FORM 10-Q

TWDC Enterprises 18 Corp. - N/A

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Quarterly report with a continuing view of a company's financial position

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 January 2, 2016	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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 1,631,570,150 shares of common stock outstanding as of February 3, 2016.

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	
	January 2, 2016	December 27, 2014
Revenues:		
Services	**$ 12,622**	$ 10,727
Products	**2,622**	2,664
Total revenues	**15,244**	13,391
Costs and expenses:		
Cost of services (exclusive of depreciation and amortization)	**(7,056)**	(6,134)
Cost of products (exclusive of depreciation and amortization)	**(1,567)**	(1,522)
Selling, general, administrative and other	**(2,025)**	(1,935)
Depreciation and amortization	**(607)**	(592)
Total costs and expenses	**(11,255)**	(10,183)
Restructuring and impairment charges	**(81)**	—
Interest expense, net	**(24)**	(58)
Equity in the income of investees	**474**	212
Income before income taxes	**4,358**	3,362
Income taxes	**(1,448)**	(1,118)
Net income	**2,910**	2,244
Less: Net income attributable to noncontrolling interests	**(30)**	(62)
Net income attributable to The Walt Disney Company (Disney)	**$ 2,880**	$ 2,182
Earnings per share attributable to Disney:		
Diluted	**$ 1.73**	$ 1.27
Basic	**$ 1.74**	$ 1.28
Weighted average number of common and common equivalent shares outstanding:		
Diluted	**1,668**	1,717
Basic	**1,654**	1,700
Dividends declared per share	**$ 0.71**	$ 1.15

See Notes to Condensed Consolidated Financial Statements

THE WALT DISNEY COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited; in millions)

	Quarter Ended	
	January 2, 2016	December 27, 2014
Net income	**$ 2,910**	$ 2,244
Other comprehensive income/(loss), net of tax:		
Market value adjustments for investments	**(3)**	(16)
Market value adjustments for hedges	**(25)**	135
Pension and postretirement medical plan adjustments	**42**	44
Foreign currency translation and other	**(113)**	(95)
Other comprehensive income/(loss)	**(99)**	68
Comprehensive income	**2,811**	2,312
Less: Net income attributable to noncontrolling interests	**(30)**	(62)
Less: Other comprehensive loss attributable to noncontrolling interests	**51**	20
Comprehensive income attributable to Disney	**$ 2,832**	$ 2,270

See Notes to Condensed Consolidated Financial Statements

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

	January 2, 2016	October 3, 2015
ASSETS		
Current assets		
Cash and cash equivalents	**$ 4,301**	$ 4,269
Receivables	**10,298**	8,019
Inventories	**1,434**	1,571
Television costs and advances	**811**	1,170
Deferred income taxes	**—**	767
Other current assets	**924**	962
Total current assets	**17,768**	16,758
Film and television costs	**6,330**	6,183
Investments	**3,268**	2,643
Parks, resorts and other property		
Attractions, buildings and equipment	**42,937**	42,745
Accumulated depreciation	**(25,179)**	(24,844)
	17,758	17,901
Projects in progress	**6,485**	6,028
Land	**1,244**	1,250
	25,487	25,179
Intangible assets, net	**7,104**	7,172
Goodwill	**27,818**	27,826
Other assets	**2,346**	2,421
Total assets	**$ 90,121**	$ 88,182
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and other accrued liabilities	**$ 9,320**	$ 7,844
Current portion of borrowings	**5,950**	4,563
Unearned royalties and other advances	**3,526**	3,927
Total current liabilities	**18,796**	16,334
Borrowings	**12,965**	12,773
Deferred income taxes	**3,874**	4,051
Other long-term liabilities	**6,288**	6,369
Commitments and contingencies (Note 10)		
Equity		
Preferred stock, $.01 par value, Authorized – 100 million shares, Issued – none	**—**	—
Common stock, $.01 par value, Authorized – 4.6 billion shares, Issued – 2.9 billion shares at January 2, 2016 and 2.8 billion shares at October 3, 2015	**35,249**	35,122
Retained earnings	**60,734**	59,028
Accumulated other comprehensive loss	**(2,469)**	(2,421)
	93,514	91,729
Treasury stock, at cost, 1.2 billion shares	**(49,556)**	(47,204)
Total Disney Shareholders' equity	**43,958**	44,525
Noncontrolling interests	**4,240**	4,130
Total equity	**48,198**	48,655
Total liabilities and equity	**$ 90,121**	$ 88,182

See Notes to Condensed Consolidated Financial Statements

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

	Quarter Ended	
	January 2, 2016	December 27, 2014
OPERATING ACTIVITIES		
Net income	**$ 2,910**	$ 2,244
Depreciation and amortization	**607**	592
Gains on sales of investments	**(27)**	—
Deferred income taxes	**551**	290
Equity in the income of investees	**(474)**	(212)
Cash distributions received from equity investees	**206**	197
Net change in film and television costs and advances	**705**	114
Equity-based compensation	**106**	104
Other	**144**	171
Changes in operating assets and liabilities:		
Receivables	**(2,358)**	(1,027)
Inventories	**134**	92
Other assets	**91**	(44)
Accounts payable and other accrued liabilities	**(891)**	(1,283)
Income taxes	**658**	617
Cash provided by operations	**2,362**	1,855
INVESTING ACTIVITIES		
Investments in parks, resorts and other property	**(1,406)**	(998)
Sales of investments	**40**	—
Acquisitions	**(400)**	—
Other	**(32)**	7
Cash used in investing activities	**(1,798)**	(991)
FINANCING ACTIVITIES		
Commercial paper borrowings, net	**1,907**	2,747
Borrowings	**382**	69
Reduction of borrowings	**(564)**	(1,098)
Repurchases of common stock	**(2,352)**	(1,303)
Proceeds from exercise of stock options	**52**	65
Contributions from noncontrolling interest holders	**—**	351
Other	**107**	66
Cash (used in)/provided by financing activities	**(468)**	897
Impact of exchange rates on cash and cash equivalents	**(64)**	(105)
Change in cash and cash equivalents	**32**	1,656
Cash and cash equivalents, beginning of period	**4,269**	3,421
Cash and cash equivalents, end of period	**$ 4,301**	$ 5,077

See Notes to Condensed Consolidated Financial Statements

THE WALT DISNEY COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(unaudited; in millions)

	Quarter Ended					
	January 2, 2016			December 27, 2014		
	Disney Shareholders	Non-controlling Interests	Total Equity	Disney Shareholders	Non-controlling Interests	Total Equity
Beginning balance	$ 44,525	$ 4,130	$ 48,655	$ 44,958	$ 3,220	$ 48,178
Comprehensive income	2,832	(21)	2,811	2,270	42	2,312
Equity compensation activity	128	—	128	179	—	179
Dividends	(1,168)	—	(1,168)	(1,948)	—	(1,948)
Common stock repurchases	(2,352)	—	(2,352)	(1,303)	—	(1,303)
Contributions	—	—	—	—	351	351
Distributions and other	(7)	131	124	9	15	24
Ending balance	**$ 43,958**	**$ 4,240**	**$ 48,198**	$ 44,165	$ 3,628	$ 47,793

See 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. We believe that we have included all normal recurring adjustments necessary for a fair presentation of the results for the interim period. Operating results for the quarter ended January 2, 2016 are not necessarily indicative of the results that may be expected for the year ending October 1, 2016. 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's2015 Annual Report on Form 10-K.

The Company enters into relationships or investments with other entities that may be a variable interest entity (VIE). A VIE is consolidated in the financial statements if the Company has the power to direct activities that most significantly impact the economic performance of the VIE and has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE (as defined by ASC 810-10-25-38). Disneyland Paris, Hong Kong Disneyland Resort (HKDL) and Shanghai Disney Resort (collectively the International Theme Parks) are VIEs. Company subsidiaries (the Management Companies) have management agreements with the International Theme Parks, which provide the Management Companies, subject to certain protective rights of joint venture partners, with the ability to direct the day-to-day operating activities and the development of business strategies that we believe most significantly impact the economic performance of the International Theme Parks. In addition, the Management Companies receive management fees under these arrangements that we believe could be significant to the International Theme Parks. Therefore, the Company has consolidated the International Theme Parks in its 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. Fiscal 2015 segment financial information has been restated to reflect the combination of the Consumer Products and Interactive segments into a single segment effective at the beginning of fiscal 2016.

Segment operating results reflect earnings before corporate and unallocated shared expenses, restructuring and impairment charges, interest expense, income taxes and noncontrolling interests. Segment operating income includes equity in the income of investees. Corporate and unallocated shared expenses principally consist of corporate functions, executive management and certain unallocated administrative support functions.

Equity in the income of investees is included in segment operating income as follows:

	Quarter Ended	
	January 2, 2016	December 27, 2014
Media Networks		
Cable Networks	**$ 214**	$ 242
Broadcasting	**(72)**	(29)
Equity in the income of investees included in segment operating income	**142**	213
Vice Gain	**332**	—
Other	**—**	(1)
Total equity in the income of investees	**$ 474**	$ 212

During the three months ended January 2, 2016, the Company recognized its share of a net gain recorded by A&E Television Networks (A&E), a joint venture owned 50% by the Company, in connection with A&E's acquisition of an interest in Vice Group Holding, Inc. (Vice) (Vice Gain). The Company's $332 million share of the Vice Gain is recorded in "Equity in the income of investees" in the Condensed Consolidated Statement of Income but is not included in segment operating income. See Note 3 for further discussion of the transaction.

(unaudited; tabular dollars in millions, except for per share data)

	Quarter Ended	
	January 2, 2016	December 27, 2014
***Revenues* (1):**		
Media Networks	**$ 6,332**	$ 5,860
Parks and Resorts	**4,281**	3,910
Studio Entertainment	**2,721**	1,858
Consumer Products & Interactive Media	**1,910**	1,763
	$ 15,244	$ 13,391
***Segment operating income* (1):**		
Media Networks	**$ 1,412**	$ 1,495
Parks and Resorts	**981**	805
Studio Entertainment	**1,014**	544
Consumer Products & Interactive Media	**860**	701
	$ 4,267	$ 3,545

(1) Studio Entertainment segment revenues and operating income include an allocation of Consumer Products & Interactive Media revenues, which is meant to reflect royalties on sales of merchandise based on certain film properties. The increase to Studio Entertainment revenues and operating income and corresponding decrease to Consumer Products & Interactive Media revenues and operating income totaled $262 million and $145 million for the quarters ended January 2, 2016 and December 27, 2014, respectively.

A reconciliation of segment operating income to income before income taxes is as follows:

	Quarter Ended	
	January 2, 2016	December 27, 2014
Segment operating income	**$ 4,267**	$ 3,545
Corporate and unallocated shared expenses	**(136)**	(125)
Restructuring and impairment charges	**(81)**	—
Interest expense, net	**(24)**	(58)
Vice Gain	**332**	—
Income before income taxes	**$ 4,358**	$ 3,362

3. *Acquisitions*

Vice/A&E

Vice is a media company targeting a millennial audience through news and pop culture content and creative brand integration. During the first quarter of fiscal 2016, A&E acquired an 8% interest in Vice in exchange for a 49.9% interest in one of A&E's cable channels, H2, which will be rebranded as VICELAND and programmed with Vice content. As a result of this exchange, A&E recognized a net non-cash gain based on the estimated fair value of H2. The Company's share of the Vice Gain totaled $332 million and was recorded in "Equity in the income of investees" in the Condensed Consolidated Statement of Income for the quarter ended January 2, 2016. At January 2, 2016, A&E had a 20% interest in Vice.

