



Q3 FY07 Earnings Conference Call

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Disney Speakers:

Bob Iger

President and Chief Executive Officer

Tom Staggs

Senior Executive Vice President and Chief Financial Officer

Moderated by

Lowell Singer

Senior Vice President, Investor Relations

PRESENTATION

Operator

Good day, ladies and gentlemen. Thank you very much for your patience, and welcome to the third quarter 2007 Walt Disney earnings conference call. My name is Bill, and I will be your conference coordinator for today. At this time, all participants are in a listen-only mode. However, we will be conducting a question-and-answer session at the end of today's presentation. (OPERATOR INSTRUCTIONS) As a reminder, today's conference is being recorded for replay purposes.



I would now like to turn the call over to Mr. Lowell Singer, Senior Vice President of Investor Relations. Please proceed sir.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Thanks, operator. Good afternoon, everyone. Welcome to the third quarter 2007 call. Joining me today in Burbank are Bob Iger, Disney's President and Chief Executive Officer, and Tom Staggs, Senior Executive Vice President and CFO. Two press releases are now available on our website, our Q3 earnings release, and a release announcing our acquisition of Club Penguin.

This call will be webcast from our Investor Relations website. After the call, we will post a replay and a written transcript of today's remarks. Bob is going to lead off, followed by Tom. We will then open it up to Q&A, and then I will return for some important Safe Harbor comments.

With that said, let me turn it over to Bob.

Bob Iger – *President and Chief Executive Officer, The Walt Disney Company*

Thank you, Lowell. I look forward to those important comments. Good afternoon, everyone.

After a terrific 2006 performance, and excellent first half results, I am pleased to report we have had another solid quarter, posting double-digit increases in segment operating income and earnings per share from continuing operations. We have again achieved a strong record by focusing on doing what we do best; building high quality, creative franchises across multiple platforms and multiple markets. A consistent strategic vision, a skillful well-coordinated management team and a commitment to financial discipline are the key elements of our success, while creativity and innovation remain at the heart of everything we do.

Today we announced that Disney has acquired Club Penguin, as Lowell mentioned. This is one of the fastest growing online virtual worlds for kids. We believe that Club Penguin embodies values of the utmost importance to Disney- providing high-quality family entertainment and fostering parental trust.



And, this is thoroughly consistent with our strategic vision. Club Penguin is a great example of creativity and technology merging, resulting in an engaging, entertaining, immersive environment for its users. Just as with Disney.com, kids love Club Penguin, and parents trust it.

In less than two years, Club Penguin has grown into a site that boasts more than 12 million activated users and 700,000 paying subscribers. Imagine how Disney's marketing skills and worldwide technological capabilities can contribute to Club Penguin's growth, and you can see why we are so enthusiastic about this acquisition. We are pleased that Club Penguin founders Lane Merrifield, Dave Krysko, and Lance Priebe are joining Disney. They have done a fantastic job of building their business in a short period of time, with great creativity and innovation. We look forward to working with them.

Disney's technological know-how, online capabilities, and international reach will support global expansion of the Club Penguin franchise. We plan to rename it Disney's Club Penguin, and to immediately use our Disney branded properties, such as Disney.com, Disney Channel, Radio Disney, and our Parks and Resorts to raise its profile. For those of you on your computers, you can log on to Disney.com right now, and see what I mean.

Earlier this year at the Consumer Electronics Show, we announced we were embarking on the creation of a number of virtual online worlds through our new Disney.com website, where kids and families can have compelling immersive experiences. Our vision has been to create online destinations where kids around the world can interact with each other, and play games alongside their favorite Disney characters.

Combining the creativity and knowledge of the Club Penguin team with our existing Disney online assets, including the #1 website for kids and families, Disney.com, will help us to further our objective of establishing clear global leadership in the development of virtual online worlds for families and kids.

We believe virtual worlds can extend and expand on the life of a franchise, expand our global reach for our entertainment content, and allow us direct contact with our consumers, in a more personalized and engaging way. All aspects of our strategy hinge on our ability to create compelling content, and I am happy to say that Disney remains on a creative roll.



In the midst of perhaps the most competitive summer ever for movies, with one blockbuster opening after another, we are pleased with the performance of our third quarter releases, *Pirates of the Caribbean: At World's End* and *Ratatouille*. *Pirates* is the #1 movie of the year globally with worldwide box office revenue to-date of over \$950 million, making it the fifth highest grossing movie of all time. *Ratatouille*, the best reviewed movie of the year, is on track to see over \$200 million in domestic box office, and is just now beginning its broad international rollout.

We expect *Pirates* and *Ratatouille* to do well during the holiday season, when they are released on DVD, iTunes, and soon after, on Video On Demand.

At our Cable Networks, Disney Channel remains a powerhouse that continues to maintain its leadership with 6 to 14-year-olds, while capturing its largest ever share of preschool audience. We expect its position to be reinforced later this month, when *High School Musical 2* premieres, raising to a whole new level an entertainment phenomenon that has come to define the virtues of our multi-platform, multi-market approach.

So far, *High School Musical* has been seen by over 160 million viewers worldwide. Global soundtrack sales now top 7 million, while 7.8 million DVDs and 4.5 million books have been purchased by consumers, and some 2,000 licensed productions are underway in schools and community theaters. *High School Musical 2* is also a launching pad for our Back-to-School merchandising campaign, our biggest ever sales program with Wal-Mart stores.

The creative strength of our studio and networks is bolstering the performance of our businesses in many different ways. Miley Cyrus, the star of Disney Channel's *Hannah Montana* is the youngest artist ever to have two billboard #1 records in one year, both, of course on Walt Disney Records.

The newly christened *Finding Nemo Submarine Voyage* at Disneyland is drawing huge crowds, and highlights again the strength and value of Pixar's creativity, especially in combination with Walt Disney Imagineering.

We are also very excited about the ABC network fall season. We have a strong slate of new shows that will join hits like *Grey's Anatomy*, *Dancing with the Stars*, *Ugly Betty*, and *Desperate Housewives*. ABC's performance during the recent upfronts reaffirms the value of our broadcast networks as an effective platform for advertisers to reach a mass audience with attractive demographics. We achieved high single-digit CPM increases at the network, and booked over \$2.4 billion in total primetime commitments.

