

**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 September 30, 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)

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

| <u>Title of each class</u> | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|--|--------------------------|--|
| 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 |

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

As of November 1, 2019, 388,557,267 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 September 30, | |
|---|-------|---|----------------|
| | | 2019 | 2018 |
| Revenues: | | | |
| Circulation and subscription | | \$ 995 | \$ 1,034 |
| Advertising | | 608 | 664 |
| Consumer | | 387 | 400 |
| Real estate | | 218 | 227 |
| Other | | 132 | 199 |
| Total Revenues | 2 | 2,340 | 2,524 |
| Operating expenses | | (1,337) | (1,340) |
| Selling, general and administrative | | (782) | (826) |
| Depreciation and amortization | | (162) | (163) |
| Impairment and restructuring charges | 3 | (297) | (18) |
| Equity losses of affiliates | 4 | (2) | (3) |
| Interest income (expense), net | | 4 | (16) |
| Other, net | 13 | 4 | 20 |
| (Loss) income before income tax benefit (expense) | | (232) | 178 |
| Income tax benefit (expense) | 11 | 21 | (50) |
| Net (loss) income | | (211) | 128 |
| Less: Net income attributable to noncontrolling interests | | (16) | (27) |
| Net (loss) income attributable to News Corporation stockholders | | <u>\$ (227)</u> | <u>\$ 101</u> |
| Basic and diluted (loss) earnings per share: | 9 | | |
| Net (loss) income attributable to News Corporation stockholders per share | | <u>\$ (0.39)</u> | <u>\$ 0.17</u> |

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

NEWS CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(Unaudited; millions)

| | For the three months ended September 30, | |
|---|---|--------------|
| | 2019 | 2018 |
| Net (loss) income | \$ (211) | \$ 128 |
| Other comprehensive loss: | | |
| Foreign currency translation adjustments | (185) | (110) |
| Net change in the fair value of cash flow hedges ^(a) | (14) | 2 |
| Benefit plan adjustments, net ^(b) | 11 | 5 |
| Other comprehensive loss | (188) | (103) |
| Comprehensive (loss) income | (399) | 25 |
| Less: Net income attributable to noncontrolling interests | (16) | (27) |
| Less: Other comprehensive loss attributable to noncontrolling interests | 45 | 28 |
| Comprehensive (loss) income attributable to News Corporation stockholders | <u>\$ (370)</u> | <u>\$ 26</u> |

(a) Net of income tax benefit (expense) of \$3 million and (\$1 million) for the three months ended September 30, 2019 and 2018, respectively.

(b) Net of income tax expense of \$3 million and \$1 million for the three months ended September 30, 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 September 30, 2019 (unaudited) | As of June 30, 2019 (audited) |
|---|-------|--|-------------------------------------|
| Assets: | | | |
| Current assets: | | | |
| Cash and cash equivalents | | \$ 1,441 | \$ 1,643 |
| Receivables, net | 13 | 1,540 | 1,544 |
| Inventory, net | | 402 | 348 |
| Other current assets | | 416 | 515 |
| Total current assets | | <u>3,799</u> | <u>4,050</u> |
| Non-current assets: | | | |
| Investments | 4 | 329 | 335 |
| Property, plant and equipment, net | | 2,433 | 2,554 |
| Operating lease right-of-use assets | 6 | 1,290 | — |
| Intangible assets, net | | 2,239 | 2,426 |
| Goodwill | | 4,885 | 5,147 |
| Deferred income tax assets | 11 | 305 | 269 |
| Other non-current assets | 13 | 953 | 930 |
| Total assets | | <u>\$ 16,233</u> | <u>\$ 15,711</u> |
| Liabilities and Equity: | | | |
| Current liabilities: | | | |
| Accounts payable | | \$ 406 | \$ 411 |
| Accrued expenses | | 1,167 | 1,328 |
| Deferred revenue | 2 | 448 | 428 |
| Current borrowings | 5 | 622 | 449 |
| Other current liabilities | 13 | 849 | 724 |
| Total current liabilities | | <u>3,492</u> | <u>3,340</u> |
| Non-current liabilities: | | | |
| Borrowings | 5 | 707 | 1,004 |
| Retirement benefit obligations | | 258 | 266 |
| Deferred income tax liabilities | 11 | 274 | 295 |
| Operating lease liabilities | 6 | 1,329 | — |
| Other non-current liabilities | | 344 | 495 |
| Commitments and contingencies | 10 | | |
| Class A common stock ^(a) | | 4 | 4 |
| Class B common stock ^(b) | | 2 | 2 |
| Additional paid-in capital | | 12,174 | 12,243 |
| Accumulated deficit | | (2,200) | (1,979) |
| Accumulated other comprehensive loss | | (1,266) | (1,126) |
| Total News Corporation stockholders' equity | | <u>8,714</u> | <u>9,144</u> |
| Noncontrolling interests | | 1,115 | 1,167 |
| Total equity | 7 | <u>9,829</u> | <u>10,311</u> |
| Total liabilities and equity | | <u>\$ 16,233</u> | <u>\$ 15,711</u> |

- (a) **Class A common stock**, \$0.01 par value per share ("Class A Common Stock"), 1,500,000,000 shares authorized, 388,492,158 and 385,580,015 shares issued and outstanding, net of 27,368,413 treasury shares at par at September 30, 2019 and June 30, 2019, 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 September 30, 2019 and June 30, 2019, respectively.

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 three months ended September 30, | |
|--|-------|---|----------|
| | | 2019 | 2018 |
| Operating activities: | | | |
| Net (loss) income | | \$ (211) | \$ 128 |
| Adjustments to reconcile net (loss) income to cash provided by operating activities: | | | |
| Depreciation and amortization | | 162 | 163 |
| Operating lease expense | 6 | 43 | — |
| Equity losses of affiliates | 4 | 2 | 3 |
| Cash distributions received from affiliates | | 2 | 4 |
| Impairment charges | 3 | 273 | — |
| Other, net | 13 | (4) | (20) |
| Deferred income taxes and taxes payable | 11 | (45) | 31 |
| Change in operating assets and liabilities, net of acquisitions: | | | |
| Receivables and other assets | | (1,551) | (21) |
| Inventories, net | | (72) | (23) |
| Accounts payable and other liabilities | | 1,428 | (152) |
| Net cash provided by operating activities | | 27 | 113 |
| Investing activities: | | | |
| Capital expenditures | | (117) | (133) |
| Acquisitions, net of cash acquired | | — | 1 |
| Investments in equity affiliates and other | | (5) | (10) |
| Proceeds from business dispositions | | — | 5 |
| Proceeds from property, plant and equipment and other asset dispositions | | 3 | — |
| Other, net | | 1 | 16 |
| Net cash used in investing activities | | (118) | (121) |
| Financing activities: | | | |
| Borrowings | 5 | 199 | 131 |
| Repayment of borrowings | 5 | (290) | (192) |
| Dividends paid | | (22) | (23) |
| Other, net | | 18 | (40) |
| Net cash used in financing activities | | (95) | (124) |
| Net change in cash and cash equivalents | | (186) | (132) |
| Cash and cash equivalents, beginning of period | | 1,643 | 2,034 |
| Exchange movement on opening cash balance | | (16) | (16) |
| Cash and cash equivalents, end of period | | \$ 1,441 | \$ 1,886 |

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.

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, 2020. 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. 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, 2019 as filed with the Securities and Exchange Commission (the “SEC”) on August 13, 2019 (the “2019 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 2020, the Company reclassified the costs associated with certain initiatives previously included in the Other segment to the News and Information Services segment as these initiatives directly benefit this segment. These reclassifications increased Selling, general and administrative by \$7 million for the News and Information Services segment for the three months ended September 30, 2018.

The Company’s fiscal year ends on the Sunday closest to June 30. Fiscal 2020 and fiscal 2019 include 52 weeks. All references to the three months ended September 30, 2019 and 2018 relate to the three months ended September 29, 2019 and September 30, 2018, respectively. For convenience purposes, the Company continues to date its Consolidated Financial Statements as of September 30.

Recently Issued Accounting Pronouncements***Adopted***

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 FASB also issued additional standards which provide clarification and implementation guidance, and have the same effective date as ASU 2016-02. The Company adopted ASU 2016-02 on a modified retrospective basis as of July 1, 2019. As a result of the adoption, the Company recorded operating lease right-of-use assets, current lease liabilities and noncurrent lease liabilities for its operating leases of approximately \$1.4 billion, \$0.2 billion and \$1.4 billion, respectively, on July 1, 2019. The Company also recorded a \$9 million adjustment related to previous sale leaseback transactions, which decreased the Accumulated deficit balance as of July 1, 2019. The Company’s adoption of ASU 2016-02 also resulted in the reclassification of prepaid and deferred rent to Operating lease right-of-use assets. See Note 6—Leases.

NEWS CORPORATION
NOTES TO THE UNAUDITED 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 adopted the guidance on a cumulative-effect basis for its outstanding cash flow hedges that qualified for hedge accounting as of July 1, 2019. The adoption did not have a material impact on the Company’s 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 Cuts and Jobs Act (the “Tax Act”). ASU 2018-02 is effective for the Company for annual and interim reporting periods beginning July 1, 2019. The Company adopted the guidance as of July 1, 2019 and elected to not reclassify the stranded tax effects resulting from the Tax Act from Accumulated other comprehensive loss to Accumulated deficit. The adoption did not have a material impact on the Company’s Consolidated Financial Statements.

