Clark v. The Walt Disney Company et al Doc. 25 Att. 18

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits, excluding the related accrual for interest, is as follows:

Balance at September 29, 2007	$ 630
Increases in tax positions for current year	99
Increases in tax positions for prior years	221
Decreases in tax positions for prior years	(189)
Settlements with taxing authorities	(106)
Balance at September 27, 2008	$ 655

Included in the balance at September 27, 2008 is $353 million that, if recognized, would reduce our income tax expense and effective tax rate after giving effect to offsetting impacts from other tax jurisdictions.

As of September 27, 2008 and September 29, 2007, the Company had $127 million and $137 million, respectively, of accrued interest related to unrecognized tax benefits. During the current year, the Company accrued additional interest of $47 million, and recorded a $57 million reduction of accrued interest as a result of audit settlements and other prior year adjustments. The Company's policy is to report interest and penalties as a component of income tax expense.

During the current year, the Company reached resolution with respect to the Internal Revenue Service's examination of the Company's federal income tax returns for fiscal years 2001 through 2004. The Company is also subject to state and local and foreign tax audits. In the current year, the California examination of fiscal years 1997 through 1999 was completed and the New York Court of Appeals rendered a decision regarding the remaining tax matters from fiscal years 1990 through 1995. In light of the resolution of these matters, the Company is no longer subject to examination in any of its major state or foreign tax jurisdictions for years prior to 2000.

In the next twelve months, the Company does not expect a material net change in unrecognized tax benefits.

In fiscal years 2008, 2007 and 2006, income tax benefits attributable to equity-based compensation transactions that were allocated to shareholders' equity amounted to $45 million, $123 million and $106 million, respectively.

NOTE 9.
PENSION AND OTHER BENEFIT PROGRAMS

The Company maintains pension plans and postretirement medical benefit plans covering most of its employees not covered by union or industry-wide plans. Employees hired after January 1, 1994 and ABC employees generally hired after January 1, 1987 are not eligible for postretirement medical benefits. With respect to its qualified defined benefit pension plans, the Company's policy is to fund, at a minimum, the amount necessary on an actuarial basis to provide for benefits in accordance with the requirements of the Employee Retirement Income Security Act of 1974, as amended by the Pension Protection Act of 2006 (PPA). Pension benefits are generally based on years of service and/or compensation.

The following chart summarizes the benefit obligations, assets, funded status and balance sheet impacts associated with the pension and postretirement medical benefit plans based upon the actuarial valuations prepared as of June 30, 2008 and 2007 (the Plan Measurement Dates).

	Pension Plans		Postretirement Medical Plans	
	September 27, 2008	September 29, 2007	**September 27, 2008**	September 29, 2007
Projected benefit obligations				
Beginning obligations	**$(5,242)**	$(4,705)	**$(1,011)**	$ (936)
Service cost	**(187)**	(166)	**(22)**	(22)
Interest cost	**(325)**	(297)	**(63)**	(59)
Actuarial gain / (loss)	**360**	(92)	**40**	(19)
Plan amendments and other	**(14)**	(128)	**—**	—
Benefits paid	**159**	146	**26**	25
Ending obligations	**$(5,249)**	$(5,242)	**$(1,030)**	$(1,011)
Fair value of plans' assets				
Beginning fair value	**$ 5,160**	$ 4,181	**$ 372**	$ 317
Actual return on plan assets	**(39)**	725	**(7)**	53
Contributions	**17**	428	**12**	27
Benefits paid	**(159)**	(146)	**(26)**	(25)
Expenses	**(24)**	(28)	**—**	—
Ending fair value	**$ 4,955**	$ 5,160	**$ 351**	$ 372
Over/(under) funded status of the plans	**$ (294)**	$ (82)	**$ (679)**	$ (639)
Contributions after Plan Measurement Date	**4**	4	**3**	3
Net balance sheet asset/(liability)	**$ (290)**	$ (78)	**$ (676)**	$ (636)
Amounts recognized in the balance sheet				
Non-current assets	**$ 215**	$ 275	**$ —**	$ —
Current liabilities	**(10)**	(9)	**(14)**	(14)
Non-current liabilities	**(495)**	(344)	**(662)**	(622)
	$ (290)	$ (78)	**$ (676)**	$ (636)

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The components of net periodic benefit cost and key assumptions are as follows:

	Pension Plans			Postretirement Medical Plans		
	2008	2007	2006	**2008**	2007	2006
Service costs	**$ 187**	$ 166	$ 186	**$ 22**	$ 22	$ 34
Interest costs	**325**	297	256	**63**	59	61
Expected return on plan assets	**(356)**	(302)	(250)	**(25)**	(21)	(16)
Amortization of prior year service costs	**13**	4	1	**(1)**	(1)	(1)
Recognized net actuarial loss	**25**	47	148	**2**	2	43
Special termination benefits	**—**	5	—	**—**	—	—
Net periodic benefit cost	**$ 194**	$ 217	$ 341	**$ 61**	$ 61	$121
Assumptions:						
Discount rate	**7.00%**	6.35%	6.40%	**7.00%**	6.35%	6.40%
Rate of return on plan assets	**7.50%**	7.50%	7.50%	**7.50%**	7.50%	7.50%
Salary increases	**5.00%**	4.00%	4.00%	**n/a**	n/a	n/a
Year 1 increase in cost of benefits	**n/a**	n/a	n/a	**9.00%**	9.00%	9.00%
Rate of increase to which the cost of benefits is assumed to decline (the ultimate trend rate)	**n/a**	n/a	n/a	**5.00%**	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	**n/a**	n/a	n/a	**2016**	2015	2012

Net periodic benefit cost for the current year is based on assumptions determined at the June 30 valuation date of the prior year.

