



The *WALT DISNEY* Company

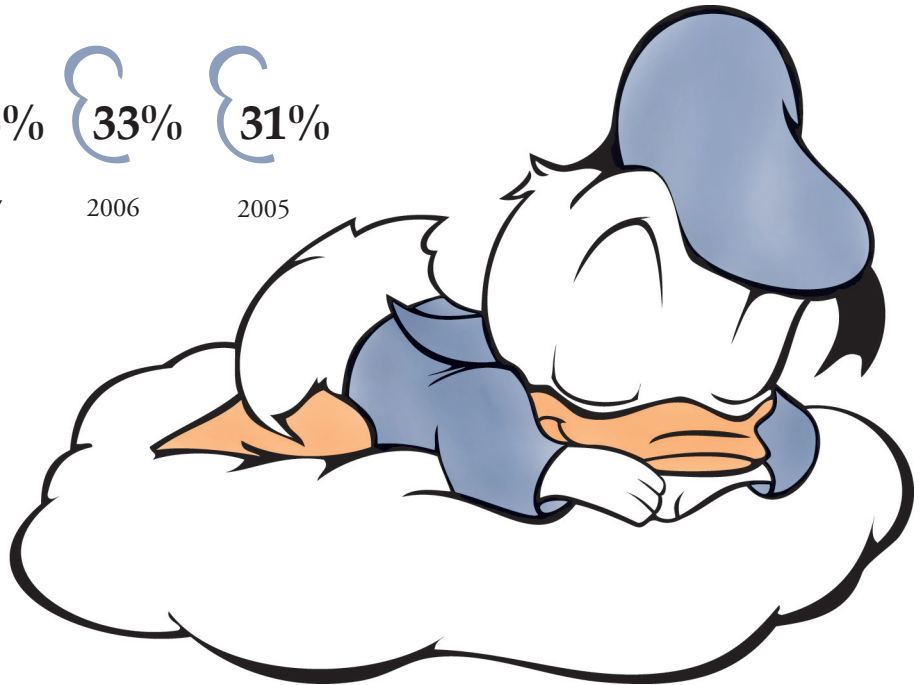
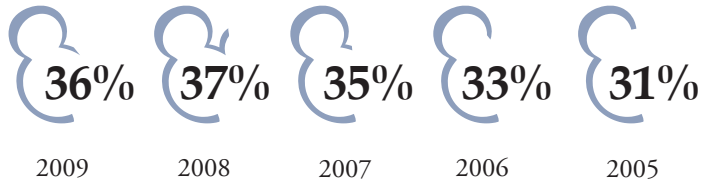
Fiscal Year 2010 Annual Financial Report

