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, 2018

or

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

For the transition period from _________ to_________

Commission file number 001-35769

NEWS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	46-2950970

NEWS CORPORATION

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NEWS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; millions, except per share amounts)

	Notes	For the three months ended September 30, 2018	2017
Revenues:			
Circulation and subscription		$ 1,034	$ 651
Advertising		664	682
Consumer		400	386
Real estate		227	203
Other		199	136
Total Revenues	2	2,524	2,058
Operating expenses		(1,340)	(1,149)
Selling, general and administrative		(826)	(661)
Depreciation and amortization		(163)	(97)
Impairment and restructuring charges	4	(18)	(15)
Equity losses of affiliates	5	(3)	(10)
Interest (expense) income, net		(16)	6
Other, net	14	20	9
Income before income tax expense		178	141
Income tax expense	12	(50)	(54)
Net income		128	87
Less: Net income attributable to noncontrolling interests		(27)	(19)
Net income attributable to News Corporation stockholders		$ 101	$ 68
Basic and diluted earnings per share:	10		
Net income available to News Corporation stockholders per share		$ 0.17	$ 0.12
Cash dividends declared per share of common stock		$ 0.10	$ 0.10

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

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited; millions)

	For the three months ended September 30,	
	2018	2017
Net income	$ 128	$ 87

NEWS CORPORATION

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

	Notes	As of September 30, 2018 (unaudited)	As of June 30, 2018 (audited)
Assets:			
Current assets:			
Cash and cash equivalents		$ 1,886	$ 2,034
Receivables, net	14	1,648	1,612
Inventory, net		388	376
Other current assets		547	372
Total current assets		4,469	4,394
Non-current assets:			
Investments	5	390	393
Property, plant and equipment, net		2,512	2,560
Intangible assets, net		2,607	2,671
Goodwill		5,153	5,218
Deferred income tax assets	12	260	279
Other non-current assets	14	897	831
Total assets		$ 16,288	$ 16,346
Liabilities and Equity:			
Current liabilities:			
Accounts payable		$ 537	$ 605
Accrued expenses		1,258	1,340
Deferred revenue		436	516
Current borrowings	6	671	462
Other current liabilities	14	643	372
Total current liabilities		3,545	3,295
Non-current liabilities:			
Borrowings	6	1,186	1,490
Retirement benefit obligations		241	245
Deferred income tax liabilities	12	401	389
Other non-current liabilities		485	430
Commitments and contingencies	11		
Redeemable preferred stock	7	—	20
Class A common stock[(a)]		4	4
Class B common stock[(b)]		2	2
Additional paid-in capital		12,257	12,322
Accumulated deficit		(2,032)	(2,163)
Accumulated other comprehensive loss		(970)	(874)
Total News Corporation stockholders' equity		9,261	9,291
Noncontrolling interests		1,169	1,186
Total equity	8	10,430	10,477
Total liabilities and equity		$ 16,288	$ 16,346

(a) Class A common stock, $0.01 par value per share ("Class A Common Stock"), 1,500,000,000 shares authorized, 385,202,454 and 383,385,353 shares issued and outstanding, net of 27,368,413 treasury shares at par at September 30, 2018 and June 30, 2018, respectively.

(b) Class B common stock, $0.01 par value per share ("Class B Common Stock"), 750,000,000 shares authorized, 199,630,240 shares issued and outstanding, net of 78,430,424 treasury shares at par at September 30, 2018 and June 30, 2018, respectively.

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

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CONSOLIDATED STATEM ENTS OF CASH FLOWS
(Unaudited; millions)

	Notes	For the three months ended September 30,	

NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

News Corporation (together with its subsidiaries, •News Corporation,Ž •News Corp,Ž the •Company,Ž •weŽ or •usŽ) is a global diversified media and information services company comprised of businesses across a range of media, including: news and information services, subscription video services in Australia, book publishing and digital real estate services.

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

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

Intercompany transactions and balances have been eliminated. Equity investments in which the Company exercises significant influence but does not exercise control and is not the primary beneficiary are accounted for using the equity method. In accordance with ASU 2016-01, investments in which the Company is not able to exercise significant influence over the investee are measured at fair value, if the fair value is readily determinable. If an investment•s fair value is not readily determinable, the Company will measure the investment at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer.

The consolidated statements of operations are referred to herein as the •Statements of Operations.Ž The consolidated balance sheets are referred to herein as the •Balance Sheets.Ž The consolidated statements of cash flows are referred to herein as the •Statements of Cash FlowsŽ

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

Certain reclassifications have been made to the prior period consolidated financial statements to conform to the current year presentation. Specifically, in the first quarter of fiscal 2019, the Company reclassified Conference Sponsorship revenues at its Dow Jones reporting unit and Merchandising revenues at News America Marketing from Other revenues to Advertising revenues as the Company believes that the reclassification more accurately reflects the nature of those revenue streams. These revenue reclassifications totaled $12 million for the three months ended September 30, 2017 and $57 million for the fiscal year ended June 30, 2018.

The Company•s fiscal year ends on the Sunday closest to June 30. Fiscal 2019 and fiscal 2018 include 52 weeks. All references to the three months ended September 30, 2018 and 2017 relate to the three months ended September 30, 2018 and October 1, 2017, respectively. For convenience purposes, the Company continues to date its consolidated financial statements as of September 30.