In addition, during the first quarter of fiscal 2016, the Company acquired an 11% interest in Vice for $400 million of cash.

The Company accounts for its interests in A&E and Vice as equity method investments.

Maker Studios

On May 7, 2014, the Company acquired Maker Studios, Inc. (Maker), a leading network of online video content, for approximately $500 million of cash consideration. Maker shareholders were eligible to receive up to $450 million of additional cash upon Maker's achievement of certain performance targets for calendar years 2014 and 2015. At the date of the acquisition, the Company recorded a $198 million liability for the fair value of the contingent consideration (determined by a probability weighting of potential payouts). $105 million was paid in fiscal 2015 and a final payment of $70 million was made in January 2016.

(unaudited; tabular dollars in millions, except for per share data)

4. *Borrowings*

During the quarter ended January 2, 2016, the Company's borrowing activity was as follows:

	October 3, 2015	Borrowings	Payments	Other Activity	**January 2, 2016**
Commercial paper with original maturities less than three months(1)	$ 2,330	$ 408	$ —	$ 1	**$ 2,739**
Commercial paper with original maturities greater than three months	100	1,599	(100)	1	**1,600**
U.S. medium-term notes	13,873	—	(500)	4	**13,377**
Foreign currency denominated debt and other obligations(2)	714	91	(64)	(74)	**667**
International Theme Parks borrowings(3)	319	291	—	(78)	**532**
Total	$ 17,336	$ 2,389	$ (664)	$ (146)	**$ 18,915**

(1) Borrowings and payments are reported net.
(2) The other activity is primarily market value adjustments for debt with qualifying hedges.
(3) The other activity is primarily the conversion of HKDL debt into equity. See Note 5 for further discussion of the transaction.

The Company has bank facilities with a syndicate of lenders to support commercial paper borrowings. The following is a summary of the bank facilities at January 2, 2016:

	Committed Capacity	Capacity Used	Unused Capacity
Facility expiring March 2016	$ 1,500	$ —	$ 1,500
Facility expiring June 2017	2,250	—	2,250
Facility expiring March 2019	2,250	—	2,250
Total	$ 6,000	$ —	$ 6,000

All of the above bank facilities allow for borrowings at LIBOR-based rates plus a spread depending on the credit default swap spread applicable to the Company's debt, subject to a cap and floor that vary with the Company's debt rating assigned by Moody's Investors Service and Standard and Poor's. The spread above LIBOR can range from 0.23% to 1.63%. The Company also has the ability to issue up to $800 million of letters of credit under the facility expiring in March 2019, which if utilized, reduces available borrowings under this facility. As of January 2, 2016, $187 million of letters of credit were outstanding, of which none were issued under this facility. The facilities contain only one financial covenant, relating to interest coverage, which the Company met on January 2, 2016 by a significant margin, and specifically exclude certain entities, including the International Theme Parks, from any representations, covenants, or events of default.

On January 8, 2016, the Company issued $3.0 billion in debt under its U.S. medium-term note program. The proceeds will be used for general corporate purposes.

(unaudited; tabular dollars in millions, except for per share data)

Interest expense, net

Interest and investment income and interest expense are reported net in the Condensed Consolidated Statements of Income and consist of the following (net of capitalized interest):

	Quarter Ended	
	January 2, 2016	December 27, 2014
Interest expense	**$ (66)**	$ (69)
Interest and investment income	**42**	11
Interest expense, net	**$ (24)**	$ (58)

Interest and investment income includes gains and losses on the sale of publicly and non-publicly traded investments, investment impairments and interest earned on cash and cash equivalents and certain receivables.

5. *International Theme Park Investments*

At January 2, 2016, the Company had an 81% effective ownership interest in the operations of Disneyland Paris, a47% ownership interest in the operations of HKDL and a 43% ownership interest in the operations of Shanghai Disney Resort, all of which are VIEs consolidated in the Company's financial statements. See Note 1 for the Company's policy on consolidating VIEs.

The following tables present summarized balance sheet information for the Company as of January 2, 2016 and October 3, 2015, reflecting the impact of consolidating the International Theme Parks balance sheets.

	As of January 2, 2016		
	Before International Theme Parks Consolidation	International Theme Parks and Adjustments	Total
Cash and cash equivalents	$ 3,489	$ 812	$ 4,301
Other current assets	13,231	236	13,467
Total current assets	16,720	1,048	17,768
Investments/Advances	7,759	(4,491)	3,268
Parks, resorts and other property	17,445	8,042	25,487
Other assets	43,533	65	43,598
Total assets	$ 85,457	$ 4,664	$ 90,121
Current portion of borrowings	$ 5,950	$ —	$ 5,950
Other current liabilities	11,994	852	12,846
Total current liabilities	17,944	852	18,796
Borrowings	12,433	532	12,965
Deferred income taxes and other long-term liabilities	9,962	200	10,162
Equity	45,118	3,080	48,198
Total liabilities and equity	$ 85,457	$ 4,664	$ 90,121

(unaudited; tabular dollars in millions, except for per share data)

	As of October 3, 2015		
	Before International Theme Parks Consolidation	International Theme Parks and Adjustments	Total
Cash and cash equivalents	$ 3,488	$ 781	$ 4,269
Other current assets	12,237	252	12,489
Total current assets	15,725	1,033	16,758
Investments/Advances	7,505	(4,862)	2,643
Parks, resorts and other property	17,431	7,748	25,179
Other assets	43,540	62	43,602
Total assets	$ 84,201	$ 3,981	$ 88,182
Current portion of borrowings	$ 4,562	$ 1	$ 4,563
Other current liabilities	11,331	440	11,771
Total current liabilities	15,893	441	16,334
Borrowings	12,454	319	12,773
Deferred income taxes and other long-term liabilities	10,225	195	10,420
Equity	45,629	3,026	48,655
Total liabilities and equity	$ 84,201	$ 3,981	$ 88,182

The following table presents summarized income statement information of the Company for the quarter ended January 2, 2016, reflecting the impact of consolidating the International Theme Parks income statements.

	Before International Theme Parks Consolidation[1]	International Theme Parks and Adjustments	Total
Revenues	$ 14,751	$ 493	$ 15,244
Cost and expenses	(10,676)	(579)	(11,255)
Restructuring and impairment charges	(81)	—	(81)
Interest expense, net	(14)	(10)	(24)
Equity in the income of investees	407	67	474
Income before income taxes	4,387	(29)	4,358
Income taxes	(1,448)	—	(1,448)
Net income	$ 2,939	$ (29)	$ 2,910

(1) In the quarter ended January 2, 2016, royalty and management fees from the International Theme Parks totaling $35 million are included in Revenues, and our share of the net income/(loss) of the International Theme Parks is included in Equity in the income of investees.

(unaudited; tabular dollars in millions, except for per share data)

The following table presents summarized cash flow statement information of the Company for the quarter ended January 2, 2016, reflecting the impact of consolidating the International Theme Parks cash flow statements.

	Before International Theme Parks Consolidation	International Theme Parks and Adjustments	Total
Cash provided by operations	$ 2,288	$ 74	$ 2,362
Investments in parks, resorts and other property	(799)	(607)	(1,406)
Cash (used in)/provided by other investing activities	(678)	286	(392)
Cash (used in)/provided by financing activities	(758)	290	(468)
Impact of exchange rates on cash and cash equivalents	(52)	(12)	(64)
Change in cash and cash equivalents	1	31	32
Cash and cash equivalents, beginning of period	3,488	781	4,269
Cash and cash equivalents, end of period	$ 3,489	$ 812	$ 4,301

Disneyland Paris

During calendar 2015, Disneyland Paris completed a recapitalization consisting of the following:

- A €0.4 billion equity rights offering of which the Company funded €0.2 billion in February 2015. The Company purchased shares that were unsubscribed by other Disneyland Paris shareholders, which increased the Company's effective ownership by approximately four percentage points.
- In February 2015, the Company converted €0.6 billion of its loans to Disneyland Paris into equity at a conversion price of €1.25 per share. The conversion increased the Company's effective ownership by an additional 23 percentage points. In addition, Disneyland Paris repaid €0.3 billion that was outstanding under then existing lines of credit from the Company. These lines of credit have been replaced by a new €0.4 billion line of credit from the Company bearing interest at EURIBOR plus 2% and maturing in 2023. There is no outstanding balance under the new line of credit at January 2, 2016. As of January 2, 2016, the total outstanding balance of loans provided by the Company to Disneyland Paris was €1.0 billion.
- In September 2015, the Company completed a mandatory tender offer to the other Disneyland Paris shareholders and acquired €0.1 billion in shares at €1.25 per share, which increased the Company's effective ownership by an additional eight percentage points.
- Following the completion of the mandatory tender offer and to offset the dilution caused by the loan conversion, in November 2015 certain Disneyland Paris shareholders purchased €0.05 billion in shares from the Company at €1.25 per share, which decreased the Company's effective ownership by four percentage points.

As of January 2, 2016, the Company had an 81% effective ownership interest in Disneyland Paris.

Hong Kong Disneyland Resort

At January 2, 2016, the Government of the Hong Kong Special Administrative Region (HKSAR) and the Company had 53% and 47% equity interests in HKDL, respectively. HKSAR holds a right to receive additional shares over time to the extent HKDL exceeds certain return on asset performance targets. The amount of additional shares HKSAR can receive is capped on both an annual and cumulative basis and could decrease the Company's equity interest by up to an additional 7 percentage points over a period no shorter than 16 years.

HKDL is building a third hotel at the resort, which is expected to open in 2017 and cost approximately $550 million. To fund the construction, the Company will contribute approximately $219 million of equity, and HKSAR will convert an equal amount of its outstanding loan to HKDL into equity. Additionally, the Company and HKSAR will provide shareholder loans of up to approximately $149 million and $104 million, respectively. The loans will mature on dates from fiscal 2022 through fiscal 2025 and bear interest at a rate of three month HIBOR plus 2%. As of January 2, 2016, the Company has funded $181 million of equity and HKSAR has converted $181 million of its loan to equity. To date, neither the Company nor HKSAR have funded any of the shareholder loans.

Shanghai Disney Resort

The Company and Shanghai Shendi (Group) Co., Ltd (Shendi) are constructing a Disney Resort (Shanghai Disney Resort) in the Pudong district of Shanghai that initially includes a theme park, two hotels and a retail, dining and entertainment complex. The park opening is planned for June 16, 2016.

The investment in Shanghai Disney Resort will be funded in accordance with each shareholder's ownership percentage, with approximately 67% from equity contributions and 33% from shareholder loans. As of January 2, 2016, the outstanding balance of loans provided by the Company and Shendi to Shanghai Disney Resort were 2.2 billion yuan ($345 million) and 2.9 billion yuan ($450 million), respectively. The Company and Shendi have committed to fund an additional 2.6 billion yuan ($400 million) and 3.4 billion yuan ($531 million) of loans, respectively. Shanghai Disney Resort is owned through two joint venture companies, in which Shendi owns 57% and the Company owns 43%. A management company, in which the Company has a 70% interest and Shendi a 30% interest, is responsible for designing, constructing and operating Shanghai Disney Resort.

