reflecting the Transaction within its discussion and analysis below.

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

- **Overview of the Company's Businesses** - This section provides a general description of the Company's businesses, as well as developments that occurred to date during fiscal 2019 that the Company believes are important in understanding its results of operations and financial condition or to disclose known trends.
- **Results of Operations** - This section provides an analysis of the Company's results of operations for the three and nine months ended March 31, 2019 and 2018. This analysis is presented on both a consolidated basis and a segment basis. In addition, a brief description is provided of significant transactions and events that impact the

comparability of the results being analyzed. To enhance the comparability of the financial information provided to users, the Company has supplementally included pro forma financial information for the three and nine months ended March 31, 2018 reflecting the Transaction within its discussion and analysis below.

- **Liquidity and Capital Resources** - This section provides an analysis of the Company's cash flows for the nine months ended March 31, 2019 and 2018, as well as a discussion of the Company's financial arrangements and outstanding commitments, both firm and contingent, that existed as of March 31, 2019.

OVERVIEW OF THE COMPANY'S BUSINESSES

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

- **News and Information Services**—The News and Information Services segment includes the Company's global print, digital and broadcast radio media platforms. These product offerings include the global print and digital versions of *The Wall Street Journal* and Barron's Group, which includes *Barron's* and MarketWatch, the Company's suite of professional information products, including Factiva, Dow Jones Risk & Compliance, Dow Jones Newswires and DJX, and its live journalism events. The Company also owns, among other publications, *The Australian*, *The Daily Telegraph*, *Herald Sun*, *The Courier Mail* and *The Advertiser* in Australia, *The Times*, *The Sunday Times*, *The Sun* and *The Sun on Sunday* in the U.K. and the *New York Post* in the U.S. This segment also includes News America Marketing, a leading provider of home-delivered shopper media, in-store marketing products and services and digital marketing solutions, including Checkout 51's mobile application, as well as Unruly, a global video advertising marketplace, Wireless Group, operator of talkSPORT, the leading sports radio network in the U.K., and Storyful, a social media content agency.
- **Subscription Video Services**—The Company's Subscription Video Services segment provides video sports, entertainment and news services to pay-TV subscribers and other commercial licensees, primarily via cable, satellite and Internet Protocol, or IP, distribution, and consists of (i) its 65% interest in new Foxtel and (ii) Australian News Channel Pty Ltd ("ANC"). The remaining 35% interest in new Foxtel is held by Telstra, an Australian Securities Exchange ("ASX")-listed telecommunications company. New Foxtel is the largest pay-TV provider in Australia, with over 200 channels covering sports, general entertainment, movies, documentaries, music, children's programming and news and broadcast rights to live sporting events in Australia including: National Rugby League, Australian Football League, Cricket Australia, the domestic football league, the Australian Rugby Union and various motorsports programming. New Foxtel also operates Kayo Sports, a sports-only streaming service.

ANC operates the SKY NEWS network, Australia's 24-hour multi-channel, multi-platform news service. ANC channels are distributed throughout Australia and New Zealand and available on Foxtel and Sky Network Television NZ. ANC also owns and operates the international Australia Channel IPTV service and offers content across a variety of digital media platforms, including mobile, podcasts and social media websites.

- **Book Publishing**—The Book Publishing segment consists of HarperCollins, the second largest consumer book publisher in the world, with operations in 17 countries and particular strengths in general fiction, nonfiction, children's and religious publishing. HarperCollins owns more than 120 branded publishing imprints, including Harper, William Morrow, HarperCollins Children's Books, Avon, Harlequin and Christian publishers Zondervan and Thomas Nelson, and publishes works by well-known authors such as Harper Lee, Chip and Joanna Gaines, Rick Warren, Sarah Young and Agatha Christie and popular titles such as *The Hobbit*, *Goodnight Moon*, *To Kill a Mockingbird*, *Jesus Calling* and *Hillbilly Elegy*.
- **Digital Real Estate Services**—The Digital Real Estate Services segment consists of the Company's 61.6% interest in REA Group and 80% interest in Move. The remaining 20% interest in Move is held by REA Group. REA Group is a market-leading digital media business specializing in property and is listed on the ASX (ASX: REA). REA Group advertises property and property-related services on its websites and mobile applications across Australia and Asia, including Australia's leading residential and commercial property websites, realestate.com.au and realcommercial.com.au, and property portals in Asia. In addition, REA Group provides property-related data to the financial sector and financial services through an end-to-end digital property search and financing experience and a mortgage broking offering.

Move is a leading provider of online real estate services in the U.S. and primarily operates realtor.com[®], a premier real estate information and services marketplace. Move offers real estate advertising solutions to agents and brokers, including its ConnectionsSM Plus and AdvantageSM Pro products as well as its Opicity performance-based product. Move also offers a number of professional software and services products, including Top Producer[®], FiveStreet[®] and ListHubTM.

- **Other**—The Other segment consists primarily of general corporate overhead expenses, the corporate Strategy Group and costs related to the U.K. Newspaper Matters (as defined in Note 11 to the Consolidated Financial Statements). The Company's Strategy Group identifies new products and services across its businesses to increase revenues and profitability and targets and assesses potential acquisitions, investments and dispositions.

Other Business Developments

In October 2018, the Company acquired Opicity Inc. ("Opicity"), a market-leading real estate technology platform that matches qualified home buyers and sellers with real estate professionals in real time. The total transaction value was approximately \$210 million, consisting of approximately \$182 million in cash, net of \$7 million of cash acquired, and approximately \$28 million in deferred payments and restricted stock unit awards for Opicity's founders and qualifying employees, which is being recognized as compensation expense over the three years following the closing. Included in the cash amount was approximately \$20 million that is being held back for approximately 18 months after closing. Opicity is a subsidiary of Move, and its results are included within the Digital Real Estate Services segment.

RESULTS OF OPERATIONS

Results of Operations—For the three and nine months ended March 31, 2019 versus the three and nine months ended March 31, 2018 (as reported)

The following table sets forth the Company's operating results for the three and nine months ended March 31, 2019 as compared to the three and nine months ended March 31, 2018.

(in millions, except %)	For the three months ended March 31,				For the nine months ended March 31,			
	2019	2018	Change Better/(Worse)	% Change	2019	2018	Change Better/(Worse)	% Change
Revenues:								
Circulation and subscription	\$ 1,025	\$ 659	\$ 366	56 %	\$ 3,088	\$ 1,947	\$1,141	59 %
Advertising	670	702	(32)	(5)%	2,052	2,101	(49)	(2)%
Consumer	403	381	22	6 %	1,281	1,220	61	5 %
Real estate	218	208	10	5 %	693	633	60	9 %
Other	141	143	(2)	(1)%	494	430	64	15 %
Total Revenues	2,457	2,093	364	17 %	7,608	6,331	1,277	20 %
Operating expenses	(1,400)	(1,151)	(249)	(22)%	(4,224)	(3,439)	(785)	(23)%
Selling, general and administrative	(810)	(761)	(49)	(6)%	(2,409)	(2,135)	(274)	(13)%
Depreciation and amortization	(168)	(100)	(68)	(68)%	(494)	(297)	(197)	(66)%
Impairment and restructuring charges	(34)	(246)	212	86 %	(71)	(273)	202	74 %
Equity losses of affiliates	(4)	(974)	970	100 %	(13)	(1,002)	989	99 %
Interest (expense) income, net	(14)	2	(16)	**	(45)	9	(54)	**
Other, net	3	30	(27)	(90)%	30	9	21	**
Income (loss) before income tax expense	30	(1,107)	1,137	**	382	(797)	1,179	**
Income tax expense	(7)	(3)	(4)	**	(112)	(292)	180	62 %
Net income (loss)	23	(1,110)	1,133	**	270	(1,089)	1,359	**
Less: Net income attributable to noncontrolling interests	(13)	(18)	5	28 %	(64)	(54)	(10)	(19)%
Net income (loss) attributable to News Corporation stockholders	\$ 10	\$(1,128)	\$1,138	**	\$ 206	\$(1,143)	\$1,349	**

** not meaningful

Revenues— Revenues increased \$364 million, or 17%, and \$1,277 million, or 20%, for the three and nine months ended March 31, 2019, respectively, as compared to the corresponding periods of fiscal 2018.

The Revenue increase for the three months ended March 31, 2019 was primarily due to higher revenues at the Subscription Video Services segment of \$410 million resulting in large part from the Transaction, which contributed \$418 million to the increase. The Revenue increase was also attributable to higher revenues of \$23 million at the Book Publishing segment. These increases were partially offset by lower revenues at the News and Information Services segment of \$62 million, primarily due to the \$52 million negative impact of foreign currency fluctuations, weakness in the print advertising market and lower revenues at News America Marketing of \$20 million, partially offset by cover and subscription price increases and digital subscriber growth, primarily at *The Wall Street Journal* and in Australia. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Revenue decrease of \$90 million for the three months ended March 31, 2019 as compared to the corresponding period of fiscal 2018.

The Revenue increase for the nine months ended March 31, 2019 was primarily due to higher revenues at the Subscription Video Services segment of \$1,272 million resulting in large part from the Transaction, which contributed \$1,289 million to the increase. The Revenue increase was also attributable to higher revenues of \$67 million and \$34 million at the Book Publishing and Digital Real Estate Services segments, respectively, partially offset by lower revenues at the News and Information Services segment of \$96 million, primarily due to the \$114 million negative impact of foreign currency fluctuations, weakness in the print advertising market and lower revenues at News America Marketing of \$47 million, partially offset by cover and subscription price increases and digital subscriber growth, primarily at *The Wall Street Journal* and in Australia. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Revenue decrease of \$206 million for the nine months ended March 31, 2019 as compared to the corresponding period of fiscal 2018.

The Company calculates the impact of foreign currency fluctuations for businesses reporting in currencies other than the U.S. dollar by multiplying the results for each quarter in the current period by the difference between the average exchange rate for that quarter and the average exchange rate in effect during the corresponding quarter of the prior year and totaling the impact for all quarters in the current period.

Operating expenses— Operating expenses increased \$249 million, or 22%, and \$785 million, or 23%, for the three and nine months ended March 31, 2019, respectively, as compared to the corresponding periods of fiscal 2018.

The increase in Operating expenses for the three months ended March 31, 2019 was mainly due to higher operating expenses at the Subscription Video Services segment of \$272 million primarily resulting from the Transaction. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in an Operating expense decrease of \$47 million for the three months ended March 31, 2019 as compared to the corresponding period of fiscal 2018.

The increase in Operating expenses for the nine months ended March 31, 2019 was mainly due to higher operating expenses at the Subscription Video Services segment of \$825 million primarily resulting from the Transaction. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in an Operating expense decrease of \$97 million for the nine months ended March 31, 2019 as compared to the corresponding period of fiscal 2018.

Selling, general and administrative—Selling, general and administrative expenses increased \$49 million, or 6%, and \$274 million, or 13%, for the three and nine months ended March 31, 2019, respectively, as compared to the corresponding periods of fiscal 2018.