Issued

In February 2016, the FASB issued ASU 2016-02, •Leases (Topic 842)Ž (•ASU 2016-02Ž). The amendments in ASU 2016-02 address certain aspects in lease accounting, with the most significant impact for lessees. The amendments in ASU 2016-02 require lessees to recognize all leases on the balance sheet by recording a right-of-use asset and a lease liability, and lessor accounting has been updated to align with the new requirements for lessees. The new standard also provides changes to existing sale-leaseback guidance. In July 2018, the FASB issued ASU 2018-10, •Codification Improvements to Topic 842, Leases,Ž which clarifies how to apply certain aspects of ASU 2016-02, and ASU 2018-11 •Leases (Topic 842): Targeted Improvements,Ž which provides entities with an additional and optional transition method to adopt the new leases standard. ASU 2016-02 is effective for the Company for annual and interim reporting periods beginning July 1, 2019. The Company is currently evaluating the impact ASU 2016-02 will have on its consolidated financial statements.

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

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

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

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

In August 2018, the FASB issued ASU 2018-14, •Compensation„Retirement Benefits„Defined Benefit Plans„General (Subtopic 715-20): Disclosure Framework„Changes to the Disclosure Requirements for Defined Benefit PlansŽ (•ASU 2018-14Ž). The amendments in ASU 2018-14 modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. ASU 2018-14 eliminates the disclosures for amounts in Accumulated other comprehensive loss expected to be recognized as a component of net periodic benefit cost and the effect of a percentage change in health care cost trend rate. ASU 2018-14 is effective for the Company for annual and interim reporting periods beginning July 1, 2021. The Company is currently evaluating the impact ASU 2018-14 will have on its consolidated financial statements.

NOTE 2. REVENUES

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

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

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

€ Reclassification of certain payments to customers

For certain revenue streams within the Subscription Video Services, Book Publishing and News and Information Services segments, the Company previously recorded certain marketing and sales incentive payments to customers within Operating expenses and Selling, general and administrative expenses. In accordance with ASC 606, such payments are now recorded as a reduction of revenue. For the three months ended September 30, 2018, revenues were $28 million lower as a result of this reclassification, with no impact on the Company's net income.

€ Deferred installation revenues in the Subscription Video Services segment

Under ASC 606, each customer subscription is accounted for as a distinct performance obligation. Installation services are not accounted for as a distinct performance obligation and are instead included within the overall services being provided. Therefore, installation revenues are deferred and recognized over the respective customer contract term. Historically, installation revenues were deferred and recognized over the estimated customer life. For the three months ended September 30, 2018, revenues were $6 million higher

The Company•s revenues for the three months ended September 30, 2018 and the opening balance sheet as of July 1, 2018 under both ASC 606 and the prior standard, ASC 605 are as follows:

	For the three months ended September 30, 2018		
	ASC 605	Effects of Adoption	ASC 606
		(in millions)	
Revenue:			
Circulation and subscription	$ 1,032	$ 2	$ 1,034
Advertising	664	—	664
Consumer	412	(12)	400
Real estate	227	—	227
Other	206	(7)	199
Total revenues	$ 2,541	$ (17)	$ 2,524
Operating expenses and Selling, general and administrative	$ (2,190)	$ 24	$ (2,166)
Net income	$ 123	$ 5	$ 128

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

Billings to clients and payments received in advance of performance of services or delivery of products are recorded as deferred revenue until the services are performed or the product is de

Sales returns

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

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, 2018:

	For the three months ended September 30, 2018 (in millions)
Balance as of July 1, 2018	$ 510
Deferral of revenue	595
Recognition of deferred revenue[(a)]	(670)
Other	1
Balance as of September 30, 2018	$ 436

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

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

Practical expedients and other revenue disclosures

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

During the three months ended September 30, 2018, 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, 2018 was approximately $300 million, of which approximately $90 million is expected to be recognized over the remainder of fiscal 2019, approximately $110 million is expected to be recognized in fiscal 2020, $80 million is expected to be recognized in fiscal 2021, with the remainder to be recognized thereafter. These amounts do not include (i) contracts with an expected duration of one year or less, (ii) contracts for which variable consideration is determined based on the customer's subsequent sale or usage and (iii) variable consideration allocated to performance obligations accounted for under the series guidance that meets the allocation objective under ASC 606.

NOTE 3. ACQUISITIONS, DISPOSALS AND OTHER TRANSACTIONS

New Foxtel

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

The Transaction was accounted for in accordance with ASC 805 "Business Combinations" ("ASC 805") which requires the Company to re-measure its

NEWS CORPORATION

NOTE 6. BORROWINGS

The Company’s total borrowings consist of the following:

	Interest rate at September 30, 2018	Due date at September 30, 2018	As of September 30, 2018	As of June 30, 2018
			(in millions)	
Foxtel Group				
Credit facility 2013(a)	3.63%	Apr 7, 2019	$ 217	$ 222
Credit facility 2014 – tranche 1(a)	3.68%	May 30, 2019	144	148
Credit facility 2014 – tranche 2(a)	3.78%	Jan 31, 2020	144	148
Credit facility 2015(a)	3.83%	Jul 31, 2020	289	296
Credit facility 2016(a)(b)	4.38%	Sept 11, 2021	47	108
Working capital facility 2017(a)(b)	3.98%	Jul 3, 2020	58	59
US private placement 2009 – tranche 3(c)	6.20%	Sept 24, 2019	75	75
US private placement 2012 – USD portion – tranche 1(c)	3.68%	Jul 25, 2019	149	150
US private placement 2012 – USD portion – tranche 2(c)	4.27%	Jul 25, 2022	197	196
US private placement 2012 – USD portion – tranche 3(c)	4.42%	Jul 25 2024	147	146
US private placement 2012 – AUD portion	7.04%	Jul 25, 2022	80	83
REA Group				
Credit facility 2016 – tranche 2(d)	2.84%	Dec 31, 2018	86	89
Credit facility 2016 – tranche 3(d)	2.94%	Dec 31, 2019	173	178
Credit facility 2018(d)	2.76%	April 27, 2021	51	54
Total borrowings			1,857	1,952
Less: current portion(e)			(671)	(462)
Long-term borrowings			$ 1,186	$ 1,490

(a) Borrowings under these facilities bear interest at a floating rate of Australian BBSY plus an applicable margin of between 1.10% and 2.70% per annum payable quarterly.

(b) As of September 30, 2018, the Foxtel Group has undrawn commitments of $251 million under these facilities for which it pays a commitment fee in the range of 40% to 45% of the applicable margin.

(c) The carrying value of the borrowings include any fair value adjustments related to the Company’s fair value hedges. See Note 9 – Financial Instruments and Fair Value Measurements.

(d) 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, 2018, REA Group was paying a margin of between 0.85% and 1.05%.

(e) 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.”

NOTE 7. REDEEMABLE PREFERRED STOCK

In connection with the Company's separation of its businesses (the "Separation") from Twenty-First Century Fox, Inc. ("21st Century Fox") on June 28, 2013 (the "Distribution Date"), 21st Century Fox sold 4,000 shares of cumulative redeemable preferred stock with a par value of $5,000 per share of a newly formed U.S. subsidiary of the Company. The preferred stock paid dividends at a rate of 9.5% per annum, payable quarterly in arrears. The preferred stock was callable by the Company at any time after the fifth year and puttable at the option of the holder after 10 years. In July 2018, the Company exercised its call option and redeemed 100% of the outstanding redeemable preferred stock.

NOTE 8. EQUITY

The following table summarizes changes in equity:

	For the three months ended September 30,					
	2018			2017		
	News Corporation stockholders	Noncontrolling Interests	Total Equity	News Corporation stockholders	Noncontrolling Interests	Total Equity
	(in millions)					
Balance, beginning of period	$ 9,291	$ 1,186	$ 10,477	$ 10,789	$ 284	$ 11,073
Cumulative impact of revenue standard adoption	10	10	20	—	—	—
Net income	101	27	128	68	19	87
Other comprehensive (loss) income	(75)	(28)	(103)	112	4	116
Dividends	(59)	(23)	(82)	(59)	(21)	(80)
Other	(7)	(3)	(10)	3	(3)	—
Balance, end of period	$ 9,261	$ 1,169	$ 10,430	$ 10,913	$ 283	$ 11,196

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, 2018. Through November 2, 2018, 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 2, 2018 was approximately $429 million. All decisions regarding any future stock repurchases are at the sole discretion of a duly appointed committee of the Board of Directors and management. The committee's decisions regarding future stock repurchases will be evaluated from time to time in light of many factors, including the Company's financial condition, earnings, capital requirements and debt facility covenants, other contractual restrictions, as well as legal requirements, regulatory constraints, industry practice, market volatility and other factors that the committee may deem relevant. The stock repurchase authorization may be modified, extended, suspended or discontinued at any time by the Board of Directors and the Board of Directors cannot provide any assurances that any additional shares will be repurchased.

Dividends

In 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 9. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

In accordance with ASC 820, •Fair Value MeasurementsŽ (•ASC 820Ž) 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. The following table summarizes those assets and liabilities measured at fair value on a recurring basis:

	September 30, 2018				June 30, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(in millions)							
Assets:								
Foreign currency derivatives - cash flow hedges	$ „	$ 4	$ „	$ 4	$ „	$ 3	$ „	$ 3
Cross currency interest rate derivatives - fair value hedges	„	22	„	22	„	29	„	29
Cross currency interest rate derivatives - economic hedges	„	11	„	11	„	10	„	10
Cross currency interest rate derivatives - cash flow hedges	„	91	„	91	„	76	„	76
Equity securities[(a)]	111	„	115	226	93	„	„	93
Total assets	$ 111	$ 128	$ 115	$ 354	$ 93	$ 118	$ „	$ 211
Liabilities:								
Interest rate derivatives - cash flow hedges	$ „	$ 18	$ „	$ 18	$ „	$ 20	$ „	$ 20
Mandatorily redeemable noncontrolling interests	„	„	12	12	„	„	12	12
Cross currency interest rate derivatives - cash flow hedges	„	11	„	11	„	12	„	12
Total liabilities	$ „	$ 29	$ 12	$ 41	$ „	$ 32	$ 12	$ 44

(a) See Note 5 „Investments.