Accumulated other comprehensive loss, before tax, as of September 27, 2008 consists of the following amounts that have not yet been recognized in net periodic benefit cost:

	Pension Plans	Postretirement Medical Plans	Total
Unrecognized prior service credit / (cost)	$ (80)	$ 13	$ (67)
Unrecognized net actuarial gain / (loss)	(405)	13	(392)
Total amounts included in accumulated other comprehensive income / (loss)	(485)	26	(459)
Prepaid / (accrued) pension cost	195	(702)	(507)
Net balance sheet impact	$(290)	$(676)	$(966)

Amounts included in accumulated other comprehensive loss, before tax, as of September 27, 2008 that are expected to be recognized as components of net periodic benefit cost during fiscal 2009 are:

	Pension Plans	Postretirement Medical Plans	Total
Prior service credit / (cost)	$(16)	$ 2	$(14)
Net actuarial gain / (loss)	2	(1)	1
Total	$(14)	$ 1	$(13)

PLAN FUNDED STATUS

At September 27, 2008, the Company had pension plans that were underfunded, having accumulated benefit obligations exceeding the fair value of plan assets. The projected benefit obligation, accumulated benefit obligation and aggregate fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $397 million, $332 million and $0 million, respectively, as of September 27, 2008 and $323 million, $283 million and $2 million as of September 29, 2007, respectively.

For pension plans with projected benefit obligations in excess of plan assets, the projected benefit obligation and aggregate fair value of plan assets were $3.9 billion and $3.4 billion, respectively, as of September 27, 2008 and $323 million and $2 million as of September 29, 2007, respectively.

The Company's total accumulated pension benefit obligations at both September 27, 2008 and September 29, 2007 was $4.8 billion, of which 97.0% and 96.2%, respectively, were vested.

The accumulated postretirement medical benefit obligations and fair value of plan assets for postretirement medical plans with accumulated postretirement medical benefit obligations in excess of plan assets were $1.0 billion and $351 million, respectively, at September 27, 2008 and $1.0 billion and $372 million, respectively, at September 29, 2007.

PLAN ASSETS

A significant portion of the assets of the Company's defined benefit plans are managed on a commingled basis in a third party master trust. The investment policy and allocation of the assets in the master trust were approved by the Company's Investment and Administrative Committee, which has oversight responsibility for the Company's retirement plans. The investment policy ranges for the major asset classes are as follows:

Asset Class	Minimum	Maximum
Equity Securities	40%	60%
Debt Securities	25%	35%
Alternative Investments	10%	30%
Cash	0%	5%

Alternative investments include venture capital funds, private equity funds and real estate, among other investments.

The Company's defined benefit plans asset mix (including assets held outside of the master trust) at the Plan Measurement Dates is as follows:

Asset Class	June 30, 2008	June 30, 2007
Equity Securities	**47%**	55%
Debt Securities	**35%**	27%
Alternative Investments	**16%**	13%
Cash	**2%**	5%
Total	**100%**	100%

Equity securities include 2.8 million shares of Company common stock or $92 million (2% of total plan assets) and $97 million (2% of total plan assets) at September 27, 2008 and September 29, 2007, respectively.

PLAN CONTRIBUTIONS
During fiscal 2008, the Company was not required to make contributions to its pension plans under funding regulations associated with the Pension Protection Act of 2006 (PPA) and contributed $29 million to pension and postretirement medical plans not subject to PPA. The Company expects pension and postretirement medical plan contributions in fiscal 2009 to range from $200 million to $300 million. Final funding requirements for fiscal 2009 will be determined based on our January 1, 2009 funding actuarial valuation. The Company may also make discretionary contributions above the minimum requirements.

ESTIMATED FUTURE BENEFIT PAYMENTS
The following table presents estimated future benefit payments for the next ten fiscal years:

	Pension Plans	Post Retirement Medical Plans[1]
2009	$ 190	$ 32
2010	212	34
2011	228	37
2012	248	40
2013	270	43
2014 – 2018	1,710	267

[1]Estimated future benefit payments are net of expected Medicare subsidy receipts of $61 million.

ASSUMPTIONS
Certain actuarial assumptions, such as the discount rate, long-term rate of return on plan assets and the healthcare cost trend rate, have a significant effect on the amounts reported for net periodic benefit cost as well as the related benefit obligation amounts.

Discount Rate – The assumed discount rate for pension and postretirement medical plans reflects the market rates for high-quality corporate bonds currently available. The Company's discount rate was determined by considering the average of pension yield curves constructed of a large population of high quality corporate bonds. The resulting discount rate reflects the matching of plan liability cash flows to the yield curves.

Long-term rate of return on plan assets – The long-term rate of return on plan assets represents an estimate of long-term returns on an investment portfolio consisting of a mixture of equities, fixed income and alternative investments. When determining the long-term rate of return on plan assets, the Company considers long-term rates of return on the asset classes (both historical and forecasted) in which the Company expects the pension funds to be invested. The following long-term rates of return by asset class were considered in setting the long-term rate of return on plan assets assumption:

Equity Securities	8% – 10%
Debt Securities	4% – 7%
Alternative Investments	8% – 20%

Healthcare cost trend rate – The Company reviews external data and its own historical trends for healthcare costs to determine the healthcare cost trend rates for the postretirement medical benefit plans. For the 2008 actuarial valuation, we assumed a 9.0% annual rate of increase in the per capita cost of covered healthcare claims with the rate decreasing in even increments over eight years until reaching 5.0%.

A one percentage point (ppt) change in the key assumptions would have the following effects on the projected benefit obligations as of September 27, 2008 and on cost for fiscal 2009:

	Pension and Postretirement Medical Plans			Postretirement Medical Plans	
	Discount Rate		Expected Long-Term Rate of Return On Assets	Assumed Healthcare Cost Trend Rate	
Increase/(decrease)	Net Periodic Pension and Postretirement Medical Cost	Projected Benefit Obligations	Net Periodic Pension and Postretirement Cost	Net Periodic Postretirement Medical Cost	Projected Benefit Obligations
1 ppt decrease	$120	$ 968	$ 53	$(27)	$(143)
1 ppt increase	(74)	(834)	(53)	26	178

MULTI-EMPLOYER PLANS
The Company participates in various multi-employer pension plans under union and industry-wide agreements. In 2008, 2007 and 2006, the contributions to these plans, which are expensed as incurred, were $56 million, $54 million and $51 million, respectively.

