

**Reconciliation of Non-GAAP Financial Measures
To Corresponding GAAP Financial Measures
September 30, 2017**

Free cash flow, aggregate segment operating income, and earnings per share excluding certain items affecting comparability are not measures of performance defined by, or calculated in accordance with, generally accepted accounting principles (GAAP). These measures should not be considered in isolation, or as a substitute for the corresponding GAAP financial measure. These measures, as calculated by the Company, may not be comparable to similarly titled measures employed by other companies.

Free cash flow⁽¹⁾

The following table presents a reconciliation of the Company's consolidated cash provided by operations to free cash flow (unaudited, in millions):

	Quarter Ended		Change
	September 30, 2017	October 1, 2016	
Cash provided by operations	\$ 3,586	\$ 3,707	\$ (121)
Less: Investments in parks, resorts and other property	(895)	(1,082)	187
Free cash flow	\$ 2,691	\$ 2,625	\$ 66
			3%

	Year Ended		Change
	September 30, 2017	October 1, 2016	
Cash provided by operations	\$ 12,343	\$ 13,136	\$ (793)
Less: Investments in parks, resorts and other property	(3,623)	(4,773)	1,150
Free cash flow	\$ 8,720	\$ 8,363	\$ 357
			4%

The following table presents a summary of the Company's consolidated cash flows (unaudited, in millions):

	Quarter Ended		Year Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Cash provided by operations	\$ 3,586	\$ 3,707	\$ 12,343	\$ 13,136
Cash used in investing activities	(821)	(1,532)	(4,111)	(5,758)
Cash used in financing activities	(3,167)	(3,129)	(8,959)	(7,220)
Impact of exchange rates on cash and cash equivalents	54	(12)	31	(123)
Change in cash and cash equivalents and restricted cash	(348)	(966)	(696)	35
Cash and cash equivalents and restricted cash, beginning of period	4,412	5,726	4,760	4,725
Cash and cash equivalents and restricted cash, end of period	\$ 4,064	\$ 4,760	\$ 4,064	\$ 4,760

⁽¹⁾ Cash flow information for the quarter and year ended October 1, 2016 has been restated to reflect the adoption of new accounting standards during fiscal 2017.

Aggregate segment operating income

The following table presents a reconciliation of segment operating income to net income (unaudited, in millions):

	Quarter Ended		Year Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Segment operating income	\$ 2,812	\$ 3,176	\$ 14,775	\$ 15,721
Corporate and unallocated shared expenses	(190)	(183)	(582)	(640)
Restructuring and impairment charges	(98)	(31)	(98)	(156)
Interest expense, net	(85)	(99)	(385)	(260)
Other income, net ⁽¹⁾	255	—	78	—
Vice Gain ⁽²⁾	—	—	—	332
Infinity Charge ⁽³⁾	—	18	—	(129)
Income before income taxes	2,694	2,881	13,788	14,868
Income taxes	(829)	(989)	(4,422)	(5,078)
Net income	<u>\$ 1,865</u>	<u>\$ 1,892</u>	<u>\$ 9,366</u>	<u>\$ 9,790</u>

- ⁽¹⁾ During the fourth quarter ended September 30, 2017, the Company recognized a non-cash net gain in connection with the acquisition of a controlling interest in BAMTech LLC (BAMTech) (\$255 million). During the year ended September 30, 2017, the Company recorded a charge, net of committed insurance recoveries, in connection with the settlement of litigation (\$177 million).
- ⁽²⁾ During the year ended October 1, 2016, the Company recognized its share of a net gain recognized by A+E Television Networks in connection with their acquisition of an interest in Vice Group Holding, Inc. (Vice Gain)
- ⁽³⁾ During the fourth quarter ended October 1, 2016, the Company recorded a favorable adjustment to charges taken in the second quarter of 2016 in connection with the discontinuation of our Infinity console game business (Infinity Charge) (\$18 million). The year ended October 1, 2016 included the Infinity Charge (\$129 million). The Infinity Charge was primarily due to an inventory write-down. The charge also included severance and other asset impairments and was reported in "Cost of products" in the Consolidated Statement of Income.

Earnings per share excluding certain items affecting comparability

The following table reconciles reported EPS to EPS excluding certain items affecting comparability (unaudited):

(in millions except EPS)	Pre-Tax Income/Loss	Tax Benefit/ Expense ⁽¹⁾	After-Tax Income/Loss ⁽²⁾	EPS ⁽³⁾	EPS Change vs. prior year period
Quarter Ended September 30, 2017:					
As reported	\$ 2,694	\$ (829)	\$ 1,865	\$ 1.13	3 %
Exclude ⁽⁴⁾ :					
Gain related to the acquisition of BAMTech	(255)	93	(162)	(0.10)	
Restructuring and impairment charges	98	(31)	67	0.04	
Excluding certain items affecting comparability	<u>\$ 2,537</u>	<u>\$ (767)</u>	<u>\$ 1,770</u>	<u>\$ 1.07</u>	(3)%
Quarter Ended October 1, 2016:					
As reported	\$ 2,881	\$ (989)	\$ 1,892	\$ 1.10	
Exclude ⁽⁴⁾ :					
Infinity Charge	(18)	7	(11)	(0.01)	
Restructuring and impairment charges	31	(11)	20	0.01	
Excluding certain items affecting comparability	<u>\$ 2,894</u>	<u>\$ (993)</u>	<u>\$ 1,901</u>	<u>\$ 1.10</u>	
Year Ended September 30, 2017:					
As reported	\$ 13,788	\$ (4,422)	\$ 9,366	\$ 5.69	(1)%
Exclude ⁽⁵⁾ :					
Gain related to the acquisition of BAMTech	(255)	93	(162)	(0.10)	
Settlement of litigation	177	(65)	112	0.07	
Restructuring and impairment charges	98	(31)	67	0.04	
Excluding certain items affecting comparability	<u>\$ 13,808</u>	<u>\$ (4,425)</u>	<u>\$ 9,383</u>	<u>\$ 5.70</u>	— %
Year Ended October 1, 2016:					
As reported	\$ 14,868	\$ (5,078)	\$ 9,790	\$ 5.73	
Exclude ⁽⁵⁾ :					
Vice Gain	(332)	122	(210)	(0.13)	
Infinity Charge	129	(47)	82	0.05	
Restructuring and impairment charges	156	(43)	113	0.07	
Excluding certain items affecting comparability	<u>\$ 14,821</u>	<u>\$ (5,046)</u>	<u>\$ 9,775</u>	<u>\$ 5.72</u>	

⁽¹⁾ Tax benefit/expense adjustments are determined using the tax rate applicable to the individual item affecting comparability.

⁽²⁾ Before noncontrolling interest share.

⁽³⁾ Net of noncontrolling interest share, where applicable. Total may not equal the sum of the column due to rounding.

⁽⁴⁾ Items affecting comparability during the fourth quarter of fiscal 2017 include a non-cash net gain in connection with the acquisition of a controlling interest in BAMTech (\$255 million) and restructuring and impairment charges (\$98 million). In the prior-year fourth quarter, the Company recorded a favorable adjustment to the Infinity Charge (\$18 million) and restructuring and impairment charges (\$31 million).

⁽⁵⁾ For the year ended September 30, 2017, items affecting comparability included a charge, net of committed insurance recoveries, in connection with the settlement of litigation (\$177 million), restructuring and impairment charges (\$98 million) and a non-cash net gain in connection with the acquisition of a controlling interest in BAMTech (\$255 million). In the prior year, the Company recorded the Vice Gain (\$332 million), the Infinity Charge (\$129 million) and restructuring and impairment charges (\$156 million).