The increase in Selling, general and administrative expenses for the three months ended March 31, 2019 was primarily due to higher expenses of \$56 million at the Subscription Video Services segment, primarily as a result of the Transaction. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Selling, general and administrative expense decrease of \$34 million for the three months ended March 31, 2019 as compared to the corresponding period of fiscal 2018.

The increase in Selling, general and administrative expenses for the nine months ended March 31, 2019 was primarily due to higher expenses of \$228 million at the Subscription Video Services segment, primarily as a result of the Transaction, and the absence of the \$46 million impact from the reversal of a portion of the previously accrued liability for the U.K. Newspaper Matters and the corresponding receivable as the result of an agreement reached with the relevant tax authority with respect to certain employment taxes in the first quarter of fiscal 2018. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Selling, general and administrative expense decrease of \$76 million for the nine months ended March 31, 2019 as compared to the corresponding period of fiscal 2018.

Depreciation and amortization— Depreciation and amortization expense increased \$68 million, or 68%, and \$197 million, or 66%, for the three and nine months ended March 31, 2019, respectively, as compared to the corresponding periods of fiscal 2018. The increase for the three and nine months ended March 31, 2019 was primarily as a result of an additional \$66 million and \$195 million, respectively, of depreciation and amortization expense at the Subscription Video Services segment, primarily due to the Transaction.

Impairment and restructuring charges— During the three and nine months ended March 31, 2019, the Company recorded restructuring charges of \$25 million and \$62 million, respectively. During the three and nine months ended March 31, 2018, the Company recorded restructuring charges of \$21 million and \$48 million, respectively.

During the three and nine months ended March 31, 2018, the Company recognized non-cash impairment charges of \$225 million primarily related to the impairment of goodwill and intangible assets at the News America Marketing reporting unit and impairment of goodwill at the FOX SPORTS Australia reporting unit.

See Note 4—Impairment and Restructuring Charges in the accompanying Consolidated Financial Statements.

The Company continually evaluates whether current factors or indicators require the performance of an interim impairment assessment of goodwill, long-lived assets and investments. The valuation of goodwill and long-lived assets requires assumptions and estimates of many factors, including revenue and market growth, operating cash flows, market multiples and discount rates. In the quarter ended December 31, 2018, the Company revised its future outlook for a reporting unit within the Subscription Video Services segment primarily due to declines in Australian broadcast subscribers during the first half of fiscal 2019.

As a result, the Company determined that this reporting unit has goodwill and an indefinite-lived tradename that are considered to be at risk for future impairment because the fair value of the reporting unit exceeded its carrying value by approximately 6% as of December 31, 2018. Significant unobservable inputs utilized in the income approach valuation method for this reporting unit and the indefinite-lived tradename were discount rates (ranging from 10.0%-11.0%), long-term growth rates (2.0%) and royalty rates (1.5%). Significant unobservable inputs utilized in the market approach valuation method were EBITDA multiples from guideline public companies operating in similar industries and a control premium of 10%. For the analysis performed, a 75 basis point increase in the discount rate or a 100 basis point decrease in the long-term growth rate would have resulted in the reporting unit failing the interim impairment analysis. Any change in assumptions related to the valuation of the indefinite-lived tradename would have resulted in an impairment of such asset.

Including the reporting unit within the News and Information Services segment disclosed in the 2018 Form 10-K, the Company has reporting units with goodwill and an indefinite-lived tradename of approximately \$2.3 billion at March 31, 2019 that are at risk for future impairment, of which \$2.1 billion related to the Subscription Video Services segment and \$0.2 billion related to the News and Information Services segment.

Equity losses of affiliates— Equity losses of affiliates improved \$970 million and \$989 million for the three and nine months ended March 31, 2019, respectively, as compared to the corresponding periods of fiscal 2018. The decrease in losses for the three and nine months ended March 31, 2019 was primarily due to the absence of a \$957 million non-cash write-down of the carrying value of the Company’s investment in Foxtel recognized in the third quarter of fiscal 2018.

(in millions, except %)	For the three months ended March 31,				For the nine months ended March 31,			
	2019	2018	Change	% Change	2019	2018	Change	% Change
			Better/(Worse)	**			Better/(Worse)	**
Foxtel ^(a)	\$ —	\$ (970)	\$ 970	**	\$ —	\$ (974)	\$ 974	**
Other equity affiliates, net ^(b)	(4)	(4)	—	—	(13)	(28)	15	54%
Total Equity losses of affiliates	\$ (4)	\$ (974)	\$ 970	100%	\$ (13)	\$ (1,002)	\$ 989	99%

** not meaningful

(a) Following completion of the Transaction in April 2018, News Corp ceased accounting for Foxtel as an equity method investment and began consolidating its results in the fourth quarter of fiscal 2018. See Note 3—Acquisitions, Disposals and Other Transactions and Note 5—Investments in the accompanying Consolidated Financial Statements.

During the three and nine months ended March 31, 2018, the Company recognized a \$957 million non-cash write-down of the carrying value of its investment in Foxtel. See Note 5—Investments in the accompanying Consolidated Financial Statements.

In accordance with ASC 350, “Intangibles—Goodwill and Other”, the Company amortized \$17 million and \$49 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, 2018, respectively. Such amortization was reflected in Equity losses of affiliates in the Statements of Operations.

- (b) Other equity affiliates, net for the three and nine months ended March 31, 2019 include losses primarily from the Company's interest in Elara. During the nine months ended March 31, 2018, the Company recognized \$13 million in non-cash write-downs of certain equity method investments' carrying values. The write-downs were reflected in Equity losses of affiliates in the Statements of Operations for the nine months ended March 31, 2018.

Interest (expense) income, net— Interest (expense) income, net was (\$14) million and (\$45) million for the three and nine months ended March 31, 2019, respectively, as compared to \$2 million and \$9 million, respectively, in the corresponding periods of fiscal 2018. The increase in interest expense during the three and nine months ended March 31, 2019 was primarily due to higher interest expense as a result of the Transaction. As a result of the Transaction, the Company consolidated outstanding debt of approximately \$1.8 billion. See Note 6—Borrowings in the accompanying Consolidated Financial Statements.

Other, net— Other, net deteriorated by \$27 million and improved by \$21 million for the three and nine months ended March 31, 2019, respectively, as compared to the corresponding periods of fiscal 2018. See Note 14—Additional Financial Information in the accompanying Consolidated Financial Statements.

Income tax expense— For the three months ended March 31, 2019, the Company recorded income tax expense of \$7 million on pre-tax income of \$30 million, resulting in an effective tax rate that was higher than the U.S. statutory tax rate. The higher tax rate was primarily due to valuation allowances being recorded against tax benefits in certain foreign jurisdictions with operating losses and the impact from foreign operations which are subject to higher tax rates.

For the nine months ended March 31, 2019, the Company recorded income tax expense of \$112 million on pre-tax income of \$382 million, resulting in an effective tax rate that was higher than the U.S. statutory tax rate. The higher tax rate was primarily due to valuation allowances being recorded against tax benefits in certain foreign jurisdictions with operating losses and the impact from foreign operations which are subject to higher tax rates.

For the three months ended March 31, 2018, the Company recorded income tax expense of \$3 million on a pre-tax loss of \$1,107 million, resulting in an effective tax rate that was lower than the U.S. statutory tax rate. The lower tax rate was primarily due to a lower net tax benefit on the non-cash write-down of assets and investments in Australia and the U.S., and valuation allowances being recorded against tax benefits in certain foreign jurisdictions with operating losses.

For the nine months ended March 31, 2018, the Company recorded income tax expense of \$292 million on a pre-tax loss of \$797 million, resulting in an effective tax rate that was lower than the U.S. statutory tax rate. The lower tax rate was primarily due to a lower net tax benefit on the non-cash write-down of assets and investments in Australia and the U.S., valuation allowances being recorded against tax benefits in certain foreign jurisdictions with operating losses and the tax charge resulting from the enactment of the Tax Act which caused an increase in income tax expense of \$174 million.

Management assesses available evidence to determine whether sufficient future taxable income will be generated to permit the use of existing deferred tax assets. Based on management's assessment of available evidence, it has been determined that it is more likely than not that certain deferred tax assets in U.S. Federal, State and foreign jurisdictions may not be realized and therefore, a valuation allowance has been established against those tax assets.

Net income (loss) — Net income improved by \$1,133 million and \$1,359 million for the three and nine months ended March 31, 2019, respectively, as compared to the corresponding periods of fiscal 2018.

The improvement in net income during the three months ended March 31, 2019 was primarily due to lower Equity losses of affiliates resulting from the absence of the \$957 million non-cash write-down of the carrying value of the Company's investment in Foxtel, lower Impairment and restructuring charges resulting from the absence of non-cash impairment charges of \$225 million primarily related to the impairment of goodwill and intangible assets at the News America Marketing reporting unit and impairment of goodwill at the FOX SPORTS Australia reporting unit and higher Total Segment EBITDA, partially offset by higher Depreciation and amortization.

The improvement in net income during the nine months ended March 31, 2019 was primarily due to lower Equity losses of affiliates resulting from the absence of the \$957 million non-cash write-down of the carrying value of the Company's investment in Foxtel, lower Impairment and restructuring charges resulting from the absence of non-cash impairment charges of \$225 million primarily related to the impairment of goodwill and intangible assets at the News America Marketing reporting unit and impairment of goodwill at the FOX SPORTS Australia reporting unit, higher Total Segment EBITDA and the absence of the \$174 million negative impact of the Tax Act recognized in the second quarter of fiscal 2018, partially offset by higher Depreciation and amortization.

Net income attributable to noncontrolling interests—Net income attributable to noncontrolling interests decreased by \$5 million and increased \$10 million for the three and nine months ended March 31, 2019, respectively, as compared to the corresponding periods of fiscal 2018.

The decrease in Net income attributable to noncontrolling interests for the three months ended March 31, 2019 was primarily due to the noncontrolling interest in new Foxtel.

The increase in Net income attributable to noncontrolling interests for the nine months ended March 31, 2019 was primarily due to higher results at REA Group, partially offset by the noncontrolling interest in new Foxtel.

Segment Analysis

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

Segment EBITDA is the primary measure used by the Company's chief operating decision maker to evaluate the performance of and allocate resources within the Company's businesses. Segment EBITDA provides management, investors and equity analysts with a measure to analyze the operating performance of each of the Company's business segments and its enterprise value against historical data and competitors' data, although historical results may not be indicative of future results (as operating performance is highly contingent on many factors, including customer tastes and preferences).

Total Segment EBITDA is a non-GAAP measure and should be considered in addition to, not as a substitute for, net income (loss), cash flow and other measures of financial performance reported in accordance with GAAP. In addition, this measure does not reflect cash available to fund requirements and excludes items, such as depreciation and amortization and impairment and restructuring charges, which are significant components in assessing the Company's financial performance. The Company believes that the presentation of Total Segment EBITDA provides useful information regarding the Company's operations and other factors that affect the Company's reported results. Specifically, the Company believes that by excluding certain one-time or non-cash items such as impairment and restructuring charges and depreciation and amortization, as well as potential distortions between periods caused by factors such as financing and capital structures and changes in tax positions or regimes, the Company provides users of its consolidated financial statements with insight into both its core operations as well as the factors that affect reported results between periods but which the Company believes are not representative of its core business. As a result, users of the Company's consolidated financial statements are better able to evaluate changes in the core operating results of the Company across different periods.