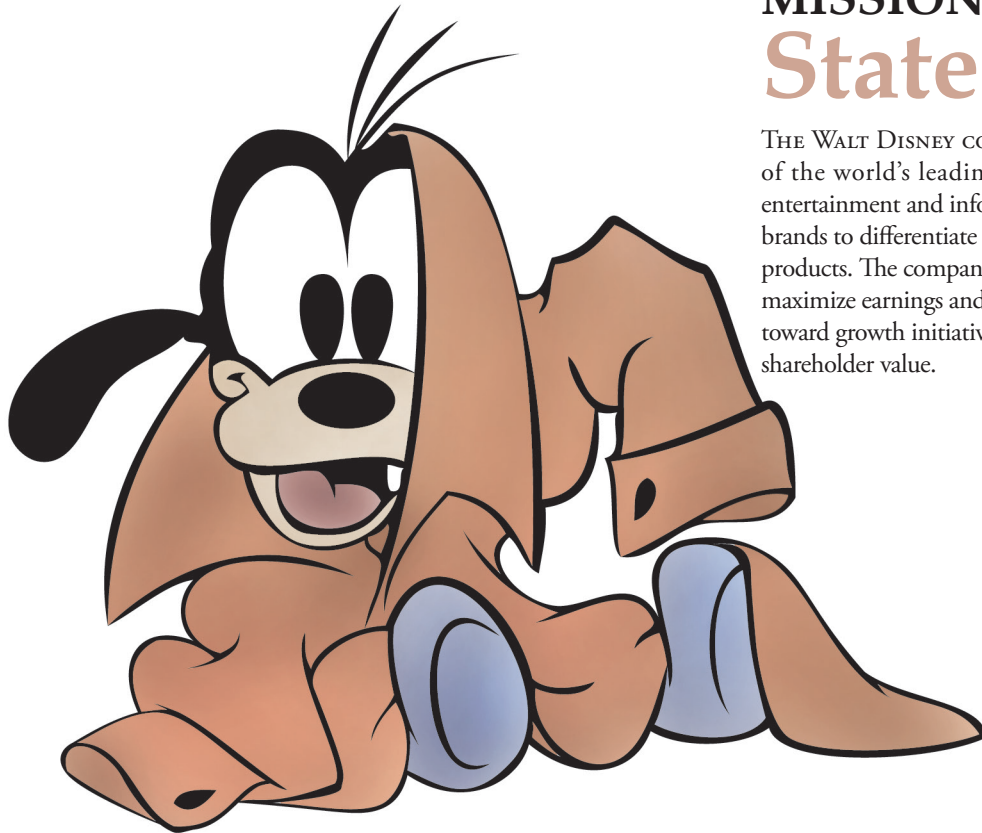


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SUMMARY FINANCIAL Highlights





MISSION Statement

THE WALT DISNEY COMPANY'S objective is to be one of the world's leading producers and providers of entertainment and information, using its portfolio of brands to differentiate its content, services and consumer products. The company's primary financial goals are to maximize earnings and cash flow, and to allocate capital toward growth initiatives that will drive long-term shareholder value.



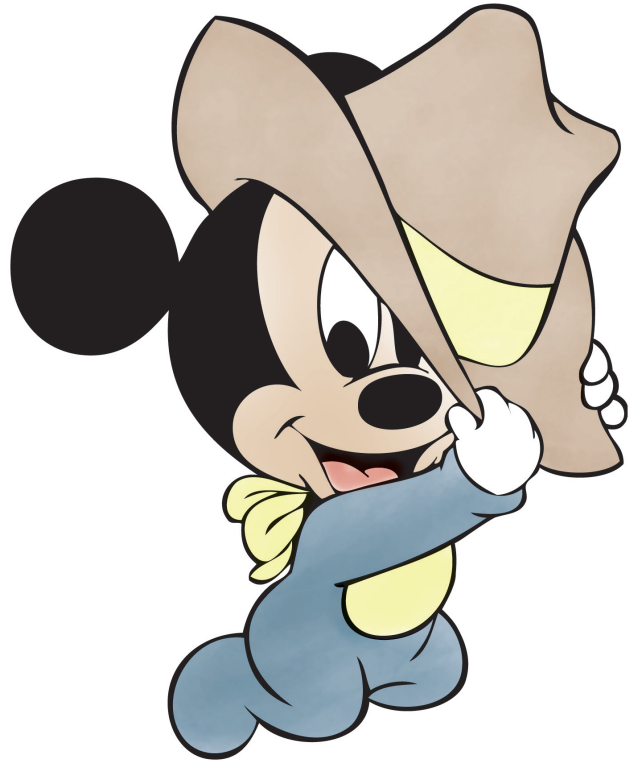
“We’re really pleased the Chinese government has given approval for a Disney theme park in Shanghai.”

–Robert A. Iger

LETTER TO Shareholders

To the Shareholders and Cast Members of The Walt Disney Company As I was drafting this letter, word came about the passing of a true Disney legend, Roy E. Disney. Roy devoted the better part of his life to our Company, and during his 56 year tenure, he was involved on many levels with many businesses, most notably animation. No one was a bigger champion of this art form than Roy, and it was at his urging that we returned to a full commitment to animation in the mid-1980s. Roy also introduced us to Pixar in the 1990s, a relationship that has proven vital to the success of the Disney name.