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

Equity securities

The fair values of equity securities with quoted prices in active markets are determined based on the closing price at the end of each reporting period. These securities are classified as

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 F

	Gain (loss) recognized in Accumulated Other Comprehensive Income for the three months ended September 30,		Gain (loss) reclassified from Accumulated Other Comprehensive Income for the three months ended September 30,		Income statement location
	2018	2017	2018	2017	
	(in millions)				
Derivative instruments designated as cash flow hedges:					
Foreign currency derivatives - cash flow hedges	$ (2)	$ „	$ 1	$ „	Operating expenses
Cross currency interest rate derivatives - cash flow hedges	14	„	(14)	„	Interest (expense) income, net
Interest rate derivatives - cash flow hedges	1	„	(2)	„	Interest (expense) income, net
Total	$ 13	$ „	$ (15)	$ „	

During the three months ended September 30, 2018, the amount recognized in the Statement of Operations for the ineffective portion of derivative instruments designated as cash flow hedges was nil, and the Company did

Nonrecurring Fair Value Measurements

In addition to assets and liabilities that are remeasured at

The changes included in the Tax Act are broad and complex. The SEC issued Staff Accounting Bulletin No. 118 (SAB 118), as amended by ASU 2018-05, which provides guidance for companies related to the Tax Act. ASU 2018-05 allows for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts. The Company's accounting for the tax effects of the Tax Act will be completed during this measurement period and is expected to be finalized in the second quarter of fiscal 2019 pending further SEC guidance. The final transition impacts of the Tax Act may differ from the Company's current estimates, possibly materially, due to, among other things, changes in interpretations of the Tax Act, any legislative action to address questions that arise because of the Tax Act, any changes in accounting standards for income taxes or related interpretations in response to the Tax Act, or any updates or changes to estimates the Company has utilized to calculate the transition impacts.

In accordance with SAB 118, the Company has made reasonable estimates related to (1) the remeasurement of U.S. deferred tax balances for the reduction in the tax rate, (2) the liability for the transition tax and (3) the partial valuation allowance recorded against its federal NOL carryforward due to the impact of the GILTI and BEAT provisions. As a result, the Company recognized a net provisional income tax expense of $723 million associated with these items in the fiscal year ended June 30, 2018. For the three months ended September 30, 2018, the Company has not made any adjustments to the provisional amounts recorded as of June 30, 2018.

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

For the three months ended September 30, 2017, the Company recorded a tax charge of $54 million on pre-tax income of $141 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.

The Company's tax returns are subject to on-going review and examination by various tax authorities. Tax authorities may not agree with the treatment of items reported in our tax returns, and therefore the outcome of tax reviews and examinations can be unpredictable. The Company is currently undergoing tax examinations by the Internal Revenue Service ("IRS"), various U.S. state and foreign jurisdictions. During the 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 $29 million and $48 million during the three months ended September 30, 2018 and 2017 and received tax refunds of $10 million and nil, respectively.

NOTE 13. SEGMENT INFORMATION

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

- 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 the Dow Jones Media Group, which includes *Barron's* and MarketWatch, the Company's suite of professional information products, including Factiva, Dow Jones Risk & Compliance, Dow Jones Newswires and DJX, and its live journalism events. The Company also owns, among other publications, *The Australian*, *The Daily Telegraph*, *Herald Sun*

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

  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.

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NEWS CORPORATION
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

	For the three months ended September 30,	
	2018	2017
	(in millions)	
Revenues:		
News and Information Services	$ 1,248	$ 1,241

	As of September 30, 2018	As of June 30, 2018
	(in millions)	
Goodwill and intangible assets, net:		
News and Information Services	$ 2,716	$ 2,730
Subscription Video Services	2,769	2,853
Book Publishing	797	804
Digital Real Estate Services	1,478	1,502
Total Goodwill and intangible assets, net	$ 7,760	$ 7,889

NOTE 14. ADDITIONAL FINANCIAL INFORMATION

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. As a result of the adoption of ASU 2014-09 the Company has reclassified its sales returns reserve to Other current liabilities.

Receivables, net consist of:

	As of September 30, 2018	As of June 30, 2018
	(in millions)	
Receivables	$ 1,693	$ 1,829
Allowance for sales returns (a)	—	(171)
Allowance for doubtful accounts	(45)	(46)
Receivables, net	$ 1,648	$ 1,612

(a) As a result of the adoption of the new revenue recognition standard, the Company reclassified the allowance for sales returns from Receivables to Other current liabilities. See Note 2 – Revenue.

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

	As of September 30, 2018	As of June 30, 2018
	(in millions)	
Royalty advances to authors	$ 322	$ 312
Inventory (a)	146	143
Other	429	376
Total Other non-current assets	$ 897	$ 831

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

NEWS CORPORATION

NOTE 15. SUBSEQUENT EVENTS

In October 2018, the Company acquired Opcity, Inc. (“Opcity”), a market-leading real estate technology platform that matches qualified home buyers and sellers with real estate professionals in real time. The total transaction value was approximately $210 million, consisting of approximately $182 million in cash, net of $7 million of cash acquired, and approximately $28 million in deferred payments and restricted stock unit awards for Opcity’s founders and qualifying employees, which will be recognized as compensation expense over the three years following the closing. Included in the cash amount is approximately $20 million that will be held back for approximately 18 months after closing. The acquisition will broaden realtor.com®’s lead generation product portfolio, allowing real estate professionals to choose between traditional lead products or a concierge-based model that provides highly vetted, transaction-ready leads. Opcity is a subsidiary of Move, and its results will be included within the Digital Real Estate Services segment. The Company is currently in the process of evaluating the purchase accounting implications, and as a result, disclosures required under ASC 805-10-50-2(h) cannot be made at this time.