In April 2019, the FASB issued ASU 2019-04, “Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments” (“ASU 2019-04”). The amendments in ASU 2019-04 clarify certain aspects of accounting for credit losses, hedging activities and financial instruments. For entities that have not yet adopted ASU 2017-12, the effective date and transition requirements for ASU 2019-04 are the same as the effective date and transition requirements for ASU 2017-12. For entities that have adopted ASU 2016-01, “Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities” (“ASU 2016-01”), ASU 2019-04 is effective for the Company for annual and interim reporting periods beginning July 1, 2020 and early adoption is permitted. For clarifications around credit losses, the effective date will be the same as the effective date in ASU 2016-13. The Company adopted the amendments in ASU 2019-04 related to ASU 2017-12 and ASU 2016-01 as of July 1, 2019. The adoption did not have a material impact on the Company’s Consolidated Financial Statements.

Issued

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 must be adopted on a modified-retrospective approach and 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 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. The amendments in ASU 2018-13 related to disclosure requirements must be applied prospectively and all other amendments must be applied retrospectively. 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.

NEWS CORPORATION
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

In March 2019, the FASB issued ASU 2019-02, “Entertainment—Films—Other Assets—Film Costs (Subtopic 926-20) and Entertainment—Broadcasters—Intangibles—Goodwill and Other (Subtopic 920-350): Improvements to Accounting for Costs of Films and License Agreements for Program Materials (a consensus of the Emerging Issues Task Force)” (“ASU 2019-02”). The amendments in ASU 2019-02 align the impairment model in Entertainment—Broadcasters—Intangibles—Goodwill and Other (Subtopic 920-350) with the fair value model in Entertainment—Films—Other Assets—Film Costs (Subtopic 926-20). ASU 2019-02 must be adopted on a prospective basis and is effective for the Company for annual and interim reporting periods beginning July 1, 2020, with early adoption permitted. The Company is currently evaluating the impact ASU 2019-02 will have on its Consolidated Financial Statements.

NOTE 2. REVENUES

The following tables presents the Company’s disaggregated revenues for the three months ended September 30, 2019 and 2018:

| | For the three months ended September 30, 2019 | | | | |
|------------------------------|--|--|--|---|---------------------------|
| | News and Information Services | Subscription Video Services | Book Publishing (in millions) | Digital Real Estate Services | Total Revenues |
| Revenues: | | | | | |
| Circulation and subscription | \$ 534 | \$ 451 | \$ — | \$ 10 | \$ 995 |
| Advertising | 530 | 51 | — | 27 | 608 |
| Consumer | — | — | 387 | — | 387 |
| Real estate | — | — | — | 218 | 218 |
| Other | 85 | 12 | 18 | 17 | 132 |
| Total Revenues | \$ 1,149 | \$ 514 | \$ 405 | \$ 272 | \$ 2,340 |

| | For the three months ended September 30, 2018 | | | | |
|------------------------------|--|--|--|---|---------------------------|
| | News and Information Services | Subscription Video Services | Book Publishing (in millions) | Digital Real Estate Services | Total Revenues |
| Revenues: | | | | | |
| Circulation and subscription | \$ 529 | \$ 491 | \$ — | \$ 14 | \$ 1,034 |
| Advertising | 576 | 57 | — | 31 | 664 |
| Consumer | — | — | 400 | — | 400 |
| Real estate | — | — | — | 227 | 227 |
| Other | 143 | 17 | 18 | 21 | 199 |
| Total Revenues | \$ 1,248 | \$ 565 | \$ 418 | \$ 293 | \$ 2,524 |

NEWS CORPORATION
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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 months ended September 30, 2019 and 2018:

| | For the three months ended September 30, | |
|--|---|---------------|
| | 2019 | 2018 |
| | (in millions) | |
| Balance - beginning of period | \$ 428 | \$ 510 |
| Deferral of revenue | 821 | 595 |
| Recognition of deferred revenue ^(a) | (794) | (670) |
| Other | (7) | 1 |
| Balance - end of period | <u>\$ 448</u> | <u>\$ 436</u> |

(a) For the three months ended September 30, 2019 and 2018, the Company recognized approximately \$266 million and \$357 million, respectively, of revenue which was included in the opening deferred revenue balance.

Contract assets were immaterial for disclosure as of September 30, 2019 and 2018.

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 does not capitalize 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 months ended September 30, 2019, the Company recognized approximately \$80 million 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 September 30, 2019 was approximately \$510 million, of which approximately \$164 million is expected to be recognized over the remainder of fiscal 2020, approximately \$152 million is expected to be recognized in fiscal 2021, approximately \$56 million is expected to be recognized in fiscal 2022, and approximately \$24 million is expected to be recognized in fiscal 2023, 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. IMPAIRMENT AND RESTRUCTURING CHARGES

During the three months ended September 30, 2019, the Company recognized non-cash impairment charges of \$273 million, primarily related to the impairment of goodwill and indefinite-lived intangible assets at the News America Marketing reporting unit. As a result of the Company's continued review of strategic options for the News America Marketing business, and other market indicators, the Company determined that the fair value of the reporting unit was less than its carrying value. As a result, the Company recorded a \$122 million non-cash impairment charge to goodwill and a \$113 million non-cash impairment charge to intangible assets. The assumptions utilized in the income approach valuation method for News America Marketing were discount rates (ranging from 17.0%-18.5%) and long-term growth rates (ranging from 0.6%-1.5%).

During the three months ended September 30, 2019 and 2018, the Company recorded restructuring charges of \$24 million and \$18 million, respectively, of which \$19 million and \$17 million, respectively, related to the News and Information Services segment. The restructuring charges recorded in fiscal 2020 and 2019 were for employee termination benefits.

NEWS CORPORATION
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Changes in restructuring program liabilities were as follows:

| | For the three months ended September 30, | | | | | | | |
|------------------------------|---|------------------------------|--------------|------------------------|---|------------------------------|--------------|--------------|
| | 2019 | | | | 2018 | | | |
| | One time employee termination benefits | Facility related costs | Other costs | Total (in millions) | One time employee termination benefits | Facility related costs | Other costs | Total |
| Balance, beginning of period | \$ 28 | \$ 2 | \$ 10 | \$ 40 | \$ 29 | \$ 2 | \$ 11 | \$ 42 |
| Additions | 24 | — | — | 24 | 18 | — | — | 18 |
| Payments | (29) | — | — | (29) | (23) | — | (1) | (24) |
| Other | (1) | (2) | — | (3) | (1) | — | 1 | — |
| Balance, end of period | <u>\$ 22</u> | <u>\$ —</u> | <u>\$ 10</u> | <u>\$ 32</u> | <u>\$ 23</u> | <u>\$ 2</u> | <u>\$ 11</u> | <u>\$ 36</u> |

As of September 30, 2019, restructuring liabilities of approximately \$23 million were included in the Balance Sheet in Other current liabilities and \$9 million were included in Other non-current liabilities.

NOTE 4. INVESTMENTS

The Company's investments were comprised of the following:

| | Ownership Percentage as of September 30, 2019 | As of September 30, 2019 | As of June 30, 2019 |
|--|--|--------------------------------|---------------------------|
| | | (in millions) | |
| Equity method investments ^(a) | various | \$ 140 | \$ 148 |
| Equity securities ^(b) | various | 189 | 187 |
| Total Investments | | <u>\$ 329</u> | <u>\$ 335</u> |

^(a) Equity method investments are primarily comprised of Foxtel's investment in Nickelodeon Australia Joint Venture and Elara Technologies Pte. Ltd. ("Elara"), 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 September 30, | |
|--|---|--------------|
| | 2019 | 2018 |
| | (in millions) | |
| Total gains recognized on equity securities | \$ 1 | \$ 15 |
| Less: Gains recognized on equity securities sold | — | — |
| Unrealized gains recognized on equity securities held at end of period | <u>\$ 1</u> | <u>\$ 15</u> |

NEWS CORPORATION
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Equity Losses of Affiliates

The Company's share of the losses of its equity affiliates was \$2 million and \$3 million for the three months ended September 30, 2019 and 2018, respectively.

NOTE 5. BORROWINGS

The Company's total borrowings consist of the following:

| | <u>Interest rate at September 30, 2019</u> | <u>Due date at September 30, 2019</u> | <u>As of September 30, 2019</u> | <u>As of June 30, 2019</u> |
|--|--|---|---|------------------------------------|
| | | | (in millions) | |
| Foxtel Group | | | | |
| Credit facility 2014 — tranche 2 ^(a) | 2.92% | Jan 31, 2020 | \$ 135 | \$ 56 |
| Credit facility 2015 ^(a) | 3.12% | Jul 31, 2020 | 271 | 281 |
| Credit facility 2016 ^{(a)(c)} | 3.60% | Sept 11, 2021 | 237 | 193 |
| Working capital facility 2017 ^{(a)(c)} | 3.27% | Jul 3, 2020 | 54 | 56 |
| US private placement 2009 — tranche 3 ^(b) | — | Sept 24, 2019 | — | 75 |
| US private placement 2012 — USD portion — tranche 1 ^(b) | — | Jul 25, 2019 | — | 150 |
| US private placement 2012 — USD portion — tranche 2 ^(d) | 4.27% | Jul 25, 2022 | 200 | 199 |
| US private placement 2012 — USD portion — tranche 3 ^(d) | 4.42% | Jul 25, 2024 | 150 | 149 |
| US private placement 2012 — AUD portion | 7.04% | Jul 25, 2022 | 73 | 77 |
| REA Group | | | | |
| Credit facility 2016 — tranche 3 ^(e) | 2.30% | Dec 31, 2019 | 162 | 168 |
| Credit facility 2018 ^(e) | 2.06% | Apr 27, 2021 | 47 | 49 |
| Total borrowings | | | 1,329 | 1,453 |
| Less: current portion ^(f) | | | (622) | (449) |
| Long-term borrowings | | | <u>\$ 707</u> | <u>\$ 1,004</u> |