DEFINED CONTRIBUTION PLANS
The Company has savings and investment plans that allow eligible employees to allocate up to 20% of their salary through payroll deductions depending on the plan in which the employee participates. The Company matches 50% of the employee's pre-tax contributions, up to plan limits. In 2008, 2007 and 2006, the costs of these plans were $52 million, $42 million and $39 million, respectively.

NOTE 10.
SHAREHOLDERS' EQUITY

As of the filing date of this report, the Board of Directors had not yet declared a dividend related to fiscal 2008. The Company paid a $664 million dividend ($0.35 per share) during the second quarter of fiscal 2008 related to fiscal 2007. The Company paid a $637 million dividend ($0.31 per share) during the second quarter of fiscal 2007 related to fiscal 2006. The Company paid a $519 million dividend ($0.27 per share) during the second quarter of fiscal 2006 related to fiscal 2005.

During fiscal 2008, the Company repurchased 139 million shares of Disney common stock for $4.5 billion. During fiscal 2007, the Company repurchased 202 million shares of Disney common stock for $6.9 billion. During fiscal 2006, the Company repurchased 243 million shares of Disney common stock for $6.9 billion. On May 1,

2007, the Board of Directors of the Company increased the share repurchase authorization to a total of 400 million shares. As of September 27, 2008, the Company had remaining authorization in place to repurchase 184 million additional shares. The repurchase program does not have an expiration date.

In April 2008, the Company redeemed $1.3 billion of convertible senior notes. Pursuant to the redemption, substantially all of the Notes were converted into 45 million shares of the Company's common stock (See Note 7 for further details of the redemption).

The par value of the Company's outstanding common stock totaled approximately $26 million.

The Company also has 1.0 billion shares of Internet Group stock at $.01 par value authorized. No shares are issued and outstanding.

NOTE 11.
EQUITY-BASED COMPENSATION

Under various plans, the Company may grant stock options and other equity-based awards to executive, management, and creative personnel. The Company's approach to long-term incentive compensation contemplates awards of stock options and restricted stock units (RSUs).

Stock options are generally granted at exercise prices equal to or exceeding the market price at the date of grant. Effective in January 2003, options became exercisable ratably over a four-year period from the grant date, while options granted prior to January 2003 generally vest ratably over five years. Effective in the second quarter of 2005, options granted generally expire seven years after the grant date, while options granted prior to the second quarter of 2005 generally expire ten years after the grant date. At the discretion of the Compensation Committee of the Company's Board of Directors, options can occasionally extend up to 15 years after date of grant. Restricted stock units generally vest 50% on each of the second and fourth anniversaries of the grant date. Certain RSUs awarded to senior executives vest based upon the achievement of market and/or performance conditions. Stock options and RSUs are generally forfeited by employees who terminate prior to vesting. Shares available for future option and RSU grants at September 27, 2008 totaled 56 million. The Company satisfies stock option exercises and vesting of RSUs with newly issued shares.

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 fair value of options is estimated based on the binomial valuation model. The binomial valuation model 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.

In fiscal years 2008, 2007 and 2006, the weighted average assumptions used in the option-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.

Compensation expense for RSUs and stock options is recognized ratably over the vesting period. Compensation expense for RSUs is based upon the market price of the shares underlying the awards on the grant date. Compensation expense for performance-based awards reflects the estimated probability that the market and/or performance conditions will be met.

The impact of stock options and RSUs on income and cash flow from continuing operations for fiscal 2008, 2007 and 2006 was as follows:

	2008	2007	2006
Stock option compensation expense	**$ 214**	$ 213	$ 241
RSU compensation expense	**188**	158	132
	402	371	373
Equity-based compensation plan modification charge[1]	**—**	48	—
Total equity-based compensation expense[2][3]	**402**	419	373
Tax impact	**(149)**	(155)	(138)
Reduction in net income	**$ 253**	$ 264	$ 235
Tax benefit reported in cash flow from continuing financing activities	**47**	116	133

[1] In anticipation of the ABC Radio transaction, the Company needed to determine whether employee equity-based compensation awards would be adjusted for the dilutive impact of the transaction on outstanding employee awards. Certain of the Company's plans required such adjustments to be made on an equitable basis. All other plans permitted such adjustments to be made. In order to treat all employees consistently with respect to the ABC Radio transaction (and other similar future transactions), the Company amended the plans such that all plans require equitable adjustments for such transactions. In connection with these amendments, the Company was required to record a non-cash charge of $48 million in the first quarter of fiscal 2007 representing the estimated fair value of this modification with respect to vested equity-based employee compensation awards.

[2] Excludes amounts related to discontinued operations of $6 million and $9 million in 2007 and 2006, respectively.

[3] Equity-based compensation expense is net of capitalized equity-based compensation and includes amortization of previously capitalized equity-based compensation costs. Capitalized equity-based compensation totaled $55 million, $103 million and $52 million in 2008, 2007 and 2006, respectively.

The following table summarizes information about stock option transactions (shares in millions):

	2008		2007		2006	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	**177**	**$27.36**	212	$25.85	212	$27.06
Awards granted in Pixar acquisition	**—**	**—**	—	—	44	15.04
Awards forfeited	**(4)**	**29.49**	(5)	27.71	(7)	28.34
Awards granted	**30**	**30.12**	25	34.22	24	25.33
Awards exercised	**(27)**	**21.79**	(53)	24.52	(56)	21.42
Awards expired/cancelled	**(5)**	**44.12**	(2)	56.00	(5)	56.91
Outstanding at end of year	**171**	**28.37**	177	27.36	212	25.85
Exercisable at end of year	**101**	**27.72**	108	27.07	130	27.57

The following tables summarize information about stock options vested and expected to vest at September 27, 2008 (shares in millions):

Vested

Range of Exercise Prices	Number of Options	Weighted Average Exercise Price	Weighted Averaged Remaining Years of Contractual Life
$ 0 – $ 15	8	$ 9.95	3.3
$16 – $ 20	10	18.08	5.2
$21 – $ 25	30	23.67	4.3
$26 – $ 30	27	29.06	3.1
$31 – $ 35	19	33.78	2.2
$36 – $ 40	3	39.88	1.7
$41 – $ 45	3	42.21	2.0
$46 – $340	1	116.37	1.4
	101		

Expected to Vest

Range of Exercise Prices	Number of Options[1]	Weighted Average Exercise Price	Weighted Averaged Remaining Years of Contractual Life
$ 0 – $15	2	$11.92	3.9
$16 – $20	2	19.37	6.8
$21 – $25	8	24.78	4.3
$26 – $30	33	29.10	6.3
$31 – $35	17	34.04	5.6
	62		

[1]Number of options expected to vest are net of estimated forfeitures.