The following table reconciles Net income (loss) to Total Segment EBITDA for the three and nine months ended March 31, 2019 and 2018:

	For the three months ended March 31,		For the nine months ended March 31,	
	2019	2018	2019	2018
(in millions, except %)				
Net income (loss)	\$ 23	\$ (1,110)	\$ 270	\$ (1,089)
Add:				
Income tax expense	7	3	112	292
Other, net	(3)	(30)	(30)	(9)
Interest expense (income), net	14	(2)	45	(9)
Equity losses of affiliates	4	974	13	1,002
Impairment and restructuring charges	34	246	71	273
Depreciation and amortization	168	100	494	297
Total Segment EBITDA	\$ 247	\$ 181	\$ 975	\$ 757

The following tables set forth the Company's Revenues and Segment EBITDA for the three and nine months ended March 31, 2019 and 2018:

	For the three months ended March 31,			
	2019		2018	
(in millions)	Revenues	Segment EBITDA	Revenues	Segment EBITDA
News and Information Services	\$ 1,224	\$ 73	\$ 1,286	\$ 87
Subscription Video Services	539	98	129	16
Book Publishing	421	53	398	41
Digital Real Estate Services	272	74	279	88
Other	1	(51)	1	(51)
Total	\$ 2,457	\$ 247	\$ 2,093	\$ 181

	For the nine months ended March 31,			
	2019		2018	
(in millions)	Revenues	Segment EBITDA	Revenues	Segment EBITDA
News and Information Services	\$ 3,729	\$ 309	\$ 3,825	\$ 302
Subscription Video Services	1,666	295	394	76
Book Publishing	1,335	209	1,268	167
Digital Real Estate Services	876	300	842	302
Other	2	(138)	2	(90)
Total	\$ 7,608	\$ 975	\$ 6,331	\$ 757

News and Information Services (49% and 61% of the Company's consolidated revenues in the nine months ended March 31, 2019 and 2018, respectively)

	For the three months ended March 31,				For the nine months ended March 31,			
	2019	2018	Change	% Change	2019	2018	Change	% Change
	Better/(Worse)				Better/(Worse)			
(in millions, except %)								
Revenues:								
Circulation and subscription	\$ 538	\$ 536	\$ 2	—	\$ 1,593	\$ 1,578	\$ 15	1 %
Advertising	593	649	(56)	(9)%	1,801	1,936	(135)	(7)%
Other	93	101	(8)	(8)%	335	311	24	8 %
Total Revenues	1,224	1,286	(62)	(5)%	3,729	3,825	(96)	(3)%
Operating expenses	(700)	(738)	38	5 %	(2,122)	(2,196)	74	3 %
Selling, general and administrative	(451)	(461)	10	2 %	(1,298)	(1,327)	29	2 %
Segment EBITDA	\$ 73	\$ 87	\$ (14)	(16)%	\$ 309	\$ 302	\$ 7	2 %

Revenues at the News and Information Services segment decreased \$62 million, or 5%, for the three months ended March 31, 2019 as compared to the corresponding period of fiscal 2018. The revenue decrease was primarily due to lower Advertising revenues of \$56 million mainly due to weakness in the print advertising market, the \$23 million negative impact of foreign currency fluctuations and lower revenues at News America Marketing of \$20 million. Other revenues for the three months ended March 31, 2019 decreased \$8 million as compared to the corresponding period of fiscal 2018, primarily due to the \$7 million negative impact of foreign currency fluctuations and the absence of revenues from *Sun Bets* as a result of News UK's exit from the partnership in the first quarter of fiscal 2019. Circulation and subscription revenues for the three months ended March 31, 2019 increased \$2 million as compared to the corresponding period of fiscal 2018 primarily due to cover and subscription price increases, digital subscriber growth, primarily at *The Wall Street Journal* and in Australia, higher professional information business revenues at Dow Jones and the impact of the adoption of the new revenue recognition standard in Australia. These increases were partially offset by the \$22 million negative impact of foreign currency fluctuations and print volume declines in Australia and in the U.K., primarily at *The Sun*. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of \$52 million for the three months ended March 31, 2019 as compared to the corresponding period of fiscal 2018.

Segment EBITDA at the News and Information Services segment decreased \$14 million, or 16%, for the three months ended March 31, 2019 as compared to the corresponding period of fiscal 2018. The decrease was mainly due to lower contribution from News America Marketing of \$13 million primarily related to lower revenues.

Revenues at the News and Information Services segment decreased \$96 million, or 3%, for the nine months ended March 31, 2019 as compared to the corresponding period of fiscal 2018. The revenue decrease was primarily due to lower Advertising revenues of \$135 million mainly due to weakness in the print advertising market, the \$56 million negative impact of foreign currency fluctuations and lower revenues at News America Marketing of \$47 million, partially offset by digital advertising growth, primarily in Australia. Other revenues for the nine months ended March 31, 2019 increased \$24 million as compared to the corresponding period of fiscal 2018 primarily due to the \$42 million net benefit related to News UK's exit from the partnership for *Sun Bets* in the first quarter of fiscal 2019, partially offset by the \$14 million negative impact of foreign currency fluctuations and lower brand partnership revenues in the U.K. Circulation and subscription revenues increased \$15 million as compared to the corresponding period of fiscal 2018 mainly due to cover and subscription price increases, digital subscriber growth, primarily at *The Wall Street Journal* and in Australia, higher professional information business revenues at Dow Jones and the impact of the adoption of the new revenue recognition standard in Australia. These increases were partially offset by the \$44 million negative impact of foreign currency fluctuations and print volume declines in Australia and in the U.K., primarily at *The Sun*. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of \$114 million for the nine months ended March 31, 2019 as compared to the corresponding period of fiscal 2018.

Segment EBITDA at the News and Information Services segment increased \$7 million, or 2%, for the nine months ended March 31, 2019 as compared to the corresponding period of fiscal 2018. The increase was mainly due to higher contribution from Dow Jones of \$15 million, primarily related to higher revenues, and from News Corp Australia of \$14 million, primarily due to lower newsprint, production and distribution costs and cost savings initiatives, partially offset by lower contribution from News America Marketing of \$17 million primarily related to lower revenues.

Dow Jones

Revenues were \$381 million for the three months ended March 31, 2019, an increase of \$5 million, or 1%, as compared to revenues of \$376 million in the corresponding period of fiscal 2018. Circulation and subscription revenues increased \$15 million, primarily due to the \$10 million impact from digital subscriber growth and digital subscription price increases at *The Wall Street Journal*, as well as \$6 million of higher professional information business revenues led by Risk & Compliance. Advertising revenues decreased \$8 million, primarily due to weakness in the print advertising market and lower digital advertising revenues.

Revenues were \$1,160 million for the nine months ended March 31, 2019, an increase of \$33 million, or 3%, as compared to revenues of \$1,127 million in the corresponding period of fiscal 2018. Circulation and subscription revenues increased \$45 million, primarily due to the \$34 million impact from digital subscriber growth and digital subscription price increases at *The Wall Street Journal*, as well as \$15 million of higher professional information business revenues led by Risk & Compliance. Advertising revenues decreased \$12 million, primarily due to weakness in the print advertising market.

News Corp Australia

Revenues at the Australian newspapers were \$284 million for the three months ended March 31, 2019, a decrease of \$22 million, or 7%, compared to revenues of \$306 million in the corresponding period of fiscal 2018. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of \$29 million, or 9%, for the three months ended March 31, 2019 as compared to the corresponding period of fiscal 2018. Advertising revenues decreased \$15 million, primarily due to the \$16 million negative impact of foreign currency fluctuations and the \$12 million impact of weakness in the print advertising market, partially offset by a \$7 million increase from the acquisition of an integrated content marketing agency. Circulation and subscription revenues decreased \$7 million primarily due to the \$10 million negative impact of foreign currency fluctuations and print volume declines, partially offset by digital subscriber growth, cover price increases and the impact of the adoption of the new revenue recognition standard.

Revenues at the Australian newspapers were \$902 million for the nine months ended March 31, 2019, a decrease of \$60 million, or 6%, compared to revenues of \$962 million in the corresponding period of fiscal 2018. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of \$76 million, or 8%, for the nine months ended March 31, 2019 as compared to the corresponding period of fiscal 2018. Advertising revenues decreased \$50 million, primarily due to the \$43 million negative impact of foreign currency fluctuations and the \$39 million impact of weakness in the print advertising market, partially offset by the \$17 million increase due to digital advertising growth and a \$12 million increase from the acquisition of an integrated content marketing agency. Circulation and subscription revenues decreased \$14 million primarily due to the \$25 million negative impact of foreign currency fluctuations and print volume declines, partially offset by cover price increases, digital subscriber growth and the impact of the adoption of the new revenue recognition standard.

News UK

Revenues were \$254 million for the three months ended March 31, 2019, a decrease of \$23 million, or 8%, as compared to revenues of \$277 million in the corresponding period of fiscal 2018. The decrease was due in part to lower Advertising revenues of \$9 million, primarily due to weakness in the print advertising market and the \$5 million negative impact of foreign currency fluctuations. Other revenues decreased \$8 million, mainly due to the absence of revenues from *Sun Bets* resulting from the exit of the partnership in the first quarter of fiscal 2019 and the \$3 million negative impact of foreign currency fluctuations. Circulation and subscription revenues also decreased \$6 million, primarily due to the \$9 million negative impact of foreign currency fluctuations, as cover price increases across mastheads offset single-copy volume declines, primarily at *The Sun*. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of \$17 million for the three months ended March 31, 2019 as compared to the corresponding period of fiscal 2018.

Revenues were \$794 million for the nine months ended March 31, 2019, a decrease of \$19 million, or 2%, as compared to revenues of \$813 million in the corresponding period of fiscal 2018. The decrease was due in part to lower Advertising revenues of \$23 million, primarily due to weakness in the print advertising market and the \$8 million negative impact of foreign currency fluctuations. Circulation and subscription revenues also decreased \$17 million, primarily due to single-copy volume declines, primarily at *The Sun*, and the \$14 million negative impact of foreign currency fluctuations, partially offset by the impact of cover price increases across mastheads. The decrease was partially offset by higher Other revenues of \$21 million, mainly due to the \$42 million net benefit related to the exit from the partnership for *Sun Bets* in the first quarter of fiscal 2019, partially offset by lower brand partnership revenues. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of \$26 million for the nine months ended March 31, 2019 as compared to the corresponding period of fiscal 2018.

News America Marketing

Revenues at News America Marketing were \$238 million for the three months ended March 31, 2019, a decrease of \$20 million, or 8%, as compared to revenues of \$258 million in the corresponding period of fiscal 2018. The decrease was primarily related to \$26 million of lower home delivered revenues, which include free-standing insert products, mainly due to lower volume, partially offset by higher in-store revenues, primarily due to higher customer spending.