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 statementsŽ within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the •Exchange ActŽ), and Section 27A of the Securities Act of 1933, as amended. All statements that are not statements of historical fact are forward-looking st comparability of the results being analyzed. To enhance the comparability of the financial information provided to users, the Company has supplementally included pro forma financial information for the three months ended September 30, 2017 reflecting the Transaction within its discussion and analysis below.

- - This section provides an analysis of the Company•s cash flows for the three months ended September 30, 2018 and 2017, as well as a discussion of the Company•s financial arrangements and outstanding commitments, both firm and contingent, that existed as of September 30, 2018.

OVERVIEW OF THE COMPANY•S BUSINESSES

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

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

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

  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.

- „The Book Publishing segment consists of HarperCollins, the second largest consumer book publisher in the world, with operations in 18 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.

- „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

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 Connections℠ for Buyers and Advantage℠ Pro products. Move also offers a number of professional software and services products, including Top Producer®, FiveStreet® and ListHub™.

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

Other Business Developments

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

RESULTS OF OPERATIONS

The following table sets forth the Company's operating results for the three months ended September 30, 2018 as compared to the three months ended September 30, 2017.

(in millions, except %)	For the three months ended September 30, 2018	2017	Change	% Change Better/(Worse)
Revenues:				
Circulation and subscription	$ 1,034	$ 651	$ 383	59%
Advertising	664	682	(18)	(3)%
Consumer	400	386	14	4%
Real estate	227	203	24	12%
Other	199	136	63	46%
Total Revenues	2,524	2,058	466	23%
Operating expenses	(1,340)	(1,149)	(191)	(17)%
Selling, general and administrative	(826)	(661)	(165)	(25)%
Depreciation and amortization	(163)	(97)	(66)	(68)%
Impairment and restructuring charges	(18)	(15)	(3)	(20)%
Equity losses of affiliates	(3)	(10)	7	70%
Interest (expense) income, net	(16)	6	(22)	**
Other, net	20	9	11	**
Income before income tax expense	178	141	37	26%
Income tax expense	(50)	(54)	4	7%
Net income	128	87	41	47%
Less: Net income attributable to noncontrolling interests	(27)	(19)	(8)	(42)%
Net income attributable to News Corporation	$ 101	$ 68	$ 33	49%

** not meaningful

Revenues—Revenues increased $466 million, or 23%, for the three months ended September 30, 2018, as compared to the corresponding period of fiscal 2018. The revenue increase for the three months ended September 30, 2018 was primarily due to higher revenues at the Subscription Video Services segment of $420 million resulting in large part from the Transaction, which contributed $425 million to the increase. The Revenue increase was also attributable to higher revenues of $22 million at the Digital Real Estate Services segment, mainly due to increased revenues at both REA Group and Move, and $17 million at the Book Publishing segment as a result of higher sales primarily in the general books, Christian and Children's categories, partially offset by the impact of the adoption of the new revenue recognition standard.

The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of $49 million for the three months ended September 30, 2018 as compared to the corresponding period of fiscal 2018. The Company calculates the impact of foreign currency fluctuations for businesses reporting in currencies other than the U.S. dollar by multiplying the results for each quarter in the current period by the difference between the average exchange rate for that quarter and the average exchange rate in effect during the corresponding quarter of the prior year and totaling the impact for all quarters in the current period.

Operating expenses—Operating expenses increased $191 million, or 17%, for the three months ended September 30, 2018, as compared to the corresponding period of fiscal 2018. The increase in Operating expenses for the three months ended September 30, 2018 was mainly due to higher operating expenses at the Subscription Video Services segment of $217 million primarily resulting from the Transaction. The increase was offset by lower operating expenses at the News and Information Services segment of $23 million for the three months ended September 30, 2018. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in an Operating expense decrease of $17 million for the three months ended September 30, 2018 as compared to the corresponding period of fiscal 2018.

Selling, general and administrative expenses increased $165 million, or 25%, for the three months ended September 30, 2018, as compared to the corresponding period of fiscal 2018. The increase in Selling, general and administrative expenses for the three months ended September 30, 2018 was primarily due to higher expenses of $117 million at the Subscription Video Services segment, primarily as a result of the Transaction, and the absence of the $46 million impact from the reversal of a portion of the previously accrued liability for the U.K. Newspaper Matters and the corres

For the three months ended September 30, 2018, the Company recorded a tax charge of $50 million on pre-tax income of $178 million resulting in an effective tax rate that was higher than the U.S. statutory rate. The higher tax rate was primarily due to valuation allowances being recorded against tax benefits in certain foreign jurisdictions with operating losses and the impact from foreign operations which are subject to higher tax rates.

For the three months ended September 30, 2017, the Company recorded a tax charge of $54 million on pre-tax income of $141 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.

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

Net income increased by $41 million for the three months ended September 30, 2018 as compared to the corresponding period of fiscal 2018 primarily due to higher Total Segment EBITDA, partially offset by higher Depreciation and amortization and Interest expense.