- (a) Borrowings under these facilities bear interest at a floating rate of Australian BBSY plus an applicable margin of between 1.20% and 2.70% per annum payable quarterly.
- (b) During the three months ended September 30, 2019, certain subsidiaries of Foxtel (together with Foxtel, the "Foxtel Debt Group") repaid \$150 million aggregate principal amount of senior unsecured notes maturing in July 2019 and \$75 million aggregate principal amount of senior unsecured notes maturing in September 2019.
- (c) As of September 30, 2019, the Foxtel Debt Group has undrawn commitments of \$41 million under these facilities for which it pays a commitment fee of 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 8 —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 September 30, 2019, REA Group was paying a margin of between 0.85% and 1.05%.
- (f) 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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NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. LEASES

On July 1, 2019, the Company adopted ASU 2016-02 on a modified retrospective basis and recognized a \$9 million cumulative-effect adjustment to the opening balance of Accumulated deficit related to previous sale leaseback transactions. ASU 2016-02 requires lessees to recognize all operating leases on the balance sheet by recording a lease liability and a right-of-use asset. The lease liability represents the present value of the Company's lease obligations over the lease term. The discount rate used was calculated using the Company's incremental borrowing rate ("IBR") which represents the interest rate at which the Company would be expected to borrow an amount equal to the lease payments on a secured basis over a similar term. To derive the IBR, the Company utilizes unsecured borrowing rates and adjusts those rates using the notching method to approximate a collateralized rate. Further adjustments are made to reflect the primary geographies in which the Company operates. The right-of-use asset represents the Company's right to use, or control the use of, the underlying asset for the lease term at lease commencement. The Company recorded operating lease right-of-use assets, current operating lease liabilities and noncurrent operating lease liabilities for its operating leases of approximately \$1.4 billion, \$0.2 billion and \$1.4 billion, respectively, on July 1, 2019.

The Company assesses whether an arrangement is a lease or contains a lease at inception. For arrangements considered leases or that contain a lease that is accounted for separately, the classification and initial measurement of the right-of-use asset and lease liability is determined at lease commencement, which is the date the underlying asset becomes available for use. The Company recognized the current and noncurrent portion of its lease liabilities within Other current liabilities and Operating lease liabilities, respectively, and its right-of-use assets within Operating lease right-of-use assets in its Balance Sheet.

Rent expense is recognized for operating leases on a straight-line basis over the lease term. Such amounts are presented within either Selling, general and administrative or Operating expenses in the Statement of Operations based on the nature of the lease. Variable lease payments are expensed in the period incurred. The Company's variable lease payments consist of payments dependent on various external indicators, including common area maintenance, real estate taxes and utility charges.

The Company applied the package of practical expedients permitted under ASU 2016-02 transition guidance. Accordingly, the Company did not reassess: (1) whether an expired or existing contract is a lease or contains an embedded lease; (2) lease classification of an expired or existing lease; (3) capitalization of initial direct costs for an expired or existing lease; (4) existing land easements for lease accounting treatment.

In addition, the Company elected the short term lease exemption to not record leases on the Balance Sheet that have a term of 12 months or less and do not contain purchase options reasonably certain of being exercised. The Company recognizes rent expense related to these leases on a straight-line basis over the lease term.

In circumstances where the Company is the lessee, the Company elected to account for lease and non-lease components as a single lease component for all asset classes. Additionally, the Company has contracts that contain customer premise equipment (i.e., set-top units) for which we apply the lessor lease and non-lease component practical expedient and account for lease components and non-lease components (e.g., service revenue) as a single performance obligation pursuant to ASU 2014-09. The Company applies this practical expedient when the lease component would be classified as an operating lease, if accounted for separately, and the service revenue component is the predominant component in the arrangement.

Summary of leases

The Company primarily leases real estate, including office space, warehouse space and printing facilities. It also leases satellite transponders for purposes of providing its subscription video service to consumers. These leases were determined to be operating leases in accordance with ASU 2016-02. The Company's operating leases generally include options to extend the lease term or terminate the lease. Such options do not impact the Company's lease term assessment until the Company is reasonably certain that the option will be exercised.

Certain of the Company's leases include rent adjustments which may be indexed to various metrics, including the consumer price index or other inflationary indexes. As a general matter, the Company's real estate lease arrangements typically require adjustments resulting from changes in real estate taxes and other costs to operate the leased asset.

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Other required lease disclosures

The total lease cost for operating leases included in the Statement of Operations was as follows:

| | <u>Income Statement Location</u> | <u>For the three months ended September 30, 2019</u> (in millions) |
|--------------------------|-------------------------------------|---|
| Operating lease costs | Selling, general and administrative | \$ 48 |
| Operating lease costs | Operating expenses | 3 |
| Short term lease costs | Operating expenses | 2 |
| Variable lease costs | Selling, general and administrative | 9 |
| Total lease costs | | \$ 62 |

Additional information related to the Company's operating leases under ASU 2016-02:

| | <u>As of September 30, 2019</u> |
|---|-------------------------------------|
| Weighted-average remaining lease term | 11.4 years |
| Weighted-average incremental borrowing rate | 3.25% |

| | <u>For the three months ended September 30, 2019</u> (in millions) |
|---|---|
| Cash paid—Operating lease liabilities | \$ 57 |
| Operating lease right-of-use asset obtained in exchange for operating lease liabilities | \$ 225 |

Future minimum lease payments under non-cancellable leases as of September 30, 2019 are as follows:

| | <u>As of September 30, 2019</u> (in millions) |
|--|--|
| Fiscal 2020 (nine months remaining) | \$ 174 |
| Fiscal 2021 | 201 |
| Fiscal 2022 | 199 |
| Fiscal 2023 | 188 |
| Fiscal 2024 | 172 |
| Thereafter | 934 |
| Total future minimum lease payments | 1,868 |
| Less: interest | 357 |
| Present value of minimum payments | \$ 1,511 |

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NOTE 7. EQUITY

The following tables summarize changes in equity for the three months ended September 30, 2019 and 2018:

| | For the three months ended September 30, 2019 | | | | | | | | | |
|---|---|-------------|-------------------------|-------------|----------------------------------|---|---|------------------------------|------------------------------|-----------------|
| | Class A Common Stock | | Class B Common Stock | | Additional Paid-in Capital | Accumulated Deficit (in millions) | Accumulated Other Comprehensive Loss | Total News Corp Equity | Non-controlling Interests | Total Equity |
| | Shares | Amount | Shares | Amount | | | | | | |
| Balance, June 30, 2019 | 386 | \$ 4 | 200 | \$ 2 | \$ 12,243 | \$ (1,979) | \$ (1,126) | \$ 9,144 | \$ 1,167 | \$ 10,311 |
| Cumulative impact from adoption of new standards | — | — | — | — | — | 6 | 3 | 9 | — | 9 |
| Net (loss) income | — | — | — | — | — | (227) | — | (227) | 16 | (211) |
| Other comprehensive loss | — | — | — | — | — | — | (143) | (143) | (45) | (188) |
| Dividends | — | — | — | — | (59) | — | — | (59) | (22) | (81) |
| Other | 2 | — | — | — | (10) | — | — | (10) | (1) | (11) |
| Balance, September 30, 2019 | <u>388</u> | <u>\$ 4</u> | <u>200</u> | <u>\$ 2</u> | <u>\$ 12,174</u> | <u>\$ (2,200)</u> | <u>\$ (1,266)</u> | <u>\$ 8,714</u> | <u>\$ 1,115</u> | <u>\$ 9,829</u> |

| | For the three months ended September 30, 2018 | | | | | | | | | |
|---|---|-------------|-------------------------|-------------|----------------------------------|---|---|------------------------------|-----------------------------|------------------|
| | Class A Common Stock | | Class B Common Stock | | Additional Paid-in Capital | Accumulated Deficit (in millions) | Accumulated Other Comprehensive Loss | Total News Corp 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 standards | — | — | — | — | — | 32 | (22) | 10 | 10 | 20 |
| Net income | — | — | — | — | — | 101 | — | 101 | 27 | 128 |
| Other comprehensive loss | — | — | — | — | — | — | (75) | (75) | (28) | (103) |
| Dividends | — | — | — | — | (59) | — | — | (59) | (23) | (82) |
| Other | 2 | — | — | — | (6) | (2) | 1 | (7) | (3) | (10) |
| Balance, September 30, 2018 | <u>385</u> | <u>\$ 4</u> | <u>200</u> | <u>\$ 2</u> | <u>\$ 12,257</u> | <u>\$ (2,032)</u> | <u>\$ (970)</u> | <u>\$ 9,261</u> | <u>\$ 1,169</u> | <u>\$ 10,430</u> |

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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 three months ended September 30, 2019 and 2018. Through November 1, 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 November 1, 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.

The Company did not purchase any of its Class B Common Stock during the three months ended September 30, 2019 and 2018.

Dividends

In August 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 October 16, 2019 to stockholders of record at the close on business on September 11, 2019. In August 2018, the Board of Directors declared a semi-annual cash dividend of \$0.10 per share for Class A Common Stock and Class B Common Stock. This dividend was paid on October 17, 2018 to stockholders of record at the close of business on September 12, 2018. 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.

NOTE 8. 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.

Under ASC 820, certain assets and liabilities are required to be remeasured to fair value at the end of each reporting period.