Revenues at News America Marketing were \$657 million for the nine months ended March 31, 2019, a decrease of \$47 million, or 7%, as compared to revenues of \$704 million in the corresponding period of fiscal 2018. The decrease was primarily related to \$51 million of lower home delivered revenues, which include free-standing insert products, mainly due to lower volume.

Subscription Video Services (22% and 6% of the Company's consolidated revenues in the nine months ended March 31, 2019 and 2018, respectively)

(in millions, except %)	For the three months ended March 31,				For the nine months ended March 31,			
	2019	2018	Change Better/(Worse)	% Change	2019	2018	Change Better/(Worse)	% Change
Revenues:								
Circulation and subscription	\$ 474	\$ 109	\$ 365	**	\$ 1,455	\$ 327	\$ 1,128	**
Advertising	50	18	32	**	162	60	102	**
Other	15	2	13	**	49	7	42	**
Total Revenues	539	129	410	**	1,666	394	1,272	**
Operating expenses	(374)	(102)	(272)	**	(1,109)	(284)	(825)	**
Selling, general and administrative	(67)	(11)	(56)	**	(262)	(34)	(228)	**
Segment EBITDA	\$ 98	\$ 16	\$ 82	**	\$ 295	\$ 76	\$ 219	**

** not meaningful

For the three months ended March 31, 2019, revenues at the Subscription Video Services segment increased \$410 million and Segment EBITDA increased \$82 million as compared to the corresponding period of fiscal 2018. The revenue and Segment EBITDA increases for the three months ended March 31, 2019 were primarily due to the Transaction, which contributed \$418 million of revenue and \$96 million of Segment EBITDA during the three months ended March 31, 2019. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of \$13 million for the three months ended March 31, 2019 as compared to the corresponding period of fiscal 2018. See "Results of Operations—For the three and nine months ended March 31, 2019 (as reported) versus the three and nine months ended March 31, 2018 (pro forma)" below for additional details.

For the nine months ended March 31, 2019, revenues at the Subscription Video Services segment increased \$1,272 million and Segment EBITDA increased \$219 million as compared to the corresponding period of fiscal 2018. The revenue and Segment EBITDA increases for the nine months ended March 31, 2019 were primarily due to the Transaction, which contributed \$1,289 million of revenue and \$236 million of Segment EBITDA during the nine months ended March 31, 2019. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of \$30 million for the nine months ended March 31, 2019 as compared to the corresponding period of fiscal 2018. See "Results of Operations—For the three and nine months ended March 31, 2019 (as reported) versus the three and nine months ended March 31, 2018 (pro forma)" below for additional details.

Book Publishing (18% and 20% of the Company's consolidated revenues in the nine months ended March 31, 2019 and 2018, respectively)

(in millions, except %)	For the three months ended March 31,				For the nine months ended March 31,			
	2019	2018	Change Better/(Worse)	% Change	2019	2018	Change Better/(Worse)	% Change
Revenues:								
Consumer	\$ 403	\$ 381	\$ 22	6 %	\$1,281	\$1,220	\$ 61	5 %
Other	18	17	1	6 %	54	48	6	13 %
Total Revenues	421	398	23	6 %	1,335	1,268	67	5 %
Operating expenses	(284)	(275)	(9)	(3)%	(881)	(858)	(23)	(3)%
Selling, general and administrative	(84)	(82)	(2)	(2)%	(245)	(243)	(2)	(1)%
Segment EBITDA	\$ 53	\$ 41	\$ 12	29 %	\$ 209	\$ 167	\$ 42	25 %

For the three months ended March 31, 2019, revenues at the Book Publishing segment increased \$23 million, or 6%, as compared to the corresponding period of fiscal 2018. The increase was primarily due to strong sales in the Christian publishing category, primarily *Girl, Stop Apologizing* by Rachel Hollis and *We Are the Gardeners* by Joanna Gaines as well as the continued success of *Girl, Wash Your Face* by Rachel Hollis. These increases were partially offset by the \$17 million impact of the adoption of the new revenue recognition standard and the \$9 million negative impact of foreign currency fluctuations. Digital sales represented approximately 21% of Consumer revenues during the three months ended March 31, 2019. Digital sales increased approximately 5% as compared to the corresponding period of fiscal 2018 primarily due to growth in downloadable audio books.

For the three months ended March 31, 2019, Segment EBITDA at the Book Publishing segment increased \$12 million, or 29%, as compared to the corresponding period of fiscal 2018. The increase was primarily due to the higher revenues discussed above.

For the nine months ended March 31, 2019, revenues at the Book Publishing segment increased \$67 million, or 5%, as compared to the corresponding period of fiscal 2018. The increase was primarily due to strong sales in the general books category, primarily *Homebody: A Guide to Creating Spaces You Never Want to Leave* by Joanna Gaines, strong frontlist and backlist sales in the Christian publishing category, primarily titles by Rachel Hollis including *Girl, Wash Your Face* and *Girl, Stop Apologizing*, as well as the continued success of *The Hate U Give* by Angie Thomas in the children's books category. These increases were partially offset by the \$47 million impact of the adoption of the new revenue recognition standard and the \$19 million negative impact of foreign currency fluctuations. Digital sales represented approximately 20% of Consumer revenues during the nine months ended March 31, 2019. Digital sales increased approximately 10% as compared to the corresponding period of fiscal 2018 primarily due to growth in downloadable audio books.

For the nine months ended March 31, 2019, Segment EBITDA at the Book Publishing segment increased \$42 million, or 25%, as compared to the corresponding period of fiscal 2018. The increase was primarily due to the higher revenues discussed above.

Digital Real Estate Services (11% and 13% of the Company's consolidated revenues in the nine months ended March 31, 2019 and 2018, respectively)

	For the three months ended March 31,				For the nine months ended March 31,			
	2019	2018	Change	% Change	2019	2018	Change	% Change
(in millions, except %)	Better/(Worse)				Better/(Worse)			
Revenues:								
Circulation and subscription	\$ 12	\$ 14	\$ (2)	(14)%	\$ 39	\$ 42	\$ (3)	(7)%
Advertising	27	34	(7)	(21)%	89	104	(15)	(14)%
Real estate	218	208	10	5%	693	633	60	9%
Other	15	23	(8)	(35)%	55	63	(8)	(13)%
Total Revenues	272	279	(7)	(3)%	876	842	34	4%
Operating expenses	(46)	(36)	(10)	(28)%	(123)	(101)	(22)	(22)%
Selling, general and administrative	(152)	(155)	3	2%	(453)	(439)	(14)	(3)%
Segment EBITDA	\$ 74	\$ 88	\$ (14)	(16)%	\$ 300	\$ 302	\$ (2)	(1)%

For the three months ended March 31, 2019, revenues at the Digital Real Estate Services segment decreased \$7 million, or 3%, as compared to the corresponding period of fiscal 2018. At REA Group, revenues decreased \$7 million, or 4%, to \$151 million for the three months ended March 31, 2019 from \$158 million in the corresponding period of fiscal 2018. The lower revenues were primarily due to the \$16 million negative impact of foreign currency fluctuations and softness in listing volumes which are not expected to improve in the short term, partially offset by an increase in Australian residential depth revenue driven by price increases, improved penetration and favorable product mix. Revenues at Move increased \$6 million, or 5%, to \$121 million for the three months ended March 31, 2019 from \$115 million in the corresponding period of fiscal 2018 primarily due to higher Real estate revenues resulting from higher yield per lead, partially offset by lower non-listing advertising revenues.

For the three months ended March 31, 2019, Segment EBITDA at the Digital Real Estate Services segment decreased \$14 million, or 16%, as compared to the corresponding period of fiscal 2018. The decrease in Segment EBITDA was primarily the result of lower contribution from Move of \$13 million primarily due to the \$15 million impact associated with the acquisition and continued investment in Opicity. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Segment EBITDA decrease of \$9 million for the three months ended March 31, 2019 as compared to the corresponding period of fiscal 2018.

For the nine months ended March 31, 2019, revenues at the Digital Real Estate Services segment increased \$34 million, or 4%, as compared to the corresponding period of fiscal 2018. Revenues at Move increased \$29 million, or 9%, to \$361 million for the nine months ended March 31, 2019 from \$332 million in the corresponding period of fiscal 2018 primarily due to higher Real estate revenues resulting from growth in leads and higher yield, partially offset by lower non-listing advertising revenues. At REA Group, revenues increased \$19 million, or 4%, to \$513 million for the nine months ended March 31, 2019 from \$494 million in the corresponding period of fiscal 2018. The higher revenues were primarily due to an increase in Australian residential depth revenue driven by price increases, improved penetration and favorable product mix, as well as the acquisition of Hometrack Australia, partially offset by the \$43 million negative impact of foreign currency fluctuations and softness in listing volumes which are not expected to improve in the short term.

For the nine months ended March 31, 2019, Segment EBITDA at the Digital Real Estate Services segment decreased \$2 million, or 1%, as compared to the corresponding period of fiscal 2018. The decrease in Segment EBITDA was primarily due to lower contribution from Move of \$23 million primarily due to the \$22 million impact associated with the acquisition and continued investment in Opicity and \$10 million of higher costs associated with new product development and higher revenues, partially offset by the higher revenues noted above. The decrease was partially offset by higher contribution from REA Group of \$17 million, primarily due to the higher revenues noted above, partially offset by the \$25 million negative impact of foreign currency fluctuations.

Results of Operations—For the three and nine months ended March 31, 2019 (as reported) versus the three and nine months ended March 31, 2018 (pro forma)

The following supplemental unaudited pro forma information for the three and nine months ended March 31, 2018 reflects the Company’s results of operations as if the Transaction had occurred on July 1, 2016. The Company believes that the presentation of this supplemental information enhances comparability across the reporting periods. The information was prepared in accordance with Article 11 of Regulation S-X and is based on historical results of operations of News Corp and Foxtel, adjusted for the effect of Transaction-related accounting adjustments, as described below. Pro forma adjustments were based on available information and assumptions regarding impacts that are directly attributable to the Transaction, are factually supportable, and are expected to have a continuing impact on the combined results. In addition, the pro forma information is provided for supplemental and informational purposes only, and is not necessarily indicative of what the Company’s results of operations would have been, or the Company’s future results of operations, had the Transaction actually occurred on the date indicated. As only the financial results for the Subscription Video Services segment were adjusted due to the presentation of this pro forma supplemental information, the Company is only providing a supplemental analysis for this segment below, under “Segment Analysis (pro forma).” The unaudited pro forma information should be read in conjunction with other sections of this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Consolidated Financial Statements and related notes appearing elsewhere in this Quarterly Report.