6. *Pension and Other Benefit Programs*

The components of net periodic benefit cost are as follows:

	Pension Plans		Postretirement Medical Plans	
	Quarter Ended		Quarter Ended	
	January 2, 2016	December 27, 2014	**January 2, 2016**	December 27, 2014
Service costs	**$ 80**	$ 83	**$ 3**	$ 4
Interest costs	**115**	131	**15**	17
Expected return on plan assets	**(188)**	(178)	**(11)**	(10)
Amortization of prior-year service costs	**3**	4	**—**	—
Recognized net actuarial loss/(gain)	**61**	62	**2**	3
Net periodic benefit cost	**$ 71**	$ 102	**$ 9**	$ 14

During the quarter ended January 2, 2016, the Company did not make any material contributions to its pension and postretirement medical plans. The Company expects total pension and postretirement medical plan contributions in fiscal 2016 of approximately $900 million to $950 million. Final minimum pension plan funding requirements for fiscal 2016 will be determined based on our January 1, 2016 funding actuarial valuation, which will be available in the fourth quarter of fiscal 2016.

7. *Earnings Per Share*

Diluted earnings per share amounts are based upon the weighted average number of common and common equivalent shares outstanding during the period and are calculated using the treasury stock method for equity-based compensation awards (Awards). A reconciliation of the weighted average number of common and common equivalent shares outstanding and Awards excluded from the diluted earnings per share calculation, as they were anti-dilutive, are as follows:

	Quarter Ended	
	January 2, 2016	December 27, 2014
Shares (in millions):		
Weighted average number of common and common equivalent shares outstanding (basic)	**1,654**	1,700
Weighted average dilutive impact of Awards	**14**	17
Weighted average number of common and common equivalent shares outstanding (diluted)	**1,668**	1,717
Awards excluded from diluted earnings per share	**4**	9

(unaudited; tabular dollars in millions, except for per share data)

8. *Equity*

The Company paid the following dividends in fiscal 2016 and 2015:

Per Share	Total Paid	Payment Timing	Related to Fiscal Period
$0.71	$1.2 billion	Second Quarter of Fiscal 2016	Second Half 2015
$0.66	$1.1 billion	Fourth Quarter of Fiscal 2015	First Half 2015
$1.15	$1.9 billion	Second Quarter of Fiscal 2015	2014

During the quarter ended January 2, 2016, the Company repurchased 21 million shares of its common stock for$2.4 billion. As of January 2, 2016, the Company had remaining authorization in place to repurchase approximately 334 million additional shares. The repurchase program does not have an expiration date.

The following table summarizes the changes in each component of accumulated other comprehensive income (loss) (AOCI) including our proportional share of equity method investee amounts, net of 37% estimated tax:

	Market Value Adjustments		Unrecognized Pension and Postretirement Medical Expense	Foreign Currency Translation and Other	AOCI
	Investments, net	Cash Flow Hedges			
Balance at October 3, 2015	$ 13	$ 334	$ (2,497)	$ (271)	$ (2,421)
Quarter Ended January 2, 2016:					
Unrealized gains (losses) arising during the period	(3)	41	—	(62)	(24)
Reclassifications of net (gains) losses to net income	—	(66)	42	—	(24)
Balance at January 2, 2016	**$ 10**	**$ 309**	**$ (2,455)**	**$ (333)**	**$ (2,469)**
Balance at September 27, 2014	$ 100	$ 204	$ (2,196)	$ (76)	$ (1,968)
Quarter Ended December 27, 2014:					
Unrealized gains (losses) arising during the period	(16)	176	—	(75)	85
Reclassifications of net (gains) losses to net income	—	(41)	44	—	3
Balance at December 27, 2014	$ 84	$ 339	$ (2,152)	$ (151)	$ (1,880)

(unaudited; tabular dollars in millions, except for per share data)

Details about AOCI components reclassified to net income are as follows:

Gains/(losses) in net income:	Affected line item in the Condensed Consolidated Statements of Income:	Quarter Ended January 2, 2016	Quarter Ended December 27, 2014
Cash flow hedges	Primarily revenue	**$ 105**	$ 65
Estimated tax	Income taxes	**(39)**	(24)
		66	41
Pension and postretirement medical expense	Costs and expenses	**(67)**	(70)
Estimated tax	Income taxes	**25**	26
		(42)	(44)
Total reclassifications for the period		**$ 24**	$ (3)

At January 2, 2016 and October 3, 2015, the Company held available-for-sale investments in unrecognized gain positions totaling$20 million and $21 million, respectively, and no investments in significant unrecognized loss positions.

9. *Equity-Based Compensation*

Compensation expense related to stock options, stock appreciation rights and restricted stock units (RSUs) is as follows:

	Quarter Ended January 2, 2016	Quarter Ended December 27, 2014
Stock options/rights (1)	**$ 23**	$ 25
RSUs	**83**	79
Total equity-based compensation expense (2)	**$ 106**	$ 104
Equity-based compensation expense capitalized during the period	**$ 15**	$ 15

(1) Includes stock appreciation rights.

(2) Equity-based compensation expense is net of capitalized equity-based compensation and excludes amortization of previously capitalized equity-based compensation costs. During the quarters ended January 2, 2016 and December 27, 2014, amortization of previously capitalized equity-based compensation totaled $17 million and $9 million, respectively.

Unrecognized compensation cost related to unvested stock options/rights and RSUs totaled approximately$233 million and $798 million, respectively, as of January 2, 2016.

The weighted average grant date fair values of options issued during the quarters endedJanuary 2, 2016 and December 27, 2014 were $31.17 and $22.61, respectively.

During the quarter ended January 2, 2016, the Company made equity compensation grants consisting of3.8 million stock options and3.2 million RSUs.

10. *Commitments and Contingencies*

Legal Matters

Beef Products, Inc. v. American Broadcasting Companies, Inc. On September 13, 2012, plaintiffs filed an action in South Dakota state court against certain subsidiaries and employees of the Company and others, asserting claims for defamation arising from alleged false statements and implications, statutory and common law product disparagement, and tortious interference with existing and prospective business relationships. The claims arise out of ABC News reports published in March and April 2012 that discussed the subject of labeling requirements for production processes related to a product one plaintiff produces that is added to ground beef before sale to consumers. Plaintiffs seek actual and consequential damages in excess of

$400 million, statutory damages (including treble damages) pursuant to South Dakota's Agricultural Food Products Disparagement Act, and punitive damages. On July 9, 2013, the Company moved in state court to dismiss all claims and on March 27, 2014, the state court dismissed certain common law disparagement counts as preempted by South Dakota's produce disparagement statute, but denied the motion on the remaining claims. On April 23, 2014, the Company petitioned the South Dakota Supreme Court to allow a discretionary appeal seeking reversal of the state court's order permitting the remaining common law disparagement claims to proceed and also seeking reversal of its decision to allow certain claims to proceed as defamation claims. On May 22, 2014, the South Dakota Supreme Court denied the Company's petition. On May 23, 2014, the Company answered the Complaint. Trial is set for June 2017. At this time, the Company is not able to predict the ultimate outcome of this matter, nor can it estimate the range of possible loss.

The Company, together with, in some instances, certain of its directors and officers, is a defendant or codefendant in various other legal actions involving copyright, breach of contract and various other claims incident to the conduct of its businesses.

Management does not believe that the Company has incurred a probable material loss by reason of any of the above actions.

Contractual Guarantees

The Company has guaranteed 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 January 2, 2016, the remaining debt service obligation guaranteed by the Company was $325 million, of which $60 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 these bonds.

Long-Term Receivables and the Allowance for Credit Losses

The Company has accounts receivable with original maturities greater than one year related to the sale of television program rights and vacation ownership units. Allowances for credit losses are established against these receivables as necessary.

The Company estimates the allowance for credit losses related to receivables from the sale of television programs based upon a number of factors, including historical experience and the financial condition of individual companies with which we do business. The balance of television program sales receivables recorded in other non-current assets, net of an immaterial allowance for credit losses, was $0.9 billion as of January 2, 2016. The activity in the current period related to the allowance for credit losses was not material.

The Company estimates the allowance for credit losses related to receivables from sales of its vacation ownership units based primarily on historical collection experience. Estimates of uncollectible amounts also consider the economic environment and the age of receivables. The balance of mortgage receivables recorded in other non-current assets, net of a related allowance for credit losses of approximately 4%, was approximately $0.7 billion as of January 2, 2016. The activity in the current period related to the allowance for credit losses was not material.

Income Taxes

During the quarter ended January 2, 2016, the Company decreased its gross unrecognized tax benefits by $18 million to $894 million including a $10 million decrease to income tax expense.

In the next twelve months, it is reasonably possible that our unrecognized tax benefits could change due to resolutions of open tax matters. These resolutions would reduce our unrecognized tax benefits by approximately $161 million, of which $60 million would reduce our income tax expense and effective tax rate if recognized.

(unaudited; tabular dollars in millions, except for per share data)

11. *Fair Value Measurements*

Fair value is defined as the amount that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants and is classified in one of the following three categories:

Level 1 - Quoted prices for identical instruments in active markets

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable

The Company's assets and liabilities measured at fair value are summarized in the following tables by fair value measurement Level:

	Fair Value Measurement at January 2, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Investments	$ 35	$ —	$ —	$ 35
Derivatives				
Interest rate	—	69	—	69
Foreign exchange	—	926	—	926
Liabilities				
Derivatives				
Interest rate	—	(23)	—	(23)
Foreign exchange	—	(184)	—	(184)
Other	—	(36)	—	(36)
Other	—	—	(70)	(70)
Total recorded at fair value	$ 35	$ 752	$ (70)	$ 717
Fair value of borrowings	$ —	$ 18,355	$ 1,009	$ 19,364

	Fair Value Measurement at October 3, 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Investments	$ 36	$ —	$ —	$ 36
Derivatives				
Interest rate	—	101	—	101
Foreign exchange	—	910	—	910
Liabilities				
Derivatives				
Foreign exchange	—	(178)	—	(178)
Other	—	(38)	—	(38)
Other	—	—	(96)	(96)
Total recorded at fair value	$ 36	$ 795	$ (96)	$ 735
Fair value of borrowings	$ —	$ 17,036	$ 752	$ 17,788

The fair values of Level 2 derivatives are primarily determined by internal discounted cash flow models that use observable inputs such as interest rates, yield curves and foreign currency exchange rates. Counterparty credit risk, which is mitigated by master netting agreements and collateral posting arrangements with certain counterparties, did not have a material impact on derivative fair value estimates.

(unaudited; tabular dollars in millions, except for per share data)

Level 2 borrowings, which include commercial paper and U.S. medium-term notes, are valued based on quoted prices for similar instruments in active markets.

The fair value of the Level 3 other liabilities represents the fair value of the contingent consideration for Maker.

Level 3 borrowings, which include International Theme Park borrowings and other foreign currency denominated borrowings, are generally valued based on historical market transactions, prevailing market interest rates and the Company's current borrowing cost and credit risk.

The Company's financial instruments also include cash, cash equivalents, receivables and accounts payable. The carrying values of these financial instruments approximate the fair values.

12. *Derivative Instruments*

The Company manages its exposure to various risks relating to its ongoing business operations according to a risk management policy. The primary risks managed with derivative instruments are interest rate risk and foreign exchange risk.