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The following table summarizes those assets and liabilities measured at fair value on a recurring basis:

| | As of September 30, 2019 | | | | As of June 30, 2019 | | | |
|--|--------------------------|---------------|---------------|--------------|---------------------|---------------|---------------|--------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| | (in millions) | | | | | | | |
| Assets: | | | | | | | | |
| Foreign currency derivatives - cash flow hedges | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 1 | \$ — | \$ 1 |
| Cross currency interest rate derivatives - fair value hedges | — | 23 | — | 23 | — | 29 | — | 29 |
| Cross currency interest rate derivatives - economic hedges | — | — | — | — | — | 12 | — | 12 |
| Cross currency interest rate derivatives - cash flow hedges | — | 93 | — | 93 | — | 116 | — | 116 |
| Equity securities ^(a) | 77 | — | 112 | 189 | 74 | — | 113 | 187 |
| Total assets | \$ 77 | \$ 116 | \$ 112 | \$305 | \$ 74 | \$ 158 | \$ 113 | \$345 |
| Liabilities: | | | | | | | | |
| Interest rate derivatives - cash flow hedges | \$ — | \$ 19 | \$ — | \$ 19 | \$ — | \$ 20 | \$ — | \$ 20 |
| Mandatorily redeemable noncontrolling interests | — | — | — | — | — | — | 11 | 11 |
| Cross currency interest rate derivatives - cash flow hedges | — | 19 | — | 19 | — | 18 | — | 18 |
| Total liabilities | \$ — | \$ 38 | \$ — | \$ 38 | \$ — | \$ 38 | \$ 11 | \$ 49 |

(a) See Note 4—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 three months ended September 30, | |
|--|--|---------------|
| | 2019 | 2018 |
| | (in millions) | |
| Balance - beginning of period ^(a) | \$ 113 | \$ 127 |
| Purchases | — | 5 |
| Sales | — | (10) |
| Foreign exchange and other | (1) | (7) |
| Balance - end of period | <u>\$ 112</u> | <u>\$ 115</u> |

(a) As a result of the adoption of ASU 2016-01 during the first quarter of fiscal 2019, 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.

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, 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 three months ended September 30, | |
|-------------------------------|--|--------------|
| | 2019 | 2018 |
| | (in millions) | |
| Balance - beginning of period | \$ 12 | \$ 12 |
| Payments ^(a) | (11) | — |
| Other | (1) | — |
| Balance - end of period | <u>\$ —</u> | <u>\$ 12</u> |

(a) In July 2019, REA Group acquired the remaining 19.7% interest in Smartline Home Loans Pty Limited for approximately \$11 million, increasing REA Group's ownership to 100%.

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 Debt Group borrowings denominated in U.S. dollars and payments for customer premise equipment; and
- interest rate risk: arising from fixed and floating rate Foxtel Debt 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> | As of September 30, 2019 | As of June 30, 2019 |
|--|-------------------------------|--------------------------------|---------------------------|
| | | (in millions) | |
| Foreign currency derivatives - cash flow hedges | Other current assets | \$ — | \$ 1 |
| 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 | — | 33 |
| Cross currency interest rate derivatives - fair value hedges | Other non-current assets | 23 | 21 |
| Cross currency interest rate derivatives - cash flow hedges | Other non-current assets | 93 | 83 |
| Interest rate derivatives - cash flow hedges | Other current liabilities | (1) | (2) |
| Interest rate derivatives - cash flow hedges | Other non-current liabilities | (18) | (18) |
| Cross currency interest rate derivatives - cash flow hedges | Other non-current liabilities | (19) | (18) |

The following sets forth the effect of fair value hedging relationships on hedged items in the Balance Sheets as of September 30, 2019:

| | As of September 30, 2019 (in millions) |
|--|---|
| Borrowings: | |
| Carrying amount of hedged item | \$ 69 |
| Cumulative hedging adjustments included in the carrying amount | (3) |

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 future interest payments and payments for customer premise equipment.

The total notional value of foreign currency contract derivatives designated for hedging was \$79 million as of September 30, 2019. The maximum hedged term over which the Company is hedging exposure to foreign currency fluctuations is to September 2020. As of September 30, 2019, the Company estimates that no 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\$500 million as of September 30, 2019. The maximum hedged term over which the Company is hedging exposure to variability in interest payments is to September 2022. As of September 30, 2019, the Company estimates that no 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.

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The total notional value of the cross currency interest rate swaps that were designated as cash flow hedges was approximately A\$280 million as of September 30, 2019. The maximum hedged term over which the Company is hedging exposure to variability in interest payments is to July 2024. As of September 30, 2019, the Company estimates that no 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.

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 months ended September 30, 2019 and 2018.

| | Gain (loss) recognized in Accumulated other comprehensive loss for the three months ended September 30, | | (Gain) loss reclassified from Accumulated other comprehensive loss for the three months ended September 30, | | Income statement location |
|---|---|----------------|---|--------------|--------------------------------|
| | 2019 | 2018 | 2019 | 2018 | |
| | (in millions) | | | | |
| Derivative instruments designated as cash flow hedges: | | | | | |
| Foreign currency derivatives - cash flow hedges | \$ (1) | \$ 2 | \$ (2) | \$ (1) | Operating expenses |
| Cross currency interest rate derivatives - cash flow hedges | 5 | (14) | (9) | 14 | Interest income (expense), net |
| Interest rate derivatives - cash flow hedges | (4) | (1) | (6) | 2 | Interest income (expense), net |
| Total | \$ — | \$ (13) | \$ (17) | \$ 15 | |

Upon adoption of ASU 2017-12, the Company reclassified \$5 million in gains from Accumulated deficit to Accumulated other comprehensive loss related to amounts previously recorded for the ineffective portion of outstanding derivative instruments designated as cash flow hedges. During the three months ended September 30, 2018, the Company excluded the currency basis from the changes in fair value of the derivative instruments from the assessment of hedge effectiveness.

Fair value hedges

Borrowings issued at fixed rates and in U.S. dollars expose the Company 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. For the three months ended September 30, 2019, such adjustments increased the carrying value of borrowings by approximately \$1 million.

The total notional value of the fair value hedges was approximately A\$70 million as of September 30, 2019. The maximum hedged term over which the Company is hedging exposure to variability in interest payments is to July 2024.

During the three months ended September 30, 2019 and 2018, the amount recognized in the Statement of Operations on derivative instruments designated as fair value hedges related to the ineffective portion was nil, respectively, and the Company excluded the currency basis from the changes in fair value of the derivative instruments from the assessment of hedge effectiveness.

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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.

During the three months ended September 30, 2019, the Company recognized non-cash impairment charges of \$122 million and \$113 million related to goodwill and indefinite-lived intangible assets, respectively, at the News America Marketing reporting unit. The carrying value of goodwill at the News America Marketing decreased from \$122 million to nil and the value of indefinite-lived intangible assets decreased from \$308 million to \$195 million. See Note 3 – Impairment and Restructuring Charges.

The Company did not recognize any write-downs on the carrying value of its assets during the three months ended September 30, 2018.

Other Fair Value Measurements

As of September 30, 2019, the carrying value of the Company's outstanding borrowings approximates the fair value. The U.S. private placement borrowings are classified as level 2 and the remaining borrowings are classified as level 3 in the fair value hierarchy.

NOTE 9. (LOSS) EARNINGS PER SHARE

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

| | For the three months ended | |
|---|---|----------------|
| | September 30, | |
| | 2019 | 2018 |
| | (in millions, except per share amounts) | |
| Net (loss) income | \$ (211) | \$ 128 |
| Less: Net income attributable to noncontrolling interests | (16) | (27) |
| Net (loss) income attributable to News Corporation stockholders | <u>\$ (227)</u> | <u>\$ 101</u> |
| Weighted-average number of shares of common stock outstanding - basic | 586.7 | 583.9 |
| Dilutive effect of equity awards ^(a) | — | 1.7 |
| Weighted-average number of shares of common stock outstanding - diluted | <u>586.7</u> | <u>585.6</u> |
| Net (loss) income attributable to News Corporation stockholders per share - basic and diluted | <u>\$ (0.39)</u> | <u>\$ 0.17</u> |

- (a) 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 months ended September 30, 2019 because their inclusion would have an antidilutive effect on the net loss per share.

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NOTE 10. COMMITMENTS AND CONTINGENCIES

Commitments

The Company has commitments under certain firm contractual arrangements (“firm commitments”) to make future payments. These firm commitments secure the future rights to various assets and services to be used in the normal course of operations. The Company’s commitments as of September 30, 2019 have not changed significantly from the disclosures included in the 2019 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.

News America Marketing

Insignia Systems, Inc.

On July 11, 2019, Insignia Systems, Inc. (“Insignia”) filed a complaint in the U.S. District Court for the District of Minnesota against News America Marketing FSI L.L.C. (“NAM FSI”), News America Marketing In-Store Services L.L.C. (“NAM In-Store”) and News Corporation (together, the “NAM Parties”) alleging violations of federal and state antitrust laws and common law business torts. The complaint seeks treble damages, injunctive relief and attorneys’ fees and costs. On August 14, 2019, the NAM Parties answered the complaint and asserted a counterclaim against Insignia for breach of contract, alleging that Insignia violated a prior settlement agreement between NAM In-Store and Insignia. The NAM Parties subsequently filed a motion seeking dismissal of the complaint on October 21, 2019. While it is not possible at this time to predict with any degree of certainty the ultimate outcome of this action, the NAM Parties believe they have been compliant with applicable laws and intend to defend themselves vigorously.

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 the NAM Parties and News America Incorporated (together, the “NAM Group”) alleging violations of federal and state antitrust laws and common law business torts, including unfair competition. The complaint seeks treble damages, injunctive relief and attorneys’ fees and costs. NAM In-Store and NAM FSI asserted a counterclaim against Valassis for unfair competition, alleging that Valassis has engaged in the same practices that it alleges to be unfair.