The following table summarizes information about RSU transactions (shares in millions):

	2008		2007		2006	
	Restricted Stock Units	Weighted Average Grant-Date Fair Value	Restricted Stock Units	Weighted Average Grant-Date Fair Value	Restricted Stock Units	Weighted Average Grant-Date Fair Value
Unvested at beginning of year	**27**	**$29.01**	23	$25.74	15	$26.04
Awards granted in Pixar acquisition	**—**	**—**	—	—	1	29.09
Granted	**11**	**29.92**	12	34.22	11	24.83
Vested	**(7)**	**26.45**	(6)	26.20	(2)	24.57
Forfeited	**(3)**	**29.69**	(2)	27.78	(2)	25.87
Unvested at end of year	**28**	**29.95**	27	29.01	23	25.74

RSUs representing 2.3 million shares, 1.4 million shares and 2.2 million shares that vest based upon the achievement of market and/or performance conditions were granted in 2008, 2007 and 2006, respectively. Approximately 6.2 million of the unvested RSUs as of September 27, 2008, vest upon the achievement of market and/or performance conditions.

The weighted average grant-date fair values of options granted during 2008, 2007 and 2006 were $8.25, $9.27 and $7.26, respectively. The total intrinsic value (market value on date of exercise less exercise price) of options exercised and RSUs vested during 2008, 2007 and 2006 totaled $529 million, $735 million, and $506 million, respectively. The aggregate intrinsic values of stock options vested and expected to vest at September 27, 2008 were $670 million and $230 million, respectively.

As of September 27, 2008, there was $426 million of unrecognized compensation cost related to unvested stock options and $459 million related to unvested RSUs. That cost is expected to be recognized over a weighted-average period of 1.7 years for stock options and 2.1 years for RSUs.

Cash received from option exercises for 2008, 2007 and 2006 was $591 million, $1.3 billion and $1.1 billion, respectively. Tax benefits realized from tax deductions associated with option exercises and RSU activity for 2008, 2007 and 2006 totaled $183 million, $267 million and $180 million, 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 1 million RSUs. The fair value of these stock option 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.

NOTE 12.
DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS

	September 27, 2008	September 29, 2007
Current receivables		
Accounts receivable	**$ 5,207**	$ 4,724
Other	**414**	424
Allowance for doubtful accounts	**(248)**	(116)
	$ 5,373	$ 5,032
Other current assets		
Prepaid expenses	**$ 478**	$ 446
Other	**125**	104
	$ 603	$ 550
Parks, resorts and other property, at cost		
Attractions, buildings and improvements	**$15,444**	$ 14,857
Leasehold improvements	**553**	500
Furniture, fixtures and equipment	**11,739**	11,272
Land improvements	**3,757**	3,631
	31,493	30,260
Accumulated depreciation	**(16,310)**	(15,145)
Projects in progress	**1,169**	1,147
Land	**1,180**	1,171
	$17,532	$ 17,433
Intangible assets		
Copyrights	**$ 357**	$ 357
Other amortizable intangible assets	**282**	255
Accumulated amortization	**(198)**	(143)
Net amortizable intangible assets	**441**	469
FCC licenses	**858**	897
Trademarks	**1,109**	1,108
Other indefinite lived intangible assets	**20**	20
	$ 2,428	$ 2,494
Other non-current assets		
Receivables	**$ 801**	$ 571
Pension related assets	**215**	275
Prepaid expenses	**128**	120
Other	**619**	518
	$ 1,763	$ 1,484

	September 27, 2008	September 29, 2007
Accounts payable and other accrued liabilities		
Accounts payable	**$4,355**	$4,429
Payroll and employee benefits	**1,376**	1,290
Other	**249**	230
	$5,980	$5,949
Other long-term liabilities		
Deferred revenues	**$ 320**	$ 369
Capital lease obligations	**241**	274
Program licenses and rights	**223**	288
Participation and residual liabilities	**378**	239
Pension and postretirement medical plan liabilities	**1,157**	966
Other[1]	**1,460**	888
	$3,779	$3,024

[1]Includes unrecognized tax benefits.

NOTE 13.
FINANCIAL INSTRUMENTS

Interest Rate Risk Management The Company is exposed to the impact of interest rate changes primarily through its borrowing activities. The Company's objective is to mitigate the impact of interest rate changes on earnings and cash flows and on the market value of its investments and borrowings. In accordance with its policy, the Company targets its fixed rate debt expressed as a percentage of its net debt between a minimum and maximum percentage.

The Company typically uses pay-floating and pay-fixed interest rate swaps to facilitate its interest rate risk management activities. Pay-floating swaps effectively convert fixed rate medium and long-term obligations to variable rate instruments indexed to LIBOR. Pay-fixed swaps effectively convert floating rate obligations to fixed rate instruments. As of September 27, 2008 and September 29, 2007 respectively, the Company held $266 million and $157 million notional value of pay-fixed swaps that do not qualify as hedges. The changes in market values of all swaps that do not qualify as hedges have been included in earnings.

The impact of hedge ineffectiveness was not significant for fiscal 2008, 2007 and 2006. The net amount of deferred gains in AOCI from interest rate risk management transactions was not significant at September 27, 2008 and September 29, 2007.

Foreign Exchange Risk Management The Company transacts business globally and is subject to risks associated with changing foreign exchange rates. The Company's objective is to reduce earnings and cash flow fluctuations associated with foreign exchange rate changes thereby enabling management to focus attention on core business issues and challenges.