Roy understood the essence of Disney, and his passion for the Company, his appreciation of its past and his keen interest in its future will be sorely missed. Last year was both an interesting and



challenging one for your Company. On the positive side, we released two extraordinary animated films, *Up* and *The Princess and the Frog* that exemplify the very best of what we do. We received the go-ahead from China's government to build a new theme park in Shanghai. We acquired Marvel Entertainment, whose portfolio of great stories and characters and talented creative staff complement and strengthen our own. And we reached an agreement to distribute live-action films made by Steven Spielberg's DreamWorks.

Throughout, we've remained focused on advancing our strategic objectives of building the Company's position as a leader in the creation of high quality branded content; of using technology to make that content more compelling and to reach more consumers in more ways; and of making Disney an even more prominent and successful provider of entertainment globally. We believe our strategy is the right one and I'm confident it will keep us competitive and enhance our ability to deliver long-term value to shareholders. We're really pleased

the Chinese government has given approval for a Disney theme park in Shanghai. We look forward to finalizing a deal with our partners in Shanghai to build a world-class resort. With 1.3 billion people, increasing affluence and one of the world's most unique and dynamic cultures, China is an important and promising country for Disney.

We're also excited to welcome to the Disney family the talented team at Marvel. Marvel's brand, characters and stories are well-known globally and their popularity cuts across age, gender and cultural boundaries. Marvel's business really complements ours and all that we've been doing to maximize and extend the value of Disney's creative properties across our businesses, media platforms and geographical markets. In pursuing our expansion strategy, we've also focused on how to confront challenges to our media businesses brought about by advances in technology, the abundance of choice and changing consumer preference. We've really looked hard at how we could innovate and bring down the cost of making, marketing and distributing the content we

create without sacrificing the quality that consumers have come to expect of us. During the course of the last year, we took several steps in that direction. ABC Entertainment and ABC Studios merged into a single organization dedicated to producing and marketing compelling programming for ABC and other platforms.

Walt Disney Studios streamlined its production, marketing and distribution teams to manage the release of motion pictures from theaters all the way to handheld devices. And we brought together under a new segment, Disney Interactive Media Group, our console and online game units so that we can adapt quickly as the gaming market evolves. We are also reassessing our business models to make sure we continue to be competitive in this new environment. Decisions are being made on issues related to timing to market, pricing and scope of distribution that we believe can give us the necessary agility to respond to rapid technological change and to meet the expectations of consumers who increasingly enjoy entertainment how, when and where they want it.





A high quality Disney, Pixar or Marvel film can be of great value to the entire company over many years. We will also be distributing DreamWorks films, taking advantage of our Disney global studio infrastructure without much additional risk.

Now thirty years old, ESPN remains an incredible innovator, both technologically and in the quality and scope of its content, and in doing so has built and maintains a truly great brand. Last year, it made a major move internationally with its purchase of Premier League rights in the United Kingdom and has deepened its relationship with its most avid fans by setting up local sports portals in key cities including Chicago, Dallas, Boston and Los Angeles.

ESPN's emphasis on cutting-edge platforms, ranging from ESPN360.com to the popular SportsCenter iPhone app, insures its content is relevant and easily accessible no matter what sport you love or where you happen to be. These programs are practical from a business perspective and in keeping with our heritage. People all over the world have high expectations of Disney and meeting these standards requires that we

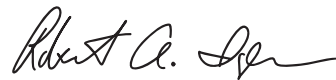
not only deliver entertainment people love, but also behave responsibly in everything we do. When we do so effectively, we are admired by our employees, shareholders and consumers and that's good for our businesses and brands. On January 1, 2010 Tom Staggs, our chief financial officer for the last decade, became Chairman, Walt Disney Parks and Resorts, while Jay Rasulo, who held that position for seven years, became our CFO. In Europe, our executive team is now led by Diego Lerner, who has very effectively built our Latin American operations over the last decade. And Rich Ross has become Chairman of Walt Disney Studios in the wake of his first-rate performance as head of Disney Channel's global operations.

