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factors are used to determine the fair value of the respective assets. If these estimates or related projections change in the future, we may be required to record impairment charges for these assets.

As required by SFAS 142, goodwill is allocated to various reporting units, which are generally one reporting level below the operating segment. SFAS 142 requires the Company to compare the fair value of each reporting unit to its carrying amount on an annual basis to determine if there is potential goodwill impairment. If the fair value of a reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the fair value of the goodwill within the reporting unit is less than the carrying value of its goodwill.

To determine the fair value of our reporting units, we generally use a present value technique (discounted cash flow) corroborated by market multiples when available and as appropriate. A key factor for our discounted cash flow analyses is the estimate of future cash flows of each reporting unit which is, in turn, sensitive to our estimates of future revenue growth and margins for these businesses. If actual revenue growth and/or margins are lower than our expectations, the impairment test results could differ. A present value technique was not used to determine the fair value of the ABC Television Network, a business within the Television Broadcasting reporting unit within the Media Networks operating segment. To determine the fair value of the ABC Television Network, we used a revenue multiple, as a present value technique may not consistently capture the full fair value of the ABC Television Network, and there is little comparable market data available due to the scarcity of television networks. If there was a publicly disclosed sale of a comparable network, this may provide better market information with which to estimate the value of the ABC Television Network and could impact our impairment assessment. We applied what we believe to be the most appropriate valuation methodology for each of the reporting units. If we had established different reporting units or utilized different valuation methodologies, the impairment test results could differ.

SFAS 142 requires the Company to compare the fair values of other indefinite-lived intangible assets to their carrying amounts. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized. Fair values of other indefinite-lived intangible assets are determined based on discounted cash flows or appraised values, as appropriate.

The Company has cost and equity investments. The fair value of these investments is dependent on the performance of the investee companies, as well as volatility inherent in the external markets for these investments. In assessing potential impairment for these investments, we consider these factors as well as forecasted financial performance of our investees. If these forecasts are not met, impairment charges may be required.

We completed our impairment testing as of September 27, 2008, which resulted in a non-cash impairment charge of $39 million related to ESPN Radio and Radio Disney FCC licenses. During fiscal years 2007 and 2006, the Company recorded non-cash impairment charges of $26 million and $32 million, respectively, related to ESPN Radio and Radio Disney FCC licenses. These impairment charges reflected overall market declines in certain radio markets in which we operate.

Contingencies and Litigation We are currently involved in certain legal proceedings and, as required, have accrued estimates of the probable and estimable losses for the resolution of these claims. These estimates have been developed in consultation with outside counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially affected by changes in our assumptions or the effectiveness of our strategies related to these proceedings. See Note 14 to the Consolidated Financial Statements for more detailed information on litigation exposure.

Income Tax Audits As a matter of course, the Company is regularly audited by federal, state and foreign tax authorities. From time to time, these audits result in proposed assessments. Our determinations regarding the recognition of income tax benefits are made in consultation with outside tax and legal counsel where appropriate and are based upon the technical merits of our tax positions in consideration of applicable tax statutes and related interpretations and precedents and upon the expected outcome of proceedings (or negotiations) with taxing and legal authorities. The tax benefits ultimately realized by the Company may differ from those recognized in our financial statements based on a number of factors, including the Company's decision to settle rather than litigate a matter, relevant legal precedent related to similar matters and the Company's success in supporting its filing positions with taxing authorities. The Company adopted FIN 48 at the beginning of fiscal 2008. See Note 2 to the Consolidated Financial Statements for more detailed information.

Stock Option Compensation Expense Each year during the second quarter, the Company awards stock options and restricted stock units to a broad-based group of management and creative personnel (the Annual Grant). The Company uses a binomial valuation model which takes into account variables such as volatility, dividend yield, and the risk-free interest rate. The binomial valuation model also considers the expected exercise multiple (the multiple of exercise price to grant price at which exercises are expected to occur on average) and the termination rate (the probability of a vested option being cancelled due to the termination of the option holder) in computing the value of the option. Accordingly, the Company believes that the binomial valuation model should produce a fair value that is representative of the value of an employee option.

In fiscal years 2008, 2007, and 2006, the weighted average assumptions used in the options-pricing models were as follows:

	2008	2007	2006
Risk-free interest rate	**3.6%**	4.5%	4.3%
Expected volatility	**29%**	26%	26%
Dividend yield	**1.02%**	0.79%	0.79%
Termination rate	**7.5%**	7.4%	4.0%
Exercise multiple	**1.39**	1.38	1.48

Although the initial fair value of stock options is not adjusted after the grant date, changes in the Company's assumptions may change the value of, and therefore the expense related to, future stock option grants. The assumptions that cause the greatest variation in fair value in the binomial valuation model are the expected volatility and expected exercise multiple. Increases or decreases in either the expected volatility or expected exercise multiple will cause the binomial option value to increase or decrease, respectively.