The Company's derivative positions measured at fair value are summarized in the following tables:

	As of January 2, 2016			
	Current Assets	Other Assets	Other Accrued Liabilities	Other Long-Term Liabilities
Derivatives designated as hedges				
Foreign exchange	$ 393	$ 257	$ (51)	$ (15)
Interest rate	—	69	(23)	—
Other	—	—	(23)	(3)
Derivatives not designated as hedges				
Foreign exchange	175	101	(111)	(7)
Other	—	—	—	(10)
Gross fair value of derivatives	568	427	(208)	(35)
Counterparty netting	(155)	(74)	205	24
Cash collateral received	(260)	(146)	—	—
Net derivative positions	$ 153	$ 207	$ (3)	$ (11)

	As of October 3, 2015			
	Current Assets	Other Assets	Other Accrued Liabilities	Other Long-Term Liabilities
Derivatives designated as hedges				
Foreign exchange	$ 406	$ 271	$ (54)	$ (17)
Interest rate	—	101	—	—
Other	—	—	(18)	(3)
Derivatives not designated as hedges				
Foreign exchange	146	87	(102)	(5)
Other	—	—	—	(17)
Gross fair value of derivatives	552	459	(174)	(42)
Counterparty netting	(136)	(56)	169	23
Cash collateral received	(238)	(191)	—	—
Net derivative positions	$ 178	$ 212	$ (5)	$ (19)

(unaudited; tabular dollars in millions, except for per share data)

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 borrowings. In accordance with its policy, the Company targets its fixed-rate debt 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 management activities.

The Company designates pay-floating interest rate swaps as fair value hedges of fixed-rate borrowings effectively converting fixed-rate borrowings to variable rate borrowings indexed to LIBOR. As of January 2, 2016 and October 3, 2015, the total notional amount of the Company's pay-floating interest rate swaps was $5.9 billion and $6.4 billion, respectively. The following table summarizes adjustments related to fair value hedges included in "Interest expense, net" in the Condensed Consolidated Statements of Income.

	Quarter Ended	
	January 2, 2016	December 27, 2014
Gain (loss) on interest rate swaps	**$ (55)**	$ 10
Gain (loss) on hedged borrowings	**55**	(10)

In addition, during the quarters ended January 2, 2016 and December 27, 2014, the Company realized net benefits of $23 million and $25 million, respectively, in interest expense, net related to the pay-floating interest rate swaps.

The Company may designate pay-fixed interest rate swaps as cash flow hedges of interest payments on floating-rate borrowings. Pay-fixed swaps effectively convert floating-rate borrowings to fixed-rate borrowings. The unrealized gains or losses from these cash flow hedges are deferred in AOCI and recognized in interest expense as the interest payments occur. The Company did not have pay-fixed interest rate swaps that were designated as cash flow hedges of interest payments at January 2, 2016 or at October 3, 2015 and gains and losses related to pay-fixed swaps recognized in earnings for thequarters ended January 2, 2016 and December 27, 2014 were not material.

Foreign Exchange Risk Management

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

The Company enters into option and forward contracts that change in value as foreign currency 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. In accordance with policy, the Company hedges its forecasted foreign currency transactions for periods generally not to exceed four years within an established minimum and maximum range of annual exposure. 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, Japanese yen, Canadian dollar and British pound. Cross-currency swaps are used to effectively convert foreign currency-denominated borrowings into U.S. dollar denominated borrowings.

The Company designates foreign exchange forward and option contracts as cash flow hedges of firmly committed and forecasted foreign currency transactions. As of January 2, 2016 and October 3, 2015, the notional amounts of the Company's net foreign exchange cash flow hedges were $6.2 billion and $6.5 billion, respectively. Mark-to-market gains and losses on these contracts are deferred in AOCI and are recognized in earnings when the hedged transactions occur, offsetting changes in the value of the foreign currency transactions. Gains and losses recognized related to ineffectiveness for the quarters ended January 2, 2016 and December 27, 2014 were not material. Net deferred gains recorded in AOCI for contracts that will mature in the next twelve months totaled $336 million.

Foreign exchange risk management contracts with respect to foreign currency denominated assets and liabilities are not designated as hedges and do not qualify for hedge accounting. The notional amounts of these foreign exchange contracts at January 2, 2016 and October 3, 2015 were $3.1 billion and $3.3 billion, respectively. The following table summarizes the net foreign exchange gains or losses recognized on foreign currency denominated assets and liabilities and the net foreign exchange gains or losses on the foreign exchange contracts we entered into to mitigate our exposure with respect to foreign currency denominated assets and liabilities for the quarters ended January 2, 2016 and December 27, 2014 by the corresponding line item in which they are recorded in the Condensed Consolidated Statements of Income.

(unaudited; tabular dollars in millions, except for per share data)

	Costs and Expenses		Interest expense, net	
	Quarter Ended		Quarter Ended	
	January 2, 2016	December 27, 2014	**January 2, 2016**	December 27, 2014
Net gains (losses) on foreign currency denominated assets and liabilities	**$ (89)**	$ (215)	**$ 10**	$ 12
Net gains (losses) on foreign exchange risk management contracts not designated as hedges	**79**	205	**(12)**	(12)
Net gains (losses)	**$ (10)**	$ (10)	**$ (2)**	$ —

Commodity Price Risk Management

The Company is subject to the volatility of commodities prices and the Company designates certain commodity forward contracts as cash flow hedges of forecasted commodity purchases. Mark-to-market gains and losses on these contracts are deferred in AOCI and are recognized in earnings when the hedged transactions occur, offsetting changes in the value of commodity purchases. The notional amount of these commodities contracts at January 2, 2016 and October 3, 2015 and related gains or losses recognized in earnings for the quarters ended January 2, 2016 and December 27, 2014 were not material.

Risk Management – Other Derivatives Not Designated as Hedges

The Company enters into certain other risk management contracts that are not designated as hedges and do not qualify for hedge accounting. These contracts, which include certain commodity swap contracts, are intended to offset economic exposures of the Company and are carried at market value with any changes in value recorded in earnings. The fair value of these contracts at January 2, 2016 and October 3, 2015 were not material. The related gains or losses recognized in earnings were not material for the quarters ended January 2, 2016 and December 27, 2014.

Contingent Features and Cash Collateral

The Company has master netting arrangements by counterparty with respect to certain derivative financial instrument contracts. The Company may be required to post collateral in the event that a net liability position with a counterparty exceeds limits defined by contract and that vary with the Company's credit rating. In addition, these contracts may require a counterparty to post collateral to the Company in the event that a net receivable position with a counterparty exceeds limits defined by contract and that vary with the counterparty's credit rating. If the Company's or the counterparty's credit ratings were to fall below investment grade, such counterparties or the Company would also have the right to terminate our derivative contracts, which could lead to a net payment to or from the Company for the aggregate net value by counterparty of our derivative contracts. The aggregate fair values of derivative instruments with credit-risk-related contingent features in a net liability position by counterparty were $4 million and $7 million on January 2, 2016 and October 3, 2015, respectively.

13. *Restructuring and Impairment Charges*

The Company recorded $81 million of restructuring and impairment charges in the current quarter for an investment impairment and contract termination and severance costs.

14. *New Accounting Pronouncements*

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance that replaces the existing accounting standards for revenue recognition. The guidance provides a five step framework to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration it expects to be entitled to receive in exchange for those goods or services. Subsequently, the FASB has issued exposure drafts to amend certain aspects of the guidance, including revenue recognition associated with the licensing of intellectual property (IP). The FASB has indicated that it expects to issue the final guidance on IP licensing in the next few months. The new guidance is effective beginning the first quarter of the Company's 2019 fiscal year (with early adoption permitted beginning fiscal year 2018). The guidance may be adopted either by restating all years presented in the Company's financial statements or by recording the impact of adoption as an adjustment to retained earnings at the beginning of the year of adoption. The Company is assessing the potential impact this guidance will have on its financial statements.

Income Taxes

In November 2015, the FASB issued guidance to simplify the presentation of deferred income taxes by reporting the net amount of deferred tax assets and liabilities on a jurisdiction by jurisdiction basis as noncurrent on the balance sheet. The Company adopted the provisions of this guidance in the first quarter of fiscal 2016 and applied the provisions prospectively.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

ORGANIZATION OF INFORMATION

Management's Discussion and Analysis provides a narrative of the Company's financial performance and condition that should be read in conjunction with the accompanying financial statements. It includes the following sections:

CONSOLIDATED RESULTS AND NON-SEGMENT ITEMS

Our summary consolidated results are presented below:

	Quarter Ended		% Change
(in millions, except per share data)	**January 2, 2016**	December 27, 2014	Better/ (Worse)
Revenues:			
Services	**$ 12,622**	$ 10,727	18 %
Products	**2,622**	2,664	(2) %
Total revenues	**15,244**	13,391	14 %
Costs and expenses:			
Cost of services (exclusive of depreciation and amortization)	**(7,056)**	(6,134)	(15) %
Cost of products (exclusive of depreciation and amortization)	**(1,567)**	(1,522)	(3) %
Selling, general, administrative and other	**(2,025)**	(1,935)	(5) %
Depreciation and amortization	**(607)**	(592)	(3) %
Total costs and expenses	**(11,255)**	(10,183)	(11) %
Restructuring and impairment charges	**(81)**	—	nm
Interest expense, net	**(24)**	(58)	59 %
Equity in the income of investees	**474**	212	>100 %
Income before income taxes	**4,358**	3,362	30 %
Income taxes	**(1,448)**	(1,118)	(30) %
Net income	**2,910**	2,244	30 %
Less: Net income attributable to noncontrolling interests	**(30)**	(62)	52 %
Net income attributable to Disney	**$ 2,880**	$ 2,182	32 %
Diluted earnings per share attributable to Disney	**$ 1.73**	$ 1.27	36 %

Quarter Results

Diluted earnings per share attributable to Disney (EPS) increased 36% from $1.27 to $1.73 due to improved operating performance, the Vice Gain at A&E (discussed below) and a decrease in weighted average shares outstanding as a result of our share repurchase program, partially offset by the impact of foreign currency translation due to the strengthening of the U.S. dollar against major currencies (FX Impact).

Revenues

Service revenues for the quarter grew 18%, or $1.9 billion, to $12.6 billion due to increases in theatrical distribution, merchandise licensing, advertising, volume and guest spending at our domestic parks and resorts, fees from Multi-channel Video Distributors (MVPDs) (Affiliate Fees), and TV and subscription video on demand (SVOD) distribution. These increases were partially offset by an unfavorable FX Impact.

Product revenues for the quarter decreased 2%, or $42 million, to $2.6 billion driven by an unfavorable FX Impact, a decrease in console game volumes and lower retail sales, partially offset by increased guest spending and food, beverage and merchandise volumes at our domestic parks and resorts.

Costs and expenses

Cost of services for the quarter increased 15%, or $0.9 billion, to $7.1 billion due to increased sports programming costs, higher theatrical distribution costs, and inflation and new guest offerings at our domestic parks and resorts. These increases were partially offset by a favorable FX Impact.

Cost of products for the quarter increased 3%, or $45 million, to $1.6 billion primarily due to higher food, beverage and merchandise volumes and inflation at our domestic parks and resorts, partially offset by a favorable FX impact.

Selling, general, administrative and other costs increased 5%, or $90 million, to $2.0 billion primarily due to higher theatrical marketing costs, partially offset by a favorable FX Impact.

Depreciation and amortization costs increased 3%, or $15 million, to $0.6 billion primarily due to depreciation associated with new theme park attractions, partially offset by a favorable FX Impact.

Restructuring and impairment charges

The Company recorded $81 million of restructuring and impairment charges in the quarter for an investment impairment and contract termination and severance costs.