	Pro Forma (unaudited)			
	For the three months ended March 31, 2018			
	News Corp Historical ^(a)	Foxtel Historical ^(b)	Transaction Adjustments	Pro Forma
<i>(in millions, except per share amounts)</i>				
Revenues:				
Circulation and subscription	\$ 659	\$ 531	\$ (93) ^{(c)(d)}	\$ 1,097
Advertising	702	42	—	744
Consumer	381	—	—	381
Real estate	208	—	—	208
Other	143	14	—	157
Total Revenues	2,093	587	(93)	2,587
Operating expenses	(1,151)	(370)	98 ^{(c)(e)}	(1,423)
Selling, general and administrative	(761)	(113)	2 ^(f)	(872)
Depreciation and amortization	(100)	(69)	1 ^{(g)(h)(i)}	(168)
Impairment and restructuring charges	(246)	(2)	(957) ^(j)	(1,205)
Equity (losses) earnings of affiliates	(974)	2	970 ⁽ⁱ⁾	(2)
Interest income (expense), net	2	(23)	—	(21)
Other, net	30	(1)	—	29
(Loss) income before income tax expense	(1,107)	11	21	(1,075)
Income tax expense	(3)	(3)	— ^(k)	(6)
Net (loss) income	(1,110)	8	21	(1,081)
Less: Net (income) loss attributable to noncontrolling interests	(18)	1	7 ^(l)	(10)
Net (loss) income attributable to News Corporation	\$ (1,128)	\$ 9	\$ 28	\$ (1,091)
Net loss available to News Corporation stockholders per share	\$ (1.94)			\$ (1.87)

Pro Forma (unaudited)
For the nine months ended March 31, 2018

	<u>News Corp Historical ^(a)</u>	<u>Foxtel Historical ^(b)</u>	<u>Transaction Adjustments</u>	<u>Pro Forma</u>
<i>(in millions, except per share amounts)</i>				
Revenues:				
Circulation and subscription	\$ 1,947	\$ 1,638	\$ (278) ^{(c)(d)}	\$ 3,307
Advertising	2,101	141	—	2,242
Consumer	1,220	—	—	1,220
Real estate	633	—	—	633
Other	430	39	—	469
Total Revenues	6,331	1,818	(278)	7,871
Operating expenses	(3,439)	(1,136)	291 ^{(c)(e)}	(4,284)
Selling, general and administrative	(2,135)	(340)	5 ^(f)	(2,470)
Depreciation and amortization	(297)	(187)	(17) ^{(g)(h)(i)}	(501)
Impairment and restructuring charges	(273)	(5)	(957) ^(j)	(1,235)
Equity (losses) earnings of affiliates	(1,002)	5	974 ^(j)	(23)
Interest income (expense), net	9	(76)	—	(67)
Other, net	9	(2)	—	7
(Loss) income before income tax expense	(797)	77	18	(702)
Income tax expense	(292)	(13)	5 ^(k)	(300)
Net (loss) income	(1,089)	64	23	(1,002)
Less: Net (income) loss attributable to noncontrolling interests	(54)	1	(27) ^(l)	(80)
Net (loss) income attributable to News Corporation	\$ (1,143)	\$ 65	\$ (4)	\$ (1,082)
Net loss available to News Corporation stockholders per share	<u>\$ (1.96)</u>			<u>\$ (1.86)</u>

Notes to the unaudited pro forma statements:

- (a) Reflects the historical results of operations of News Corporation. As the acquisition of a controlling interest in Foxtel was completed on April 3, 2018, Foxtel is reflected in our historical Statements of Operations from April 3, 2018 onwards.
- (b) Reflects the historical results of operations of Foxtel to the date of the Transaction. From April 3, 2018 onwards, Foxtel is included in the historical results of operations of News Corporation. The Statements of Operations of Foxtel are derived from its historical financial statements for the three and nine months ended March 31, 2018. The Statements of Operations for the three and nine months ended March 31, 2018 reflect Foxtel's Statements of Operations on a U.S. GAAP basis and translated from Australian dollars to U.S. dollars, the reporting currency of the combined group, using the quarterly average rate for each period presented. Additionally, certain balances within Foxtel's historical financial information were reclassified to be consistent with the Company's presentation.
- (c) Represents the impact of eliminating transactions between Foxtel and the consolidated subsidiaries of News Corporation, which would be eliminated upon consolidation as a result of the Transaction.
- (d) Reflects the reversal of revenue recognized in Foxtel's historical Statements of Operations resulting from the fair value adjustment of Foxtel's historical deferred installation revenue in the preliminary purchase price allocation for the Transaction.
- (e) Reflects the adjustment to amortization of program inventory recognized in Foxtel's historical Statements of Operations related to the fair value adjustment of Foxtel's historical program inventory in the preliminary purchase price allocation.

- (f) Reflects the removal of transaction expenses directly related to the Transaction that are included in News Corp's historical Statements of Operations for the three and nine months ended March 31, 2018. These costs are considered to be non-recurring in nature, and as such, have been excluded from the pro forma Statements of Operations.
- (g) Reflects the adjustment to amortization expense resulting from the recognition of amortizable intangible assets in the preliminary purchase price allocation.
- (h) Reflects the adjustment to depreciation and amortization expense resulting from the fair value adjustment to Foxtel's historical fixed assets in the preliminary purchase price allocation, which resulted in a step-up in the value of such assets.
- (i) Reflects the reversal of amortization expense included in News Corp's historical Statements of Operations from the Company's settlement of its pre-existing contractual arrangement between Foxtel and FOX SPORTS Australia, which resulted in a write-off of its channel distribution agreement intangible asset at the time of the Transaction.
- (j) Represents the impact to equity losses of affiliates as a result of the Transaction, as if the Transaction occurred on July 1, 2016. Historically News Corp accounted for its investment in Foxtel under the equity method of accounting. As a result of the Transaction, Foxtel became a majority-owned subsidiary of the Company, and therefore, the impact of Foxtel on the Company's historical equity losses of affiliates was eliminated. In addition, during the three and nine months ended March 31, 2018, News Corp recorded an impairment to its investment in Foxtel within equity losses of affiliates which is reflected in News Corp's historical results. As this impairment is non-recurring in nature and is not directly attributable to the Transaction, such amount has not been eliminated and has been reclassified in the pro forma Statements of Operations from equity losses of affiliates into impairment and restructuring charges.
- (k) In determining the tax rate to apply to our pro forma adjustments we used the Australian statutory rate of 30%, which is the jurisdiction in which the business operates. However, in certain instances, the effective tax rate applied to certain adjustments differs from the statutory rate primarily as a result of certain valuation allowances on deferred tax assets, based on the Company's historical tax profile in Australia.
- (l) Represents the adjustment, as a result of the Transaction, to reflect the noncontrolling interest of the combined company on a pro forma basis.

The following table sets forth the Company's unaudited operating results for the three and nine months ended March 31, 2019 and its unaudited pro forma operating results for the three and nine months ended March 31, 2018.

(in millions, except %)	For the three months ended March 31,				For the nine months ended March 31,			
	2019	2018	Change	% Change	2019	2018	Change	% Change
	As reported	Pro forma	Better/(Worse)		As reported	Pro forma	Better/(Worse)	
Revenues:								
Circulation and subscription	\$ 1,025	\$ 1,097	\$ (72)	(7)%	\$ 3,088	\$ 3,307	\$ (219)	(7)%
Advertising	670	744	(74)	(10)%	2,052	2,242	(190)	(8)%
Consumer	403	381	22	6 %	1,281	1,220	61	5 %
Real estate	218	208	10	5 %	693	633	60	9 %
Other	141	157	(16)	(10)%	494	469	25	5 %
Total Revenues	2,457	2,587	(130)	(5)%	7,608	7,871	(263)	(3)%
Operating expenses	(1,400)	(1,423)	23	2 %	(4,224)	(4,284)	60	1 %
Selling, general and administrative	(810)	(872)	62	7 %	(2,409)	(2,470)	61	2 %
Depreciation and amortization	(168)	(168)	—	—	(494)	(501)	7	1 %
Impairment and restructuring charges	(34)	(1,205)	1,171	97 %	(71)	(1,235)	1,164	94 %
Equity losses of affiliates	(4)	(2)	(2)	(100)%	(13)	(23)	10	43 %
Interest expense, net	(14)	(21)	7	33 %	(45)	(67)	22	33 %
Other, net	3	29	(26)	(90)%	30	7	23	**
Income (loss) before income tax expense	30	(1,075)	1,105	**	382	(702)	1,084	**
Income tax expense	(7)	(6)	(1)	(17)%	(112)	(300)	188	63 %
Net income (loss)	23	(1,081)	1,104	**	270	(1,002)	1,272	**
Less: Net income attributable to noncontrolling interests	(13)	(10)	(3)	(30)%	(64)	(80)	16	20 %
Net income (loss) attributable to News Corporation	\$ 10	\$(1,091)	\$1,101	**	\$ 206	\$(1,082)	\$1,288	**

** not meaningful

Revenues (pro forma)— Revenues decreased \$130 million, or 5%, and \$263 million, or 3%, for the three and nine months ended March 31, 2019, respectively, as compared to the corresponding periods of fiscal 2018.

The Revenue decrease for the three months ended March 31, 2019 was mainly attributable to an \$84 million decrease in revenues at the Subscription Video Services segment, primarily due to the \$53 million negative impact of foreign currency fluctuations and lower subscription revenues due to lower broadcast subscribers and changes in the subscriber package mix, partially offset by \$11 million of higher revenues from Foxtel Now and Kayo Sports, as well as lower revenues at the News and Information Services segment of \$62 million, mainly due to the \$52 million negative impact of foreign currency fluctuations, weakness in the print advertising market and lower revenues at News America Marketing of \$20 million, partially offset by cover and subscription price increases and digital subscriber growth, primarily at *The Wall Street Journal* and in Australia. The Revenue decrease was partially offset by higher revenues of \$23 million at the Book Publishing segment. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Revenue decrease of \$130 million for the three months ended March 31, 2019, as compared to the corresponding period of fiscal 2018.

The Revenue decrease for the nine months ended March 31, 2019 was mainly attributable to a \$268 million decrease in revenues at the Subscription Video Services segment, primarily due to the \$137 million negative impact of foreign currency and lower subscription revenues resulting from lower broadcast subscribers and changes in the subscriber package mix,

partially offset by \$27 million of higher revenues from Foxtel Now and Kayo Sports, as well as lower revenues at the News and Information Services segment of \$96 million, mainly due to the \$114 million negative impact of foreign currency fluctuations, weakness in the print advertising market and lower revenues at News America Marketing of \$47 million, partially offset by cover and subscription price increases and digital subscriber growth, primarily at *The Wall Street Journal* and in Australia. The Revenue decrease was partially offset by higher revenues of \$67 million and \$34 million at the Book Publishing and Digital Real Estate Services segments, respectively. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Revenue decrease of \$313 million for the nine months ended March 31, 2019, as compared to the corresponding period of fiscal 2018.

Operating expenses (pro forma)– Operating expenses decreased \$23 million, or 2%, and \$60 million, or 1%, for the three and nine months ended March 31, 2019, respectively, as compared to the corresponding periods of fiscal 2018.

The decrease in Operating expenses for the three months ended March 31, 2019 was primarily due to the \$72 million positive impact of foreign currency fluctuations, partially offset by higher sports programming and production costs at the Subscription Video Services segment, including approximately \$25 million related to Cricket Australia.