The volatility assumption considers both historical and implied volatility and may be impacted by the Company's performance as well as changes in economic and market conditions. See Note 11 to the Consolidated Financial Statements for more detailed information. If the expected volatility of 29% used by the Company during 2008 was increased or decreased by five percentage points (i.e. to 34% or to 24%), the weighted average grant date fair value of our 2008 stock option grants would have increased by 10% or decreased by 11%, respectively.

The expected exercise multiple may be influenced by the Company's future stock performance, stock price volatility, and employee

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turnover rates. If the exercise multiple assumption of 1.39 used by the Company during 2008 were increased to 1.6 or decreased to 1.2, the weighted average binomial value of our 2008 stock option grants would have increased by 6% or decreased by 10%, respectively.

In connection with the acquisition of Pixar on May 5, 2006, the Company converted previously issued vested and unvested Pixar stock-based awards into Disney stock-based awards consisting of 44 million stock options and one million RSUs. The fair value of these awards was estimated using the Black-Scholes option pricing model, as the information required to use the binomial valuation model was not reasonably available. The methodology utilized to determine the assumptions in the Black-Scholes model was consistent with that used by the Company for its option pricing models.

ACCOUNTING CHANGES

SFAS 161 In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133* (SFAS 161). SFAS 161 amends and expands the disclosure requirements for derivative instruments and hedging activities by requiring enhanced disclosures about how and why the Company uses derivative instruments, how derivative instruments and related hedged items are accounted for, and how derivative instruments and related hedged items affect the Company's financial position, financial performance and cash flows. SFAS 161 is effective for the Company in the second quarter of fiscal year 2009.

EITF 07-1 In December 2007, the FASB issued Emerging Issues Task Force Issue No. 07-1, *Accounting for Collaborative Arrangements* (EITF 07-1). EITF 07-1 defines collaborative arrangements and establishes accounting and reporting requirements for transactions between participants in the arrangement and third parties. A collaborative arrangement is a contractual arrangement that involves a joint operating activity, for example an agreement to co-produce and distribute a motion picture with another studio. EITF 07-1 is effective for the Company's 2010 fiscal year. The Company is currently assessing the potential effect of EITF 07-1 on its financial statements.

SFAS 141R In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R, *Business Combinations* (SFAS 141R), which replaces SFAS 141, *Business Combinations*. SFAS 141R establishes principles and requirements for determining how an enterprise recognizes and measures the fair value of certain assets and liabilities acquired in a business combination, including noncontrolling interests, contingent consideration, and certain acquired contingencies. SFAS 141R also requires acquisition-related transaction expenses and restructuring costs be expensed as incurred rather than capitalized as a component of the business combination. SFAS 141R will be applicable prospectively to business combinations beginning in the Company's 2010 fiscal year.

SFAS 160 In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements – An Amendment of ARB No. 51* (SFAS 160). SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary. SFAS 160 also requires that a retained noncontrolling interest upon the deconsolidation of a subsidiary be initially measured at its fair value. SFAS 160 is effective for the Company's 2010 fiscal year. Upon adoption of SFAS 160, the Company will be required to report its noncontrolling interests as a separate component of shareholders' equity. The Company will also be required to present net income allocable to the noncontrolling interests and net income attributable to the shareholders of the Company separately in its consolidated statements of income. Currently, noncontrolling interests (minority interests) are reported between liabilities and shareholders' equity in the Company's statement of financial position and the related income attributable to minority interests is reflected as an expense in arriving at net income. SFAS 160 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements of SFAS 160 are to be applied prospectively.

SFAS 159 In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – including an amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 gives the Company the irrevocable option to carry most financial assets and liabilities at fair value, with changes in fair value recognized in earnings. SFAS 159 is effective for the Company's 2009 fiscal year. The Company does not expect that the adoption of SFAS 159 will have a material impact on its financial statements.

SFAS 158 In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, an amendment of FASB Statements No. 87, 88, 106, and 132(R) (SFAS 158). This statement requires recognition of the overfunded or underfunded status of defined benefit pension and other postretirement plans as an asset or liability in the statement of financial position and changes in that funded status to be recognized in comprehensive income in the year in which the changes occur. SFAS 158 also requires measurement of the funded status of a plan as of the end of the fiscal year. The Company adopted the recognition provision of SFAS 158 in fiscal year 2007 which resulted in a $261 million charge to accumulated other comprehensive income. The Company will adopt the measurement date provisions at the beginning of the first quarter of fiscal year 2009 which will result in a reduction of approximately $40 million to retained earnings.