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On December 19, 2013, the NAM Group filed a motion to dismiss the complaint and on March 30, 2016, the District Court dismissed Valassis's bundling and tying claims. On September 25, 2017, the District Court granted Valassis's motion to transfer the case to the U.S. District Court for the Southern District of New York (the "N.Y. District Court"). On April 13, 2018, the NAM Group filed a motion for summary judgment dismissing the case which was granted in part and denied in part by the N.Y. District Court on February 21, 2019. The N.Y. District Court found that the NAM Group's bidding practices were lawful but denied its motion with respect to claims arising out of certain other alleged contracting practices. In addition, the N.Y. District Court also dismissed Valassis's claims relating to free-standing insert products. 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 of the Company from Twenty-First Century Fox, Inc. ("21st Century Fox") on June 28, 2013, 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 such 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 related to the U.K. Newspaper Matters in Selling, general and administrative was \$2 million for the three months ended September 30, 2019 and 2018, respectively. As of September 30, 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 \$52 million. The amount to be indemnified by FOX of approximately \$62 million was recorded as a receivable in Other current assets on the Balance Sheet as of September 30, 2019. It is not possible to estimate the liability or corresponding receivable for any additional claims that may be filed given the information that is currently available to the Company. If more claims are filed and additional information becomes available, the Company will update the liability provision and corresponding receivable for such matters.

The Company is not able to predict the ultimate outcome or cost of the civil claims. 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.

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NOTE 11. 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 September 30, 2019, the Company recorded an income tax benefit of \$21 million on a pre-tax loss of \$232 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 the lower tax benefit recorded on the impairment of News America Marketing's goodwill and indefinite-lived intangible assets and by valuation allowances being recorded against tax benefits in certain foreign jurisdictions with operating losses.

For the three months ended September 30, 2018, the Company recorded income tax expense of \$50 million on pre-tax income of \$178 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.

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 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.

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 (the "IRS") and various U.S. state and foreign jurisdictions. During the year ended June 30, 2018, the IRS commenced an audit of the Company for the 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 our 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 \$27 million and \$29 million during the three months ended September 30, 2019 and 2018, respectively, and received tax refunds of \$3 million and \$10 million, respectively.

NOTE 12. 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 and Dow Jones Newswires, 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 in-store marketing products and services, home-delivered shopper media and digital marketing solutions, including Checkout 51's mobile app, 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 distribution, and consists of (i) the Company’s 65% interest in Foxtel (with the remaining 35% interest in Foxtel held by Telstra, an Australian Securities Exchange (“ASX”)-listed telecommunications company) and (ii) Australian News Channel (“ANC”). Foxtel is the largest pay-TV provider in Australia, with nearly 200 channels covering sports, general entertainment, movies, documentaries, music, children’s programming and news. Foxtel offers the leading sports programming content in Australia, with broadcast rights to live sporting events including: National Rugby League, Australian Football League, Cricket Australia, the domestic football league, the Australian Rugby Union and various motorsports programming. Foxtel also operates Foxtel Now, an over-the-top, or OTT, service and Kayo, a sports-only OTT 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 apps across Australia and Asia, including Australia’s leading residential, commercial and share property websites, realestate.com.au, realcommercial.com.au, Flatmates.com.au and spacely.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 Opcity performance and subscription-based services. Move also offers a number of professional software and services products, including Top Producer[®] 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 | |
|---|----------------------------|----------------------|
| | September 30, | |
| | 2019 | 2018 |
| | (in millions) | |
| Revenues: | | |
| News and Information Services | \$ 1,149 | \$ 1,248 |
| Subscription Video Services | 514 | 565 |
| Book Publishing | 405 | 418 |
| Digital Real Estate Services | 272 | 293 |
| Total revenues | <u>\$ 2,340</u> | <u>\$ 2,524</u> |
| Segment EBITDA: | | |
| News and Information Services | \$ 56 | \$ 109 |
| Subscription Video Services | 81 | 113 |
| Book Publishing | 49 | 68 |
| Digital Real Estate Services | 82 | 105 |
| Other | (47) | (37) |
| Depreciation and amortization | (162) | (163) |
| Impairment and restructuring charges | (297) | (18) |
| Equity losses of affiliates | (2) | (3) |
| Interest income (expense), net | 4 | (16) |
| Other, net | 4 | 20 |
| (Loss) income before income tax benefit (expense) | (232) | 178 |
| Income tax benefit (expense) | 21 | (50) |
| Net (loss) income | <u>\$ (211)</u> | <u>\$ 128</u> |
| | As of | As of |
| | <u>September 30, 2019</u> | <u>June 30, 2019</u> |
| | (in millions) | |
| Total assets: | | |
| News and Information Services | \$ 5,580 | \$ 5,482 |
| Subscription Video Services | 4,585 | 4,406 |
| Book Publishing | 2,174 | 2,074 |
| Digital Real Estate Services | 2,224 | 2,229 |
| Other ^(a) | 1,341 | 1,185 |
| Investments | 329 | 335 |
| Total assets | <u>\$ 16,233</u> | <u>\$ 15,711</u> |

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

NEWS CORPORATION
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| | As of September 30, 2019 | As of June 30, 2019 |
|---|-----------------------------|------------------------|
| | (in millions) | |
| Goodwill and intangible assets, net: | | |
| News and Information Services | \$ 2,325 | \$ 2,617 |
| Subscription Video Services | 2,487 | 2,595 |
| Book Publishing | 755 | 772 |
| Digital Real Estate Services | 1,557 | 1,589 |
| Total Goodwill and intangible assets, net | <u>\$ 7,124</u> | <u>\$ 7,573</u> |

NOTE 13. 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 September 30, 2019 | As of June 30, 2019 |
|---------------------------------|-----------------------------|------------------------|
| | (in millions) | |
| Receivables | \$ 1,593 | \$ 1,590 |
| Allowance for doubtful accounts | (53) | (46) |
| Receivables, net | <u>\$ 1,540</u> | <u>\$ 1,544</u> |

Other Non-Current Assets

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

| | As of September 30, 2019 | As of June 30, 2019 |
|--------------------------------|-----------------------------|------------------------|
| | (in millions) | |
| Royalty advances to authors | \$ 347 | \$ 343 |
| Retirement benefit assets | 122 | 117 |
| Inventory ^(a) | 161 | 155 |
| Other | 323 | 315 |
| Total Other non-current assets | <u>\$ 953</u> | <u>\$ 930</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 September 30, 2019 | As of June 30, 2019 |
|--|-----------------------------|------------------------|
| | (in millions) | |
| Royalties and commissions payable | \$ 229 | \$ 211 |
| Current operating lease liabilities ^(a) | 182 | — |
| Allowance for sales returns | 176 | 192 |
| Current tax payable | 21 | 22 |
| Other | 241 | 299 |
| Total Other current liabilities | <u>\$ 849</u> | <u>\$ 724</u> |

^(a) As a result of the adoption of ASU 2016-02 during the first quarter of fiscal 2020, the Company has included the current portion of its operating lease liabilities within Other current liabilities as of September 30, 2019.

Other, net

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

| | For the three months ended September 30, | |
|------------------------------------|---|--------------|
| | 2019 | 2018 |
| | (in millions) | |
| Remeasurement of equity securities | \$ 1 | \$ 15 |
| Other | 3 | 5 |
| Total Other, net | <u>\$ 4</u> | <u>\$ 20</u> |

Supplemental Cash Flow Information

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

| | For the three months ended September 30, | |
|------------------------|---|-------|
| | 2019 | 2018 |
| | (in millions) | |
| Cash paid for interest | \$ 16 | \$ 23 |
| Cash paid for taxes | 27 | 29 |

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, 2019 as filed with the Securities and Exchange Commission (the “SEC”) on August 13, 2019 (the “2019 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 2019 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.

During the first quarter of fiscal 2020, certain reclassifications were made to the prior period consolidated financial statements to conform to the current year presentation. Specifically, the Company reclassified the costs associated with certain initiatives previously included in the Other segment to the News and Information Services segment as these initiatives directly benefit this segment. These reclassifications increased Selling, general and administrative by \$7 million for the News and Information Services segment for the three months ended September 30, 2018.

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”).

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 2020 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 months ended September 30, 2019 and 2018. This analysis is presented on both a consolidated basis and a segment basis. Supplemental revenue information is also included for reporting units within certain segments and is presented on a gross basis, before eliminations in consolidation. In addition, a brief description is provided of significant transactions and events that impact the comparability of the results being analyzed.

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- **Liquidity and Capital Resources** - This section provides an analysis of the Company's cash flows for the three months ended September 30, 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 September 30, 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 and Dow Jones Newswires, 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 in-store marketing products and services, home-delivered shopper media, and digital marketing solutions, including Checkout 51's mobile app, 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 distribution, and consists of (i) the Company's 65% interest in Foxtel (with the remaining 35% interest in Foxtel held by Telstra, an Australian Securities Exchange ("ASX")-listed telecommunications company) and (ii) Australian News Channel ("ANC"). Foxtel is the largest pay-TV provider in Australia, with nearly 200 channels covering sports, general entertainment, movies, documentaries, music, children's programming and news. Foxtel offers the leading sports programming content in Australia, with broadcast rights to live sporting events including: National Rugby League, Australian Football League, Cricket Australia, the domestic football league, the Australian Rugby Union and various motorsports programming. Foxtel also operates Foxtel Now, an over-the-top, or OTT, service, and Kayo, a sports-only OTT 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 apps across Australia and Asia, including Australia's leading residential, commercial and share property websites, realestate.com.au, realcommercial.com.au, Flatmates.com.au and spacely.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.

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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 Opcity performance and subscription-based services. Move also offers a number of professional software and services products, including Top Producer[®], 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 10—Commitments and Contingencies 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 June 2019, the Company announced that it is reviewing strategic options for News America Marketing, including a potential sale, and discussions with interested parties are continuing. There is no assurance regarding the timing of any action or transaction, nor that the strategic review will result in a transaction or other strategic change.