The decrease in Operating expenses for the nine months ended March 31, 2019 was primarily due to the \$163 million positive impact of foreign currency fluctuations, partially offset by higher sports programming and production costs at the Subscription Video Services segment, including approximately \$51 million related to Cricket Australia.

Selling, general and administrative (pro forma)– Selling, general and administrative expenses decreased \$62 million, or 7%, and \$61 million, or 2%, for the three and nine months ended March 31, 2019, respectively, as compared to the corresponding periods of fiscal 2018.

The decrease in Selling, general and administrative expenses for the three months ended March 31, 2019 was primarily due to lower expenses at the Subscription Video Services segment of \$55 million primarily resulting from lower customer service and installation costs and lower overhead costs. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Selling, general and administrative expense decrease of \$41 million for the three months ended March 31, 2019, as compared to the corresponding period of fiscal 2018.

The decrease in Selling, general and administrative expenses for the nine months ended March 31, 2019 was primarily due to lower expenses at the Subscription Video Services segment of \$107 million primarily related to lower customer service and installation costs and lower overhead costs, partially offset by the absence of the \$46 million impact from the reversal of a portion of the previously accrued liability for the U.K. Newspaper Matters and the corresponding receivable as the result of an agreement reached with the relevant tax authority with respect to certain employment taxes in the first quarter of fiscal 2018. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Selling, general and administrative expense decrease of \$97 million for the nine months ended March 31, 2019, as compared to the corresponding period of fiscal 2018.

Depreciation and amortization (pro forma)– Depreciation and amortization expense was flat and decreased \$7 million, or 1%, for the three and nine months ended March 31, 2019, respectively, as compared to the corresponding periods of fiscal 2018. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a depreciation and amortization expense decrease of \$10 million and \$24 million for the three and nine months ended March 31, 2019, respectively, as compared to the corresponding periods of fiscal 2018.

Impairment and restructuring charges (pro forma)– During the three and nine months ended March 31, 2019, the Company recorded restructuring charges of \$25 million and \$62 million, respectively, primarily related to employee termination benefits at the News and Information Services segment. During the three and nine months ended March 31, 2018, the Company recorded restructuring charges of \$21 million and \$48 million, respectively, primarily related to employee termination benefits at the News and Information Services segment.

During the three and nine months ended March 31, 2018, the Company recognized non-cash impairment charges of \$1,184 million consisting primarily of a \$957 million non-cash write-down of the carrying value of its investment in Foxtel and \$225 million primarily related to the impairment of goodwill and intangible assets at the News America Marketing reporting unit and impairment of goodwill at the FOX SPORTS Australia reporting unit.

Equity losses of affiliates (pro forma)– Equity losses of affiliates deteriorated \$2 million and improved \$10 million for the three and nine months ended March 31, 2019, respectively, as compared to the corresponding periods of fiscal 2018. The decrease in losses for the nine months ended March 31, 2019 was primarily due to the absence of \$13 million in non-cash write-downs of certain equity method investments recognized in the second quarter of fiscal 2018.

Interest expense, net (pro forma)– Interest expense, net was \$14 million and \$45 million for the three and nine months ended March 31, 2019, respectively, as compared to \$21 million and \$67 million in the corresponding periods of fiscal 2018.

The decrease in interest expense for the three months ended March 31, 2019 was primarily due to lower third party interest expense as well as higher interest income.

The decrease in interest expense for the nine months ended March 31, 2019 was primarily due to lower third party interest expense, lower interest expense resulting from the repayment of the Foxtel shareholder note in the first quarter of fiscal 2018 as well as higher interest income.

Other, net (pro forma)– Other, net deteriorated by \$26 million and improved by \$23 million for the three and nine months ended March 31, 2019, respectively, as compared to the corresponding periods of fiscal 2018.

Other, net deteriorated for the three months ended March 31, 2019 as compared to the corresponding period of fiscal 2018, primarily due to the absence of the gain recognized on the sale of the Company's investment in SEEKAsia in the third quarter of fiscal 2018.

Other, net improved for the nine months ended March 31, 2019 as compared to the corresponding period of fiscal 2018, primarily due to dividends received from equity method investments in the second quarter of fiscal 2019, partially offset by the absence of the gain recognized on the sale of the Company's investment in SEEKAsia in the third quarter of fiscal 2018.

Income tax expense (pro forma)– For the three months ended March 31, 2019, the Company recorded income tax expense of \$7 million on pre-tax income of \$30 million, resulting in an effective tax rate that was higher than the U.S. statutory tax rate. The higher tax rate was primarily due to valuation allowances being recorded against tax benefits in certain foreign jurisdictions with operating losses and the impact from foreign operations which are subject to higher tax rates.

For the nine months ended March 31, 2019, the Company recorded income tax expense of \$112 million on pre-tax income of \$382 million, resulting in an effective tax rate that was higher than the U.S. statutory tax rate. The higher tax rate was primarily due to valuation allowances being recorded against tax benefits in certain foreign jurisdictions with operating losses and the impact from foreign operations which are subject to higher tax rates.

For the three months ended March 31, 2018, the Company recorded income tax expense of \$6 million on a pre-tax loss of \$1,075 million, resulting in an effective tax rate that was lower than the U.S. statutory tax rate. The lower tax rate was primarily due to a lower net tax benefit on the non-cash write-down of assets and investments in Australia and the U.S., and valuation allowances being recorded against tax benefits in certain foreign jurisdictions with operating losses.

For the nine months ended March 31, 2018, the Company recorded income tax expense of \$300 million on a pre-tax loss of \$702 million, resulting in an effective tax rate that was lower than the U.S. statutory tax rate. The lower tax rate resulted from the lower net tax benefit on the non-cash write-down of assets and investments in Australia and the U.S., valuation allowances being recorded against tax benefits in certain foreign jurisdictions with operating losses and the tax charge resulting from the enactment of the Tax Act which caused an increase in income tax expense of \$174 million.

Net income (loss) (pro forma)– Net income improved by \$1,104 million and \$1,272 million for the three and nine months ended March 31, 2019, respectively, as compared to the corresponding periods of fiscal 2018.

The increase in net income during the three months ended March 31, 2019 was due to lower Impairment and restructuring charges resulting from the absence of \$1,184 million of non-cash impairment charges consisting primarily of a \$957 million non-cash write-down of the carrying value of the Company's investment in Foxtel and \$225 million primarily related to the impairment of goodwill and intangible assets at the News America Marketing reporting unit and impairment of goodwill at the FOX SPORTS Australia reporting unit, partially offset by lower Total Segment EBITDA.

The increase in net income during the nine months ended March 31, 2019 was primarily due to lower Impairment and restructuring charges resulting from the absence of \$1,184 million of non-cash impairment charges consisting primarily of a \$957 million non-cash write-down of the carrying value of its investment in Foxtel and \$225 million primarily related to the impairment of goodwill and intangible assets at the News America Marketing reporting unit and impairment of goodwill at the FOX SPORTS Australia reporting unit and the absence of the \$174 million negative impact of the Tax Act recognized in the second quarter of fiscal 2018, partially offset by lower Total Segment EBITDA.

Net income attributable to noncontrolling interests (pro forma)— Net income attributable to noncontrolling interests increased by \$3 million and decreased by \$16 million for the three and nine months ended March 31, 2019, respectively, as compared to the corresponding periods of fiscal 2018. The decrease in Net income attributable to noncontrolling interests for the nine months ended March 31, 2019 was primarily due to lower performance at new Foxtel, partially offset by higher results at REA Group.

Segment Analysis (pro forma)

The following table reconciles unaudited reported and pro forma Net income (loss) to unaudited reported and pro forma Total Segment EBITDA for the three and nine months ended March 31, 2019 and 2018, respectively:

(in millions)	For the three months ended March 31,		For the nine months ended March 31,	
	2019	2018	2019	2018
	As reported	Pro forma	As reported	Pro forma
Net income (loss)	\$ 23	\$ (1,081)	\$ 270	\$ (1,002)
Add:				
Income tax expense	7	6	112	300
Other, net	(3)	(29)	(30)	(7)
Interest expense, net	14	21	45	67
Equity losses of affiliates	4	2	13	23
Impairment and restructuring charges	34	1,205	71	1,235
Depreciation and amortization	168	168	494	501
Total Segment EBITDA	<u>\$ 247</u>	<u>\$ 292</u>	<u>\$ 975</u>	<u>\$ 1,117</u>

The following tables set forth the Company's reported Revenues and Segment EBITDA for the three and nine months ended March 31, 2019 and pro forma Revenues and Segment EBITDA for the three and nine months ended March 31, 2018:

(in millions)	For the three months ended March 31,				For the nine months ended March 31,			
	2019		2018		2019		2018	
	As reported	Segment EBITDA	Pro forma	Segment EBITDA	As reported	Segment EBITDA	Pro forma	Segment EBITDA
News and Information Services	\$ 1,224	\$ 73	\$ 1,286	\$ 87	\$ 3,729	\$ 309	\$ 3,825	\$ 302
Subscription Video Services	539	98	623	127	1,666	295	1,934	436
Book Publishing	421	53	398	41	1,335	209	1,268	167
Digital Real Estate Services	272	74	279	88	876	300	842	302
Other	1	(51)	1	(51)	2	(138)	2	(90)
Total	\$ 2,457	\$ 247	\$ 2,587	\$ 292	\$ 7,608	\$ 975	\$ 7,871	\$ 1,117

Subscription Video Services (pro forma) (22% and 25% of the Company's consolidated revenues in the nine months ended March 31, 2019 and 2018, respectively)

(in millions, except %)	For the three months ended March 31,				For the nine months ended March 31,			
	2019	2018	Change	% Change	2019	2018	Change	% Change
	As reported	Pro forma	Better/(Worse)		As reported	Pro forma	Better/(Worse)	
Revenues:								
Circulation and subscription	\$ 474	\$ 547	\$ (73)	(13)%	\$ 1,455	\$ 1,687	\$ (232)	(14)%
Advertising	50	60	(10)	(17)%	162	201	(39)	(19)%
Other	15	16	(1)	(6)%	49	46	3	7%
Total Revenues	539	623	(84)	(13)%	1,666	1,934	(268)	(14)%
Operating expenses	(374)	(374)	—	—%	(1,109)	(1,129)	20	2%
Selling, general and administrative	(67)	(122)	55	45%	(262)	(369)	107	29%
Segment EBITDA	\$ 98	\$ 127	\$ (29)	(23)%	\$ 295	\$ 436	\$ (141)	(32)%

For the three months ended March 31, 2019, revenues at the Subscription Video Services segment decreased \$84 million, or 13%, as compared to the corresponding period of fiscal 2018. The revenue decrease was primarily due to the \$53 million negative impact of foreign currency fluctuations and lower subscription revenues due to lower broadcast subscribers and changes in the subscriber package mix, partially offset by \$11 million of higher revenues from Foxtel Now and Kayo Sports.