SFAS 157 In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 provides a common definition of fair value and establishes a framework to make the measurement of fair value in generally accepted accounting principles more consistent and comparable. SFAS 157 also requires expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on earnings. SFAS 157 is effective for the Company's 2009 fiscal year. In February 2008, the FASB issued FSP SFAS No. 157-2, *Effective Date of FASB Statement No. 157* (FSP 157-2), which delays the effective date for SFAS 157 for all nonrecurring fair value measurements of nonfinancial assets and nonfinancial liabilities until the Company's 2010 fiscal year. The Company does not expect that the adoption of SFAS 157 will have a material impact on its financial statements.

SAB 108 In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (SAB 108). SAB 108 was issued in order to eliminate the diversity in practice surrounding how public companies quantify financial statement misstatements. SAB 108 requires that registrants quantify errors using both a balance sheet and income statement approach and evaluate whether either approach results in a misstated amount that, when all relevant quantitative and qualitative factors are considered, is material. The Company adopted SAB 108 at the end of fiscal 2007, and the adoption did not have a material impact on the Company's financial statements.

FIN 48 In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 clarifies the accounting for income taxes by prescribing a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined in FIN 48 as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Company adopted FIN 48 at the beginning of fiscal year 2008. Applying FIN 48 to all tax positions upon adoption resulted in reductions of $148 million and $15 million to opening retained earnings and minority interests, respectively.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of the Company. We may from time to time make written or oral statements that are "forward-looking," including statements contained in this report and other filings with the Securities and Exchange Commission and in reports to our shareholders. Such statements may, for example, express expectations or projections about future actions that we may take, including restructuring or strategic initiatives, or about developments beyond our control including changes in domestic or global economic conditions. These statements are made on the basis of management's views and assumptions as of the time the statements are made and we undertake no obligation to update these statements. There can be no assurance, however, that our expectations will necessarily come to pass. Significant factors affecting these expectations are set forth under Item 1A – Risk Factors of this Report on Form 10-K.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to the impact of interest rate changes, foreign currency fluctuations, commodity fluctuations and changes in the market values of its investments.

POLICIES AND PROCEDURES

In the normal course of business, we employ established policies and procedures to manage the Company's exposure to changes in interest rates, foreign currencies, commodities, and the fair market value of certain investments in debt and equity securities using a variety of financial instruments.

Our objectives in managing exposure to interest rate changes are to limit the impact of interest rate volatility on earnings and cash flows and to lower overall borrowing costs. To achieve these objectives, we primarily use interest rate swaps to manage net exposure to interest rate changes related to the Company's portfolio of borrowings. By policy, the Company targets fixed-rate debt as a percentage of its net debt between minimum and maximum percentages.

Our objective in managing exposure to foreign currency fluctuations is to reduce volatility of earnings and cash flow in order to allow management to focus on core business issues and challenges. Accordingly, the Company enters into various contracts that change in value as foreign exchange rates change to protect the U.S. dollar equivalent value of its existing foreign currency assets, liabilities, commitments, and forecasted foreign currency revenues. The Company utilizes option strategies and forward contracts that provide for the sale of foreign currencies to hedge probable, but not firmly committed, transactions. The Company also uses forward contracts to hedge foreign currency assets and liabilities. The principal foreign currencies hedged are the Euro, British pound, Japanese yen, and Canadian dollar. Cross-currency swaps are used to effectively convert foreign currency denominated borrowings to U.S. dollar denominated borrowings. By policy, the Company maintains hedge coverage between minimum and maximum percentages of its forecasted foreign exchange exposures generally for periods not to exceed five years. The gains and losses on these contracts offset changes in the U.S. dollar equivalent value of the related exposures.

Our objectives in managing exposure to commodity fluctuations are to use commodity derivatives to reduce volatility of earnings and cash flows arising from commodity price changes. The amounts hedged using commodity swap contracts are based on forecasted levels of consumption of certain commodities, such as fuel oil and gasoline.

It is the Company's policy to enter into foreign currency and interest rate derivative transactions and other financial instruments only to the extent considered necessary to meet its objectives as stated above. The Company does not enter into these transactions or any other hedging transactions for speculative purposes.

VALUE AT RISK (VAR)

The Company utilizes a VAR model to estimate the maximum potential one-day loss in the fair value of its interest rate, foreign exchange, and market sensitive equity financial instruments. The VAR model estimates were made assuming normal market conditions and a 95% confidence level. Various modeling techniques can be used in a VAR computation. The Company's computations are based on the interrelationships between movements in various interest rates, currencies, and equity prices (a variance/co-variance technique). These interrelationships were determined by observing interest rate, foreign currency, and equity market changes over the preceding quarter for the calculation of VAR amounts at fiscal year end. The model includes all of the Company's debt as well as all interest rate and foreign exchange derivative contracts and market sensitive equity investments. Forecasted transactions, firm commitments, and receivables and accounts payable denominated in foreign currencies, which certain of these instruments are intended to hedge, were excluded from the model.