Net income attributable to noncontrolling interests increased by $9 million for the three months ended September 30, 2018 as compared to the corresponding period of fiscal 2018 primarily due to the non-controlling interest in new Foxtel and higher results at REA Group.

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

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

Total Segment EBITDA is a non-GAAP measure and should be considered in addition to, not as a substitute for, net income (loss), cash flow and other measures of financial performance reported in accordance with GAAP. In addition, this measure does not reflect cash available to fund requirements and excludes items, such as depreciation and amortization and impairment and restructuring charges, which are significant components in assessing the Company's financial performance. The Company believes that the presentation of Total Segment EBITDA provides useful information regarding the Company's operations and other factors that affect the Company's reported results. Specifically, the Company believes that by excluding certain one-time or non-cash items such as impairment and restructuring charges and depreciation and amortization, as well as potential distortions between periods caused by factors such as financing and capital structures and changes in tax positions or regimes, the Company provides users of its consolidated financial statements with insight into both its core operations as well as the factors that affect reported results between periods but which the Company believes are not representative of its core business. As a result, users of the Company's consolidated financial statements are better able to evaluate changes in the core operating results of the Company across different periods. The following table reconciles Net income to Total Segment EBITDA for the three months ended September 30, 2018 and 2017:

Segment EBITDA at the News and Information Services segment increased $42 million, or 57%, for the three months ended September 30, 2018 as compared to the corresponding period of fiscal 2018. The increase was mainly due to the benefit related to the exit of the partnership for Sun Bets.

Dow Jones

Revenues were $362 million for the three months ended September 30, 2018, an increase of $12 million, or 3%, as compared to revenues of $350 million in the corresponding period of fiscal 2018. Circulation and subscription revenues increased $15 million, primarily due to the $13 million impact from digital subscriber growth and digital subscription price increases at The Wall Street Journal. Advertising revenues were relatively flat. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of $1 million for the three months ended September 30, 2018 as compared to the corresponding period of fiscal 2018.

News Corp Australia

Revenues at the Australian newspapers were $309 million for the three months ended September 30, 2018, a decrease of $23 million, or 7%, compared to revenues of $332 million in the corresponding period of fiscal 2018. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of $25 million, or 8%, for the three months ended September 30, 2018 as compared to the corresponding period of fiscal 2018. Advertising revenues decreased $21 million, primarily due to the $15 million impact of weakness in the print advertising market and the $14 million negative impact of foreign currency fluctuations, partially offset by the $7 million increase due to digital advertising growth. Circulation and subscription revenues were relatively flat.

News UK

Revenues were $286 million for the three months ended September 30, 2018, an increase of $31 million, or 12%, as compared to revenues of $255 million in the corresponding period of fiscal 2018. The increase was due to the net impact of the benefit related to the exit of the partnership for Sun Bets of $48 million. Advertising revenues decreased $7 million, primarily due to the weakness in the print advertising market. Circulation and subscription revenues decreased $5 million, primarily due to single-copy volume declines, mainly at The Sun, partially offset by the impact of cover price increases across mastheads. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of $1 million for the three months ended September 30, 2018 as compared to the corresponding period of fiscal 2018.

News America Marketing

Revenues at News America Marketing were $221 million for the three months ended September 30, 2018, a decrease of $13 million, or 6%, as compared to revenues of $234 million in the corresponding period of fiscal 2018. The decrease was primarily related to $18 million of lower home delivered revenues, which include free-standing insert products, mainly due to lower volume.

[redacted]

For the three months ended September 30, 2018, Segment EBITDA at the Book Publishing segment increased $20 million, or 42%, as compared to the corresponding period of fiscal 2018. The increase was primarily due to the higher revenues discussed above and the mix of title

(12% and 13% of the Company's consolidated revenues in the three months ended September 30, 2018 and 2017, respectively)

(in millions, except %)	For the three months ended September 30, 2018	2017	Change	% Change Better/(Worse)
Revenues:				
Circulation and subscription	$ 14	$ 14	$ „	„
Advertising				

(g) Reflects the adjustment to amortization expense resulting from the recognition of amortizable intangible assets in the preliminary purchase price allocation.

(h) Reflects the adjustment to depreciation and amortization expense resulting from the fair value adjustment to Foxtel•s historical fixed assets in the preliminary purchase price allocation, which resulted in a step-up in the value of such assets.

(i) Reflects the reversal of amortization expense included in News Corp•s historical Statement of Operations from the Company•s settlement of its pre-existing contractual arrangement between Foxtel and FOX SPORTS Australia, which resulted in a write-off of its channel distribution agreement intangible asset at the time of the Transaction.

(j) Represents the impact to equity losses of affiliates as a result of the Transaction, as if the Transaction occurred on July 1, 2016. Historically News Corp accounted for its investment in Foxtel under the equity method of accounting. As a result of the Transaction, Foxtel became a majority-owned subsidiary of the Company, and therefore, the impact of Foxtel on the Company•s historical equity losses of affiliates wa

—Revenues decreased $69 million, or 3%, for the three months ended September 30, 2018, as compared to the corresponding period of fiscal 2018. The Revenue decrease was attributable to a $115 million decrease in the Subscription Video Services segment primarily resulting from lower subscription revenues due to subscriber mix, lower advertising revenues and the $45 million negative impact of foreign currency fluctuations. The revenue decrease was partially offset by higher revenues of $22 million at the Digital Real Estate Services segment, mainly due to increased revenues at both REA Group and Move, and $17 million at the Book Publishing segment as a result of higher sales primarily in the general books category, partially offset by the impact of the adoption of the new revenue recognition standard. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a revenue decrease of $90 million for the three months ended September 30, 2018, as compared to the corresponding period of fiscal 2018.