The Company enters into various contracts that change in value as foreign exchange rates change to protect the value of its existing foreign currency assets, liabilities, firm commitments and forecasted but not firmly committed foreign currency transactions. The Company uses option strategies and forward contracts to hedge forecasted transactions. In accordance with policy, the Company hedges its forecasted foreign currency transactions for periods generally not to exceed five years within an established minimum and maximum range of annual exposure. The Company uses forward contracts to hedge foreign currency assets, liabilities and firm commitments. The gains and losses on these contracts offset changes in the U.S. dollar equivalent value of the related forecasted transaction, asset, liability or firm commitment. The principal 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. dollars.

Mark to market gains and losses on contracts hedging forecasted foreign currency transactions are initially recorded to AOCI and are reclassified to current earnings when the hedged transactions are realized, offsetting changes in the value of the foreign currency transactions. At September 27, 2008 and September 29, 2007, the Company had pre-tax deferred gains of $229 million and $114 million, respectively, and pre-tax deferred losses of $96 million and $170 million, respectively, related to cash flow hedges on forecasted foreign currency transactions.

Deferred amounts to be recognized in earnings will change with market conditions and will be substantially offset by changes in the value of the related hedged transactions. Pre-tax net deferred gains recorded in AOCI for contracts that will mature in the next twelve months totaled $25 million. The Company reclassified after-tax gains of $125 million and losses of $34 million from AOCI to earnings during fiscal 2008 and 2007, respectively. These gains and losses were offset by changes in the U.S. dollar equivalent value of the items being hedged.

During fiscal 2008 and 2007, the Company recorded the change in fair market value related to hedges for foreign currency assets and liabilities, realized gains and losses from cash flow hedges and the ineffectiveness related to cash flow hedges to earnings. The amounts of hedge ineffectiveness on cash flow hedges were not material for fiscal 2008, fiscal 2007 and fiscal 2006. The total impact of foreign exchange risk management activities on operating income in 2008, 2007 and 2006 were losses of $224 million, $139 million, and $27 million, respectively. The net losses from these hedges offset changes in the U.S. dollar equivalent value of the related exposures being hedged.

Fair Value of Financial Instruments At September 27, 2008 and September 29, 2007, the Company's financial instruments included cash, cash equivalents, investments, receivables, accounts payable, borrowings, and interest rate and foreign exchange risk management contracts.

At September 27, 2008 and September 29, 2007, the fair values of cash and cash equivalents, receivables and accounts payable approximated the carrying values. The estimated fair values of other financial instruments subject to fair value disclosures, determined based on broker quotes or quoted market prices or interest rates for the same or similar instruments and the related carrying amounts are as follows:

	2008		2007	
Asset/(Liability)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Investments	$ **74**	$ **74**	$ 101	$ 101
Borrowings	**(14,639)**	**(14,848)**	(15,172)	(15,594)
Risk management contracts:				
Foreign exchange forwards	$ **59**	$ **59**	$ (85)	$ (85)
Foreign exchange options	**106**	**106**	46	46
Interest rate swaps	**85**	**85**	25	25
Cross-currency swaps	**(26)**	**(26)**	—	—

Credit Concentrations The Company continually monitors its positions with, and the credit quality of, the financial institutions that are counterparties to its financial instruments and does not anticipate nonperformance by the counterparties with the exception of a $91 million settlement default by Lehman Brothers Commercial Corporation that occurred in September 2008. The Company is pursuing collection of this amount, but has fully reserved the amount.

The Company would not realize a material loss, based on the fair value of its derivative financial instruments as of September 27, 2008, in the event of nonperformance by any single derivative counterparty. The Company enters into transactions only with derivative counterparties that have a credit rating of A- or better. The Company's current policy regarding agreements with derivative counterparties is generally to require collateral in the event credit ratings fall below A- or in the event aggregate exposures exceed limits as defined by contract. In addition, the Company limits the amount of investment credit exposure with any one institution.

The Company does not have material cash and cash equivalent balances with financial institutions that have a credit rating of less than A-. As of September 27, 2008 and September 29, 2007, the Company had balances with three financial institutions that aggregated to 63% and 53% of cash and cash equivalents, respectively.

The Company's trade receivables and investments do not represent a significant concentration of credit risk at September 27, 2008 due to the wide variety of customers and markets into which the Company's products are sold, their dispersion across geographic areas, and the diversification of the Company's portfolio among issuers.

NOTE 14.
COMMITMENTS AND CONTINGENCIES

Commitments The Company has various contractual commitments for broadcast rights for sports, feature films and other programming, aggregating approximately $22.8 billion, including approximately $1.0 billion for available programming as of September 27, 2008, and approximately $19.3 billion related to sports programming rights, primarily NFL, NBA, NASCAR, MLB and college sports.

The Company has entered into operating leases for various real estate and equipment needs, including retail outlets and distribution centers for consumer products, broadcast equipment, and office space for general and administrative purposes. Rental expense for the operating leases during 2008, 2007, and 2006, including common-area maintenance and contingent rentals, was $550 million, $482 million, and $455 million, respectively.

The Company also has contractual commitments for the construction of two new cruise ships, creative talent and employment agreements and unrecognized tax benefits. Creative talent and employment agreements include obligations to actors, producers, sports personnel, television and radio personalities, and executives.

Contractual commitments for broadcast programming rights, future minimum lease payments under non-cancelable operating leases, and creative talent and other commitments totaled $29.9 billion at September 27, 2008, payable as follows:

	Broadcast Programming	Operating Leases	Other	Total
2009	$ 4,765	$ 392	$1,195	$ 6,352
2010	3,209	351	842	4,402
2011	3,058	305	1,137	4,500
2012	2,901	265	975	4,141
2013	2,947	198	111	3,256
Thereafter	5,885	619	695	7,199
	$22,765	$2,130	$4,955	$29,850

The Company has certain non-cancelable capital leases primarily for land and broadcast equipment, which had gross carrying values of $423 million and $465 million at September 27, 2008 and September 29, 2007, respectively. Accumulated amortization prima-

rily for broadcast equipment under capital lease totaled $114 million and $127 million at September 27, 2008 and September 29, 2007, respectively. Future payments under these leases as of September 27, 2008 are as follows:

2009	$ 37
2010	35
2011	36
2012	35
2013	34
Thereafter	605
Total minimum obligations	$ 782
Less amount representing interest	(524)
Present value of net minimum obligations	258
Less current portion	(17)
Long-term portion	$ 241

Contractual Guarantees The Company has guaranteed certain special assessment and water/sewer revenue bonds issued by the Celebration Community Development District and the Enterprise Community Development District (collectively, the Districts). The bond proceeds were used by the Districts to finance the construction of infrastructure improvements and the water and sewer system in the mixed-use, residential community of Celebration, Florida. As of September 29, 2007, the remaining debt service obligation guaranteed by the Company was $66 million, of which $43 million was principal. During the second quarter of fiscal 2008, the Company was released as a guarantor of certain bonds issued by the Enterprise Community Development District such that the remaining debt service obligations for which the Company has provided guarantees are not material to the Company.