Interest expense, net

Interest expense, net is as follows:

	Quarter Ended		
(in millions)	**January 2, 2016**	December 27, 2014	% Change Better/(Worse)
Interest expense	**$ (66)**	$ (69)	4%
Interest and investment income	**42**	11	>100%
Interest expense, net	**$ (24)**	$ (58)	59%

The increase in interest and investment income for the quarter was due to gains on sales of investments.

Equity in the income of investees

Equity in the income of investees increased $262 million, to $474 million for the quarter due to the $332 million Vice Gain ($0.13 of EPS) (see Note 3 to the Condensed Consolidated Financial Statements). The benefit of the Vice Gain was partially offset by higher equity losses at Hulu and lower operating results at A&E. The increase in equity losses at Hulu was due to increased programming and marketing costs driven by new content offerings, partially offset by higher subscription and advertising revenues. The decrease at A&E was due to lower advertising revenue and higher programming costs.

Effective Income Tax Rate

	Quarter Ended		Change
	January 2, 2016	December 27, 2014	Better/(Worse)
Effective income tax rate	**33.2%**	33.3%	0.1 ppt

The effective income tax rate was relatively flat as a favorable FX Impact from deferred income tax liabilities recorded on our foreign earnings was essentially offset by a higher average effective tax rate due to a decreased benefit related to the mix of earnings that are eligible for qualified domestic production activities deductions.

Noncontrolling Interests

	Quarter Ended		% Change
(in millions)	**January 2, 2016**	December 27, 2014	Better/(Worse)
Net income attributable to noncontrolling interests	**$ 30**	$ 62	52%

The decrease in net income attributable to noncontrolling interests for the quarter was due to lower results at Disneyland Paris and higher pre-opening expenses at Shanghai Disney Resort.

Net income attributable to noncontrolling interests is determined on income after royalties and management fees, financing costs and income taxes.

SEASONALITY

The Company's businesses are subject to the effects of seasonality. Consequently, the operating results for thequarter ended January 2, 2016 for each business segment, and for the Company as a whole, are not necessarily indicative of results to be expected for the full year.

Media Networks revenues are subject to seasonal advertising patterns, changes in viewership levels and timing of program sales. In general, advertising revenues are somewhat higher during the fall and somewhat lower during the summer months. Affiliate revenues are typically collected ratably throughout the year.

Parks and Resorts revenues fluctuate with changes in theme park attendance and resort occupancy resulting from the seasonal nature of vacation travel and leisure activities. Peak attendance and resort occupancy generally occur during the summer months when school vacations occur and during early-winter and spring-holiday periods.

Studio Entertainment revenues fluctuate due to the timing and performance of releases in the theatrical, home entertainment and television markets. Release dates are determined by several factors, including competition and the timing of vacation and holiday periods.

Consumer Products & Interactive Media revenues are influenced by seasonal consumer purchasing behavior, which generally results in increased revenues during the Company's first fiscal quarter, and the timing and performance of theatrical and game releases and cable programming broadcasts.

SEGMENT RESULTS

The Company evaluates the performance of its operating segments based on segment operating income, which is shown below along with segment revenues:

(in millions)	Quarter Ended January 2, 2016	Quarter Ended December 27, 2014	% Change Better/ (Worse)
Revenues:			
Media Networks	**$ 6,332**	$ 5,860	8 %
Parks and Resorts	**4,281**	3,910	9 %
Studio Entertainment	**2,721**	1,858	46 %
Consumer Products & Interactive Media	**1,910**	1,763	8 %
	$ 15,244	$ 13,391	14 %
Segment operating income:			
Media Networks	**$ 1,412**	$ 1,495	(6) %
Parks and Resorts	**981**	805	22 %
Studio Entertainment	**1,014**	544	86 %
Consumer Products & Interactive Media	**860**	701	23 %
	$ 4,267	$ 3,545	20 %

The following table reconciles segment operating income to income before income taxes:

(in millions)	Quarter Ended January 2, 2016	Quarter Ended December 27, 2014	% Change Better/ (Worse)
Segment operating income	**$ 4,267**	$ 3,545	20 %
Corporate and unallocated shared expenses	**(136)**	(125)	(9) %
Restructuring and impairment charges	**(81)**	—	nm
Interest expense, net	**(24)**	(58)	59 %
Vice Gain	**332**	—	nm
Income before income taxes	**$ 4,358**	$ 3,362	30 %

Depreciation expense is as follows:

(in millions)	Quarter Ended January 2, 2016	Quarter Ended December 27, 2014	% Change Better/ (Worse)
Media Networks			
Cable Networks	**$ 37**	$ 37	— %
Broadcasting	**21**	21	— %
Total Media Networks	**58**	58	— %
Parks and Resorts			
Domestic	**318**	297	(7) %
International	**84**	89	6 %
Total Parks and Resorts	**402**	386	(4) %
Studio Entertainment	**13**	14	7 %
Consumer Products & Interactive Media	**14**	16	13 %
Corporate	**63**	61	(3) %
Total depreciation expense	**$ 550**	$ 535	(3) %

Amortization of intangible assets is as follows:

(in millions)	Quarter Ended January 2, 2016	Quarter Ended December 27, 2014	% Change Better/ (Worse)
Media Networks	$ 5	$ 5	— %
Parks and Resorts	1	1	— %
Studio Entertainment	20	21	5 %
Consumer Products & Interactive Media	31	30	(3) %
Total amortization of intangible assets	$ 57	$ 57	— %

Media Networks

Operating results for the Media Networks segment are as follows:

(in millions)	Quarter Ended January 2, 2016	Quarter Ended December 27, 2014	% Change Better/ (Worse)
Revenues			
Affiliate Fees	$ 2,960	$ 2,854	4 %
Advertising	2,619	2,335	12 %
TV/SVOD distribution and other	753	671	12 %
Total revenues	6,332	5,860	8 %
Operating expenses	(4,355)	(3,890)	(12) %
Selling, general, administrative and other	(644)	(625)	(3) %
Depreciation and amortization	(63)	(63)	— %
Equity in the income of investees	142	213	(33) %
Operating Income	$ 1,412	$ 1,495	(6) %

Revenues

The 4% increase in Affiliate Fees was due to growth of 7% from higher contractual rates, partially offset by decreases of 2% from lower subscribers and 2% from an unfavorable FX Impact.

The 12% increase in advertising revenues was due to increases of $245 million at Cable Networks, from $1,243 million to $1,488 million, and $39 million at Broadcasting, from $1,092 million to $1,131 million. The increase at Cable Networks was due to a 12% increase from higher units sold and a 10% increase from higher rates, both of which benefited from the timing of the College Football Playoff (CFP) bowl games relative to our fiscal quarter end. Six CFP games were aired in the current quarter that were aired in the second quarter of the prior year. Broadcasting advertising revenues reflected a 5% increase from higher network units sold, a 3% increase from higher network rates and a 1% increase from airing New Year's Eve specials in the current quarter that aired in the second quarter of the prior year. These increases were partially offset by a 5% decrease from lower network ratings and a 2% decrease from the owned television stations driven by lower political advertising.

TV/SVOD distribution and other revenue increased $82 million from $671 million to $753 million due to higher program sales driven by sales of *Jessica Jones* and Disney Channel titles in the current quarter.

Costs and Expenses

Operating expenses include programming and production costs, which increased $470 million from $3,589 million to $4,059 million. At Cable Networks, programming and production costs increased $400 million primarily due to the timing of CFP games and contractual rate increases for the NFL and college football. These increases were partially offset by the absence of rights costs for NASCAR. At Broadcasting, programming and production costs increased $70 million due a higher average cost of new scripted programming, higher TV/SVOD sales and the costs of airing New Year's Eve specials in the current quarter.

Equity in the Income of Investees

Income from equity investees decreased $71 million from $213 million to $142 million due to higher equity losses from Hulu and lower equity income from A&E. Higher equity losses from Hulu were due to increased programming and marketing costs driven by new content offerings, partially offset by higher subscription and advertising revenues. The A&E decrease was driven by lower advertising revenue and higher programming costs.

Segment Operating Income

Segment operating income decreased 6%, or $83 million, to $1,412 million due to lower income from equity investees, decreases at ESPN and the owned television stations, and an unfavorable FX Impact, partially offset by increases at the ABC Television Network and the domestic Disney Channels.

The following table provides supplemental revenue and segment operating income detail for the Media Networks segment:

(in millions)	Quarter Ended January 2, 2016	Quarter Ended December 27, 2014	% Change Better/ (Worse)
Revenues			
Cable Networks	$ 4,521	$ 4,166	9 %
Broadcasting	1,811	1,694	7 %
	$ 6,332	$ 5,860	8 %
Segment operating income			
Cable Networks	$ 1,189	$ 1,255	(5) %
Broadcasting	223	240	(7) %
	$ 1,412	$ 1,495	(6) %

Restructuring and impairment charges

The Company recorded restructuring and impairment charges of $81 million related to Media Networks in the quarter for an investment impairment and contract termination and severance costs.

Parks and Resorts

Operating results for the Parks and Resorts segment are as follows:

(in millions)	Quarter Ended January 2, 2016	Quarter Ended December 27, 2014	% Change Better/ (Worse)
Revenues			
Domestic	$ 3,674	$ 3,233	14 %
International	607	677	(10) %
Total revenues	4,281	3,910	9 %
Operating expenses	(2,475)	(2,283)	(8) %
Selling, general, administrative and other	(422)	(435)	3 %
Depreciation and amortization	(403)	(387)	(4) %
Operating Income	$ 981	$ 805	22 %

Revenues

Parks and Resorts revenues increased 9%, or $371 million, to $4.3 billion due to an increase of $441 million at our domestic operations, partially offset by a decrease of $70 million at our international operations. Operations benefited from a shift in the timing of the New Year's holiday relative to our fiscal periods.

Revenue growth of 14% at our domestic operations reflected an 8% increase from higher average guest spending and a 6% increase from volume growth. Guest spending growth was due to higher average ticket prices for theme park admissions and cruise line sailings, increased food, beverage and merchandise spending and higher average hotel room rates. Higher volumes were due to attendance growth.

Revenues at our international operations reflected a 9% FX Impact and a 4% decrease from lower volumes, partially offset by an increase of 3% from higher average guest spending. Lower volumes were primarily due to a decrease in attendance at Disneyland Paris driven by the closure of the park for four days in November 2015. Guest spending growth was primarily due to increased merchandise, food and beverage spending and higher average ticket prices at Disneyland Paris.

The following table presents supplemental park and hotel statistics:

	Domestic		International (2)		Total	
	Quarter Ended		Quarter Ended		Quarter Ended	
	Jan. 2, 2016	Dec. 27, 2014	**Jan. 2, 2016**	Dec. 27, 2014	**Jan. 2, 2016**	Dec. 27, 2014
Parks						
Increase/(decrease)						
Attendance	**10%**	7%	**(7) %**	4%	**6%**	6%
Per Capita Guest Spending	**7%**	4%	**5 %**	5%	**7%**	4%
Hotels (1)						
Occupancy	**92%**	89%	**77 %**	79%	**89%**	87%
Available Room Nights (in thousands)	**2,608**	2,591	**620**	621	**3,228**	3,212
Per Room Guest Spending	**$314**	$288	**$311**	$319	**$314**	$293

(1) Per room guest spending consists of the average daily hotel room rate as well as guest spending on food, beverage and merchandise at the hotels. Hotel statistics include rentals of Disney Vacation Club units.

(2) Per capita guest spending growth rate is stated on a constant currency basis. Per room guest spending is stated at the fiscal 2015 quarter average foreign exchange rate. The euro to U.S. dollar weighted average foreign currency exchange rate was $1.10 and $1.25 for the quarters ended January 2, 2016 and December 27, 2014, respectively.