For the three months ended March 31, 2019, Segment EBITDA at the Subscription Video Services segment decreased \$29 million, or 23%, as compared to the corresponding period of fiscal 2018. The decrease in Segment EBITDA was primarily due to higher sports programming and production costs, including approximately \$25 million related to Cricket Australia, the lower revenues discussed above and approximately \$10 million in higher marketing costs related to Kayo Sports, partially offset by lower entertainment programming costs, customer service and installation costs and overhead expenses.

For the nine months ended March 31, 2019, revenues at the Subscription Video Services segment decreased \$268 million, or 14%, as compared to the corresponding period of fiscal 2018. The revenue decrease was primarily due to the \$137 million negative impact of foreign currency fluctuations and lower subscription revenues resulting from lower broadcast subscribers and changes in the subscriber package mix, partially offset by \$27 million of higher revenues from Foxtel Now and Kayo Sports.

For the nine months ended March 31, 2019, Segment EBITDA at the Subscription Video Services segment decreased \$141 million, or 32%, as compared to the corresponding period of fiscal 2018. The decrease in Segment EBITDA was primarily due to the lower revenues discussed above, higher sports programming and production costs, including approximately \$51 million related to Cricket Australia, and approximately \$19 million in higher marketing costs related to Kayo Sports, partially offset by lower entertainment programming costs, customer service and installation costs and overhead expenses.

LIQUIDITY AND CAPITAL RESOURCES

Current Financial Condition

The Company's principal source of liquidity is internally generated funds and cash and cash equivalents on hand. As of March 31, 2019, the Company's cash and cash equivalents were \$1.65 billion. The Company expects these elements of liquidity will enable it to meet its liquidity needs in the foreseeable future, including repayment of indebtedness. The Company also has available borrowing capacity under the Facility (as defined below) and certain other facilities, as described below, and expects to have access to the worldwide credit and capital markets, subject to market conditions, in order to issue additional debt if needed or desired. Although the Company believes that its cash on hand and future cash from operations, together with its access to the credit and capital markets, will provide adequate resources to fund its operating and financing needs, its access to, and the availability of, financing on acceptable terms in the future will be affected by many factors, including: (i) the performance of the Company and/or its operating subsidiaries, as applicable, (ii) the Company's credit rating or absence of a credit rating and/or the credit rating of its operating subsidiaries, as applicable, (iii) the provisions of any relevant debt instruments, credit agreements, indentures and similar or associated documents, (iv) the liquidity of the overall credit and capital markets and (v) the current state of the economy. There can be no assurances that the Company will continue to have access to the credit and capital markets on acceptable terms. See Part II, "Item 1A. Risk Factors" for further discussion.

As of March 31, 2019, the Company's consolidated assets included \$714 million in cash and cash equivalents that were held by its foreign subsidiaries. Of this amount, \$49 million is cash not readily accessible by the Company as it is held by REA Group, a majority owned but separately listed public company. REA Group must declare a dividend in order for the Company to have access to its share of REA Group's cash balance. The Company earns income outside the U.S., which is deemed to be permanently reinvested in certain foreign jurisdictions. The Company does not currently intend to repatriate these earnings. Should the Company require more capital in the U.S. than is generated by and/or available to its domestic operations, the Company could elect to transfer funds held in foreign jurisdictions. The transfer of funds from foreign jurisdictions may be cumbersome due to local regulations, foreign exchange controls and taxes. Additionally, the transfer of funds from foreign jurisdictions may result in higher effective tax rates and higher cash paid for income taxes for the Company. The Tax Act was enacted on December 22, 2017. As part of the transition to the new partial territorial tax system, the Tax Act imposes a one-time tax on the mandatory deemed repatriation of earnings of the Company's foreign subsidiaries. The deemed repatriation tax was determined to be approximately \$26 million, which was recorded to income tax expense in fiscal 2018. The U.S. Treasury Department released additional guidance and proposed regulations during the past year. The Company undertook a review of the guidance and proposed regulations and determined that there were no material changes to the deemed repatriation tax of approximately \$26 million.

The principal uses of cash that affect the Company's liquidity position include the following: operational expenditures including employee costs and paper purchases; capital expenditures; income tax payments; investments in associated entities; acquisitions; and the repayment of debt and related interest. In addition to the acquisitions and dispositions disclosed elsewhere, the Company has evaluated, and expects to continue to evaluate, possible future acquisitions and dispositions of certain businesses. Such transactions may be material and may involve cash, the issuance of the Company's securities or the assumption of indebtedness.

Issuer Purchases of Equity Securities

In May 2013, the Company's Board of Directors (the "Board of Directors") authorized the Company to repurchase up to an aggregate of \$500 million of its Class A Common Stock. No stock repurchases were made during the nine months ended March 31, 2019. Through May 3, 2019, the Company cumulatively repurchased approximately 5.2 million shares of Class A Common Stock for an aggregate cost of approximately \$71 million. The remaining authorized amount under the stock repurchase program as of May 3, 2019 was approximately \$429 million. All decisions regarding any future stock

repurchases are at the sole discretion of a duly appointed committee of the Board of Directors and management. The committee's decisions regarding future stock repurchases will be evaluated from time to time in light of many factors, including the Company's financial condition, earnings, capital requirements and debt facility covenants, other contractual restrictions, as well as legal requirements, regulatory constraints, industry practice, market volatility and other factors that the committee may deem relevant. The stock repurchase authorization may be modified, extended, suspended or discontinued at any time by the Board of Directors and the Board of Directors cannot provide any assurances that any additional shares will be repurchased.

Dividends

In February 2019, the Board of Directors declared a semi-annual cash dividend of \$0.10 per share for Class A Common Stock and Class B Common Stock. This dividend was paid on April 17, 2019 to stockholders of record at the close of business on March 13, 2019. The timing, declaration, amount and payment of future dividends to stockholders, if any, is within the discretion of the Board of Directors. The Board of Directors' decisions regarding the payment of future dividends will depend on many factors, including the Company's financial condition, earnings, capital requirements and debt facility covenants, other contractual restrictions, as well as legal requirements, regulatory constraints, industry practice, market volatility and other factors that the Board of Directors deems relevant.

Sources and Uses of Cash—For the nine months ended March 31, 2019 versus the nine months ended March 31, 2018

Net cash provided by operating activities for the nine months ended March 31, 2019 and 2018 was as follows (in millions):

<u>For the nine months ended March 31,</u>	<u>2019</u>	<u>2018</u>
Net cash provided by operating activities	\$661	\$465

Net cash provided by operating activities increased by \$196 million for the nine months ended March 31, 2019 as compared to the nine months ended March 31, 2018. The increase was primarily due to higher Total Segment EBITDA, partially offset by \$59 million in higher cash paid for interest.

Net cash used in investing activities for the nine months ended March 31, 2019 and 2018 was as follows (in millions):

<u>For the nine months ended March 31,</u>	<u>2019</u>	<u>2018</u>
Net cash used in investing activities	\$(523)	\$(144)

During the nine months ended March 31, 2019, the Company used \$417 million of cash for capital expenditures, of which \$223 million related to new Foxtel, and \$187 million of cash for acquisitions, primarily for the acquisition of Opcity. New Foxtel's total capital expenditures in fiscal 2019 are now expected to be higher than fiscal 2018 by approximately \$25 million.

During the nine months ended March 31, 2018, the Company used \$200 million for capital expenditures and \$62 million of cash for acquisitions, primarily for the acquisition of Smartline. These expenditures were partially offset by proceeds from the sale of the SEEKAsia cost method investment of \$122 million during the nine months ended March 31, 2018.

Net cash used in financing activities for the nine months ended March 31, 2019 and 2018 was as follows (in millions):

<u>For the nine months ended March 31,</u>	<u>2019</u>	<u>2018</u>
Net cash used in financing activities	\$(501)	\$(234)

The increase in net cash used for financing activities for the nine months ended March 31, 2019 as compared to the corresponding period of fiscal 2018 primarily relates to the repayment of borrowings of \$801 million, mainly related to repayment of borrowings for new Foxtel and at REA Group, and the redemption of the Company's redeemable preferred stock of \$20 million, partially offset by new borrowings by new Foxtel of \$450 million.

Reconciliation of Free Cash Flow Available to News Corporation

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

REA Group. Free cash flow available to News Corporation should be considered in addition to, not as a substitute for, cash flows from operations and other measures of financial performance reported in accordance with GAAP. Free cash flow available to News Corporation may not be comparable to similarly titled measures reported by other companies, since companies and investors may differ as to what items should be included in the calculation of free cash flow.

The Company considers free cash flow available to News Corporation to provide useful information to management and investors about the amount of cash that is available to be used to strengthen the Company's balance sheet and for strategic opportunities including, among others, investing in the Company's business, strategic acquisitions, dividend payouts and repurchasing stock. The Company believes excluding REA Group's free cash flow and including dividends received from REA Group provides users of its consolidated financial statements with a measure of the amount of cash flow that is readily available to the Company, as REA Group is a separately listed public company in Australia and must declare a dividend in order for the Company to have access to its share of REA Group's cash balance. The Company believes free cash flow available to News Corporation provides a more conservative view of the Company's free cash flow because this presentation includes only that amount of cash the Company actually receives from REA Group, which has generally been lower than the Company's unadjusted free cash flow.

A limitation of free cash flow available to News Corporation is that it does not represent the total increase or decrease in the cash balance for the period. Management compensates for the limitation of free cash flow available to News Corporation by also relying on the net change in cash and cash equivalents as presented in the Statements of Cash Flows prepared in accordance with GAAP which incorporate all cash movements during the period.

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

	<u>For the nine months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
	(in millions)	
Net cash provided by operating activities	\$ 661	\$ 465
Less: Capital expenditures	(417)	(200)
	<u>244</u>	<u>265</u>
Less: REA Group free cash flow	(164)	(144)
Plus: Cash dividends received from REA Group	69	63
Free cash flow available to News Corporation	<u>\$ 149</u>	<u>\$ 184</u>

Free cash flow available to News Corporation decreased by \$35 million in the nine months ended March 31, 2019 to \$149 million from \$184 million in the corresponding period of fiscal 2018, primarily due to higher capital expenditures, partially offset by higher cash provided by operating activities as discussed above.

Borrowings

As of March 31, 2019, the Company had total borrowings of \$1.55 billion, including the current portion. The Company's borrowings as of such date reflect \$1.33 billion of outstanding debt incurred by certain subsidiaries of new Foxtel (together with new Foxtel, the "Foxtel Group") that the Company consolidated upon completion of the Transaction. The Foxtel Group debt includes U.S. private placement senior unsecured notes and drawn amounts under its revolving credit facilities, with maturities ranging from 2019 to 2024. Approximately \$142 million and \$366 million aggregate principal amount outstanding will mature during fiscal 2019 and 2020, respectively, and these debt repayments are expected to be funded primarily through a combination of cash on hand and debt refinancing. The Foxtel Group's borrowings are guaranteed by certain members of the Foxtel Group. In accordance with ASC 805, these debt instruments were recorded at fair value as of the Transaction date. During the nine months ended March 31, 2019, the Foxtel Group had repayments of \$714 million, including the repayment of its A\$300 million (approximately \$216 million) facility maturing in April 2019, and borrowings of \$450 million. The repayment of the A\$300 million facility maturing in April 2019 was repaid using A\$300 million of shareholder loans provided by the Company.

