

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended  
June 28, 2008

Commission File Number 1-11605

The **WALT DISNEY** Company

Incorporated in Delaware

I.R.S. Employer Identification  
No. 95-4545390

500 South Buena Vista Street, Burbank, California 91521

(818) 560-1000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer (do not check if smaller reporting company)  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

There were 1,876,424,814 shares of common stock outstanding as of July 25, 2008.

## PART I. FINANCIAL INFORMATION

### Item 1: Financial Statements

#### THE WALT DISNEY COMPANY CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited; in millions, except per share data)

	Quarter Ended		Nine Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Revenues	\$ 9,236	\$ 9,045	\$ 28,398	\$ 26,580
Costs and expenses	(7,215)	(7,022)	(22,446)	(21,370)
Other income	32	—	32	1,052
Net interest expense	(141)	(143)	(411)	(430)
Equity in the income of investees	175	147	442	389
Income from continuing operations before income taxes and minority interests	2,087	2,027	6,015	6,221
Income taxes	(712)	(762)	(2,183)	(2,353)
Minority interests	(91)	(69)	(165)	(77)
Income from continuing operations	1,284	1,196	3,667	3,791
Income (loss) from discontinued operations, net of tax	—	(18)	—	19
Net income	<u>\$ 1,284</u>	<u>\$ 1,178</u>	<u>\$ 3,667</u>	<u>\$ 3,810</u>
Diluted earnings per share:				
Earnings per share, continuing operations	0.66	0.58	1.87	1.80
Earnings per share, discontinued operations	—	(0.01)	—	0.01
Earnings per share	<u>\$ 0.66</u>	<u>\$ 0.57</u>	<u>\$ 1.87</u>	<u>\$ 1.81</u>
Basic earnings per share:				
Earnings per share, continuing operations	0.68	0.60	1.93	1.87
Earnings per share, discontinued operations	—	(0.01)	—	0.01
Earnings per share	<u>\$ 0.68</u>	<u>\$ 0.59</u>	<u>\$ 1.93</u>	<u>\$ 1.88</u>
Weighted average number of common and common equivalent shares outstanding:				
Diluted	<u>1,940</u>	<u>2,070</u>	<u>1,963</u>	<u>2,115</u>
Basic	<u>1,900</u>	<u>1,982</u>	<u>1,896</u>	<u>2,027</u>

*See Notes to Condensed Consolidated Financial Statements*

**THE WALT DISNEY COMPANY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(unaudited; in millions, except per share data)

	<u>June 28, 2008</u>	<u>September 29, 2007</u>
<i>ASSETS</i>		
<i>Current assets</i>		
Cash and cash equivalents	\$ 2,589	\$ 3,670
Receivables	5,669	5,032
Inventories	992	641
Television costs	508	559
Deferred income taxes	862	862
Other current assets	623	550
Total current assets	11,243	11,314
Film and television costs	5,183	5,123
Investments	1,418	995
Parks, resorts and other property, at cost		
Attractions, buildings and equipment	31,702	30,260
Accumulated depreciation	(16,321)	(15,145)
	15,381	15,115
Projects in progress	980	1,147
Land	1,189	1,171
	17,550	17,433
Intangible assets, net	2,474	2,494
Goodwill	22,121	22,085
Other assets	1,593	1,484
	\$ 61,582	\$ 60,928
 <i>LIABILITIES AND SHAREHOLDERS' EQUITY</i>		
<i>Current liabilities</i>		
Accounts payable and other accrued liabilities	\$ 5,246	\$ 5,949
Current portion of borrowings	2,050	3,280
Unearned royalties and other advances	2,743	2,162
Total current liabilities	10,039	11,391
Borrowings	11,522	11,892
Deferred income taxes	2,258	2,573
Other long-term liabilities	3,748	3,024
Minority interests	1,236	1,295
Commitments and contingencies		
<i>Shareholders' equity</i>		
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	26,274	24,207
Retained earnings	27,660	24,805
Accumulated other comprehensive loss	(59)	(157)
	53,875	48,855
Treasury stock, at cost, 730.3 million shares at June 28, 2008 and 637.8 million shares at September 29, 2007	(21,096)	(18,102)
	32,779	30,753
	\$ 61,582	\$ 60,928