Costs and Expenses

Operating expenses include operating labor, which increased $43 million from $1,119 million to $1,162 million, infrastructure costs, which increased $56 million from $407 million to $463 million, and cost of sales, which increased $42 million from $369 million to $411 million. The increase in operating labor was due to inflation, higher volumes and new guest offerings, partially offset by lower pension and postretirement medical costs. Higher infrastructure costs were driven by the dry-dock of the *Disney Dream* and inflation. The increase in cost of sales was primarily due to higher volumes. Other operating expenses, which include costs for such items as supplies, commissions and entertainment offerings, increased primarily due to new guest offerings, inflation and higher volumes. Operating labor, infrastructure costs and other operating expenses were also impacted by higher pre-opening expenses at Shanghai Disney Resort. Operating expense growth was partially offset by a 2% FX Impact, which had similar impacts on operating labor, infrastructure costs and cost of sales.

The increase in depreciation and amortization was associated with new attractions at Walt Disney World Resort, partially offset by a favorable FX Impact.

Segment Operating Income

Segment operating income increased 22%, or $176 million, to $981 million due to growth at our domestic operations, partially offset by a decrease at our international operations.

Studio Entertainment

Operating results for the Studio Entertainment segment are as follows:

(in millions)	Quarter Ended January 2, 2016	Quarter Ended December 27, 2014	% Change Better/ (Worse)
Revenues			
Theatrical distribution	**$ 1,017**	$ 336	>100 %
Home entertainment	**722**	678	6 %
TV/SVOD distribution and other	**982**	844	16 %
Total revenues	**2,721**	1,858	46 %
Operating expenses	**(1,064)**	(758)	(40) %
Selling, general, administrative and other	**(610)**	(521)	(17) %
Depreciation and amortization	**(33)**	(35)	6 %
Operating Income	**$ 1,014**	$ 544	86 %

Revenues

The increase in theatrical distribution revenue was due to the strong performance of *Star Wars: The Force Awakens* in the current quarter, partially offset by an unfavorable FX Impact. Additionally, the current quarter included the release of *The Good Dinosaur* and the prior-year quarter included *Big Hero 6.*

The increase in home entertainment revenue was due to sales of Star Wars Classic titles, partially offset by an unfavorable FX Impact. Other significant titles in the current quarter include *Inside Out*, Marvel’s *Ant-Man, Aladdin* Diamond Release and Marvel’s *Avengers: Age of Ultron*, whereas significant titles in the prior-year quarter included Marvel’s *Guardians of the Galaxy, Maleficent* and *Frozen.*

The increase in TV/SVOD distribution and other revenue was due to increases of 14% from revenue share with the Consumer Products & Interactive Media segment driven by the success of merchandise based on *Star Wars: The Force Awakens* and 6% from TV/SVOD distribution, partially offset by a decrease of 3% from an unfavorable FX Impact. The increase in TV/SVOD distribution was due to growth internationally.

Costs and Expenses

Operating expenses include an increase of $283 million in film cost amortization, from $435 million to $718 million, primarily due to the impact of higher revenues. Operating expenses also include cost of goods sold and distribution costs, which increased $23 million, from $323 million to $346 million, due to higher theatrical distribution costs driven by *Star Wars: The Force Awakens* in the current quarter, partially offset by a favorable FX Impact.

Selling, general, administrative and other costs increased $89 million from $521 million to $610 million due to higher theatrical marketing expenses, partially offset by a favorable FX Impact. The increase in theatrical marketing expense was due to higher spending on *Star Wars: The Force Awakens* and *The Good Dinosaur* in the current quarter compared to *Big Hero 6* in the prior-year quarter.

Segment Operating Income

Segment operating income increased $470 million to $1.0 billion due to growth from theatrical distribution, a higher revenue share with the Consumer Products & Interactive Media segment, growth in TV/SVOD distribution and increased home entertainment results, partially offset by an unfavorable FX Impact.

Consumer Products & Interactive Media

Operating results for the Consumer Products & Interactive Media segment are as follows:

(in millions)	Quarter Ended January 2, 2016	Quarter Ended December 27, 2014	% Change Better/ (Worse)
Revenues			
Licensing, publishing and games	**$ 1,300**	$ 1,109	17 %
Retail and other	**610**	654	(7) %
Total revenues	**1,910**	1,763	8 %
Operating expenses	**(729)**	(725)	(1) %
Selling, general, administrative and other	**(276)**	(291)	5 %
Depreciation and amortization	**(45)**	(46)	2 %
Operating Income	**$ 860**	$ 701	23 %

Revenues

The 17% increase in licensing, publishing and games revenue was due to a 17% increase from our Merchandise Licensing business and a 1% increase from publishing, partially offset by a 1% decrease from games. The increases at Merchandise Licensing and publishing were primarily due to higher licensing revenues from Star Wars merchandise and the timing of minimum guarantee shortfall recognition at Merchandise Licensing, partially offset by an unfavorable FX Impact. Lower games revenue was primarily due to a decrease in unit sales of Disney Infinity and catalog titles and lower minimum guarantee shortfall recognition, partially offset by licensing revenues from *Star Wars: Battlefront*.

The 7% decrease in retail and other revenue reflected a 7% decrease from our Retail business due to lower comparable store sales in Europe and North America, an unfavorable FX Impact and a decrease in online sales in North America. Lower sales were due to the strong performance of merchandise based on *Frozen* in the prior-year quarter, partially offset by current quarter sales of Star Wars merchandise.

Costs and Expenses

Operating expenses include a $10 million decrease in cost of goods sold and distribution costs, from $499 million to $489 million, a $6 million increase in labor and occupancy costs, from $135 million to $141 million and a $4 million increase in product development, from $75 million to $79 million. The decrease in cost of goods sold and distribution costs was driven by lower volumes at games and retail and a favorable FX Impact, partially offset by inventory reserves for Disney Infinity and higher average unit costs at retail. Labor and occupancy costs were essentially flat as the impact of higher rent and labor cost inflation at retail was largely offset by a favorable FX Impact. The increase in product development was due to higher costs for new content.

Selling, general, administrative and other costs decreased $15 million from $291 million to $276 million due to a favorable FX Impact.

Segment Operating Income

Segment operating income increased23% to $860 million due to an increase at Merchandise Licensing and, to a lesser extent, publishing and games, partially offset by a decrease at retail and an unfavorable FX Impact.

CORPORATE AND UNALLOCATED SHARED EXPENSES

(in millions)	Quarter Ended January 2, 2016	Quarter Ended December 27, 2014	% Change Better/ (Worse)
Corporate and unallocated shared expenses	**$ (136)**	$ (125)	(9) %

The increase in Corporate and unallocated shared expenses in the current quarter was primarily due to higher compensation costs.

SIGNIFICANT DEVELOPMENTS

Impact of Foreign Currency Exchange Rates

The Company has a foreign exchange risk management program that is intended to reduce earnings fluctuations associated with foreign currency exchange rate changes. As part of this program, we enter into foreign currency derivative contracts designed to hedge projected foreign currency denominated operating income exposures for periods that generally do not exceed four years and to hedge foreign currency denominated net monetary assets to protect the U.S. dollar equivalent value of these assets from foreign currency fluctuations. The economic or political conditions in a country could reduce our ability to hedge exposure to currency fluctuations in the country or our ability to repatriate revenue from the country. Based on our hedge portfolio and our projections of foreign currency exposure, we project an adverse impact to growth in segment operating results from fiscal 2015 to fiscal 2016 of approximately $500 million due to the strengthening of the U.S. dollar against major foreign currencies in which we transact.

Seven TV Investment

In December 2015, the Company reduced its common share ownership interest in Seven TV from 49% to 20% to comply with Russian regulations that limit foreign ownership of media companies, while maintaining our economic interest in the business. Seven TV operates an advertising-supported, free-to-air Disney Channel in Russia and is accounted for under the equity method. We understand that the Russian government will review the new structure for compliance during calendar year 2016 and depending on the outcome of that review, we could have an impairment of some or all of our approximately $300 million investment related to the Disney Channel in Russia.

FINANCIAL CONDITION

The change in cash and cash equivalents is as follows:

	Quarter Ended		% Change
(in millions)	**January 2, 2016**	December 27, 2014	Better/ (Worse)
Cash provided by operations	**$ 2,362**	$ 1,855	27 %
Cash used in investing activities	**(1,798)**	(991)	(81) %
Cash (used in)/provided by financing activities	**(468)**	897	nm
Impact of exchange rates on cash and cash equivalents	**(64)**	(105)	39 %
Change in cash and cash equivalents	**$ 32**	$ 1,656	(98) %

Operating Activities

Cash provided by operating activities increased 27% to $2.4 billion for the current quarter compared to $1.9 billion in the prior-year quarter due to higher operating cash flow at our Studio Entertainment and Parks and Resorts segments. Higher operating cash flow at Studio Entertainment was primarily due to higher operating cash receipts due to increased revenue and lower operating cash disbursements driven by the timing of payments for marketing and participation costs. Higher operating cash flow at Parks and Resorts was due to higher operating cash receipts driven by increased revenue.

Film and Television Costs

The Company's Studio Entertainment and Media Networks segments incur costs to acquire and produce feature film and television programming. Film and television production costs include all internally produced content such as live-action and animated feature films, animated direct-to-video programming, television series, television specials, theatrical stage plays or other similar product. Programming costs include film or television product licensed for a specific period from third parties for airing on the Company's broadcast and cable networks and television stations. Programming assets are generally recorded when the programming becomes available to us with a corresponding increase in programming liabilities. Accordingly, we analyze our programming assets net of the related liability.

The Company's film and television production and programming activity for the quarters ended January 2, 2016 and December 27, 2014 are as follows:

	Quarter Ended	
(in millions)	**January 2, 2016**	December 27, 2014
Beginning balances:		
Production and programming assets	**$ 7,353**	$ 6,386
Programming liabilities	**(989)**	(875)
	6,364	5,511
Spending:		
Television program licenses and rights	**1,767**	1,850
Film and television production	**1,231**	1,126
	2,998	2,976
Amortization:		
Television program licenses and rights	**(2,558)**	(2,218)
Film and television production	**(1,145)**	(872)
	(3,703)	(3,090)
Change in film and television production and programming costs	**(705)**	(114)
Other non-cash activity	**13**	(42)
Ending balances:		
Production and programming assets	**7,141**	6,384
Programming liabilities	**(1,469)**	(1,029)
	$ 5,672	$ 5,355

Investing Activities

Investing activities consist principally of investments in parks, resorts and other property and acquisition and divestiture activity. The Company's investments in parks, resorts and other property for the quarters ended January 2, 2016 and December 27, 2014 are as follows:

	Quarter Ended	
(in millions)	**January 2, 2016**	December 27, 2014
Media Networks		
Cable Networks	**$ 27**	$ 15
Broadcasting	**30**	7
Total Media Networks	**57**	22
Parks and Resorts		
Domestic	**627**	239
International	**607**	638
Total Parks and Resorts	**1,234**	877
Studio Entertainment	**27**	24
Consumer Products & Interactive Media	**13**	5
Corporate	**75**	70
	$ 1,406	$ 998

Capital expenditures for the Parks and Resorts segment are principally for theme park and resort expansion, new attractions, cruise ships, recurring capital and capital improvements and systems infrastructure. The increase at our domestic parks and resorts was due to new attractions at Walt Disney World Resort and Disneyland Resort. The decrease at our international parks and resorts was due to lower construction spending for the Shanghai Disney Resort, partially offset by Hong Kong Disneyland Resort.