The VAR model is a risk analysis tool and does not purport to represent actual losses in fair value that will be incurred by the Company, nor does it consider the potential effect of favorable changes in market factors.

VAR on a combined basis increased to $79 million at September 27, 2008 from $33 million at September 29, 2007. The increase was primarily due to higher volatility of interest rates and foreign exchange rates and reduced correlation benefits across financial instruments.

The estimated maximum potential one-day loss in fair value, calculated using the VAR model, is as follows (unaudited, in millions):

Fiscal Year 2008	Interest Rate Sensitive Financial Instruments	Currency Sensitive Financial Instruments	Equity Sensitive Financial Instruments	Combined Portfolio
Year end VAR	$53	$49	$1	$79
Average VAR	$40	$29	$1	$51
Highest VAR	$53	$49	$1	$79
Lowest VAR	$34	$11	$1	$33
Beginning of year VAR (year end fiscal 2007)	$26	$17	$1	$33

The VAR for Euro Disney and Hong Kong Disneyland is immaterial as of September 27, 2008 and accordingly, has been excluded from the above table.

CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share data)	2008	2007	2006
Revenues	**$ 37,843**	$ 35,510	$ 33,747
Costs and expenses	**(30,439)**	(28,681)	(28,392)
Other (expense) / income	**(59)**	1,004	88
Net interest expense	**(524)**	(593)	(592)
Equity in the income of investees	**581**	485	473
Income from continuing operations before income taxes and minority interests	**7,402**	7,725	5,324
Income taxes	**(2,673)**	(2,874)	(1,837)
Minority interests	**(302)**	(177)	(183)
Income from continuing operations	**4,427**	4,674	3,304
Discontinued operations, net of tax	**—**	13	70
Net income	**$ 4,427**	$ 4,687	$ 3,374
Diluted Earnings per share:			
Earnings per share, continuing operations	**$ 2.28**	$ 2.24	$ 1.60
Earnings per share, discontinued operations	**—**	0.01	0.03
Earnings per share[1]	**$ 2.28**	$ 2.25	$ 1.64
Basic Earnings per share:			
Earnings per share, continuing operations	**$ 2.34**	$ 2.33	$ 1.65
Earnings per share, discontinued operations	**—**	0.01	0.03
Earnings per share	**$ 2.34**	$ 2.34	$ 1.68
Weighted average number of common and common equivalent shares outstanding:			
Diluted	**1,948**	2,092	2,076
Basic	**1,890**	2,004	2,005

[1]Total earnings per share may not equal the sum of the column due to rounding.

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

(in millions, except per share data)	September 27, 2008	September 29, 2007
Assets		
Current assets		
Cash and cash equivalents	**$ 3,001**	$ 3,670
Receivables	**5,373**	5,032
Inventories	**1,124**	641
Television costs	**541**	559
Deferred income taxes	**1,024**	862
Other current assets	**603**	550
Total current assets	**11,666**	11,314
Film and television costs	**5,394**	5,123
Investments	**1,563**	995
Parks, resorts and other property, at cost		
Attractions, buildings and equipment	**31,493**	30,260
Accumulated depreciation	**(16,310)**	(15,145)
	15,183	15,115
Projects in progress	**1,169**	1,147
Land	**1,180**	1,171
	17,532	17,433
Intangible assets, net	**2,428**	2,494
Goodwill	**22,151**	22,085
Other assets	**1,763**	1,484
	$ 62,497	$ 60,928
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and other accrued liabilities	**$ 5,980**	$ 5,949
Current portion of borrowings	**3,529**	3,280
Unearned royalties and other advances	**2,082**	2,162
Total current liabilities	**11,591**	11,391
Borrowings	**11,110**	11,892
Deferred income taxes	**2,350**	2,573
Other long-term liabilities	**3,779**	3,024
Minority interests	**1,344**	1,295
Commitments and contingencies (Note 14)		
Shareholders' equity		
Preferred stock, $.01 par value		
Authorized – 100 million shares, Issued – none	**—**	—
Common stock, $.01 par value		
Authorized – 3.6 billion shares,		
Issued – 2.6 billion shares	**26,546**	24,207
Retained earnings	**28,413**	24,805
Accumulated other comprehensive loss	**(81)**	(157)
	54,878	48,855
Treasury stock, at cost, 777.1 million shares at September 27, 2008 and 637.8 million shares at September 29, 2007	**(22,555)**	(18,102)
	32,323	30,753
	$ 62,497	$ 60,928