—Operating expenses decreased $101 million, or 7%, for the three months ended September 30, 2018, as compared to the corresponding period of fiscal 2018. The decrease in Operating expenses for the three months ended September 30, 2018 was mainly due to lower operating expenses at the Subscription Video Services segment of $75 million primarily resulting from lower non-sports programming and pay-per-view costs and the $26 million impact of foreign currency fluctuations. The decrease was also driven by lower operating expenses at the News and Information Services segment of $23 million for the three months ended September 30, 2018. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in an Operating expense decrease of $42 million for the three months ended September 30, 2018, as compared to the corresponding period of fiscal 2018.

—Selling, general and administrative expenses increased $49 million, or 6%, for the three months ended September 30, 2018, as compared to the corresponding period of fiscal 2018. The increase in Selling, general and administrative expenses was primarily due to the absence of the $46 million impact from the reversal of a portion of the previously accrued liability for the U.K. Newspaper Matters and the corresponding receivable from 21st Century Fox as the result of an agreement reached with the relevant tax authority with respect to certain employment taxes in the first quarter of fiscal 2018. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Selling, general and administrative expense decrease of $29 million for the three months ended September 30, 2018, as compared to the corresponding period of fiscal 2018.

—Depreciation and amortization expense decreased $3 million, or 2%, for the three months ended September 30, 2018, as compared to the corresponding period of fiscal 2018. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a depreciation and amortization expense decrease of $6 million for the three months ended September 30, 2018, as compared to the corresponding period of fiscal 2018.

—During the three months ended September 30, 2018 and 2017, the Company recorded restructuring charges of $18 million primarily related to employee termination benefits in the News and Information Services segment.

—Equity losses of affiliates were higher by $1 million for the three months ended September 30, 2018 as compared to the corresponding period of fiscal 2018.

—Interest (expense) income, net was ($16) million as compared to ($6) million in the corresponding period of fiscal 2018 primarily due to lower interest expense from the repayment of the Foxtel shareholder note in the first quarter of fiscal 2018.

Other, net increased $12 million for the three months ended September 30, 2018, as compared to the corresponding period of fiscal 2018, primarily due to the remeasurement of equity securities in accordance with the adoption of ASU 2016-01.

—The Company's income tax expense and effective tax rate for the three months ended September 30, 2018 were $50 million and 28%, respectively, as compared to an income tax expense and effective tax rate of $57 million and 33%, respectively, for the corresponding period of fiscal 2018.

For the three months ended September 30, 2018, the Company recorded a 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.

For the three months ended September 30, 2017, the Company recorded a tax expense of $57 million on pre-tax income of $171 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.

Net income increased $14 million for the three months ended September 30, 2018 as compared to the corresponding period of fiscal 2018, primarily due to lower Interest expense and higher Other, net, partially offset by lower Total Segment EBITDA.

Net income attributable to noncontrolling interests decreased by $6 million for the three months ended September 30, 2018 as compared to the corresponding period of fiscal 2018, primarily due to lower performance at new Foxtel, partially offset by increased performance at REA Group.

The following table reconciles unaudited reported and pro forma Net income to unaudited reported and pro forma Total Segment EBITDA for the three months ended September 30, 2018 and 2017, respectively:

	For the three months ended September 30,	
	2018	2017
(in millions)	As reported	Pro forma
Net income	$ 128	$ 114
Add:		
Income tax expense	50	57
Other, net	(20)	(8)
Interest expense (income), net	16	26
Equity losses of affiliates	3	2
Impairment and restructuring charges	18	18
Depreciation and amortization	163	166
Total Segment EBITDA	$ 358	$ 375

(in millions)	For the three months ended September 30, 2018 As reported Revenues	2018 As reported Segment EBITDA	2017 Pro forma Revenues	2017 Pro forma Segment EBITDA
News and Information Services	$ 1,248	$ 116	$ 1,241	$ 74
Subscription Video Services	565	113	680	154
Book Publishing	418	68	401	48
Digital Real Estate Services	293	105	271	95
Other	—	(44)	—	4
Total	$ 2,524	$ 358	$ 2,593	$ 375

(22% and 26% of the Company's consolidated revenues in the three months ended September 30, 2018 and 2017, respectively)

(in millions, except %)	For the three months ended September 30, 2018 As reported	2017 Pro forma	Change Better/(Worse)	% Change Better/(Worse)
Revenues:				
Circulation and subscription	$ 491	$ 592	$ (101)	(17)%
Advertising	57	75	(18)	(24)%
Other	17	13	4	31%
Total Revenues	565	680	(115)	(17)%
Operating expenses	(324)	(399)	75	19%
Selling, general and administrative	(128)	(127)	(1)	(1)%
Segment EBITDA	$ 113	$ 154	$ (41)	(27)%

For the three months ended September 30, 2018, revenues at the Subscription Video Services segment decreased $115 million as compared to the corresponding period of fiscal 2018. The revenue decrease was primarily due to lower subscription revenues resulting from subscriber mix, lower advertising revenues, lower contribution from pay-per-view and the $45 million negative impact of foreign currency fluctuations.