The Company is currently reviewing strategic options for Unruly, including a potential sale. There is no assurance regarding the timing of any action or transaction, nor that the strategic review will result in a transaction or other strategic change.

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RESULTS OF OPERATIONS
Results of Operations—For the three months ended September 30, 2019 versus the three months ended September 30, 2018

The following table sets forth the Company's operating results for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018.

| | For the three months ended September 30, | | | |
|---|--|---------------|-----------------|-------------|
| | 2019 | 2018 | Change | % Change |
| | Better/(Worse) | | | |
| (in millions, except %) | | | | |
| Revenues: | | | | |
| Circulation and subscription | \$ 995 | \$ 1,034 | \$ (39) | (4)% |
| Advertising | 608 | 664 | (56) | (8)% |
| Consumer | 387 | 400 | (13) | (3)% |
| Real estate | 218 | 227 | (9) | (4)% |
| Other | 132 | 199 | (67) | (34)% |
| Total Revenues | 2,340 | 2,524 | (184) | (7)% |
| Operating expenses | (1,337) | (1,340) | 3 | — |
| Selling, general and administrative | (782) | (826) | 44 | 5% |
| Depreciation and amortization | (162) | (163) | 1 | 1% |
| Impairment and restructuring charges | (297) | (18) | (279) | ** |
| Equity losses of affiliates | (2) | (3) | 1 | 33% |
| Interest income (expense), net | 4 | (16) | 20 | ** |
| Other, net | 4 | 20 | (16) | (80)% |
| (Loss) income before income tax benefit (expense) | (232) | 178 | (410) | ** |
| Income tax benefit (expense) | 21 | (50) | 71 | ** |
| Net (loss) income | (211) | 128 | (339) | ** |
| Less: Net income attributable to noncontrolling interests | (16) | (27) | 11 | 41% |
| Net (loss) income attributable to News Corporation | \$ (227) | \$ 101 | \$ (328) | ** |

** not meaningful

Revenues— Revenues decreased \$184 million, or 7%, for the three months ended September 30, 2019 as compared to the corresponding period of fiscal 2019. The Revenue decrease for the three months ended September 30, 2019 was primarily due to lower revenues at the News and Information Services segment of \$99 million, primarily due to the absence of the \$48 million net benefit related to News UK's exit from the partnership for *Sun Bets* in the first quarter of fiscal 2019, the \$35 million negative impact of foreign currency fluctuations, weakness in the print advertising market and lower revenues at News America Marketing of \$21 million, partially offset by price increases and digital subscriber growth across key mastheads. The decrease was also due to lower revenues at the Subscription Video Services segment of \$51 million, primarily due to the \$34 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 \$20 million of higher revenues from Kayo and Foxtel Now.

The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Revenue decrease of \$84 million for the three months ended September 30, 2019 as compared to the corresponding period of fiscal 2019. 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.

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Operating expenses— Operating expenses decreased \$3 million for the three months ended September 30, 2019 as compared to the corresponding period of fiscal 2019. The decrease in Operating expenses for the three months ended September 30, 2019 was mainly due to lower operating expenses at the News and Information Services segment of \$39 million, primarily due to the \$18 million positive impact of foreign currency fluctuations, cost savings initiatives and lower newsprint, production and distribution costs. The decrease was offset by higher operating expenses at the Subscription Video Services segment of \$20 million, primarily resulting from higher programming costs, and higher operating expenses at the Digital Real Estate Services segment of \$10 million, mainly due to the acquisition of and continued investment in Opicity. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in an Operating expense decrease of \$44 million for the three months ended September 30, 2019 as compared to the corresponding period of fiscal 2019.

Selling, general and administrative—Selling, general and administrative decreased \$44 million, or 5%, for the three months ended September 30, 2019 as compared to the corresponding period of fiscal 2019. The decrease in Selling, general and administrative for the three months ended September 30, 2019 was mainly due to lower expenses of \$39 million at the Subscription Video Services segment, primarily due to lower overhead costs, partially offset by higher expenses at the Other segment, partly related to an increase in equity compensation. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Selling, general and administrative decrease of \$27 million for the three months ended September 30, 2019 as compared to the corresponding period of fiscal 2019.

Depreciation and amortization— Depreciation and amortization expense decreased \$1 million, or 1%, for the three months ended September 30, 2019 as compared to the corresponding period of fiscal 2019. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a depreciation and amortization expense decrease of \$7 million for the three months ended September 30, 2019 as compared to the corresponding period of fiscal 2019.

Impairment and restructuring charges— During the three months ended September 30, 2019 and 2018, the Company recorded restructuring charges of \$24 million and \$18 million, respectively.

During the three months ended September 30, 2019, the Company recognized non-cash impairment charges of \$273 million primarily related to the impairment of goodwill and indefinite-lived intangible assets at the News America Marketing reporting unit.

See Note 3—Impairment and Restructuring Charges in the accompanying Consolidated Financial Statements.

Equity losses of affiliates— Equity losses of affiliates improved by \$1 million for the three months ended September 30, 2019 as compared to the corresponding period of fiscal 2019. See Note 4—Investments in the accompanying Consolidated Financial Statements.

Interest income (expense), net— Interest income (expense), net increased \$20 million for the three months ended September 30, 2019 as compared to the corresponding period of fiscal 2019, primarily due to the settlement of cash flow hedges related to debt maturities occurring in the first quarter of fiscal 2020 and lower third party interest expense due to repayments of maturing debt facilities.

Other, net— Other, net decreased \$16 million for the three months ended September 30, 2019 as compared to the corresponding period of fiscal 2019. See Note 13—Additional Financial Information in the accompanying Consolidated Financial Statements.

Income tax benefit (expense)— For the three months ended September 30, 2019, the Company recorded an income tax benefit of \$21 million on a pre-tax loss of \$232 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 the lower tax benefit recorded on the impairment of News America Marketing's goodwill and indefinite-lived intangible assets and by valuation allowances being recorded against tax benefits in certain foreign jurisdictions with operating losses.

For the three months ended September 30, 2018, the Company recorded income tax expense of \$50 million on pre-tax income of \$178 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.

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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 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 (loss) income — Net loss was \$211 million for the three months ended September 30, 2019 as compared to Net income of \$128 million in the corresponding period of fiscal 2019. The change in Net (loss) income was primarily due to non-cash impairment charges of \$273 million primarily related to the impairment of goodwill and indefinite-lived intangible assets at News America Marketing and lower Total Segment EBITDA, partially offset by lower tax expense.

Net income attributable to noncontrolling interests—Net income attributable to noncontrolling interests decreased by \$11 million for the three months ended September 30, 2019 as compared to the corresponding period of fiscal 2019. The decrease in Net income attributable to noncontrolling interests for the three months ended September 30, 2019 was primarily due to lower results at Foxtel and at REA Group.

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).

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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 (loss) income to Total Segment EBITDA for the three months ended September 30, 2019 and 2018:

| (in millions) | For the three months ended September 30, | |
|--------------------------------------|--|---------------|
| | 2019 | 2018 |
| Net (loss) income | \$ (211) | \$ 128 |
| Add: | | |
| Income tax (benefit) expense | (21) | 50 |
| Other, net | (4) | (20) |
| Interest (income) expense, net | (4) | 16 |
| Equity losses of affiliates | 2 | 3 |
| Impairment and restructuring charges | 297 | 18 |
| Depreciation and amortization | 162 | 163 |
| Total Segment EBITDA | <u>\$ 221</u> | <u>\$ 358</u> |

The following tables set forth the Company's Revenues and Segment EBITDA for the three months ended September 30, 2019 and 2018:

| (in millions) | For the three months ended September 30, | | | |
|-------------------------------|--|----------------|-----------------|----------------|
| | 2019 | | 2018 | |
| | Revenues | Segment EBITDA | Revenues | Segment EBITDA |
| News and Information Services | \$ 1,149 | \$ 56 | \$ 1,248 | \$ 109 |
| Subscription Video Services | 514 | 81 | 565 | 113 |
| Book Publishing | 405 | 49 | 418 | 68 |
| Digital Real Estate Services | 272 | 82 | 293 | 105 |
| Other | — | (47) | — | (37) |
| Total | <u>\$ 2,340</u> | <u>\$ 221</u> | <u>\$ 2,524</u> | <u>\$ 358</u> |

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News and Information Services (49% of the Company's consolidated revenues in the three months ended September 30, 2019 and 2018, respectively)

| (in millions, except %) | For the three months ended September 30, | | | |
|-------------------------------------|--|---------------|----------------|--------------|
| | 2019 | 2018 | Change | % Change |
| | | | Better/(Worse) | |
| Revenues: | | | | |
| Circulation and subscription | \$ 534 | \$ 529 | \$ 5 | 1% |
| Advertising | 530 | 576 | (46) | (8)% |
| Other | 85 | 143 | (58) | (41)% |
| Total revenues | 1,149 | 1,248 | (99) | (8)% |
| Operating expenses | (670) | (709) | 39 | 6% |
| Selling, general and administrative | (423) | (430) | 7 | 2% |
| Segment EBITDA | \$ 56 | \$ 109 | \$ (53) | (49)% |

Revenues at the News and Information Services segment decreased \$99 million, or 8%, for the three months ended September 30, 2019 as compared to the corresponding period of fiscal 2019. The revenue decrease was primarily due to lower Other revenues of \$58 million, primarily due to the absence of the \$48 million net benefit related to News UK's exit from the partnership for *Sun Bets* in the first quarter of fiscal 2019. Advertising revenues decreased \$46 million, mainly due to weakness in the print advertising market, primarily in Australia, lower revenues at News America Marketing of \$21 million and the \$15 million negative impact of foreign currency fluctuations, partially offset by digital advertising growth in all markets. Circulation and subscription revenues for the three months ended September 30, 2019 increased \$5 million as compared to the corresponding period of fiscal 2019 primarily due to price increases, mainly in Australia and the U.K., digital subscriber growth across all key mastheads, led by *The Wall Street Journal*, and higher professional information business revenues at Dow Jones led by Risk & Compliance. These increases were partially offset by print volume declines in Australia and in the U.K., primarily at *The Sun*, and the \$15 million negative impact of foreign currency fluctuations. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of \$35 million for the three months ended September 30, 2019 as compared to the corresponding period of fiscal 2019.