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	2008	2007	2006
Operating Activities of Continuing Operations			
Net income	**$ 4,427**	$ 4,687	$ 3,374
Income from discontinued operations	**—**	(13)	(70)
Depreciation and amortization	**1,582**	1,491	1,446
Gains on sales of equity investments and businesses	**(14)**	(1,052)	(70)
Deferred income taxes	**(128)**	(137)	(139)
Equity in the income of investees	**(581)**	(485)	(473)
Cash distributions received from equity investees	**476**	420	458
Minority interests	**302**	177	183
Net change in film and television costs	**(301)**	115	860
Equity-based compensation	**402**	419	373
Other	**(170)**	(65)	(63)
Changes in operating assets and liabilities			
Receivables	**(594)**	(355)	(85)
Inventories	**(329)**	52	(63)
Other assets	**(64)**	9	(55)
Accounts payable and other accrued liabilities	**488**	77	304
Income taxes	**(50)**	58	(20)
Cash provided by continuing operations	**5,446**	5,398	5,960
Investing Activities of Continuing Operations			
Investments in parks, resorts and other property	**(1,578)**	(1,566)	(1,292)
Sales of investments	**70**	5	1,073
Proceeds from sales of equity investments and businesses	**14**	1,530	81
Acquisitions	**(660)**	(608)	(55)
Proceeds from sales of fixed assets and other	**(8)**	21	(27)
Cash used in continuing investing activities	**(2,162)**	(618)	(220)
Financing Activities of Continuing Operations			
Commercial paper borrowings, net	**(701)**	1,847	85
Borrowings	**1,706**	3,143	2,806
Reduction of borrowings	**(477)**	(2,294)	(1,950)
Dividends	**(664)**	(637)	(519)
Repurchases of common stock	**(4,453)**	(6,923)	(6,898)
Equity partner contributions	**—**	—	51
Exercise of stock options and other	**636**	1,245	1,259
Cash used in continuing financing activities	**(3,953)**	(3,619)	(5,166)
Cash Flows of Discontinued Operations			
Net cash provided by operating activities of discontinued operations	**—**	23	98
Net cash used in investing activities of discontinued operations	**—**	(3)	(7)
Net cash provided by financing activities of discontinued operations	**—**	78	23
(Decrease) / increase in cash and cash equivalents	**(669)**	1,259	688
Cash and cash equivalents, beginning of year	**3,670**	2,411	1,723
Cash and cash equivalents, end of year	**$ 3,001**	$ 3,670	$ 2,411
Supplemental disclosure of cash flow information:			
Interest paid	**$ 555**	$ 551	$ 617
Income taxes paid	**$ 2,768**	$ 2,796	$ 1,857

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in millions, except per share data)	Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
BALANCE AT OCTOBER 1, 2005	1,969	$13,288	$17,775	$(572)	$ (4,281)	$26,210
Exercise of stock options and issuance of restricted stock and stock options	57	1,676	—	—	—	1,676
Acquisition of Pixar	279	7,413	—	—	—	7,413
Common stock repurchases	(243)	—	—	—	(6,898)	(6,898)
Dividends ($0.27 per share)	—	—	(519)	—	—	(519)
Other comprehensive income (net of tax of $394 million)	—	—	—	564	—	564
Net income	—	—	3,374	—	—	3,374
BALANCE AT SEPTEMBER 30, 2006	2,062	$22,377	$20,630	$ (8)	$(11,179)	$31,820
Exercise of stock options and issuance of restricted stock and stock options	57	1,823	—	—	—	1,823
Common stock repurchases	(202)	—	—	—	(6,923)	(6,923)
Dividends ($0.31 per share)	—	7	(644)	—	—	(637)
Other comprehensive income (net of tax of $66 million)	—	—	—	112	—	112
Adoption of SFAS 158 (net of tax of $154 million)	—	—	—	(261)	—	(261)
Distribution of ABC Radio business	—	—	132	—	—	132
Net income	—	—	4,687	—	—	4,687
BALANCE AT SEPTEMBER 29, 2007	1,917	$24,207	$24,805	$(157)	$(18,102)	$30,753
Exercise of stock options and issuance of restricted stock and stock options	31	1,012	—	—	—	1,012
Redemption of convertible senior notes	45	1,320	—	—	—	1,320
Common stock repurchases	(139)	—	—	—	(4,453)	(4,453)
Dividends ($0.35 per share)	—	7	(671)	—	—	(664)
Other comprehensive income (net of tax of $45 million)	—	—	—	76	—	76
Adoption of FIN 48	—	—	(148)	—	—	(148)
Net income	—	—	4,427	—	—	4,427
BALANCE AT SEPTEMBER 27, 2008	**1,854**	**$26,546**	**$28,413**	**$ (81)**	**$(22,555)**	**$32,323**

Accumulated other comprehensive income/(loss) is as follows:

	September 27, 2008	September 29, 2007
Market value adjustments for investments and hedges	**$ 78**	$ (42)
Foreign currency translation and other	**137**	164
Unrecognized pension and postretirement medical expense	**(296)**	(279)
	$ (81)	$(157)

Comprehensive income/(loss) is as follows:

	2008	2007	2006
Net income	**$4,427**	$4,687	$3,374
Market value adjustments for investments and hedges	**120**	(71)	(2)
Foreign currency translation and other	**(27)**	77	(19)
Pension and postretirement medical adjustments:			
Reclassification of prior losses to net income	**25**	n/a	n/a
Net actuarial pension and postretirement medical loss	**(42)**	n/a	n/a
Increase in minimum pension liability adjustment	**n/a**	106	585
Comprehensive income	**$4,503**	$4,799	$3,938

See Notes to Consolidated Financial Statements

NOTE 1.
DESCRIPTION OF THE BUSINESS AND SEGMENT INFORMATION

The Walt Disney Company, together with the subsidiaries through which the Company's businesses are conducted (the Company), is a diversified worldwide entertainment company with operations in the following business segments: Media Networks, Parks and Resorts, Studio Entertainment, and Consumer Products.

DESCRIPTION OF THE BUSINESS

MEDIA NETWORKS

The Company operates the ABC Television Network and ten owned television stations, as well as the ESPN Radio Network and Radio Disney Network (the Radio Networks) and 46 owned radio stations. Both the television and radio networks have affiliated stations providing coverage to households throughout the United States. The Company has cable networks that are principally involved in the production and distribution of cable television programming, the licensing of programming in domestic and international markets, and investing in foreign television broadcasting, production, and distribution entities. Primary cable programming services that operate through consolidated subsidiary companies are the ESPN-branded networks, Disney Channel Worldwide, SOAPnet, Toon Disney, ABC Family Channel, and Jetix channels in Europe and Latin America. Other programming services that operate through joint ventures and are accounted for under the equity method include A&E Television Networks and Lifetime Entertainment Services. The Company also produces original television programming for network, first-run syndication, pay, and international syndication markets, along with original animated television programming for network, pay, and international syndication markets. Additionally, the Company operates ABC-, ESPN-, ABC Family-, SOAPnet- and Disney-branded internet website businesses, as well as Club Penguin, an online virtual world for kids.

On June 12, 2007, the Company completed the spin-off of its wholly owned subsidiary, ABC Radio Holdings, Inc., and its merger into a subsidiary of Citadel Broadcasting Corporation (Citadel). Prior to the spin-off, the Company consolidated its ABC Radio Business, consisting of 22 large-market radio stations and the ABC Radio Network businesses, under ABC Radio Holdings, Inc. The transaction did not include the Company's ESPN Radio or Radio Disney network and station businesses. Additional information regarding this transaction is included in Note 3.

PARKS AND RESORTS

The Company owns and operates the Walt Disney World Resort in Florida and the Disneyland Resort in California. The Walt Disney World Resort includes four theme parks (the Magic Kingdom, Epcot, Disney's Hollywood Studios, and Disney's Animal Kingdom), seventeen resort hotels, a retail, dining, and entertainment complex, a sports complex, conference centers, campgrounds, golf courses, water parks, and other recreational facilities. The Disneyland Resort includes two theme parks (Disneyland and Disney's California Adventure), three resort hotels, and a retail, dining and entertainment district. The Company manages and has an effective 51% ownership interest in Disneyland Resort Paris, which includes the Disneyland Park, the Walt Disney Studios Park, seven themed hotels, two convention centers, a shopping, dining and entertainment complex, and a 27-hole golf facility. The Company also manages and has a 43% ownership interest in Hong Kong Disneyland, which includes one theme park and two resort hotels. The Company earns royalties on revenues generated by the Tokyo Disneyland Resort, which includes two theme parks and three Disney-branded hotels, near Tokyo, Japan, and is owned and operated by an unrelated Japanese corporation. The Company also manages and markets vacation club ownership interests through the Disney Vacation Club and operates the Disney Cruise Line out of Port Canaveral, Florida. The Company's Walt Disney Imagineering unit designs and develops new theme park concepts and attractions, as well as resort properties. Also included in Parks and Resorts is Adventures by Disney, which provides personalized travel experiences to guests at destinations world-wide, and the ESPN Zone, which operates eight sports-themed dining and entertainment facilities around the United States.

STUDIO ENTERTAINMENT

The Company produces and acquires live-action and animated motion pictures for worldwide distribution to the theatrical, home entertainment, and television markets. The Company distributes these products through its own distribution and marketing companies in the United States and foreign markets primarily under the Walt Disney Pictures, Touchstone Pictures, and Miramax banners, as well as Dimension for titles released prior to September 30, 2005. On May 5, 2006, the Company completed an all stock acquisition of Pixar, a digital animation studio. As a result of the acquisition the Company produces feature animation films under both the Disney and Pixar banners. Refer to Note 3 for information about the acquisition. The Company also produces stage plays, musical recordings and live entertainment events.