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Once again, ESPN had a great quarter, leading results at our Cable Networks. ESPN is an exceptionally well-positioned brand that crosses multiple media platforms, and is expanding both its business lines and its international presence. Looking ahead, we believe ESPN will continue to be an important driver of growth for Disney in the years to come.

A commitment to great high quality creative work, a persistent focus on new technologies, and intelligent investment in international markets, are the strategies we believe can continue to carry us forward. We have a strong balance sheet, incredible assets, and a disciplined approach to new investments, favoring those areas that enhance our key brands and provide the best return on capital. We believe our business model is proving flexible enough to adapt to fast changing markets and consumer preferences, all the while enhancing long-term shareholder value.

And with that, I will turn it over to Tom Staggs.

Tom Staggs – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Good afternoon. We are now three quarters of the way through our 2007 fiscal year, and I am happy to note that we are well on our way to delivering yet another year of double-digit earnings growth.

At Media Networks, the strong results we have seen all year continued in the third quarter. Broadcasting revenues were up due to international sales of *Lost*, *Desperate Housewives*, and *Ugly Betty*, along with higher domestic syndication and home video sales. The network also reported higher advertising revenues in the quarter.

Fewer pilots and lower production expense at ABC Studios helped to push broadcasting operating income to more than double the prior year quarter. These gains were partially offset by increased spending on our digital initiatives, including Disney Mobile. ABC's softer ratings in the quarter were more than made up for by strong advertising sales, and CPMs in Q3 were up double-digit percentages versus last year's upfront.

At the Cable Networks, ESPN delivered higher affiliate revenue, even though we recognized \$57 million less in deferred revenues this quarter than we did in Q3 of last year. In the fourth quarter we expect to recognize all of ESPN's remaining deferred



affiliate revenues for the year, which amounts to a little over \$185 million more in deferred revenue recognition than we recorded in last year's Q4.

Advertising revenues for ESPN came in on par with the prior year quarter, despite difficult programming comparisons, including fewer Major League Baseball games and lower ratings for the NBA Playoffs. Looking ahead, we are extremely excited to have NASCAR back on our networks this year. Last Sunday's Allstate 400 at the Brickyard performed well on ESPN, delivering a 4.9 rating among the total cable households. Given the timing of our races, we will book roughly 60% of our NASCAR rights cost for the first season in this fiscal year, with a great majority of those costs coming in Q4.

Disney-ABC Cable Networks also contributed to this quarter's growth, through increases in both advertising and affiliate revenue, especially at ABC Family.

At Parks and Resorts, we delivered solid revenue and income growth, as well as improved margins. Our Parks and Resorts have a unique advantage in terms of their scale, and their ability to leverage our stories and characters, to create an immersive experience for our guests. We continue to capitalize on those strengths through marketing, pricing, and guest service campaigns, such as *Year of a Million Dreams*, *Magic Your Way*, and *Disney's Magical Express*, to drive increases in guest spending and hotel occupancy.

Walt Disney World attendance increased by 4%, with growth primarily led by increases from domestic visitors. Per capita spending came in slightly higher than last year. Our Florida hotels also performed well, with occupancy just above last year at 93%, and per room spending up 5%.

Disneyland Resort comparisons are challenging this year, given the successful 50th Anniversary celebration last year. Despite this tough comp, attendance was roughly the same in Q3 of last year. While guest spending was up by low-single digits at the Disneyland resort, our West Coast hotels' performance was very strong as well. Occupancies came in at 96%, which is in-line with last year, and per room spending increased 9%.

Looking ahead to Q4, combined domestic attendance trends so far are roughly flat with the prior year, but room reservations for the quarter are currently pacing low-double digit percentages ahead of last year's Q4.



At Disneyland Paris, Q3 attendance increased 9% and trends there continue to be strong. With regard to Hong Kong Disneyland, we have discussed that attendance to-date has fallen short of what we would like, and we expect to invest further in Hong Kong Disneyland's marketing and attractions to help ensure its long-term success.

The Studio's creative success over the past couple of years has been spectacular, and that success is evident in year-to-date results for this segment. In Q3, our box office success continued, driven by the strong worldwide performance of *Pirates of the Caribbean: At World's End*, and the opening of *Ratatouille*. The difference this quarter, however, was in home video, where last year's release of *The Chronicles of Narnia* sold over 18 million units, with no comparable release in this year's Q3.

The segment's operating performance was also affected by the timing of the marketing spend for *Ratatouille*, which premiered domestically at the very end of the quarter. As Bob mentioned, *Ratatouille* has been well received, and we will continue to roll out the movie in additional markets around the world throughout the summer and fall. With that said, it is worth noting that in Q4, the studio will face comparisons to the worldwide theatrical release of *Pirates of the Caribbean 2*, which went on to become the third most successful film in box office history.

Consumer Products continued to perform very well this last quarter. Consumer Products revenue growth of 23% outpaced operating income, primarily due to the fact that a large portion of the revenue growth was driven by our self-published video games, led by *Pirates 3*. We are encouraged by the success thus far in this business, but as we continue to ramp up our investment in video games, these efforts will continue to dampen margins for Consumer Products in the near term. In addition, the absence of *Us Weekly*, which we sold at the beginning of the year, dampened year-over-year margin comparisons for the quarter by roughly 1.5 percentage points.

In licensing, *Cars* products continue to perform extremely well, further solidifying our belief in the long-term strength and value of this new franchise.

As we've said in the past, our first priority for incremental capital investment is strategically attractive opportunities for growth that we believe can generate strong returns for our shareholders.

The Club Penguin acquisition we just announced is completely consistent with this approach. From its launch in October of 2005 through the end of calendar 2006, Club Penguin grew paid subs to 400,000. Since the beginning of calendar 2007, Club Penguin



has increased this figure by more than 300,000, and paid subs now stand at more than 700,000--and we believe that figure can continue to grow.

We are making an upfront payment of approximately \$350 million for Club Penguin, with the potential for additional purchase price payments of as much as \$350 million through the end of calendar 2009, depending on the growth of Club Penguin's earnings. Although there is obviously the potential for significant future payments, the deal is structured such that the value creation opportunity from this acquisition is greater as the payments increase. We expect the deal to be accretive to our earnings in year one, and more accretive if we achieve the higher earnings levels that would result in increased payments under the earnout.