Segment EBITDA at the News and Information Services segment decreased \$53 million, or 49%, for the three months ended September 30, 2019 as compared to the corresponding period of fiscal 2019. The decrease was mainly due to lower contribution from News UK, News America Marketing and News Corp Australia of \$36 million, \$13 million and \$10 million, respectively, primarily due to the absence of the benefit at News UK related to the exit from the partnership for *Sun Bets* in the first quarter of 2019 as well as lower revenues across the businesses, partially offset by cost savings initiatives, lower newsprint, production and distribution costs and higher contribution from Dow Jones of \$10 million, primarily due to higher revenues.

Dow Jones

Revenues were \$384 million for the three months ended September 30, 2019, an increase of \$22 million, or 6%, as compared to revenues of \$362 million in the corresponding period of fiscal 2019. Circulation and subscription revenues increased \$18 million, primarily due to the \$9 million impact from digital subscriber growth and digital subscription price increases at *The Wall Street Journal*, as well as \$8 million of higher professional information business revenues led by Risk & Compliance. Advertising revenues increased \$2 million, primarily due to digital advertising growth. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of \$2 million for the three months ended September 30, 2019, as compared to the corresponding period of fiscal 2019.

News Corp Australia

Revenues were \$276 million for the three months ended September 30, 2019, a decrease of \$33 million, or 11%, compared to revenues of \$309 million in the corresponding period of fiscal 2019. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of \$18 million, or 6%, for the three months ended September 30, 2019 as compared to the corresponding period of fiscal 2019. Advertising revenues decreased \$23 million, primarily due to the \$23 million impact of weakness in the print advertising market and the \$10 million negative impact of foreign currency fluctuations, partially offset by an \$8 million increase from the acquisition of an integrated marketing content agency and a \$5 million increase due to digital advertising growth. Circulation and subscription revenues decreased \$8 million, primarily due to the \$6 million negative impact of foreign currency fluctuations, as print volume declines were mostly offset by cover price increases and digital subscriber growth.

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Revenues were \$223 million for the three months ended September 30, 2019, a decrease of \$63 million, or 22%, as compared to revenues of \$286 million in the corresponding period of fiscal 2019. The decrease in revenue mainly the result of lower Other revenues of \$56 million, primarily due to the absence of the \$48 million net benefit related to the exit from the partnership for *Sun Bets* in the first quarter of fiscal 2019. Circulation and subscription revenues decreased \$7 million, primarily due to the \$7 million negative impact of foreign currency fluctuations, as cover price increases across mastheads and digital subscriber growth offset single-copy volume declines, primarily at *The Sun*. Advertising revenue was flat, as digital advertising growth was offset by the \$4 million negative impact of foreign currency fluctuations. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of \$13 million, or 5% for the three months ended September 30, 2019 as compared to the corresponding period of fiscal 2019.

News America Marketing

Revenues at News America Marketing were \$200 million for the three months ended September 30, 2019, a decrease of \$21 million, or 10%, as compared to revenues of \$221 million in the corresponding period of fiscal 2019. The decrease was primarily related to \$20 million of lower home delivered revenues, which include free-standing insert products, mainly due to lower volume and rates, partially offset by higher in-store revenues due to higher customer spending.

Subscription Video Services (22% of the Company's consolidated revenues in the three months ended September 30, 2019 and 2018, respectively)

| (in millions, except %) | For the three months ended September 30, | | | |
|-------------------------------------|--|---------------|----------------|--------------|
| | 2019 | 2018 | Change | % Change |
| | | | Better/(Worse) | |
| Revenues: | | | | |
| Circulation and subscription | \$ 451 | \$ 491 | \$ (40) | (8)% |
| Advertising | 51 | 57 | (6) | (11)% |
| Other | 12 | 17 | (5) | (29)% |
| Total revenues | 514 | 565 | (51) | (9)% |
| Operating expenses | (344) | (324) | (20) | (6)% |
| Selling, general and administrative | (89) | (128) | 39 | 30% |
| Segment EBITDA | \$ 81 | \$ 113 | \$ (32) | (28)% |

For the three months ended September 30, 2019, revenues at the Subscription Video Services segment decreased \$51 million, or 9%, as compared to the corresponding period of fiscal 2019. The revenue decrease for the three months ended September 30, 2019 was primarily due to the \$34 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 \$20 million of higher revenues from Kayo and Foxtel Now.

For the three months ended September 30, 2019, Segment EBITDA decreased \$32 million or 28%, as compared to the corresponding period of fiscal 2019. The Segment EBITDA decrease for the three months ended September 30, 2019 was primarily due to the lower revenues discussed above, \$16 million of higher sports programming costs due to Cricket Australia and accelerated entertainment programming cost amortization of \$14 million. The decrease was partially offset by lower overhead costs.

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Book Publishing (17% of the Company's consolidated revenues in the three months ended September 30, 2019 and 2018, respectively)

| (in millions, except %) | For the three months ended September 30, | | | |
|-------------------------------------|--|--------------|----------------|--------------|
| | 2019 | 2018 | Change | % Change |
| | | | Better/(Worse) | |
| Revenues: | | | | |
| Consumer | \$ 387 | \$ 400 | \$ (13) | (3)% |
| Other | 18 | 18 | — | — |
| Total revenues | 405 | 418 | (13) | (3)% |
| Operating expenses | (279) | (275) | (4) | (1)% |
| Selling, general and administrative | (77) | (75) | (2) | (3)% |
| Segment EBITDA | \$ 49 | \$ 68 | \$ (19) | (28)% |

For the three months ended September 30, 2019, revenues at the Book Publishing segment decreased \$13 million, or 3%, as compared to the corresponding period of fiscal 2019. The decrease for the three months ended September 30, 2019 was primarily due to lower sales of *Girl, Wash Your Face* by Rachel Hollis, *The Hate U Give* by Angie Thomas and *The Subtle Art Of Not Giving A F*ck* by Mark Manson, as well as the \$5 million negative impact of foreign currency fluctuations. Digital sales represented approximately 22% of Consumer revenues during the three months ended September 30, 2019. Digital sales decreased approximately 5% as compared to the corresponding period of fiscal 2019, primarily due to the lower revenues discussed above.

For the three months ended September 30, 2019, Segment EBITDA at the Book Publishing segment decreased \$19 million, or 28%, as compared to the corresponding period of fiscal 2019. The decrease was primarily due to the mix of titles.

Digital Real Estate Services (12% of the Company's consolidated revenues in the three months ended September 30, 2019 and 2018, respectively)

| (in millions, except %) | For the three months ended September 30, | | | |
|-------------------------------------|--|---------------|----------------|--------------|
| | 2019 | 2018 | Change | % Change |
| | | | Better/(Worse) | |
| Revenues: | | | | |
| Circulation and subscription | \$ 10 | \$ 14 | \$ (4) | (29)% |
| Advertising | 27 | 31 | (4) | (13)% |
| Real estate | 218 | 227 | (9) | (4)% |
| Other | 17 | 21 | (4) | (19)% |
| Total revenues | 272 | 293 | (21) | (7)% |
| Operating expenses | (45) | (35) | (10) | (29)% |
| Selling, general and administrative | (145) | (153) | 8 | 5% |
| Segment EBITDA | \$ 82 | \$ 105 | \$ (23) | (22)% |

For the three months ended September 30, 2019, revenues at the Digital Real Estate Services segment decreased \$21 million, or 7%, as compared to the corresponding period of fiscal 2019. At REA Group, revenues decreased \$24 million, or 14%, to \$149 million for the three months ended September 30, 2019 from \$173 million in the corresponding period of fiscal 2019. The lower revenues were primarily due to a decrease in Australian residential depth revenue driven by softness in listing volumes, the \$10 million negative impact of foreign currency fluctuations and the extended duration of Premier All listings. Revenues at Move increased \$5 million, or 4%, to \$123 million for the three months ended September 30, 2019 from \$118 million in the corresponding period of fiscal 2019, primarily due to the acquisition of Opcity which contributed \$7 million of revenues, partially offset by lower revenues from software and services.

For the three months ended September 30, 2019, Segment EBITDA at the Digital Real Estate Services segment decreased \$23 million, or 22%, as compared to the corresponding period of fiscal 2019. The decrease in Segment EBITDA was primarily due to the lower revenues at REA Group discussed above and the \$16 million impact associated with the acquisition of and continued investment in Opcity, partially offset by lower costs at Move. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Segment EBITDA decrease of \$5 million for the three months ended September 30, 2019 as compared to the corresponding period of fiscal 2019.

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 September 30, 2019, the Company's cash and cash equivalents were \$1.44 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 September 30, 2019, the Company's consolidated assets included \$537 million in cash and cash equivalents that were held by its foreign subsidiaries. Of this amount, \$53 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 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 three months ended September 30, 2019 and 2018. Through November 1, 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 November 1, 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.

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The Company did not purchase any of its Class B Common Stock during the three months ended September 30, 2019 and 2018.