CONSUMER PRODUCTS

The Company licenses the name "Walt Disney," as well as the Company's characters and visual and literary properties, to various manufacturers, retailers, show promoters, and publishers throughout the world. The Company also engages in retail and online distribution of products through The Disney Store and DisneyShopping.com. The Disney Store is owned and operated in Europe and North America and franchised in Japan. In fiscal 2008, the Company re-acquired certain assets of the Disney Stores North America from subsidiaries of The Children's Place Retail Stores, Inc. (TCP). See Note 3 for discussion on the acquisition of the Disney Stores North America. The Company publishes books and magazines for children and families and computer software and video game products for the entertainment and educational marketplace.

SEGMENT INFORMATION

The operating segments reported below are the segments of the Company for which separate financial information is available and for which operating results are evaluated regularly by the Chief Executive Officer in deciding how to allocate resources and in assessing performance.

Segment operating results reflect earnings before corporate and unallocated shared expenses, gains on sale of equity investments and businesses, restructuring and impairment (charges) and other credits, net interest expense, income taxes, and minority interests. Segment operating income includes equity in the income of investees. Equity investees consist primarily of A&E Television Networks and Lifetime Television, which are cable businesses included in the Media Networks segment. Corporate and unallocated shared expenses principally consist of corporate functions, executive management, and certain unallocated administrative support functions.

Equity in the income of investees by segment is as follows:

	2008	2007	2006
Media Networks[1]	**$593**	$484	$444
Parks and Resorts	—	—	1
Consumer Products	—	—	28
Corporate	**(12)**	1	—
	$581	$485	$473

[1]Substantially all of these amounts relate to investments at Cable Networks.

The following segment results include allocations of certain costs, including certain information technology, pension, legal, and other shared services costs, which are allocated based on various metrics designed to correlate with consumption. These allocations are agreed-upon amounts between the businesses and may differ from amounts that would be negotiated in arm's length transactions. In addition, all significant intersegment transactions have been eliminated except that Studio Entertainment revenues and operating income include an allocation of Consumer Products revenues, which is meant to reflect royalties on Consumer Products sales of merchandise based on certain Studio film properties.

	2008	2007	2006
Revenues			
Media Networks	**$16,116**	$15,104	$14,186
Parks and Resorts	**11,504**	10,626	9,925
Studio Entertainment			
Third parties	**7,167**	7,308	7,410
Intersegment	**181**	183	119
	7,348	7,491	7,529
Consumer Products			
Third parties	**3,056**	2,472	2,226
Intersegment	**(181)**	(183)	(119)
	2,875	2,289	2,107
Total consolidated revenues	**$37,843**	$35,510	$33,747
Segment operating income			
Media Networks	**$ 4,755**	$ 4,275	$ 3,481
Parks and Resorts	**1,897**	1,710	1,534
Studio Entertainment	**1,086**	1,195	728
Consumer Products	**718**	631	607
Total segment operating income	**$ 8,456**	$ 7,811	$ 6,350

	2008	2007	2006
Reconciliation of segment operating income to income from continuing operations before income taxes and minority interests			
Segment operating income	**$ 8,456**	$ 7,811	$ 6,350
Corporate and unallocated shared expenses	**(471)**	(497)	(522)
Other (expense) / income	**(59)**	1,004	88
Net interest expense	**(524)**	(593)	(592)
Income from continuing operations before income taxes and minority interests	**$ 7,402**	$ 7,725	$ 5,324
Capital expenditures from continuing operations			
Media Networks	**$ 367**	$ 265	$ 220
Parks and Resorts			
Domestic	**793**	816	667
International	**140**	256	248
Studio Entertainment	**126**	85	41
Consumer Products	**62**	36	16
Corporate	**90**	108	100
Total capital expenditures from continuing operations	**$ 1,578**	$ 1,566	$ 1,292
Depreciation expense from continuing operations			
Media Networks	**$ 196**	$ 184	$ 179
Parks and Resorts			
Domestic	**803**	790	780
International	**342**	304	279
Studio Entertainment	**41**	31	30
Consumer Products	**22**	18	23
Corporate	**123**	132	126
Total depreciation expense from continuing operations	**$ 1,527**	$ 1,459	$ 1,417
Identifiable assets[1][2]			
Media Networks	**$27,426**	$27,692	
Parks and Resorts	**16,916**	16,311	
Studio Entertainment	**11,123**	10,812	
Consumer Products	**1,738**	1,553	
Corporate[3]	**5,294**	4,560	
Total consolidated assets	**$62,497**	$60,928	
Supplemental revenue data			
Media Networks			
Advertising	**$ 7,197**	$ 7,112	$ 7,222
Affiliate Fees	**6,793**	6,139	5,538
Parks and Resorts			
Merchandise, food and beverage	**3,653**	3,454	3,221
Admissions	**3,623**	3,342	3,085
Revenues			
United States and Canada	**$28,506**	$27,286	$26,027
Europe	**6,805**	5,898	5,266
Asia Pacific	**1,811**	1,732	1,917
Latin America and Other	**721**	594	537
	$37,843	$35,510	$33,747