Our strong balance sheet and free cash flow provide us with the financial flexibility to capitalize on acquisitions like Club Penguin and other investment opportunities as they arise. At the same time, we continue to return capital to our investors through both dividends and share repurchases.

During the third quarter, we repurchased approximately 55 million Disney shares for approximately \$1.9 billion. Taking into account the shares we've purchased since the end of the quarter, we have bought a total of nearly 180 million shares this fiscal year, at a cost of just under \$6.2 billion.

We are pleased with the trends we are seeing across the company, as each of our businesses is executing well against our strategic priorities. These priorities include our commitment to developing quality content that strengthens the consumers' relationship with our brands, and our ability to leverage creative success across the scope of our businesses. The result has been the strong earnings growth, cash flow and improving capital returns that we have been achieving. At the same time, we have nurtured and extended the competitive advantages that can help us deliver increasing value for our shareholders in the future.

With that, I will turn the call back over to Lowell for Q&A.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Thank you, Tom. Operator, we are ready to begin the question and answer portion of the call.



Q&A

Operator

Thank you very much, sir. (OPERATOR INSTRUCTIONS) Our first question comes from the line of Anthony Noto of Goldman Sachs. Please proceed.

Anthony Noto – Analyst, Goldman Sachs

Thank you very much. Two questions. First is on ESPN. Tom, did you recognize less of the revenue deferral in the quarter than you anticipated? And if so, could you quantify how much? We thought it would be about \$150 million. So it looks like the fourth quarter is going to be almost \$200 million more than we thought.

And then second question, Bob, on Club Penguin, if I do the quick math, based on the price point available on the site, and what I am currently paying, it looks like their revenue run rate is about \$50 million. Does your assumption for accretion assume that just the current business drives the economics, or does it also assume some additional opportunity of building the Club Penguin brand in different media venues, such as shows on Disney Channel, or other sorts of media properties outside of online? Thanks.

Tom Staggs – Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company

Well, with regard to ESPN revenue deferral, the structure of the agreements is such that the programming commitments are met around this time of year, so there is a decent amount of swing in what amount of revenues we would recognize in the third quarter. If I was handicapping it as we went into the quarter, I would say that I would lean towards it being slightly more recognition than we saw, but we also knew that there was the potential for that swing.

Bob Iger – President and Chief Executive Officer, The Walt Disney Company

To the second part of your question, Anthony, as a standalone business, given where it is today, Club Penguin would be modestly accretive in year 1 for the company. When



we ran the economics on a long-term basis, we are basing most of them on our ability to grow that business onto itself, meaning growing subscribers for Club Penguin, not just in the United States, but globally.

We will see opportunities to exploit Club Penguin on other properties. Most of what we do there will be to market Club Penguin and to grow the core business, but there may be some other additional revenue generating opportunities, beyond just the ability to market.

So video games might be a prime example, some other forms of Consumer Products, possibly some presence in our theme parks, and clearly some opportunities on our media networks. But when we look at the economics again from a standalone perspective, it is accretive in year one, and most of what we will be focused on will be growing their core business.

Anthony Noto – *Analyst, Goldman Sachs*

Great, thank you.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Operator, next question, please.

Operator

Thank you very much, sir. Ladies and gentlemen, your next question comes from the line of Imran Khan of JPMorgan. Please proceed.

Imran Khan – *Analyst, JP Morgan*

Thank you for taking my questions. Two questions. Number one, I think if you look at your growth in the park business, it was quite a bit driven by the average spending per capita. I was trying to understand what kind of opportunities you see for growth from here? And secondly, in the calendar fourth quarter, or your fiscal first quarter, can you give us some sense when we should expect to see the 3-disc DVD for *Pirates* and give us some color on that?



Tom Staggs – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

With regard to parks per capita spending, we said in the past that our expectation is that the parks pricing generally tracks inflation, and generally we look at the leisure index to sort of get a sense of what inflation is in that business. We tracked that pretty close in the past. I think it will probably be a reasonable thing to look at in the future.

This last quarter, as an example, we saw roughly the same percentage increase from admissions per capita as we did from food and beverage. So we are seeing the strength not just in admissions, but also what people are doing inside our parks. We are pleased with that. As we broaden the activities for people, we hope to capture a greater share of their vacation wallets. That is part of the strategy that Jay and his team are pushing for.

Bob Iger – *President and Chief Executive Officer, The Walt Disney Company*

The second part of your question, Imran, the *Pirates* DVD, *Pirates 3* will be available as a Christmas or a holiday title. We have not announced a date for when the 3 movie *Pirate* DVD package will be in the marketplace, but clearly that is something that we intend to do, and I think you can expect to see it be a Blu-ray disk as well, but no specific date.

Imran Khan – *Analyst, JP Morgan*

Great. Thank you.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Thanks Imran. Next question, please.

Operator

The next question comes from the line of Jessica Reif-Cohen of Merrill Lynch.

Jessica Reif-Cohen – *Analyst, Merrill Lynch*

An amazing acquisition. I am just wondering how will the management of Club Penguin be integrated in Disney's internet operations? Is this something that you



would see, like Pixar management involvement and Disney animation? And completely separate, on the upfront, could you comment on how the Cable Networks did, and also in broadcasting, the other non-primetime dayparts? Thanks.

Bob Iger – *President and Chief Executive Officer, The Walt Disney Company*

Thank you for your compliment on the Club Penguin acquisition. The Club Penguin team will report directly to Steve Wadsworth, who is with us today, and the internet group. Their focus, certainly in the near term, is in growing their business, not just domestically but on a global basis, aided considerably by Disney's infrastructure, both in that space and in other businesses.

We believe that bringing them on board will give us additional expertise, both creatively, technologically, and in terms of their experience to date, as we seek to grow our virtual worlds online more aggressively, which as you know we have been up to. So this is a great addition to the team.

While it's not thoroughly analogous to, or completely analogous to, the Pixar situation, I guess there are elements of it that are similar, in that we are bringing expertise into a company, in a space that we value greatly, that we believe will provide the company with great growth. And that clearly is a significant part of the value that we are buying, in buying Club Penguin. They will continue to be located in British Columbia. We hope that they will spend more time down here at Disney for the reasons that I just cited, but the business will remain where it is, and as I said, reporting in to Steve Wadsworth.