Capital expenditures at Media Networks primarily reflect investments in facilities and equipment for expanding and upgrading broadcast centers, production facilities and television station facilities.

Capital expenditures at Consumer Products & Interactive Media primarily reflect investments in leasehold improvements at retail locations.

Capital expenditures at Corporate primarily reflect investments in corporate facilities, information technology and equipment.

The Company currently expects its fiscal 2016 capital expenditures will be approximately $0.8 billion higher than fiscal 2015 capital expenditures of $4.3 billion, due to increased investment at our domestic parks and resorts.

Other Investing Activities

During the current quarter, acquisitions totaled $400 million due to the acquisition of an 11% interest in Vice.

Financing Activities

Cash used in financing activities was $0.5 billion in the current quarter compared to cash provided by financing activities of $0.9 billion in the prior-year quarter.

Cash used in financing activities in the current quarter reflected repurchases of common stock of $2.4 billion, partially offset by net cash inflows from borrowings of $1.7 billion.

The decrease in cash provided by financing activities of $1.4 billion versus the prior-year quarter was due to an increase in repurchases of common stock of $1.0 billion and lower contributions from noncontrolling interest holders of $0.4 billion.

During the quarter ended January 2, 2016, the Company's borrowing activity was as follows:

(in millions)	October 3, 2015	Borrowings	Payments	Other Activity	**January 2, 2016**
Commercial paper with original maturities less than three months, net [1]	$ 2,330	$ 408	$ —	$ 1	**$ 2,739**
Commercial paper with original maturities greater than three months	100	1,599	(100)	1	**1,600**
U.S. medium-term notes	13,873	—	(500)	4	**13,377**
Foreign currency denominated debt and other obligations[2]	714	91	(64)	(74)	**667**
International Theme Parks borrowings[3]	319	291	—	(78)	**532**
Total	$ 17,336	$ 2,389	$ (664)	$ (146)	**$ 18,915**

(1) Borrowings and payments are reported net.
(2) The other activity is primarily market value adjustments for debt with qualifying hedges.
(3) The other activity is primarily the conversion of debt into HKDL equity. See Note 5 to the Condensed Consolidated Financial Statements for further discussion of the transaction.

The Company's bank facilities as of January 2, 2016 were as follows:

(in millions)	Committed Capacity	Capacity Used	Unused Capacity
Bank facility expiring March 2016	$ 1,500	$ —	$ 1,500
Bank facility expiring June 2017	2,250	—	2,250
Bank facility expiring March 2019	2,250	—	2,250
Total	$ 6,000	$ —	$ 6,000

All of the above bank facilities allow for borrowings at LIBOR-based rates plus a spread depending on the credit default swap spread applicable to the Company's debt, subject to a cap and floor that vary with the Company's debt rating assigned by Moody's Investors Service and Standard & Poor's. The spread above LIBOR can range from 0.23% to 1.63%. The Company also has the ability to issue up to $800 million of letters of credit under the facility expiring in March 2019, which if utilized, reduces available borrowings under this facility. As of January 2, 2016, $187 million of letters of credit were outstanding, of which none were issued under this facility.

The Company may use commercial paper borrowings up to the amount of its unused bank facilities, in conjunction with term debt issuance and operating cash flow, to retire or refinance other borrowings before or as they come due.

On January 8, 2016, the Company issued $3.0 billion in debt under its U.S. medium-term note program. The proceeds will be used for general corporate purposes.

The Company paid the following dividends in fiscal 2016 and 2015:

Per Share	Total Paid	Payment Timing	Related to Fiscal Period
$0.71	$1.2 billion	Second Quarter of Fiscal 2016	Second Half 2015
$0.66	$1.1 billion	Fourth Quarter of Fiscal 2015	First Half 2015
$1.15	$1.9 billion	Second Quarter of Fiscal 2015	2014

During the quarter ended January 2, 2016, the Company repurchased 21 million shares of its common stock for $2.4 billion. As of January 2, 2016, the Company had remaining authorization in place to repurchase approximately 334 million additional shares. The repurchase program does not have an expiration date.

We believe that the Company's financial condition is strong and that its cash balances, other liquid assets, operating cash flows, access to debt and equity capital markets and borrowing capacity, taken together, provide adequate resources to fund ongoing operating requirements and future capital expenditures related to the expansion of existing businesses and development of new projects. However, the Company's operating cash flow and access to the capital markets can be impacted by macroeconomic factors outside of its control. In addition to macroeconomic factors, the Company's borrowing costs can be impacted by short- and long-term debt ratings assigned by nationally recognized rating agencies, which are based, in significant part, on the Company's performance as measured by certain credit metrics such as interest coverage and leverage ratios. As of January 2, 2016, Moody's Investors Service's long- and short-term debt ratings for the Company were A2 and P-1, respectively, with stable outlook; Standard & Poor's long- and short-term debt ratings for the Company were A and A-1, respectively, with stable outlook; and Fitch's long- and short-term debt ratings for the Company were A and F1, respectively, with stable outlook. The Company's bank facilities contain only one financial covenant, relating to interest coverage, which the Company met on January 2, 2016 by a significant margin. The Company's bank facilities also specifically exclude certain entities, including the International Theme Parks, from any representations, covenants or events of default.

COMMITMENTS AND CONTINGENCIES

Legal Matters

As disclosed in Note 10 to the Condensed Consolidated Financial Statements, the Company has exposure for certain legal matters.

Guarantees

See Note 10 to the Condensed Consolidated Financial Statements for information regarding the Company's guarantees.

Tax Matters

As disclosed in Note 9 to the Consolidated Financial Statements in the 2015 Annual Report on Form 10-K, the Company has exposure for certain tax matters.

Contractual Commitments

See Note 14 to the Consolidated Financial Statements in the 2015 Annual Report on Form 10-K for information regarding the Company's contractual commitments.

OTHER MATTERS

Accounting Policies and Estimates

We believe that the application of the following accounting policies, which are important to our financial position and results of operations require significant judgments and estimates on the part of management. For a summary of our significant accounting policies, including the accounting policies discussed below, see Note 2 to the Consolidated Financial Statements in the 2015 Annual Report on Form 10-K.

Film and Television Revenues and Costs

We expense film and television production, participation and residual costs over the applicable product life cycle based upon the ratio of the current period's revenues to the estimated remaining total revenues (Ultimate Revenues) for each production. If our estimate of Ultimate Revenues decreases, amortization of film and television costs may be accelerated. Conversely, if our estimate of Ultimate Revenues increases, film and television cost amortization may be slowed. For film productions, Ultimate Revenues include revenues from all sources that will be earned within ten years from the date of the initial theatrical release. For television series, Ultimate Revenues include revenues that will be earned within ten years from delivery of the first episode, or if still in production, five years from delivery of the most recent episode, if later.

With respect to films intended for theatrical release, the most sensitive factor affecting our estimate of Ultimate Revenues (and therefore affecting future film cost amortization and/or impairment) is theatrical performance. Revenues derived from other markets subsequent to the theatrical release (e.g., the home entertainment or television markets) have historically been highly correlated with the theatrical performance. Theatrical performance varies primarily based upon the public interest and demand for a particular film, the popularity of competing films at the time of release and the level of marketing effort. Upon a film's release and determination of the theatrical performance, the Company's estimates of revenues from succeeding windows and markets are revised based on historical relationships and an analysis of current market trends. The most sensitive factor affecting our estimate of Ultimate Revenues for released films is the level of expected home entertainment sales. Home entertainment sales vary based on the number and quality of competing home entertainment products, as well as the manner in which retailers market and price our products.

With respect to television series or other television productions intended for broadcast, the most sensitive factor affecting estimates of Ultimate Revenues is the program's rating and the strength of the advertising market. Program ratings, which are an indication of market acceptance, directly affect the Company's ability to generate advertising revenues during the airing of the program. In addition, television series with greater market acceptance are more likely to generate incremental revenues through the eventual sale of the program rights in the syndication, international and home entertainment markets. Alternatively, poor ratings may result in a television series cancellation, which would require an immediate write-down of any unamortized production costs. A significant decline in the advertising market would also negatively impact our estimates.

We expense the cost of television broadcast rights for acquired series, movies and other programs based on the number of times the program is expected to be aired or on a straight-line basis over the useful life, as appropriate. Amortization of those television programming assets being amortized on a number of airings basis may be accelerated if we reduce the estimated future airings and slowed if we increase the estimated future airings. The number of future airings of a particular program is impacted primarily by the program's ratings in previous airings, expected advertising rates and availability and quality of alternative programming. Accordingly, planned usage is reviewed periodically and revised if necessary. We amortize rights costs for multi-year sports programming arrangements during the applicable seasons based on the estimated relative value of each year in the arrangement. The estimated value of each year is based on our projections of revenues over the contract period, which include advertising revenue and an allocation of affiliate revenue. If the annual contractual payments related to each season approximate each season's estimated relative value, we expense the related contractual payments during the applicable season. If planned usage patterns or estimated relative values by year were to change significantly, amortization of our sports rights costs may be accelerated or slowed.

Costs of film and television productions are subject to regular recoverability assessments, which compare the estimated fair values with the unamortized costs. The net realizable values of television broadcast program licenses and rights are reviewed using a daypart methodology. A daypart is defined as an aggregation of programs broadcast during a particular time of day or programs of a similar type. The Company's dayparts are: primetime, daytime, late night, news and sports (includes broadcast and cable networks). The net realizable values of other cable programming assets are reviewed on an aggregated basis for each cable network. Individual programs are written off when there are no plans to air or sublicense the program. Estimated values are based upon assumptions about future demand and market conditions. If actual demand or market conditions are less favorable than our projections, film, television and programming cost write-downs may be required.

Revenue Recognition

The Company has revenue recognition policies for its various operating segments that are appropriate to the circumstances of each business. See Note 2 to the Consolidated Financial Statements in the 2015 Annual Report on Form 10-K for a summary of these revenue recognition policies.

We reduce home entertainment and game revenues for estimated future returns of merchandise and for customer programs and sales incentives. These estimates are based upon historical return experience, current economic trends and projections of customer demand for and acceptance of our products. If we underestimate the level of returns or concessions in a particular period, we may record less revenue in later periods when returns or concessions exceed the estimated amount. Conversely, if we overestimate the level of returns or concessions for a period, we may have additional revenue in later periods when returns or concessions are less than estimated.

We recognize revenues from advance theme park ticket sales when the tickets are used. We recognize revenues from expiring multi-use tickets ratably over the estimated usage period. For non-expiring, multi-day tickets, we recognize revenue over a five-year time period based on estimated usage. The estimated usage periods are derived from historical usage patterns. If actual usage is different than our estimated usage, revenues may not be recognized in the periods the related services are rendered. In addition, a change in usage patterns would impact the timing of revenue recognition.

Pension and Postretirement Medical Plan Actuarial Assumptions

The Company's pension and postretirement medical benefit obligations and related costs are calculated using a number of actuarial assumptions. Two significant assumptions, the discount rate and the expected return on plan assets, are important elements of expense and/or liability measurement, which we evaluate annually. Refer to the 2015 Annual Report on Form 10-K for estimated impacts of changes in these assumptions. Other assumptions include the healthcare cost trend rate and employee demographic factors such as retirement patterns, mortality, turnover and rate of compensation increase.