	2008	2007	2006
Segment operating income			
United States and Canada	**$ 6,472**	$ 6,026	$4,797
Europe	**1,423**	1,192	918
Asia Pacific	**386**	437	542
Latin America and Other	**175**	156	93
	$ 8,456	$ 7,811	$6,350
Identifiable assets			
United States and Canada	**$52,656**	$52,052	
Europe	**7,013**	6,588	
Asia Pacific	**2,581**	2,077	
Latin America and Other	**247**	211	
	$62,497	$60,928	

[1]Identifiable assets include amounts associated with equity method investments. Equity method investments, by segment, are as follows:

	2008	2007
Media Networks	**$1,288**	$677
Studio Entertainment	**6**	10
Consumer Products	**—**	1
Corporate	**33**	18
	$1,327	$706

[2]Goodwill and intangible assets, by segment, are as follows:

	2008	2007
Media Networks	**$18,465**	$18,403
Parks and Resorts	**172**	173
Studio Entertainment	**5,021**	5,065
Consumer Products	**684**	691
Corporate	**237**	247
	$24,579	$24,579

[3]Primarily deferred tax assets, investments, fixed assets, and other assets.

NOTE 2.
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation The consolidated financial statements of the Company include the accounts of The Walt Disney Company and its subsidiaries after elimination of intercompany accounts and transactions. In December 1999, DVD Financing, Inc. (DFI), a subsidiary of Disney Vacation Development, Inc. and an indirect subsidiary of the Company, completed a receivable sale transaction that established a facility that permits DFI to sell receivables arising from the sale of vacation club memberships on a periodic basis. In connection with this facility, DFI prepares separate financial statements, although its separate assets and liabilities are also consolidated in these financial statements. The ability to add new receivables to this facility ends on December 4, 2008 and, as a result of market conditions, we may not be able to renew the facility on terms acceptable to the Company.

Accounting Changes

SFAS 161 In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133* (SFAS 161). SFAS 161 amends and expands the disclosure requirements for derivative instruments and hedging activities by requiring enhanced disclosures about how and why the Company uses derivative instruments, how derivative instruments and related hedged items are accounted for, and how derivative instruments and related hedged items affect the Company's financial position, financial performance and cash flows. SFAS 161 is effective for the Company in the second quarter of fiscal year 2009.

EITF 07-1 In December 2007, the FASB issued Emerging Issues Task Force Issue No. 07-1, *Accounting for Collaborative Arrangements* (EITF 07-1). EITF 07-1 defines collaborative arrangements and establishes accounting and reporting requirements for transactions between participants in the arrangement and third parties. A collaborative arrangement is a contractual arrangement that involves a joint operating activity, for example an agreement to co-produce and distribute a motion picture with another studio. EITF 07-1 is effective for the Company's 2010 fiscal year. The Company is currently assessing the potential effect of EITF 07-1 on its financial statements.

SFAS 141R In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R, *Business Combinations* (SFAS 141R), which replaces SFAS 141, *Business Combinations*. SFAS 141R establishes principles and requirements for determining how an enterprise recognizes and measures the fair value of certain assets and liabilities acquired in a business combination, including noncontrolling interests, contingent consideration, and certain acquired contingencies. SFAS 141R also requires acquisition-related transaction expenses and restructuring costs be expensed as incurred rather than capitalized as a component of the business combination. SFAS 141R will be applicable prospectively to business combinations beginning in the Company's 2010 fiscal year.

SFAS 160 In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements – An Amendment of ARB No. 51* (SFAS 160). SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary. SFAS 160 also requires that a retained noncontrolling interest upon the deconsolidation of a subsidiary be initially measured at its fair value. SFAS 160 is effective for the Company's 2010 fiscal year. Upon adoption of SFAS 160, the Company will be required to report its noncontrolling interests as a separate component of shareholders' equity. The Company will also be required to present net income allocable to the noncontrolling interests and net income attributable to the shareholders of the Company separately in its consolidated statements of income. Currently, noncontrolling interests (minority interests) are reported between liabilities and shareholders' equity in the Company's statement of financial position and the related income attributable to minority interests is reflected as an expense in arriving at net income. SFAS 160 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements of SFAS 160 are to be applied prospectively.

SFAS 159 In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – including an amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 gives the Company the irrevocable option to carry most financial assets and liabilities at fair value, with changes in fair value recognized in earnings. SFAS 159 is effective for the Company's 2009 fiscal year. The Company does not expect that the adoption of SFAS 159 will have a material impact on its financial statements.

SFAS 158 In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, an amendment of FASB Statements No. 87, 88, 106, and 132(R) (SFAS 158).