On the upfront side, we had a strong upfront in multiple dayparts at the network. Double digit CPM increases in morning news and in daytime, for instance, and so in general, it was a solid upfront for ABC. And on the cable network side, we have not been too specific, but both ESPN and ABC Family had excellent upfronts. ABC Family was up double-digits from a CPM standpoint, and ESPN also had a very strong upfront, particularly against certain properties like *Monday Night Football* and NASCAR.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Thanks, Jessica. Operator, next question, please.



Operator

Next question comes from the line of Michael Nathanson of Sanford Bernstein. Please proceed.

Michael Nathanson – *Analyst, Sanford Bernstein*

I have two. I put my BlackBerry away just in case. One for Tom, and one for Bob. For Tom, I am looking at your parks reconciliation that you always post, and it looks like the royalty and management fees this quarter was very low, like \$6 million. Why was that, and when does the royalty rate step up? And then one for Bob.

Tom Staggs – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Well, the answer to the first question is that the royalty rate, as you do a quarter-over-quarter comparison, as you may recall, when we did the Euro Disney restructuring, we provided for the deferral of royalties at Euro Disney, and because we do have the revenue deferral, they are pushed out to a later time. They are essentially turned into a debt obligation. So we don't recognize the deferral through the income statement, until it is appropriate to do so. And so that is the primary difference between those two figures.

Bob Iger – *President and Chief Executive Officer, The Walt Disney Company*

What was the second question?

Michael Nathanson – *Analyst, Sanford Bernstein*

The second is for you, Bob. When you look at all of your divisions, they are operating well as you all say, the question I have is, when you look at your portfolio of assets, which divisions or assets do you think have the best ability to raise margins in the Company in a couple of years? Where do you think you have the best chance to lift margins? Which divisions?



Bob Iger – *President and Chief Executive Officer, The Walt Disney Company*

Well, we are working hard at margin growth obviously in all of our businesses. We are pleased that the theme parks are essentially at the 20% margin that we talked about being the magical number. And we prefer not to stop there. ESPN, obviously, has substantial margins, but as their sub fees moderate, it will be hard to grow their margins over the long term, even though ESPN will continue to deliver significant growth to the company. And even though their sub fees are starting to moderate a bit, they are coming off of, as you know, a relatively high base.

We continue to look to growing our margins on the licensing side at Consumer Products. We have done a good job with that in the near term. In the recent past, we are going to do some investing to grow licensing in general in Consumer Products, which may not give us the ability in the near term to raise margins but the goal long term is to do just that.

For Media Networks in general, Broadcasting, has always, as you know, because it's a single revenue stream business, is always from a margin perspective dependent upon both the ratings delivery and the marketplace. At least for now, we are experiencing positive signs on both fronts.

Tom Staggs – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Yes, I think I would add to it that as Bob alluded, there are a number of places where we are currently investing. For Consumer Products, Bob talked about our licensing capabilities. As we noted in recent quarters, we have been seeing double digit-type increases in our earned royalties, and that is really a direct result of the investments that they have been making in those capabilities, both in terms of direct to retail and in terms of product categories.

We expect that investment to continue for the next couple of years, and during that period of time, it may dampen margins, but the margin impact as you get beyond that and the growth, we think can be substantial, so that we are doing. And as well in Consumer Products, the investment of video games I mentioned in my prepared remarks, right now that dampens margins. To the extent that we continue our success there, as you get up into steady state, you will see margin growth come from that as well.



And the final thing I would mention is that we are investing, as you know, considerably in our digital initiatives, the Internet group in particular, and as those initiatives mature, I think you will start to see that turn, in terms of being a margin contributor, as opposed to the opposite that we are experiencing now. Club Penguin by the way, is a nice exception, it actually has a nice margin already. A business that obviously, we hope to grow further.

Michael Nathanson – *Analyst, Sanford Bernstein*

Thanks.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Operator, next question, please.

Operator

The next question comes from the line of Doug Mitchelson of Deutsche Bank Securities. Please proceed.

Doug Mitchelson – *Analyst, Deutsche Bank*

Thank you. Also one for Tom, and one for Bob. Tom, your comments that you are well on your way to double-digit EPS growth is oddly reminiscent of guidance. Do you want to take a shot at whether you will see such growth continue in fiscal '08? Then, Bob, I wanted to see if you felt the Pixar deal is tracking in-line with your acquisition budgets given *Ratatouille*, which despite its critical success, is performing domestically a bit below the prior Pixar films. Thanks.

Tom Staggs – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Well, you know, I am sorry if that felt like guidance. I didn't mean to tease you. But at the end of the day, with EPS growth as substantial as it was in the first nine months, I felt it was reasonably obvious that we would probably achieve double-digits this year.



Doug Mitchelson – *Analyst, Deutsche Bank*

Thank you, Tom. (laughter)

Tom Staggs – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

And with that, I would demure on talking specifically about '08 guidance. As you know, that is not something that we engage in.

Doug Mitchelson – *Analyst, Deutsche Bank*

Of course.

Bob Iger – *President and Chief Executive Officer, The Walt Disney Company*

Your question about Pixar. First of all, when we evaluated the acquisition, we looked at their titles on a global basis, not just on a domestic basis, and we think *Ratatouille* is going to be an extremely successful global property.

We also believe that these are long-term products, meaning they will deliver value for the company, for a long period of time. What we have learned, when you put the Pixar name or the Disney name on a high quality animated feature, it delivers results or shareholder value for decades to come. Witness how we did recently with bringing *Peter Pan* out in the marketplace or *Little Mermaid*. We think *Ratatouille*, because it is the best reviewed film of the year, and it is as good as it is, will drive that type of long-term value.

We also bought Pixar for multiple reasons. We clearly knew that we wanted to bolster our animation efforts, which are critical to the company, but they also brought to the company quality and creativity and a significant amount of technological innovation. So when we valued it, we clearly looked at the potential at the box office for their upcoming titles, and we also looked at the potential at the box office for the Disney titles that Pixar management and creativity would deliver. And we looked at all the other variables, like the long-term impact on the high quality of the company, creativity and bringing their great technological experience to us.