The discount rate enables us to state expected future cash payments for benefits as a present value on the measurement date. A lower discount rate increases the present value of benefit obligations and increases pension expense. The guideline for setting this rate is a high-quality long-term corporate bond rate. The Company's discount rate was determined by considering yield curves constructed of a large population of high-quality corporate bonds and reflects the matching of the plans' liability cash flows to the yield curves.

To determine the expected long-term rate of return on the plan assets, we consider the current and expected asset allocation as well as historical and expected returns on each plan asset class. A lower expected rate of return on pension plan assets will increase pension expense.

Goodwill, Intangible Assets, Long-Lived Assets and Investments

The Company is required to test goodwill and other indefinite-lived intangible assets for impairment on an annual basis and if current events or circumstances require, on an interim basis. Goodwill is allocated to various reporting units, which are generally an operating segment or one level below the operating segment. The Company compares the fair value of each reporting unit to its carrying amount to determine if there is potential goodwill impairment. If the fair value of a reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the fair value of the goodwill within the reporting unit is less than the carrying value of the goodwill.

To determine the fair value of our reporting units, we generally use a present value technique (discounted cash flow) corroborated by market multiples when available and as appropriate. We apply what we believe to be the most appropriate valuation methodology for each of our reporting units. The discounted cash flow analyses are sensitive to our estimates of future revenue growth and margins for these businesses. We include in the projected cash flows an estimate of the revenue we believe the reporting unit would receive if the intellectual property developed by the reporting unit that is being used by other reporting units was licensed to an unrelated third party at its fair market value. These amounts are not necessarily the same as those included in segment operating results. We believe our estimates of fair value are consistent with how a marketplace participant would value our reporting units.

In times of adverse economic conditions in the global economy, the Company's long-term cash flow projections are subject to a greater degree of uncertainty than usual. If we had established different reporting units or utilized different valuation methodologies or assumptions, the impairment test results could differ, and we could be required to record impairment charges.

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

The Company tests long-lived assets, including amortizable intangible assets, for impairment whenever events or changes in circumstances (triggering events) indicate that the carrying amount may not be recoverable. Once a triggering event has occurred, the impairment test employed is based on whether the intent is to hold the asset for continued use or to hold the asset for sale. The impairment test for assets held for use requires a comparison of cash flows expected to be generated over the useful life of an asset group to the carrying value of the asset group. An asset group is established by identifying the lowest level of cash flows generated by a group of assets that are largely independent of the cash flows of other assets and could include assets used across multiple businesses or segments. If the carrying value of an asset group exceeds the estimated undiscounted future cash flows, an impairment would be measured as the difference between the fair value of the group's long-lived assets and the carrying value of the group's long-lived assets. The impairment is allocated to the long-lived assets of the group on a pro rata basis using the relative carrying amounts, but only to the extent the carrying value of each asset is above its fair value. For assets held for sale, to the extent the carrying value is greater than the asset's fair value less costs to sell, an impairment loss is recognized for the difference. Determining whether a long-lived asset is impaired requires various estimates and assumptions, including whether a triggering event has occurred, the identification of the asset groups, estimates of future cash flows and the discount rate used to determine fair values. If we had established different asset groups or utilized different valuation methodologies or assumptions, the impairment test results could differ, and we could be required to record impairment charges.

The Company has cost and equity investments. The fair value of these investments is dependent on the performance of the investee companies as well as volatility inherent in the external markets for these investments. In assessing potential impairment of these investments, we consider these factors, as well as the forecasted financial performance of the investees and market values, where available. If these forecasts are not met or market values indicate an other-than-temporary decline in value, impairment charges may be required.

Allowance for Doubtful Accounts

We evaluate our allowance for doubtful accounts and estimate collectability of accounts receivable based on our analysis of historical bad debt experience in conjunction with our assessment of the financial condition of individual companies with which we do business. In times of domestic or global economic turmoil, our estimates and judgments with respect to the collectability of our receivables are subject to greater uncertainty than in more stable periods. If our estimate of uncollectible accounts is too low, costs and expenses may increase in future periods, and if it is too high, costs and expenses may decrease in future periods.

Contingencies and Litigation

We are currently involved in certain legal proceedings and, as required, have accrued estimates of the probable and estimable losses for the resolution of these claims. These estimates have been developed in consultation with outside counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially affected by changes in our assumptions or the effectiveness of our strategies related to these proceedings. See Note 10 to the Condensed Consolidated Financial Statements for more detailed information on litigation exposure.

Income Tax Audits

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

New Accounting Pronouncements

See Note 14 to the Condensed Consolidated Financial Statements for information regarding new accounting pronouncements.

MARKET RISK

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

Policies and Procedures

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

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

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

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

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

See Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures – We have established disclosure controls and procedures to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and made known to the officers who certify the Company's financial reports and to other members of senior management and the Board of Directors as appropriate to allow timely decisions regarding required disclosure.

Based on their evaluation as of January 2, 2016, the principal executive officer and principal financial officer of the Company have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective.

There have been no changes in our internal controls over financial reporting during the first quarter of fiscal 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

As disclosed in Note 10 to the Condensed Consolidated Financial Statements, the Company is engaged in certain legal matters, and the disclosure set forth in Note 10 relating to certain legal matters is incorporated herein by reference.

ITEM 1A. Risk Factors

The Private Securities Litigation Reform Act of 1995 (the Act) provides a safe harbor for "forward-looking statements" made by or on behalf of the Company. We may from time to time make written or oral statements that are "forward-looking," including statements contained in this report and other filings with the Securities and Exchange Commission and in reports to our shareholders. All forward-looking 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 and the Company does not undertake any obligation to update its disclosure relating to forward-looking matters. 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: changes in domestic and global economic conditions, competitive conditions and consumer preferences; adverse weather conditions or natural disasters; health concerns; international, political or military developments; and technological developments. 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 discussed in the 2015 Annual Report on Form 10-K under the Item 1A, "Risk Factors."

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information about Company purchases of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act during the quarter ended January 2, 2016**:**

Period	Total Number of Shares Purchased [1]	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs [2]
October 4, 2015 – October 31, 2015	5,216,879	$ 106.33	5,191,200	350 million
November 1, 2015 – November 30, 2015	5,394,949	116.44	5,367,500	345 million
December 1, 2015 – January 2, 2016	10,588,558	111.31	10,557,500	334 million
Total	21,200,386	111.39	21,116,200	334 million

(1) 84,186 shares were purchased on the open market to provide shares to participants in the Walt Disney Investment Plan (WDIP). These purchases were not made pursuant to a publicly announced repurchase plan or program.

(2) Under a share repurchase program implemented effective June 10, 1998, the Company is authorized to repurchase shares of its common stock. On January 30, 2015, the Company's Board of Directors increased the share repurchase authorization to a total of 400 million shares as of that date. The repurchase program does not have an expiration date.

ITEM 6. Exhibits

See Index of Exhibits.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		THE WALT DISNEY COMPANY
		(Registrant)
	By:	/s/ CHRISTINE M. MCCARTHY
		Christine M. McCarthy, Senior Executive Vice President and Chief Financial Officer

February 9, 2016
Burbank, California

INDEX OF EXHIBITS

Number and Description of Exhibit (Numbers Coincide with Item 601 of Regulation S-K)		Document Incorporated by Reference from a Previous Filing or Filed Herewith, as Indicated below
12.1	Ratio of Earnings to Fixed Charges	Filed herewith
31(a)	Rule 13a-14(a) Certification of Chief Executive Officer of the Company in accordance with Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31(b)	Rule 13a-14(a) Certification of Chief Financial Officer of the Company in accordance with Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32(a)	Section 1350 Certification of Chief Executive Officer of the Company in accordance with Section 906 of the Sarbanes-Oxley Act of 2002*	Furnished
32(b)	Section 1350 Certification of Chief Financial Officer of the Company in accordance with Section 906 of the Sarbanes-Oxley Act of 2002*	Furnished
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended January 2, 2016 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Cash Flows, (v) the Condensed Consolidated Statements of Equity and (vi) related notes	Filed

* A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 12.1

THE WALT DISNEY COMPANY
RATIO OF EARNINGS TO FIXED CHARGES
(AMOUNTS IN MILLIONS, EXCEPT RATIOS)

	Quarter Ended		Fiscal Year Ended				
	Jan. 2, 2016	Dec. 27, 2014	2015	2014	2013	2012	2011
EARNINGS							
Income from continuing operations before income taxes	$ 4,358	$ 3,362	$ 13,868	$ 12,246	$ 9,620	$ 9,260	$ 8,043
Equity in the income of investees	(474)	(212)	(814)	(854)	(688)	(627)	(585)
Cash distributions received from equity investees	206	197	752	718	694	663	608
Interest expense, amortization of debt discounts and premiums on all indebtedness and amortization of capitalized interest	86	85	325	360	415	525	497
Imputed interest on operating leases (1)	72	72	286	294	292	288	273
TOTAL EARNINGS	**$ 4,248**	**$ 3,504**	**$ 14,417**	**$ 12,764**	**$ 10,333**	**$ 10,109**	**$ 8,836**
FIXED CHARGES							
Interest expense and amortization of debt discounts and premiums on all indebtedness	$ 66	$ 69	$ 265	$ 294	$ 349	$ 472	$ 435
Capitalized interest	34	20	68	73	77	92	91
Imputed interest on operating leases (1)	72	72	286	294	292	288	273
TOTAL FIXED CHARGES	**$ 172**	**$ 161**	**$ 619**	**$ 661**	**$ 718**	**$ 852**	**$ 799**
RATIO OF EARNINGS TO FIXED CHARGES (2)	**24.7**	**21.8**	**23.3**	**19.3**	**14.4**	**11.9**	**11.1**

(1) The portion of operating rental expense which management believes is representative of the interest component of rent expense.

(2) The ratio does not adjust for interest on unrecognized tax benefits that are recorded as a component of income tax expense.

Exhibit 31(a)

RULE 13a-14(a) CERTIFICATION IN ACCORDANCE WITH SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert A. Iger, Chairman and Chief Executive Officer of The Walt Disney Company (the "Company"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	February 9, 2016	By:	/s/ ROBERT A. IGER
			Robert A. Iger
			Chairman and Chief Executive Officer

Exhibit 31(b)

RULE 13a-14(a) CERTIFICATION IN ACCORDANCE WITH SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christine M. McCarthy, Senior Executive Vice President and Chief Financial Officer of The Walt Disney Company (the "Company"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	February 9, 2016	By:	/s/ CHRISTINE M. MCCARTHY
			Christine M. McCarthy Senior Executive Vice President and Chief Financial Officer

Exhibit 32(a)

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002*

In connection with the Quarterly Report of The Walt Disney Company (the "Company") on Form 10-Q for the fiscal quarter ended January 2, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert A. Iger, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ ROBERT A. IGER

Robert A. Iger
Chairman and Chief Executive Officer
February 9, 2016

* A signed original of this written statement required by Section 906 has been provided to The Walt Disney Company and will be retained by The Walt Disney Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(b)

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002*

In connection with the Quarterly Report of The Walt Disney Company (the "Company") on Form 10-Q for the fiscal quarter ended January 2, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christine M. McCarthy, Senior Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ CHRISTINE M. MCCARTHY
Christine M. McCarthy
Senior Executive Vice President and Chief Financial Officer
February 9, 2016

* A signed original of this written statement required by Section 906 has been provided to The Walt Disney Company and will be retained by The Walt Disney Company and furnished to the Securities and Exchange Commission or its staff upon request.