The Company has also guaranteed certain bond issuances by the Anaheim Public Authority that were used by the City of Anaheim to finance construction of infrastructure and a public parking facility adjacent to the Disneyland Resort. Revenues from sales, occupancy and property taxes from the Disneyland Resort and non-Disney hotels are used by the City of Anaheim to repay the bonds. In the event of a debt service shortfall, the Company will be responsible to fund the shortfall. As of September 27, 2008, the remaining debt service obligation guaranteed by the Company was $380 million, of which $100 million was principal. To the extent that tax revenues exceed the debt service payments in subsequent periods, the Company would be reimbursed for any previously funded shortfalls.

To date, tax revenues have exceeded the debt service payments for both the Celebration and Anaheim bonds.

ESPN STAR Sports, a joint-venture in which ESPN owns a 50% equity interest, has an agreement for global programming rights to International Cricket Council Events from 2007 through 2015. Under the terms of the agreement, ESPN and the other joint-venture partner have jointly guaranteed the programming rights obligation of $1.0 billion over the remaining term of the agreement.

Legal Matters

Milne and Disney Enterprises, Inc. v. Stephen Slesinger, Inc. On November 5, 2002, Clare Milne, the granddaughter of A. A. Milne, author of the Winnie the Pooh books, and the Company's subsidiary Disney Enterprises, Inc. (DEI) filed a complaint against Stephen Slesinger, Inc. (SSI) in the United States District Court for the Central District of California. On November 4, 2002, Ms. Milne served notices to SSI and DEI terminating A. A. Milne's prior grant of rights to Winnie the Pooh, effective November 5, 2004, and granted all of those rights to DEI. In their lawsuit, Ms. Milne and DEI sought a declaratory judgment, under United States copyright law, that Ms. Milne's termination notices were valid; that SSI's rights to Winnie the Pooh in the United States terminated effective November 5, 2004; that upon termination of SSI's rights in the United States, the 1983 licensing agreement that is the subject of the *Stephen Slesinger, Inc. v. The Walt Disney Company* lawsuit (the "state court action") terminated by operation of law; and that, as of November 5, 2004, SSI was entitled to no further royalties for uses of Winnie the Pooh. SSI filed (a) an answer denying the material allegations of the complaint and (b) counterclaims seeking a declaration that (i) Ms. Milne's grant of rights to DEI is void and unenforceable and (ii) DEI remains obligated to pay SSI royalties under the 1983 licensing agreement. The District Court ruled that Milne's termination notices were invalid. The Court of Appeals for the Ninth Circuit affirmed, and on June 26, 2006, the United States Supreme Court denied Milne's petition for a writ of certiorari. On August 1, 2003, SSI filed an amended answer and counterclaims and a third-party complaint against Harriet Hunt (heir to E. H. Shepard, illustrator of the original Winnie the Pooh stories), who had served a notice of termination and a grant of rights similar to Ms. Milne's, and asserted counterclaims against the Company allegedly arising from the Milne and Hunt terminations and the grant of rights to DEI for (a) unlawful and unfair business practices; and (b) breach of the 1983 licensing agreement.

On October 19, 2006, the parties stipulated to SSI's filing its Fourth Amended Answer and Counterclaims (Fourth Amended Answer) seeking (a) to invalidate the Hunt termination notice, (b) to terminate the Company's rights vis-à-vis SSI, and (c) damages in excess of two billion dollars, among other relief. That stipulation also provided that Hunt and the Company need not respond to the Fourth Amended Answer until the conclusion of two events: the state court appeal in *Stephen Slesinger, Inc. v. The Walt Disney Company*, and the trial in the District Court on the validity of the Hunt termination notice. SSI then sought to withdraw both the Fourth Amended Answer and its stipulation, but on November 3, 2006, the District Court denied that request. SSI's motion for summary judgment on the validity of Hunt's 2002 attempt to recapture E. H. Shepard's rights was granted on February 15, 2007, and thereafter, on March 27, 2007, the District Court dismissed as moot all claims against Hunt and three of SSI's counterclaims against the Company related to the Company's agreements with Milne and Hunt concerning the termination and disposition of their rights. On January 3, 2008, the California Supreme Court denied SSI's petition for review in the state court action, whereupon on April 21, 2008, the Company moved for summary judgment on all of SSI's claims in the District Court action. On June 3, 2008, the District Court ordered further briefing on the issue of whether SSI's misconduct in the state court action warrants dismissal of all of its claims in the District Court, and then on July 29, 2008, the District Court referred the summary judgment motion to a Special Master who will issue findings and recommendations on the preclusion and termination issues raised by the motion.

Relatedly, on December 4, 2006, August 22, 2007, and February 8, April 18, August 27, 2008, and October 31, 2008, SSI initiated proceedings in the United States Patent and Trademark Office (PTO) seeking cancellation of certain Winnie the Pooh trademark registrations and opposing applications for other Winnie the Pooh trademarks. The PTO has suspended all the proceedings on the grounds that the relief sought is effectively duplicative of that sought in the Fourth Amended Answer. Also, on April 18 and October 16, 2008, SSI initiated actions before the Canadian Intellectual Property Office ("CIPO") opposing applications for certain Winnie the Pooh trademarks. On September 4, 2008, the Company filed an answer to the April 18 action before the CIPO, denying SSI's claims.