*See Notes to Condensed Consolidated Financial Statements*

**THE WALT DISNEY COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited; in millions)

	Nine Months Ended	
	June 28, 2008	June 30, 2007
<i>OPERATING ACTIVITIES OF CONTINUING OPERATIONS</i>		
Net income	\$ 3,667	\$ 3,810
Income from discontinued operations	—	(19)
Depreciation and amortization	1,178	1,109
Gains on sales of equity investments and business	(14)	(1,052)
Deferred income taxes	(48)	(77)
Equity in the income of investees	(442)	(389)
Cash distributions received from equity investees	367	339
Minority interests	165	77
Net change in film and television costs	(67)	191
Equity-based compensation	290	319
Other	(169)	(133)
Changes in operating assets and liabilities:		
Receivables	(700)	(508)
Inventories	(224)	85
Other assets	(23)	96
Accounts payable and other accrued liabilities	230	(331)
Income taxes	(9)	308
Cash provided by continuing operations	<u>4,201</u>	<u>3,825</u>
<i>INVESTING ACTIVITIES OF CONTINUING OPERATIONS</i>		
Investments in parks, resorts and other property	(949)	(986)
Proceeds from sales of equity investments and business	14	1,530
Acquisitions (including equity investments)	(488)	(231)
Other	42	92
Cash (used) provided by continuing investing activities	<u>(1,381)</u>	<u>405</u>
<i>FINANCING ACTIVITIES OF CONTINUING OPERATIONS</i>		
Commercial paper (repayments) / borrowings, net	(1,447)	1,680
Borrowings	1,000	1,632
Reduction of borrowings	(288)	(1,916)
Dividends	(664)	(637)
Repurchases of common stock	(2,994)	(5,198)
Exercise of stock options and other	492	1,158
Cash used by continuing financing activities	<u>(3,901)</u>	<u>(3,281)</u>
<i>CASH FLOW OF DISCONTINUED OPERATIONS</i>		
Net cash provided by operating activities of discontinued operations	—	29
Net cash used in investing activities of discontinued operations	—	(3)
Net cash provided by financing activities of discontinued operations	—	78
(Decrease)/increase in cash and cash equivalents	(1,081)	1,053
Cash and cash equivalents, beginning of period	3,670	2,411
Cash and cash equivalents, end of period	<u>\$ 2,589</u>	<u>\$ 3,464</u>

*See Notes to Condensed Consolidated Financial Statements*

**THE WALT DISNEY COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(unaudited; tabular dollars in millions, except for per share data)

**1. *Principles of Consolidation***

These Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, normal recurring adjustments considered necessary for a fair presentation have been reflected in these Condensed Consolidated Financial Statements. Operating results for the quarter and nine months ended June 28, 2008 are not necessarily indicative of the results that may be expected for the year ending September 27, 2008. Certain reclassifications have been made in the prior year financial statements to conform to the current year presentation.

These financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended September 29, 2007.

In December 1999, DVD Financing, Inc. (DFI), a subsidiary of Disney Vacation Development, Inc. and an indirect subsidiary of the Company, completed a receivables sale transaction which 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 terms "Company," "we," "us," and "our" are used in this report to refer collectively to the parent company and the subsidiaries through which our various businesses are actually conducted.

**2. *Segment Information***

The operating segments reported below are the segments of the Company for which separate financial information is available and for which segment results are evaluated regularly by the Chief Executive Officer in deciding how to allocate resources and in assessing performance. The Company reports the performance of its operating segments including equity in the income of investees, which consists primarily of cable businesses included in the Media Networks segment.