So we really believe that if *Ratatouille* ends up hitting the 200 million plus number that I mentioned in my remarks domestically, and it does well internationally, which we are optimistic about, we have got a good solid title for The Walt Disney Company from a value perspective for many, many years to come.

Doug Mitchelson – *Analyst, Deutsche Bank*

Thanks.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Thanks, Doug. Operator, next question, please.

Operator

Thank you very much, sir. Ladies and gentlemen, your next question comes from the line of Spencer Wang of Bear Stearns. Please proceed.

Spencer Wang – *Analyst, Bear Stearns*

Thanks and good afternoon. Two questions. First on the broadcasting side, through the first nine months, you have seen pretty good margin improvement. The revenues are flattish and costs are actually down 6%.

So I guess my question is: How sustainable heading into '08 is it to continue to keep costs on the decline, or should we expect some sort of reversion to the mean on the cost side? And secondly, Tom, can you give us a sense of how big the deposit was on the two cruise ships, and how the payment schedule will work for the two ships? Thank you.

Tom Staggs – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Sure. With regard to broadcasting, as we have discussed in the past, we actually, for the primetime schedule at ABC this year, ended up with an average cost per entertainment hour that was down somewhat versus the prior year, and so that showed up in the results.



The important issue with regard to margins going forward is not so much the fourth quarter, where the same programming cost dynamics are really in play. But it is really where we go with the new primetime schedule, et cetera. So we have got some hit shows that are returning. The costs will increase somewhat on those shows, as you would expect. I don't know what reversion means in payables, but the bottom line is that our broadcasting group has been doing a very nice job of managing down their programming costs, even if they have gotten success. And those efforts are definitely going to continue, and we will look to squeeze as much margin out of broadcasting as we can.

With regard to the cruise ships, the vast majority of the purchase price of the cruise ships is back-end loaded to the delivery of the ships. So the deposit you would measure in tens of millions not hundreds of millions, and the biggest portion of the expenditure from that is yet to come, in 2011, when the ships start to get delivered.

Spencer Wang – *Analyst, Bear Stearns*

Thank you.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Thanks, Spencer. Operator, next question, please.

Operator

Thank you very much, sir. Ladies and gentlemen, your next question comes from the line of Gordon Hodge of Thomas Weisel Partners.

Gordon Hodge – *Analyst, Thomas Weisel Partners*

Yes, good afternoon. Just a quick question on Club Penguin, which I am pretty familiar with at home. It sounds like there is a lot of user-generated content involved there, and as a result I gather it has got a very high margin. I think you alluded to it being a high margin, but just trying to get a little bit more on the profitability there, and then also another question on the parks. I think you had a pension liability benefit this year, and I am just curious if you can give us a sense of what that might be going forward? Thanks.

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Bob Iger – *President and Chief Executive Officer, The Walt Disney Company*

Gordon, we are not going to get specific on the margins of Club Penguin, except to say that they are significant, which obviously is one of the reasons why we believe that the asset was attractive. You talked about user generated content. It is not all user generated. Club Penguin does, in effect, create the framework for people to experience the online world. And then kids have essentially their own experiences using their Avatars, and you can buy igloos and furnish them, et cetera, and so on, and buy clothing. I guess to some extent that is mildly user generated. But we really believe that the essence of Club Penguin is that it's simple, meaning it is easy to use. It doesn't require significant amounts of what I will call technological investment. It does require significant amounts of creativity, though.

Keeping this fresh and innovative and essentially keeping the experience fresh for kids, is something that we view as critically important to the long-term success of this property, and it is one of the most attractive things we saw in it, in that the talented people who have created this and have been running it, have been diffusing it with a fair amount of new creativity. Again, we are fortunate. It's creativity that doesn't necessarily cost that much money, but it is extremely vital and important.

Tom Staggs – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

With regard to pension and post retirement medical costs, the theme parks had a benefit of about \$125 million this year on an apples-to-apples year-over-year basis and that was driven predominantly by a change in the market rate of interest at the time that the pension calculations have to be done. So that sort of dictated to us in terms of the methodology there.

As we look forward to this year, I don't see the same sort of year-over-year change in where interest rates are from the two measurement periods, and so I don't expect a similar dynamic to be in play next year.

Gordon Hodge – *Analyst, Thomas Weisel Partners*

But you don't foresee it reversing the other way it sounds like?



Tom Staggs – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

I don't expect it to be dramatically different one direction or the other.

Gordon Hodge – *Analyst, Thomas Weisel Partners*

Terrific, thanks.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Thanks, Gordon.

Operator

Thank you very much, sir. Ladies and gentlemen, your next question comes from the line of Michael Morris of UBS, please proceed.

Mike Morris – *Analyst, UBS*

Thank you. You noted international programming as bolstering your broadcasting segment this quarter. Can you give us some color on the magnitude of that contribution? And also, the penetration when you look at the global marketplace, how penetrated your product is, and how much opportunity there is for growth there?

And then secondly on the video game side, you have made a number of small acquisitions recently. Do you feel that the infrastructure that you have now is sufficient on your properties, or would you consider perhaps more sizable acquisitions to participate in this high growth business? Thank you.

Tom Staggs – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Well, with regard to international sales of our television product, *Desperate Housewives*, *Lost*, and *Ugly Betty* have been extremely well received in international markets, and *Grey's Anatomy* as well, but that was actually earlier in the year. The order of magnitude there, it was one of the key drivers of the profit growth in the business, but that is to say I think that there is still growth in international markets to come.



I think there is more penetration. The real driver is the continued success of the shows, and so finding new hits and having those shows continue to succeed, I think is going to be the biggest determinant of where that number goes from here.

Bob Iger – *President and Chief Executive Officer, The Walt Disney Company*

The other thing that we have seen in terms of international television is significant growth in international home video for television properties.

So not only have these TV shows done well on the platforms that they are airing on, largely terrestrial platforms around the world, but our home video unit has done a great job at selling them in DVD form in markets all over the world. That has been really interesting in terms of growth potential. And it clearly supports the investment we have made in these properties.

On the video game side, we are comfortable with where we are from an infrastructure perspective, meaning the investments that we have made to date, mostly in development talent, give us the ability to develop and create enough titles to grow the business nicely, without putting more money at risk than we feel is appropriate or prudent.