The Company, together with, in some instances, certain of its directors and officers, is a defendant or co-defendant in various other legal actions involving copyright, breach of contract and various other claims incident to the conduct of its businesses. Management does not expect the Company to suffer any material liability by reason of such actions.

QUARTERLY FINANCIAL SUMMARY

(unaudited, in millions, except per share data)	Q1	Q2	Q3	Q4
2008[1][2]				
Revenues	**$10,452**	**$8,710**	**$9,236**	**$9,445**
Income from continuing operations	**1,250**	**1,133**	**1,284**	**760**
Net income	**1,250**	**1,133**	**1,284**	**760**
Earnings per share from continuing operations:				
Diluted	**$ 0.63**	**$ 0.58**	**$ 0.66**	**$ 0.40**
Basic	**0.66**	**0.60**	**0.68**	**0.41**
Earnings per share:				
Diluted	**$ 0.63**	**$ 0.58**	**$ 0.66**	**$ 0.40**
Basic	**0.66**	**0.60**	**0.68**	**0.41**
Market price per share:				
High	**$ 35.69**	**$33.23**	**$35.02**	**$34.85**
Low	**30.68**	**26.30**	**29.57**	**28.55**
2007[1][3][4]				
Revenues	$ 9,581	$7,954	$9,045	$8,930
Income from continuing operations	1,676	919	1,196	883
Net income	1,701	931	1,178	877
Earnings per share from continuing operations:				
Diluted	$ 0.78	$ 0.43	$ 0.58	$ 0.44
Basic	0.81	0.45	0.60	0.46
Earnings per share:				
Diluted	$ 0.79	$ 0.44	$ 0.57	$ 0.44
Basic	0.83	0.46	0.59	0.45
Market price per share:				
High	$ 34.43	$35.61	$36.30	$35.38
Low	30.00	32.22	33.00	31.25

[1]Results for the fourth quarter of fiscal 2008 include a bad debt charge for a receivable from Lehman Brothers ($0.03 per diluted share). The fourth quarter of fiscal 2007 included favorable resolutions of certain prior-year income tax matters ($0.02 per diluted share).

[2]Results for the third quarter of fiscal 2008 include an accounting gain related to the acquisition of the Disney Stores North America and a gain on the sale of movies.com (together $0.01 per diluted share) and favorable resolutions of certain prior-year income tax matters ($0.03 per diluted share).

[3]Results for the first quarter of fiscal 2007 include gains from the sales of E! Entertainment and Us Weekly ($0.31 per diluted share) and an equity-based compensation plan modification charge ($0.01 per diluted share).

[4]During fiscal 2007, the Company concluded the spin-off of the ABC Radio business and now reports ABC Radio as discontinued operations for all periods presented (see Note 3 to the Consolidated Financial Statements for further discussion).

SELECTED FINANCIAL DATA

(In millions, except per share data)	2008[1][6]	2007[2][3][6]	2006[2][4][6]	2005[2][5][6]	2004[2][7]
Statements of income					
Revenues	**$37,843**	$35,510	$33,747	$31,374	$30,176
Income from continuing operations before the cumulative effect of accounting changes	**4,427**	4,674	3,304	2,460	2,223
Per common share					
Earnings from continuing operations before the cumulative effect of accounting changes					
Diluted	**$ 2.28**	$ 2.24	$ 1.60	$ 1.19	$ 1.07
Basic	**2.34**	2.33	1.65	1.21	1.08
Dividends	**0.35**	0.31	0.27	0.24	0.21
Balance sheets					
Total assets	**$62,497**	$60,928	$59,998	$53,158	$53,902
Long-term obligations	**14,889**	14,916	13,974	14,102	13,014
Shareholders' equity	**32,323**	30,753	31,820	26,210	26,081
Statements of cash flows					
Cash provided (used) by:					
Continuing operating activities	**$ 5,446**	$ 5,398	$ 5,960	$ 4,139	$ 4,232
Continuing investing activities	**(2,162)**	(618)	(220)	(1,682)	(1,478)
Continuing financing activities	**(3,953)**	(3,619)	(5,166)	(2,899)	(2,704)

[1]The fiscal 2008 results include an accounting gain related to the acquisition of the Disney Stores North America and a gain on the sale of movies.com (together $0.01 per diluted share), the favorable resolution of certain prior-year income tax matters ($0.03 per diluted share), and a bad debt charge for a receivable from Lehman Brothers ($0.03 per diluted share). These items collectively resulted in a net benefit of $0.01 per diluted share.

[2]During fiscal 2007, the Company concluded the spin-off of the ABC Radio business and thus reports ABC Radio as discontinued operations for all periods presented (see Note 3 to the Consolidated Financial Statements for further discussion).

[3]The fiscal 2007 results include gains from the sales of E! Entertainment and Us Weekly ($0.31 per diluted share), the favorable resolution of certain prior-year income tax matters ($0.03 per diluted share) and an equity-based compensation plan modification charge ($0.01 per diluted share). Including the impact of rounding, these items collectively resulted in a net benefit of $0.32 per diluted share.

[4]During fiscal 2006, the Company completed an all stock acquisition of Pixar for $7.5 billion. In addition, results include gains on sales of a Spanish cable equity investment and Discover Magazine ($0.02 per diluted share), the favorable resolution of certain prior-year income tax matters ($0.02 per diluted share) and a net benefit associated with the completion of the Pixar acquisition ($0.01 per diluted share). These items collectively resulted in a net benefit of $0.05 per diluted share.

[5]The fiscal 2005 results include the favorable resolution of certain prior-year income tax matters ($0.06 per diluted share), a benefit from the restructuring of Euro Disney's borrowings ($0.02 per diluted share), an income tax benefit from the repatriation of foreign earnings under the American Jobs Creation Act ($0.02 per diluted share), a gain on the sale of the Mighty Ducks of Anaheim ($0.01 per diluted share), a write-off of investments in leveraged leases ($0.03 per diluted share), a write-down related to the MovieBeam venture ($0.02 per diluted share), an impairment charge for a cable television investment in Latin America ($0.01 per diluted share) and restructuring and impairment charges related to the sale of The Disney Stores North America ($0.01 per diluted share). These items collectively resulted in a net benefit of $0.04 per diluted share.