**THE WALT DISNEY COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(unaudited; tabular dollars in millions, except for per share data)

	Quarter Ended		Nine Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
<b>Revenues <sup>(1)(2)</sup> :</b>				
Media Networks	\$ 4,123	\$ 3,829	\$ 11,904	\$ 11,071
Parks and Resorts	3,038	2,904	8,535	7,839
Studio Entertainment	1,433	1,775	5,896	5,958
Consumer Products	642	537	2,063	1,712
	<u>\$ 9,236</u>	<u>\$ 9,045</u>	<u>\$ 28,398</u>	<u>\$ 26,580</u>
<b>Segment operating income <sup>(1)(2)</sup> :</b>				
Media Networks	\$ 1,472	\$ 1,356	\$ 3,697	\$ 3,216
Parks and Resorts	641	621	1,485	1,280
Studio Entertainment	97	190	988	1,027
Consumer Products	113	118	542	476
	<u>\$ 2,323</u>	<u>\$ 2,285</u>	<u>\$ 6,712</u>	<u>\$ 5,999</u>

(1) Studio Entertainment segment 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. Consumer Products results exclude amounts allocated to Studio Entertainment. This intersegment revenue and operating income was \$37 million and \$43 million for the quarters ended June 28, 2008 and June 30, 2007, respectively, and \$142 million and \$141 million for the nine months ended June 28, 2008 and June 30, 2007, respectively.

(2) Beginning with the first quarter of fiscal 2008, the Company began reporting Hyperion Publishing in the Media Networks segment. Previously, Hyperion Publishing had been reported in the Consumer Products segment. Prior-period amounts (which are not material) have been reclassified to conform to the current presentation.

A reconciliation of segment operating income to income from continuing operations before income taxes and minority interests is as follows:

	Quarter Ended		Nine Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Segment operating income	\$ 2,323	\$ 2,285	\$ 6,712	\$ 5,999
Corporate and unallocated shared expenses	(127)	(115)	(318)	(352)
Equity-based compensation plan modification charge	—	—	—	(48)
Other income	32	—	32	1,052
Net interest expense	(141)	(143)	(411)	(430)
Income from continuing operations before income taxes and minority interests	<u>\$ 2,087</u>	<u>\$ 2,027</u>	<u>\$ 6,015</u>	<u>\$ 6,221</u>

**THE WALT DISNEY COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(unaudited; tabular dollars in millions, except for per share data)

**3. *Acquisitions and Dispositions and Other Income***

*Acquisitions*

On May 9, 2008, the Company acquired an additional 18% fully diluted interest (bringing the total fully diluted interest to 32%) in UTV Software Communications Limited (UTV), a media company headquartered and publicly traded in India, for approximately \$197 million. As required by Indian securities regulations, the Company is required to make an open tender offer to purchase up to an additional 20% of the voting shares of UTV held by the public at the same price per share. The Company is waiting for regulatory approval in India to execute the open offer for additional shares, which will be completed approximately two months after approval is received. The additional shares acquired by the Company in the open offer, if any, are subject to certain voting restrictions and a call option held by the primary shareholders that provides for a price no less than the price paid by the Company to acquire the shares. In addition to the acquisition of UTV, the Company has committed to invest \$30 million in a UTV subsidiary, UTV Global Broadcasting Limited (UGBL), subject to regulatory approval in India.

On April 30, 2008, the Company acquired the Disney Stores in North America from subsidiaries of The Children's Place Retail Stores, Inc. (TCP) for cash consideration totaling approximately \$64 million and terminated TCP's long-term licensing arrangement relating to the Disney Stores. The Company acquired the inventory, leasehold improvements, and certain fixed assets of, and assumed the leases on, approximately 225 stores that it intends to operate. The Company conducted the wind-down and closure of an additional 89 stores but did not assume the leases on these stores.

In connection with the acquisition, the Company waived its rights to certain claims against TCP and, as required by the provisions of Emerging Issues Task Force Issue No. 04-1, *Accounting for Pre-Existing Relationships between the Parties to a Business Combination*, recorded an \$18 million non-cash gain for the estimated fair value of the claims. The gain is classified in "Other income" in the Consolidated Statement of Income.