Dividends

In August 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 October 16, 2019 to stockholders of record at the close of business on September 11, 2019. In August 2018, the Board of Directors declared a semi-annual cash dividend of \$0.10 per share for Class A Common Stock and Class B Common Stock. This dividend was paid on October 17, 2018 to stockholders of record at the close of business on September 12, 2018. 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 three months ended September 30, 2019 versus the three months ended September 30, 2018

Net cash provided by operating activities for the three months ended September 30, 2019 and 2018 was as follows (in millions):

| For the three months ended September 30, | 2019 | 2018 |
|---|-------------|-------------|
| Net cash provided by operating activities | \$ 27 | \$ 113 |

Net cash provided by operating activities decreased by \$86 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018. The decrease was primarily due to lower Total Segment EBITDA, partially offset by lower working capital.

Net cash used in investing activities for the three months ended September 30, 2019 and 2018 was as follows (in millions):

| For the three months ended September 30, | 2019 | 2018 |
|---|-------------|-------------|
| Net cash used in investing activities | \$ (118) | \$ (121) |

During the three months ended September 30, 2019, the Company used \$117 million of cash for capital expenditures, of which \$66 million related to Foxtel.

During the three months ended September 30, 2018, the Company used \$133 million of cash for capital expenditures, of which \$69 million related to Foxtel.

Net cash used in financing activities for the three months ended September 30, 2019 and 2018 was as follows (in millions):

| For the three months ended September 30, | 2019 | 2018 |
|---|-------------|-------------|
| Net cash used in financing activities | \$ (95) | \$ (124) |

Net cash used in financing activities decreased by \$29 million for the three months ended September 30, 2019, as compared to the three months ended September 30, 2018. During the three months ended September 30, 2019, the Company repaid \$290 million of borrowings related to Foxtel and made dividend payments of \$22 million to REA Group minority stockholders. The net cash used in financing activities for the three months ended September 30, 2019 was partially offset by new borrowings related to Foxtel of \$199 million and the net settlement of hedges of \$57 million.

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During the three months ended September 30, 2018, the Company repaid borrowings of \$192 million, mainly related to Foxtel, and redeemed the Company's redeemable preferred stock for \$20 million. The net cash used in financing activities for the three months ended September 30, 2018 was partially offset by borrowings related to Foxtel of \$131 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:

| | For the three months ended September 30, | |
|--|--|----------------|
| | 2019 | 2018 |
| | (in millions) | |
| Net cash provided by operating activities | \$ 27 | \$ 113 |
| Less: Capital expenditures | (117) | (133) |
| | (90) | (20) |
| Less: REA Group free cash flow | (28) | (38) |
| Plus: Cash dividends received from REA Group | 35 | 37 |
| Free cash flow available to News Corporation | <u>\$ (83)</u> | <u>\$ (21)</u> |

Free cash flow available to News Corporation decreased by \$62 million in the three months ended September 30, 2019 to (\$83) million from (\$21) million in the corresponding period of fiscal 2019, primarily due to lower cash provided by operating activities, partially offset by lower capital expenditures as discussed above.

Borrowings

As of September 30, 2019, the Company had total borrowings of \$1.3 billion, including the current portion. The Company's borrowings as of such date reflect \$1.1 billion of outstanding debt incurred by certain subsidiaries of Foxtel (together with Foxtel, the "Foxtel Debt Group") that the Company consolidated upon completion of the combination of Foxtel and FOX SPORTS Australia (the "Transaction"). The Foxtel Debt Group indebtedness includes U.S. private placement senior unsecured notes and drawn amounts under its revolving credit facilities with maturities ranging from fiscal 2020 to 2025 and is guaranteed by certain members of the Foxtel Debt Group. In accordance with ASC 805 "Business Combinations" ("ASC 805"), these debt instruments were recorded at fair value as of the Transaction date. During the three months ended September 30, 2019, the Foxtel Debt Group had repayments of approximately \$290 million, including the repayment of \$150 million aggregate principal amount of senior unsecured notes maturing in July 2019 and \$75 million aggregate principal amount of senior unsecured notes maturing in September 2019, and borrowings of approximately \$199 million. Approximately \$135 million and \$325 million aggregate principal amount outstanding of the Foxtel Debt Group

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indebtedness will mature during the remainder of fiscal 2020 and in fiscal 2021, respectively. The Foxtel Debt Group expects to repay, in the near term, the majority of this indebtedness through a combination of new indebtedness and the proceeds from an additional A\$200 million shareholder loan from the Company. The remaining balance of indebtedness is expected to be repaid primarily through additional debt refinancing and cash on hand. The Company previously provided A\$500 million of shareholder loans to the Foxtel Debt Group in fiscal 2019 and also provided an A\$200 million revolving credit facility to the Foxtel Debt Group for working capital purposes during the three months ended September 30, 2019. The shareholder loans bear interest at a variable rate of Australian BBSY plus an applicable margin ranging from 6.30% to 7.75% and mature in December 2027. The working capital facility bears interest at a variable rate of Australian BBSY plus an applicable margin ranging from 1.60% to 2.70% and matures in July 2024.

The Company's borrowings as of September 30, 2019 also reflect the indebtedness of REA Group. REA Group has outstanding borrowings of \$209 million, of which approximately \$162 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 \$41 million of undrawn commitments under the Foxtel Debt Group's revolving credit facilities.

The Company's borrowings contain customary representations, covenants, and events of default. The Company was in compliance with all such covenants at September 30, 2019.

See Note 5—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 September 30, 2019 have not changed significantly from the disclosures included in the 2019 Form 10-K.

Contingencies

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

The Company establishes an accrued liability for legal claims when it determines that 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 10 – Commitments and Contingencies in the accompanying Consolidated Financial Statements.

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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 2019 Form 10-K.

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 first quarter of fiscal 2020 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

There have been no material changes to the discussion set forth under “Legal Proceedings” in the Company’s 2019 Form 10-K.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors described in the Company’s 2019 Form 10-K, except as set forth below:

Certain FCC Rules and Regulations and the Separation and Distribution Agreement May Restrict the Company From Acquiring or Owning Certain Types of Assets in the U.S.

The Federal Communications Commission (“FCC”) has promulgated certain rules and regulations that limit the common ownership of radio and television broadcast stations and the common ownership of broadcast stations and newspapers (the “Broadcast Ownership Rules”) and place commercial restrictions on a cable network programmer in which a cable television operator holds an ownership interest (the “Program Access Rules”). In November 2017, the FCC voted to eliminate the Broadcast Ownership Rules, and the order became effective in February 2018. However, in September 2019, a panel of the U.S. Court of Appeals for the Third Circuit (the “Third Circuit”) issued a mandate vacating the FCC’s order and reinstating the Broadcast Ownership Rules. The FCC petitioned the Third Circuit for en banc review in November 2019, which automatically stayed the issuance of the mandate during the Third Circuit’s review of the petition and any potential en banc proceedings. However, if the Third Circuit denies the FCC’s petition or the full court upholds the panel’s decision, the Broadcast Ownership Rules would be reinstated.

Under the FCC’s rules for determining ownership of the media assets described above, the Murdoch Family Trust’s ownership interest in both the Company and FOX would generally result in each company’s businesses and assets being attributable to the Murdoch Family Trust for purposes of determining compliance with the Broadcast Ownership Rules and the Program Access Rules. Consequently, the Company may be restricted from taking advantage of certain acquisition or investment opportunities, including, for example, the acquisition of a newspaper in the same local market in which FOX owns or operates a television station. In addition, the Company agreed in the Separation and Distribution Agreement, as amended, that if it acquires newspapers, radio or television broadcast stations or television broadcast networks in the U.S. and such acquisition would impede or be reasonably likely to impede FOX’s business under the Broadcast Ownership Rules or any other federal statute or FCC rule that limits, directly or indirectly, the ownership or control of radio broadcast stations, television broadcast stations, newspapers and/or television broadcast networks, including FOX’s ability to own and operate its television stations or otherwise comply with such rules or statutes, then the Company will be required to take certain actions, including divesting assets, in order to permit FOX to hold its media interests and to comply with such rules or statutes. The Company also agreed not to acquire an interest in a multichannel video programming distributor, including a cable television operator, if such acquisition would subject FOX to the Program Access Rules to which it is not then subject. This agreement effectively limits the activities or strategic business alternatives available to the Company if such activities or strategic business alternatives implicate the Broadcast Ownership Rules or Program Access Rules or any other federal statute or FCC rule that limits, directly or indirectly, the ownership or control of radio broadcast stations, television broadcast stations, newspapers and/or television broadcast networks, and would impede or be reasonably likely to impede FOX’s business.

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 November 8, 2019, the Board of Directors of the Company approved the assumption by Susan Panuccio, the Company’s Chief Financial Officer, of the duties of the Principal Accounting Officer from Kevin Halpin, the Company’s Deputy Chief Financial Officer, effective as of the same date.

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ITEM 6. EXHIBITS

(a) Exhibits.

- 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 September 30, 2019 formatted in Inline XBRL: (i) Consolidated Statements of Operations for the three months ended September 30, 2019 and 2018 (unaudited); (ii) Consolidated Statements of Comprehensive (Loss) Income for the three months ended September 30, 2019 and 2018 (unaudited); (iii) Consolidated Balance Sheets as of September 30, 2019 (unaudited) and June 30, 2019 (audited); (iv) Consolidated Statements of Cash Flows for the three months ended September 30, 2019 and 2018 (unaudited); and (v) Notes to the Unaudited Consolidated Financial Statements.*
- 104 The cover page from News Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, formatted in Inline XBRL (included as Exhibit 101).*

* 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: November 8, 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.

November 8, 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.

November 8, 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 September 30, 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.

November 8, 2019

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

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