The Company's borrowings as of March 31, 2019 also reflect the indebtedness of REA Group. During the nine months ended March 31, 2019, REA Group repaid \$87 million (A\$120 million) for its unsecured loan facility due December 2018. REA Group had remaining borrowings of \$220 million, of which approximately \$170 million (A\$240 million) will mature in December 2019. The Company expects REA Group to fund this debt repayment primarily through a combination of cash on hand and debt refinancing.

The Company has additional borrowing capacity under its unsecured \$650 million revolving credit facility (the "Facility"), which can be increased up to a maximum amount of \$900 million at the Company's request. The lenders' commitments to make the Facility available terminate on October 23, 2020, provided the Company may request that the commitments be extended under certain circumstances for up to two additional one-year periods. As of the date of this filing, the Company has not borrowed any funds under the Facility. In addition, the Company has \$241 million of undrawn commitments under the Foxtel Group's revolving credit facilities.

The Company's borrowings contains customary representations, covenants, and events of default. The Company was in compliance with all such covenants at March 31, 2019.

See Note 6—Borrowings in the accompanying Consolidated Financial Statements for further details regarding the Company's outstanding debt, including certain information about interest rates and maturities related to such debt arrangements.

Commitments

The Company has commitments under certain firm contractual arrangements ("firm commitments") to make future payments. These firm commitments secure the future rights to various assets and services to be used in the normal course of operations. The Company's commitments as of March 31, 2019 have not changed significantly from the disclosures included in the 2018 Form 10-K.

Contingencies

The Company routinely is involved in various legal proceedings, claims and governmental inspections or investigations, including those discussed in Note 11 to the Consolidated Financial Statements. The outcome of these matters and claims is subject to significant uncertainty, and the Company often cannot predict what the eventual outcome of pending matters will be or the timing of the ultimate resolution of these matters. Fees, expenses, fines, penalties, judgments or settlement costs which might be incurred by the Company in connection with the various proceedings could adversely affect its results of operations and financial condition.

The Company establishes an accrued liability for legal claims when it determines that a loss is both probable and the amount of the loss can be reasonably estimated. Once established, accruals are adjusted from time to time, as appropriate, in light of additional information. The amount of any loss ultimately incurred in relation to matters for which an accrual has been established may be higher or lower than the amounts accrued for such matters. Legal fees associated with litigation and similar proceedings are expensed as incurred. The Company recognizes gain contingencies when the gain becomes realized or realizable. See Note 11 – Commitments and Contingencies in the accompanying Consolidated Financial Statements.

The Company's tax returns are subject to on-going review and examination by various tax authorities. Tax authorities may not agree with the treatment of items reported in the Company's tax returns, and therefore the outcome of tax reviews and examinations can be unpredictable. The Company believes it has appropriately accrued for the expected outcome of uncertain tax matters and believes such liabilities represent a reasonable provision for taxes ultimately expected to be paid. However, these liabilities may need to be adjusted as new information becomes known and as tax examinations continue to progress, or as settlements or litigations occur.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no material change in the Company's assessment of its sensitivity to market risk since its presentation set forth in Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in the Company's 2018 Form 10-K for the fiscal year ended June 30, 2018.

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

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

(b) Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act) during the Company's third quarter of fiscal 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

The following supplements the discussion set forth under “Legal Proceedings” in the Company’s 2018 Form 10-K.

Valassis Communications, Inc.

As reported in the 2018 Form 10-K, Valassis Communications, Inc. (“Valassis”) filed a complaint in the U.S. District Court for the Eastern District of Michigan (the “District Court”) against News America Incorporated, News America Marketing FSI L.L.C., News America Marketing In-Store Services L.L.C. and News Corporation (together, the “NAM Group”) on November 8, 2013 alleging violations of federal and state antitrust laws and common law business torts and seeking treble damages, injunctive relief and attorneys’ fees and costs. On December 19, 2013, the NAM Group filed a motion to dismiss the complaint, and on March 30, 2016, the District Court ordered that Valassis’s bundling and tying claims be dismissed and that all remaining claims in the NAM Group’s motion to dismiss be referred to a panel of antitrust experts (the “Antitrust Expert Panel”) appointed in connection with a prior action brought by Valassis against certain members of the NAM Group. The Antitrust Expert Panel was convened and, on February 8, 2017, recommended that the NAM Group’s counterclaims in the action be dismissed with leave to replead three of the four counterclaims. The NAM Group filed an amended counterclaim on February 27, 2017. Valassis subsequently filed motions with the District Court seeking, among other things, to transfer the case to the U.S. District Court for the Southern District of New York (the “N.Y. District Court”), and on September 25, 2017, the District Court granted Valassis’s motions and transferred the case to the N.Y. District Court. On April 13, 2018, the NAM Group filed a motion for summary judgment dismissing the case with the N.Y. District Court, and on February 21, 2019, the N.Y. District Court granted the NAM Group’s motion in part and denied it in part. The N.Y. District Court found that the NAM Group’s bidding practices were lawful but denied the NAM Group’s motion with respect to claims arising out of certain other alleged contracting practices. Valassis also ceased to pursue its claims relating to free-standing insert products, and those claims were dismissed. While it is not possible at this time to predict with any degree of certainty the ultimate outcome of this action, the NAM Group believes it has been compliant with applicable laws and intends to defend itself vigorously.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in the Company’s 2018 Form 10-K.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

On May 9, 2019, the Company and Robert Thomson, Chief Executive Officer of the Company, entered into an Amended and Restated Employment Agreement (the “Amended and Restated Agreement”), effective immediately. The Amended and Restated Agreement extends Mr. Thomson’s term of employment until June 30, 2023 and provides for (i) an annual base salary of \$3,000,000 (the same amount as his fiscal 2019 base salary); (ii) an annual bonus with a target of \$5,000,000 (the same amount as his fiscal 2019 target annual bonus); and (iii) an annual long-term equity incentive (the “Equity Bonus”) with a target of \$7,000,000 (an increase of \$1,000,000 from his fiscal 2019 target Equity Bonus). At least \$1,000,000 of the Equity Bonus target shall be solely based on the achievement of relative total stockholder return. The at-risk, performance-based portion of Mr. Thomson’s total annual target compensation under the Amended and Restated Agreement is 80%. All bonus payments and equity grants are subject to the Company’s claw-back policies.

If Mr. Thomson’s employment is terminated by the Company other than for cause (as defined in the Amended and Restated Agreement), death or disability or by Mr. Thomson for good reason (as defined in the Amended and Restated Agreement), the Amended and Restated Agreement provides that Mr. Thomson will receive (i) continued payment of his then-current base salary and annual bonus for two years after the date of termination (with the annual bonus to be based on the then-current target); (ii) a pro rata portion of the annual bonus he would have earned for the fiscal year of termination had no termination occurred (a “Pro-rated Annual Bonus”); and (iii) continued vesting of any Equity Bonus awards granted prior to the date of termination in the same manner as though Mr. Thomson continued to be employed for two years after the date of termination. If Mr. Thomson’s employment is terminated due to death or disability, he or his surviving spouse or estate, as applicable, would be entitled to: (i) salary continuation for 12 months; (ii) any Pro-rated Annual Bonus; and (iii) treatment of his outstanding Equity Bonus awards pursuant to the terms of applicable plan documents. Mr. Thomson’s salary continuation is payable during any period of disability for a period not to exceed 12 months. Payment of any compensation or benefits upon termination is subject to Mr. Thomson’s execution of the Company’s then-standard separation agreement and general release and continued compliance with their terms. The Amended and Restated Agreement continues to have confidentiality, non-competition and other covenants to protect the Company.

In addition, the Amended and Restated Agreement provides that, if Mr. Thomson is entitled to receive any “excess parachute payments” under Section 280G of the Internal Revenue Code of 1986, as amended, in connection with a change in control, those payments will either (i) be reduced below the

applicable threshold, or (ii) paid in full, whichever is more favorable for Mr. Thomson on a net after-tax basis. Mr. Thomson is not entitled to any golden parachute excise tax “gross-up” payments.

The description of the Amended and Restated Agreement is qualified in its entirety by the full text of the Amended and Restated Agreement, which is filed as Exhibit 10.2 to this Quarterly Report on Form 10-Q and is incorporated herein by reference.

ITEM 6. EXHIBITS

(a) Exhibits.

- 2.1 [Partial Assignment and Assumption Agreement, dated as of March 18, 2019, among Twenty-First Century Fox, Inc., Fox Corporation, News Corporation and News Corp Holdings UK & Ireland, in respect of the Separation and Distribution Agreement, dated June 28, 2013.*](#)
- 3.1 [Amended and Restated By-laws of News Corporation, effective February 25, 2019. \(Incorporated by reference to Exhibit 3.1 to the Current Report of News Corporation on Form 8-K \(File No. 001-35769\) filed with the Securities and Exchange Commission on February 25, 2019.\)](#)
- 10.1 [News Corp Restoration Plan, amended and restated as of February 11, 2019.*](#)
- 10.2 [Amended and Restated Employment Agreement, dated May 9, 2019, between News Corporation and Robert Thomson.*](#)
- 31.1 [Chief Executive Officer Certification required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended.*](#)
- 31.2 [Chief Financial Officer Certification required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended.*](#)
- 32.1 [Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes Oxley Act of 2002.**](#)
- 101 The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 formatted in eXtensible Business Reporting Language: (i) Consolidated Statements of Operations for the three and nine months ended March 31, 2019 and 2018 (unaudited); (ii) Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended March 31, 2019 and 2018 (unaudited); (iii) Consolidated Balance Sheets as of March 31, 2019 (unaudited) and June 30, 2018 (audited); (iv) Consolidated Statements of Cash Flows for the nine months ended March 31, 2019 and 2018 (unaudited); and (v) Notes to the Unaudited Consolidated Financial Statements.*

* Filed herewith.

** Furnished herewith

SIGNATURE

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

NEWS CORPORATION
(Registrant)

By: /s/ Susan Panuccio
Susan Panuccio
Chief Financial Officer

Date: May 10, 2019

Chief Executive Officer Certification

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

I, Robert J. Thomson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of News Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 10, 2019

By: /s/ Robert J. Thomson

Robert J. Thomson
Chief Executive Officer and Director

Chief Financial Officer Certification

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

I, Susan Panuccio, certify that:

1. I have reviewed this quarterly report on Form 10-Q of News Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 10, 2019

By: /s/ Susan Panuccio
Susan Panuccio
Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of News Corporation on Form 10-Q for the fiscal quarter ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, the undersigned officers of News Corporation, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of News Corporation.

May 10, 2019

By: /s/ Robert J. Thomson
Robert J. Thomson
Chief Executive Officer and Director

By: /s/ Susan Panuccio
Susan Panuccio
Chief Financial Officer