On August 1, 2007, the Company acquired all of the outstanding shares of Club Penguin Entertainment, Inc. (Club Penguin), a Canadian company that operates clubpenguin.com, an online virtual world for children. The purchase price included upfront cash consideration of approximately \$350 million and additional consideration of up to \$350 million that may be paid if Club Penguin achieves predefined earnings targets for calendar years 2008 and 2009.

*Dispositions*

On June 12, 2007, the Company completed the spin-off of its wholly-owned subsidiary, ABC Radio Holdings, Inc., and its merger with 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. Results of the ABC Radio business have been reported as discontinued operations.

On November 21, 2006, in connection with the execution of new long-term agreements for the provision of programming to cable service provider Comcast Corporation (Comcast), the Company sold its 39.5% interest in E! Entertainment Television (E!) to Comcast (which owned the remainder of the interest in E!) for \$1.23 billion, which resulted in a pre-tax gain of \$780 million (\$487 million after-tax). On October 2, 2006, the Company sold its 50% stake in Us Weekly for \$300 million, which resulted in a pre-tax gain of \$272 million (\$170 million after-tax). These gains are reported in "Other income" in the Condensed Consolidated Statements of Income.

**THE WALT DISNEY COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(unaudited; tabular dollars in millions, except for per share data)

*Other income*

During the nine months ended June 28, 2008 and June 30, 2007, other income was as follows:

	Nine Months Ended	
	June 28, 2008	June 30, 2007
Gain on sale of movies.com	\$ 14	\$ —
Accounting gain related to the acquisition of the Disney Stores in North America	18	—
Gain on sale of equity investment in E!	—	780
Gain on sale of equity investment in Us Weekly	—	272
	<u>\$ 32</u>	<u>\$ 1,052</u>

#### 4. Borrowings

During the nine months ended June 28, 2008, the Company's borrowing activity was as follows:

	September 29, 2007	Additions	Payments	Other Activity	June 28, 2008
Commercial paper borrowings	\$ 2,686	\$ —	\$ (1,447)	\$ —	\$ 1,239
U.S. medium-term notes	6,340	750	(85)	(1)	7,004
Convertible senior notes <sup>(1)</sup>	1,323	—	(3)	(1,320)	—
European medium-term notes	163	93	—	(3)	253
Capital Cities/ABC debt	181	—	—	(2)	179
Film financing	355	102	(135)	—	322
Other <sup>(2)</sup>	541	17	(40)	169	687
Euro Disney borrowings <sup>(3)</sup>	2,476	—	(62)	296	2,710
Hong Kong Disneyland borrowings	1,107	38	—	33	1,178
Total	<u>\$ 15,172</u>	<u>\$ 1,000</u>	<u>\$ (1,772)</u>	<u>\$ (828)</u>	<u>\$ 13,572</u>

(1) In April 2008, the Company redeemed the convertible senior notes (the Notes). Pursuant to the redemption, substantially all of the Notes were converted into 45 million shares of the Company's common stock.

(2) The other activity is primarily the purchase of land for a Disney Vacation Club resort in Hawaii and market value adjustments for debt with qualifying hedges.

(3) The other activity is primarily the impact of foreign currency translation as a result of the weakening of the U.S. dollar against the Euro.

#### 5. Euro Disney and Hong Kong Disneyland

The Company has a 51% effective ownership interest in the operations of Euro Disney and a 43% ownership interest in the operations of Hong Kong Disneyland which are both consolidated under the provisions of FIN 46R, *Consolidation of Variable Interest Entities*.

**THE WALT DISNEY COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(unaudited; tabular dollars in millions, except for per share data)

The following table presents a condensed consolidating balance sheet for the Company as of June 28, 2008, reflecting the impact of consolidating the balance sheets of Euro Disney and Hong Kong Disneyland.