For the three months ended September 30, 2018, Segment EBITDA at the Subscription Video Services segment decreased $41 million, or 27%, as compared to the corresponding period of fiscal 2018. The decrease in Segment EBITDA was primarily due to the lower revenues discussed above and the negative impact of foreign exchange currency fluctuations of $10 million, partially offset by lower non-sports programming and pay-per-view costs.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal source of liquidity is internally generated funds and cash and cash equivalents on hand. As of September 30, 2018, the Company's cash and cash equivalents were $1,886 million. 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

Net cash provided by (used in) operating activities for the three months ended September 30, 2018 and 2017 was as follows (in millions):

For the three months ended September 30,	2018	2017
Net cash provided by (used in) operating activities	$113	$ (4)

Net cash provided by (used in) operating activities increased by $117 million for the three months ended September 30, 2018 as compared to the three months ended September 30, 2017. The increase was primarily due to higher Total Segment EBITDA.

Net cash used in investing activities for the three months ended September 30, 2018 and 2017 was as follows (in millions):

For the three months ended September 30,	2018	2017
Net cash used in investing activities	$(121)	$(121)

Net cash used in investing activities was $121 million for the three months ended September 30, 2018 and 2017.

During the three months ended September 30, 2018, the Company used $133 million of cash for capital expenditures of which $69 million related to new Foxtel. During the three months ended September 30, 2017, the Company used $62 million for capital expenditures and $54 million of cash for acquisitions, primarily for the acquisition of Smartline.

Net cash used in financing activities for the three months ended September 30, 2018 and 2017 was as follows (in millions):

For the three months ended September 30,	2018	2017
Net cash used in financing activities	$(124)	$(31)

The Company had net cash used in financing activities of $124 million for the three months ended September 30, 2018 as compared to net cash used in financing activities of $31 million for the three months ended September 30, 2017. The increase primarily relates to the repayment of borrowings of $192 million, mainly related to new Foxtel and the redemption of the Company•s redeemable preferred stock of $20 million partially offset by new borrowings by new Foxtel of $131 million.

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 flowŽ), 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 (used in) operating activities to free cash flow available to News Corporation:

	For the three months ended September 30, 2018	2017
	(in millions)	
Net cash provided by (used in) operating activities	$ 113	$ (4)
Less: Capital expenditures	(133)	(62)
	(20)	(66)
Less: REA Group free cash flow	(38)	(27)
Plus: Cash dividends received from REA Group	37	33
Free cash flow available to News Corporation	$ (21)	$ (60)

Free cash flow available to News Corporation improved by $39 million in the three months ended September 30, 2018 to ($21) million from ($60) million in the corresponding period of fiscal 2018, primarily due to higher cash provided by operating activities as discussed above, partially offset by higher capital expenditures.

Borrowings

As of September 30, 2018, the Company had total borrowings of $1.9 billion, including the current portion. The Company's borrowings as of such date reflect $1.55 billion of outstanding debt incurred by certain subsidiaries of new Foxtel (together with new Foxtel, the "Foxtel Group") that the Company consolidated upon completion of the Transaction. The Foxtel Group debt includes U.S. private placement senior unsecured notes and drawn amounts under its revolving credit facilities, with maturities ranging from 2019 to 2024. Approximately $447 million and $541 million aggregate principal amount outstanding will mature during fiscal 2019 and 2020, respectively, and the Company expects to fund these debt repayments primarily with new borrowings. The Foxtel Group's borrowings are guaranteed by certain members of the Foxtel Group. In accordance with ASC 805, these debt instruments were recorded at fair value as of the Transaction date. During the first quarter of fiscal 2019, the Foxtel Group had repayments of $190 million and borrowings of $131 million under its working capital facility.

The Company's borrowings as of September 30, 2018 also reflect the indebtedness of REA Group. The second tranche of its A$480 million unsecured revolving loan facility of approximately $86 million (A$120 million) will mature in December 2018, and the Company expects REA Group to fund this debt repayment primarily with cash on hand.

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 $251 million of undrawn commitments under Foxtel Group's revolving credit facilities.

The Company's borrowings contains customary representations, covenants, and events of default. The Company was in compliance with all such covenants at September 30, 2018.

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

PART II

ITEM 1. LEGAL PROCEEDINGS

There have been no material changes to the discussion set forth under •Legal ProceedingsŽ in the Company•s 2018 Form 10-K.

ITEM 1A. RISK FACTORS

There have been no material changes to risk factors disclosed in the Company•s Annual Report on Form 10-K for the fiscal year ended June 30, 2018.

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

Not applicable.

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. Sect

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, 2018

Exhibit 31.1

Chief Executive Officer Certification

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

I, Robert J. Thomson, certify that:

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

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, 2018

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

Exhibit 32.1

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, 2018, as filed with the Securities and Exchange Commission on the date hereof (the •ReportŽ), we, the undersigned officers of News Corporation, certify, pursuant to 18 U.S.C. § 1350,