We have looked, as we do in a number of businesses, at acquisition opportunities, but as is typically the case, we don't comment on such things. We will continue to do so, but that shouldn't in any way suggest that we feel the need to acquire in that space in order to grow in that space.

Mike Morris – *Analyst, UBS*

Thank you.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Thanks, Mike. Operator, next question, please.



Operator

Thank you very much, sir. Ladies and gentlemen, your next question comes from the line of David Miller of SMH Capital. Please proceed.

Dave Miller - *Analyst, SMH Capital*

Yes, hey, guys. Congratulations on the solid results! Bob, we noticed that for the European release of *Ratatouille*, the release by country is somewhat staggered. I don't think the film is set to be even released in some of the Top 5 markets, in terms of screen counts, until the fall. I think you have got Italy on October 19th, the U.K. on October 5th. I think Germany is on October 3rd. Those are all top five markets in terms of screen count. Other than the overall competitive situation with flows of product out of the U.S. into the European market place, is there any other reason for that?

Bob Iger - *President and Chief Executive Officer, The Walt Disney Company*

No, you hit it on the head Dave. We are staying out of the way of some significant competition. You wouldn't want to compete against *Harry Potter*, as a for instance in the U.K. We have stayed out of the way of *Shrek* and some of those other really big titles. We do open in a number of key markets this coming week. It is opening in France as a for instance. But the rollout is what I will call staggered for the reason that you cited- to basically create a competitive environment that we feel is healthy for the film.

Dave Miller - *Analyst, SMH Capital*

Thank you.

Lowell Singer - *Senior Vice President, Investor Relations, The Walt Disney Company*

Okay, Dave. Thanks. Operator next question, please.

Operator

Thank you very much, sir. Ladies and gentlemen, your next question comes from the line of Jonathan Jacoby of Banc of America Securities.



Jonathan Jacoby - *Analyst, Banc of America Securities*

Good afternoon. Thanks for the question. Consumer Products: How should we think about it going forward? Obviously you had tremendous strength out of *Cars*, *Ratatouille*, perhaps not the same type of strength. But is the licensing business strong enough as you go out?

Tom Staggs - *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Well, I think, that by the way, Jonathan, I understand you had a baby. Congratulations.

Jonathan Jacoby - *Analyst, Banc of America Securities*

Thank you.

Tom Staggs - *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

I would love to make sure that they get enlisted in Club Penguin.

The Consumer Products revenue from *Cars* is really kind of a phenomenon. It is our most successful new film, new animated film franchise, since *The Lion King*. And so any film that we would release in the last 10 years would pale in comparison to where *Cars* has been. We are obviously thrilled with that, and hope to see *Cars* continue. *Ratatouille* has a more limited Consumer Products program, as you might imagine.

At the same time, the most important thing to think about in our Consumer Products business, especially when it comes to licensing, is that we have an unbelievably broad base of properties to draw from in growing that business. Andy Mooney and his team have done a good job of diversifying our business base across character franchises.

You saw the great growth of Princess, the fairy franchise is coming along well, *Cars*, of course, has come on strong, *Pirates of the Caribbean*. And, you know, I don't know of any other company that has such a strong group of properties to draw from. And as we invest in our capabilities over there, I think there is, if you looked out in the long term, really strong growth potential for Consumer Products. And that growth potential is around the world.



Bob Iger – *President and Chief Executive Officer, The Walt Disney Company*

Tom, just to add to that, you mentioned diversifying our properties. We have diversified well beyond motion picture merchandise. With Disney Channel's success, it has driven a lot of success for Consumer Products. We talked about *High School Musical*—there has been a really strong program at retail. I mentioned that we have a Back-to-School program at Wal-Mart that coincides with *High School Musical 2* that is the biggest we have ever seen. And we also have *Hannah Montana* and other Disney Channel properties.

The other thing we have done in the last two years is we have brought back new versions of Mickey Mouse, in this case *Mickey Mouse Clubhouse*, and Winnie the Pooh. Both are doing quite well in the preschool space, and while both are designed to succeed on their own, as programs on the channel and international channels, they are clearly designed to help support two of Consumer Products most valuable franchises, and that is Disney and of course Mickey Mouse, and other core characters, and Winnie the Pooh.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Thanks Jonathan. Operator, next question, please.

Operator

Thank you very much, sir. Ladies and gentlemen, your next question comes from the line of Tuna Amobi with Standard & Poor's.

Tuna Amobi – *Analyst, Standard & Poor's*

Thank you very much. Given the nice publicity that was garnered by *The Secret of the Magic Gourd*, I was wondering if that changes your philosophy in terms of the Disney branded local movies, and if perhaps you can speak to the economics of those kinds of productions? And Tom, if I heard you correctly it seems like there is potentially a huge disconnect in domestic parks, between the attendance and the room reservations. If you can explain a little bit more about that dynamic? I don't remember the last time I have seen this kind of variation.



Bob Iger – *President and Chief Executive Officer, The Walt Disney Company*

The Secret of the Magic Gourd, which we released in China in June, is actually the result of a strategy and a philosophy that we have about growing the company internationally. We believe that investing in Disney-branded local content is a very, very smart thing for us to do, as we seek to drive long-term growth outside of the United States. It is really important for us to be competitive locally, and to do so, you have to put product out there that is made in the marketplace that is indigenous to those marketplaces.

Magic Gourd is really the first of what we hope to be many such properties, both on the movie side and ultimately on the TV side. We are investing to make Disney-branded films in China, beyond *Magic Gourd*. In India, we announced a deal with Yash Raj Films, just a month ago, or in June actually, to make animated films in India. We believe we have opportunities in Russia. We have been doing a fair amount of investing in Latin America to make original Disney products. And we are doing a number of things from a television perspective under the Disney Channel umbrella, along those same lines.

Again, a good way we believe to deploy our capital. Disney branded from an economic perspective, the cost of making this product in these markets, as you would expect, is substantially lower than what it would cost us to make similar product in the United States. *Magic Gourd* cost somewhere in the neighborhood of \$5 million, as an example. It would be nice to make movies for that price in the United States, but I don't think I will see that during my lifetime.

Tuna Amobi – *Analyst, Standard & Poor's*

Right. Thank you.