	Before Euro Disney and Hong Kong Disneyland Consolidation	Euro Disney, Hong Kong Disneyland and Adjustments	Total
Cash and cash equivalents	\$ 2,035	\$ 554	\$ 2,589
Other current assets	8,327	327	8,654
Total current assets	10,362	881	11,243
Investments	2,099	(681)	1,418
Fixed assets	12,516	5,034	17,550
Other assets	31,309	62	31,371
Total assets	<u>\$ 56,286</u>	<u>\$ 5,296</u>	<u>\$ 61,582</u>
Current portion of borrowings	\$ 1,593	\$ 457	\$ 2,050
Other current liabilities	7,286	703	7,989
Total current liabilities	8,879	1,160	10,039
Borrowings	8,091	3,431	11,522
Deferred income taxes and other long-term liabilities	5,820	186	6,006
Minority interest	717	519	1,236
Shareholders' equity	32,779	—	32,779
Total liabilities and shareholders' equity	<u>\$ 56,286</u>	<u>\$ 5,296</u>	<u>\$ 61,582</u>

The following table presents a condensed consolidating income statement of the Company for the nine months ended June 28, 2008, reflecting the impact of consolidating the income statements of Euro Disney and Hong Kong Disneyland.

	Before Euro Disney and Hong Kong Disneyland Consolidation	Euro Disney, Hong Kong Disneyland and Adjustments	Total
Revenues	\$ 26,764	\$ 1,634	\$ 28,398
Cost and expenses	(20,841)	(1,605)	(22,446)
Other income	32	—	32
Net interest expense	(278)	(133)	(411)
Equity in the income of investees	406	36	442
Income from continuing operations before income taxes and minority interests	6,083	(68)	6,015
Income taxes	(2,183)	—	(2,183)
Minority interests	(233)	68	(165)
Net income	<u>\$ 3,667</u>	<u>\$ —</u>	<u>\$ 3,667</u>

**THE WALT DISNEY COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(unaudited; tabular dollars in millions, except for per share data)

The following table presents a condensed consolidating cash flow statement of the Company for the nine months ended June 28, 2008, reflecting the impact of consolidating the cash flow statements of Euro Disney and Hong Kong Disneyland.

	Before Euro Disney and Hong Kong Disneyland Consolidation	Euro Disney, Hong Kong Disneyland and Adjustments	Total
Cash provided by operations	\$ 4,121	\$ 80	\$ 4,201
Investments in parks, resorts and other property	(850)	(99)	(949)
Other investing activities	(425)	(7)	(432)
Cash used in financing activities	(3,877)	(24)	(3,901)
Decrease in cash and cash equivalents	(1,031)	(50)	(1,081)
Cash and cash equivalents, beginning of period	3,066	604	3,670
Cash and cash equivalents, end of period	<u>\$ 2,035</u>	<u>\$ 554</u>	<u>\$ 2,589</u>

**6. Pension and Other Benefit Programs**

The components of net periodic benefit cost are as follows:

	Pension Plans				Postretirement Medical Plans			
	Quarter Ended		Nine Months Ended		Quarter Ended		Nine Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Service cost	\$ 44	\$ 46	\$ 134	\$ 130	\$ 5	\$ 5	\$ 16	\$ 17
Interest cost	81	74	242	222	15	14	47	44
Expected return on plan assets	(89)	(75)	(267)	(227)	(6)	(5)	(19)	(15)
Recognized net actuarial loss	10	12	28	38	—	—	1	—
Net periodic benefit cost	<u>\$ 46</u>	<u>\$ 57</u>	<u>\$ 137</u>	<u>\$ 163</u>	<u>\$ 14</u>	<u>\$ 14</u>	<u>\$ 45</u>	<u>\$ 46</u>

Based on current actuarial projections, the Company expects that it will not be required to make contributions to its pension plans during fiscal 2008 under the funding regulations associated with the Pension Protection Act of 2006 (PPA). During the nine months ended June 28, 2008, the Company contributed approximately \$20 million, primarily to post-retirement medical and pension plans not subject to the PPA, and does not anticipate contributing material amounts to its pension and post-retirement medical plans in the fourth quarter of fiscal 2008.