[6]The Company adopted Statement of Financial Accounting Standards No. 123R, *Share Based Payment* (SFAS 123R) effective at the beginning of fiscal 2005 and recorded $214 million, $213 million, $241 million, and $248 million of pre-tax stock option compensation expense for fiscal 2008, 2007, 2006 and 2005, respectively.

[7]During fiscal 2004, the Company adopted FASB Interpretation No. 46R, *Consolidation of Variable Interest Entities* (FIN 46), and as a result, consolidated the balance sheets of Disneyland Resort Paris and Hong Kong Disneyland as of March 31, 2004 and the income and cash flow statements beginning April 1, 2004, the beginning of the Company's fiscal third quarter. Under FIN 46 transition rules, Euro Disney's and Hong Kong Disneyland's operating results continued to be accounted for on the equity method for the six-month period ended March 31, 2004. In addition, the 2004 results include the favorable resolution of certain prior-year income tax matters ($0.06 per diluted share) and restructuring and impairment charges ($0.02 per diluted share), which collectively resulted in a net benefit of $0.04 per diluted share.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the preparation of the Company's consolidated financial statements and related information appearing in this report. Management believes that the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements reasonably present the Company's financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. Management also has included in the Company's financial statements amounts that are based on estimates and judgments which it believes are reasonable under the circumstances.

The independent registered public accounting firm audits the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and provides an objective, independent review of the fairness of reported operating results and financial position.

The Board of Directors of the Company has an Audit Committee composed of three non-management Directors. The committee meets periodically with financial management, the internal auditors and the independent registered public accounting firm to review accounting, control, auditing and financial reporting matters.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements prepared for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control – Integrated Framework*, management concluded that our internal control over financial reporting was effective as of September 27, 2008.

The effectiveness of our internal control over financial reporting as of September 27, 2008 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

STOCK EXCHANGES

Disney common stock is listed for trading on the New York stock exchange under the ticker symbol DIS. As of September 27, 2008, the approximate number of common shareholders of record was 1,003,443. Certain debt securities of the Company are listed on the Luxemburg stock exchange.

REGISTRAR AND STOCK TRANSFER AGENT

The Walt Disney Company
Shareholder Services
611 N. Brand Boulevard, Suite 6100
Glendale, California 91203
(818) 553-7200
E-mail: investor.relations@disneyonline.com
Internet: www.disneyshareholder.com

DIRECT REGISTRATION SERVICES

The Walt Disney Company common stock can be issued in direct registration (book entry or uncertificated) form. The stock is DRS (Direct Registration System) eligible.

OTHER INFORMATION

The Company has included as Exhibit 31 to its Annual Report on Form 10-K for fiscal year 2008 filed with the Securities and Exchange Commission certificates of the Chief Executive Officer and Chief Financial Officer of the Company certifying the quality of the Company's public disclosure, and the Company has submitted to the New York Stock Exchange a certificate of the Chief Executive Officer of the Company certifying that he is not aware of any violation by the Company of New York Stock Exchange corporate governance listing standards.

A copy of the Company's annual report filed with the Securities and Exchange Commission (Form 10-K) will be furnished without charge to any shareholder upon written request to the address listed above.

Please visit The Walt Disney Company Investor Relations site at www.disney.com/investors. On this site, you can order financial documents online, send email inquiries, get instructions on how to transfer shares and review additional information about the Company.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of The Walt Disney Company

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of The Walt Disney Company and its subsidiaries (the Company) at September 27, 2008 and September 29, 2007, and the results of their operations and their cash flows for each of the three years in the period ended September 27, 2008 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 27, 2008, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for uncertainty in income taxes and its method of accounting for pension and other postretirement benefits during the years ended September 27, 2008 and September 29, 2007, respectively.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

Los Angeles, California
November 20, 2008

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Retired Chairman and Chief Executive Officer
The Procter & Gamble Company and
Co-Chairman, National Underground Railroad
Freedom Center

Susan E. Arnold
President-Global Business Units
The Procter & Gamble Company

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Edison International

John S. Chen
Chairman, Chief Executive Officer
and President
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Chief Financial Officer
The Seagram Company Ltd.

Orin C. Smith
Retired President and Chief Executive Officer
Starbucks Corporation

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Senior Executive Vice President and
Chief Financial Officer

Alan N. Braverman
Senior Executive Vice President,
General Counsel and Secretary

Dennis W. Shuler
Executive Vice President and
Chief Human Resources Officer

Christine M. McCarthy
Executive Vice President
Corporate Finance and Real Estate and
Treasurer

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Executive Vice President
Corporate Strategy, Business Development
and Technology

Zenia B. Mucha
Executive Vice President
Corporate Communications

Preston R. Padden
Executive Vice President
Worldwide Government Relations

Ronald L. Iden
Senior Vice President
Global Security

Brent A. Woodford
Senior Vice President
Planning and Control

PRINCIPAL BUSINESSES

THE WALT DISNEY STUDIOS

Richard W. Cook
Chairman, The Walt Disney Studios

WALT DISNEY PARKS AND RESORTS

James A. Rasulo
Chairman, Walt Disney Parks and Resorts

MEDIA NETWORKS

George W. Bodenheimer
Co-Chairman, Disney Media Networks and
President, ESPN, Inc. and ABC Sports

Anne M. Sweeney
Co-Chairman, Disney Media Networks and
President, Disney•ABC Television Group

DISNEY CONSUMER PRODUCTS

Andrew P. Mooney
Chairman, Disney Consumer Products
Worldwide

WALT DISNEY INTERNATIONAL

Andy Bird
Chairman, Walt Disney International

DISNEY INTERACTIVE MEDIA GROUP

Stephen H. Wadsworth
President, Disney Interactive Media Group

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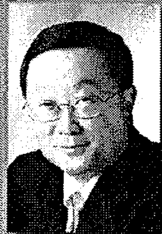
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Officer and President
Sybase, Inc.

Judith L. Estrin
Chief Executive Officer
JLabs, LLC

Robert A. Iger
President and
Chief Executive Officer
The Walt Disney Company

Steven P. Jobs
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