Tom Staggs – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Tuna, as you pointed out we were seeing very strong bookings. Low-double digits ahead of the prior year, but I mentioned the attendance quarter to date has been flat with the prior year. The biggest factor there, remember, we are only a month into the quarter.



The biggest factor there really looks to have been the 4th of July week. We had 4th of July in the middle of week, and that actually seemed to have a bigger impact than I would have expected. Remember we are comping against very strong attendance results in the prior year. July is a strong month every year. And so that impact itself we saw in the numbers. But as we look ahead, the bookings look strong, and so we feel good about where the parks stand.

Tuna Amobi – *Analyst, Standard & Poor's*

Thank you.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Thanks, Tuna. Operator, next question, please.

Operator

Thank you very much, sir. Ladies and gentlemen, your next question comes from the line of Anthony DiClemente of Lehman Brothers.

Anthony DiClemente – *Analyst, Lehman Bros.*

Thank you very much. This question is for both of you, hopefully, Bob and Tom. In the past, I think investors have looked at Disney as a cyclical stock at times, which is pretty tied directly to the U.S. economy and the economic cycle, with the macro economic indicators that people actually have been focused on in the last couple of weeks, such as oil prices and the wealth effect.

What is the strongest evidence now that you can see in your business, either over the past year or most recently that would suggest that that assumption about Disney as a cyclical company is no longer the case? Thanks.

Bob Iger – *President and Chief Executive Officer, The Walt Disney Company*

Well, you know, most of our businesses typically do not rise and fall with the cyclicity of the marketplace. People still go to movies during good times and bad. Television



remains popular. Use of the Internet continues to grow in a marketplace where there is some uncertainty. The only business where we have tended to see some fluctuation is in travel and tourism, which affects our theme parks, but by and large that business has not been impacted by increases in oil or gasoline prices during good times and bad, and it just doesn't seem like there is a direct correlation.

There typically has been a direct correlation between the theme park and consumer confidence. But that correlation has largely been broken over the last couple of years. We would prefer consumer confidence to be up, which it was this week. We think that is a good sign.

What had been a fairly consistent pattern of our Parks and Resorts business rising and falling with consumer confidence, has not been as much the case over the last couple of years. So for the most part, interestingly enough, we don't see our Company as affected by the cyclicity that you cite. Many other people believe that we are.

In general, the trends that we have seen in our theme parks have been quite positive, and do not seem to have been affected. Clearly there are other situations in the world that have had an impact, like 9/11 back in 2001. There are some difficulties traveling to the United States that we see today, tougher to get a visa, as a for instance. Just generally more difficult to travel internationally than it was, that has had some effect. But in general, the businesses have not been as affected by the overall market as certain people expect.

Tom Staggs – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Anthony, I would make just a couple of observations on top of that. That is, you know, as Bob said, the theme parks tended to rise and fall with the consumer confidence and spending, and the wealth effect, et cetera. And we are not saying that they are detached from that cycle, but that our businesses don't necessarily run in the same cycles. They can be countercyclical to one another. I think one of the things that has happened in the past, is that at certain points in time, we were perhaps in a down cycle in certain businesses, like theme parks at the same time, that we actually had a down cycle in some of our creative efforts, and I think that has caused people to overestimate the degree that the whole company is cyclical.

It is also one of the reasons that Bob and I have talked about the investment we are making in the creative processes of the Company, and making sure that creatively the



Company is as healthy as it possibly can be, and that the creative strength is broad-based and diversified across a number of businesses. That really for us is a big focus as a management team.

We also try to make sure that we are as nimble as we can be on the cost side, in the sense that we see downturns in businesses, and we have learned a lot about that over the last five years or so. So we don't pretend to be immune from individual cycles, but there are a number of cycles at work inside the company at any one point in time.

Bob Iger – *President and Chief Executive Officer, The Walt Disney Company*

The other thing that we have done, and the Parks and Resort team deserves a lot of credit for this, is they have gotten far more strategic from a pricing perspective. They are reaching out in terms of their pricing efforts to a much broader demographic, and we have not discounted, but the \$1,500 family of four package to Walt Disney World as a for instance, is one example of that, just simply making the park more affordable, or the resort more affordable to more people.

And having a pricing strategy that enables people to spend more time at the parks, in effect, the more you stay, the more you play, the less you pay, I guess is the way we put it. And that has worked really well as well. It sort of breaks the correlation a bit, it makes us less susceptible

Anthony DiClemente – *Analyst, Lehman Bros.*

That's great. Thank you.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Thanks, Anthony. Operator, next question.

Operator

Thank you very much, sir. Ladies and gentlemen, your next question comes from the line of Jason Bazinet of Citigroup.



Jason Bazinet – Analyst, Citigroup

Thanks so much. Two strategic questions on ABC, Mr. Iger, I think you have spoken in the past about focusing on three brands, ESPN, Disney, and ABC. I understand ESPN is for men, and Disney for kids. I was just wondering, are you maybe, without explicitly saying, positioning ABC as a female network, given the strength of *Grey's* and *Desperate Housewives*, and some of the pilots.

Then my follow-up question is maybe a little bit stranger. But given your strategy, which I think most people on the street agree with, is sort of ensuring that the content creators capture more value, and by extension, people in the distribution business get less, and we see that with retransmission and Internet availability of your shows, is it totally outlandish for you to potentially, you know, migrate ABC to a cable network, so you can get the equivalent of your retransmission fees of your small exposure on the TV station side? Thanks.

Bob Iger – President and Chief Executive Officer, The Walt Disney Company

Well, ABC is not purposefully positioning itself as a brand for women or a female brand, although they have had great success in that direction, led by the shows you mentioned, *Desperate Housewives* and *Grey's Anatomy*. It is not their intention to solely program in that direction or create a brand.

However, given the strength that their programming has in that direction, they have looked to develop more in that direction, to take advantage of the audience that they already have, whether it is audience flow or the marketing capabilities that an attractive audience provides. So we are not purposefully turning into a women's brand, but a lot of their programming is in effect geared to attract the woman demographic.

On the second part of the question, the one you deemed maybe a little bit more weird than the first one, I don't know that it is necessarily weird, because the network is in general a single revenue stream business, and it has its challenges because of that.

We have looked at a variety of different strategies when it comes to the network, and we will continue to, to basically figure out how to best operate that business going forward, and more specifically, to deliver long-term shareholder value. One of the ideas that you referenced, which was to turn it into a cable network, has come up at times, but the times when we have evaluated it, we concluded that it would not be in the best



interest of the company to do so. And the economics actually would have been more strained than anything else.

So we are going to continue to look at the way that business is run. It is something Anne Sweeney spends a fair amount of time on, whether it is on the cost side, to Tom's point earlier, about costs on the other question, or on the revenue-generating side. But the idea that you mention is not something that we are considering.

Jason Bazinet – *Analyst, Citigroup*

Okay.

Tom Staggs – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

And you don't want to dismiss the strength of some of the local franchises that are represented by the affiliates, and by our own stations. And, you know, they actually have very strong in-market franchises that I wouldn't dismiss too lightly in thinking about that equation.

Jason Bazinet – *Analyst, Citigroup*

Okay. Thank you.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Thanks, Jason. Operator, we have time for one more question today.

Operator

And our last question will come from the line of Rich Greenfield of Pali Capital. Please proceed.

Rich Greenfield – *Analyst, Pali Capital*

Hi. A couple of questions. One, when you look at your capital expenditures in your theme parks, you had talked about increased investment at your Analyst Meeting a few



months ago, but your expense domestically was up about 20% after 6 months, and up about 40% after the nine months. Just maybe looking for more color on where that capital specifically is going, and kind of how you see the early returns, on some of the investment spending you have done so far this year at the theme parks domestically?

And then two, the question that was asked earlier in terms of how to leverage this whole Club Penguin theme, do you think it is possible to create things like Club Mickey or Club Pooh, and actually utilize some of your core characters, to build out or create simultaneous worlds, similar to kind of what MTV has tried with trying to taking MTV *Laguna Beach*, *The Hills*, et cetera, to kind of build off of great technology? Thanks very much.

Bob Iger – *President and Chief Executive Officer, The Walt Disney Company*

Tom, do you want to go first. I will take question two. We actually do believe that we have ample opportunities to create virtual online worlds with multiple character sets. And as I mentioned, and as you know, we have *Pirates* coming out later this year. We have *Disney Fairies*, which is largely Tinker Bell-derived, which is already up and it will expand in terms of what kids will be able to do. We have been talking a lot about the potential that *Cars* has online.

Not only do we believe that it will live in that space nicely, but it will really help keep the franchise vital, when you consider the Consumer Products value as we talked about earlier.

As for Mickey core characters and Pooh, certainly there are opportunities there too. You have to look at the demographics. Pooh for instance, to be very young, and typically kids that go online and participate in or experience virtual worlds, seem to be a little bit younger than the typical Pooh demographic, but we have Toontown right now, where there are some of the Mickey and other Disney core characters present there.

This is a space that we think is only going to grow, and we believe that there is a huge value to existing franchises being in that space, but you can't just snap your fingers and get it done. You have to think through it very carefully.

What Club Penguin has done is to design a great experience, one that kids can enjoy from the moment they go on the sites, relatively easy to enter, easy to navigate. It is also very important that it is safe, which we feel very strongly about, particularly when you



apply the Disney brand to it. And we will continue to invest in this direction, both in creating new characters and franchises for the space, but also taking characters and franchises from other platforms, and putting it into that space.

Tom Staggs – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

With regard to capital expenditures, the domestic parks are up about \$150 million in spending year-over-year thus far, and both from the standpoint of what happened in the quarter and for the nine months, the biggest year-over-year delta is the deposit on the cruise ships that we talked about. While it is a relatively small percentage of the overall cost of the ships, it is still relatively meaningful in the context of capital expenditures for our quarter.

But we are also investing in things like the Submarine ride at Disneyland. We continue to invest, to put new guest offerings out there, but we also think there is a real opportunity to put more of the Pixar properties into the parks. These are really well-loved properties. There is an opportunity to give the guests that, and further differentiate our parks from other parks around the world.

We have got another attraction under construction in California, and later in Florida, that capitalizes on the Pixar franchises, and so you will see that spending continue. We think there is a real opportunity to further differentiate ourselves in that regard. But that is what's really driving that difference that you cite.

Rich Greenfield – *Analyst, Pali Capital*

Thanks.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Okay, Rich, thanks. Thank you, everyone, again for joining us today. Note that a reconciliation of non-GAAP measures referred to in this call to equivalent GAAP measures can be found on our Investors Relations website. I also want to remind everyone that certain statements in today's press release and on this call may constitute forward-looking statements under the Securities laws.



These statements were made on the basis of management's views and assumptions regarding future events and business performance, as of the time these statements were made, and management does not undertake any obligation to update these statements. These statements are subject to a number of risks and uncertainties, and actual results may differ materially from those expressed or implied in light of a variety of factors, including factors contained in our Annual Report on Form 10-K, and in our other SEC filings.

This concludes today's third quarter call. I hope everyone has a great day!

Operator

Thank you very much, sir. Thank you ladies and gentlemen for your participation in today's conference call. This concludes your presentation, you may now disconnect. Have a good day.

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Management believes certain statements in this call may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are made on the basis of management's views and assumptions regarding future events and business performance as of the time the statements are made. Management does not undertake any obligation to update these statements. Actual results may differ materially from those expressed or implied. Such differences may result from actions taken by the Company, including restructuring or strategic initiatives (including capital investments or asset acquisitions or dispositions), as well as from developments beyond the Company's control, including:

- adverse weather conditions or natural disasters;
- health concerns;
- international, political, or military developments;
- technological developments; and
- changes in domestic and global economic conditions, competitive conditions and consumer preferences.

Such developments may affect travel and leisure businesses generally and may, among other things, affect:

- the performance of the Company's theatrical and home entertainment releases;
- the advertising market for broadcast and cable television programming;
- expenses of providing medical and pension benefits;
- demand for our products; and
- performance of some or all company businesses either directly or through their impact on those who distribute our products.

Additional factors are set forth in the Company's Annual Report on Form 10-K for the year ended September 30, 2006 and in subsequent reports on Form 10-Q under Item 1A, "Risk Factors".

Reconciliations of non-GAAP measures to closest equivalent GAAP measures can be found at www.disney.com/investors.

The **WALT DISNEY** Company