Last year was a demanding one. But it's also been a period that's reinforced some key themes: that quality must remain at the forefront of what we do; that we must not be afraid to take risks and challenge the status quo; and that the passion and creativity of our employees and Cast Members is what makes The Walt Disney Company not only successful, but

truly special. We have many challenges ahead, but I like how we are positioned, who we are and what we stand for. It's truly been an honor serving as the President and CEO for the last four years with each new day bringing new challenges and opportunities for our Company. So, on behalf of all of us at Disney, I'd like to thank you for your continued support and the faith you show in us to keep exceeding your expectations in everything we do.

Robert A. Iger

*President and Chief Executive Officer
The Walt Disney Company*



**“The way to get started is to
quit talking and begin doing.”**

–Walt Disney

HISTORY OF Daisy

Daisy Duck is one of Walt Disney's cartoon and comic book characters. She was created as a female counterpart and girlfriend to Donald Duck, and first appeared in the cartoon "*Mr. Duck Steps Out*" in 1940. Daisy has Donald's temper but has far greater control of it—although on rare occasions her temper can burst out and she can get into rages similar to Donald's, and tends to be more sophisticated than her boyfriend. She usually wears either no pants herself or a dress. She is mostly shown as showing a strong affinity towards Donald. Daisy replaced—or, according to some sources, represents a later form of—a short-lived early love interest named Donna Duck, who first appeared in the cartoon "*Don Donald*" in 1937. In a short 1951 comic strip continuity, Donna returned, ret-conned into an unrelated Mexican girl duck who functioned as a rival



for Donald's affections. Daisy Duck in her familiar name and design first appeared in "*Mr. Duck Steps Out*"—June 7, 1940. The short was directed by Jack King and scripted by Carl Barks. There Donald visits the house of his new love interest for their first known date. At first Daisy acts shy and has her back turned to her visitor. But Donald soon notices her tailfeathers taking the form of a hand and signaling for him to come closer. But their time alone is soon interrupted by Huey, Dewey, and Louie who have followed their uncle and clearly compete with him for the attention of Daisy.

Uncle and nephews take turns dancing the jitterbug with her while trying to get rid of each other. In their final effort the three younger Ducks feed their uncle maize in the process of becoming popcorn. The process is completed within Donald himself who continues to move wildly around the house while maintaining the appearance of dancing. The short ends with an impressed Daisy showering her new lover with kisses. Like her precursor, she was initially voiced by Clarence Nash, but would later have a

more lady-like voice. The short stands out among other Donald shorts of the period for its use of modern music and surreal situations throughout. The idea of a permanent love interest of Donald was well established following it. But Daisy did not appear as regularly as Donald himself. Her next appearance in *A Good Time for a Dime* features her as one of the temptations threatening to separate Donald from his money.

However she would make no further animated appearances until *Donald's Crime*—June 29, 1945. The short featured Donald having arranged a date with Daisy at a nightclub but not having enough money to pay for it. He proceeds to take \$1.35 from the piggy bank of his nephews. The crime of the title is theft and the rest of the short focused on Donald feeling guilt. His own imagination provided increasingly disturbing and nightmarish visions of the possible repercussions of his actions and resulted in Donald resolving to return the money. Her second appearance in the same year was in *Cured Duck*—October 26, 1945. The short starts simply enough.

Donald visit Daisy at her house. She asks him to open a window. He keeps trying to pull it open and eventually goes into a rage. By the time Daisy returns to the room, Donald has wrecked it. She demonstrates that the locking mechanism was on and criticizes his temper. She refuses to date Donald again until he learns to manage his anger. She claims Donald does not see her losing her own temper.

Donald agrees to her terms and follows the surreal method of mail ordering an "insult machine", a device constantly hurling verbal and physical insults at him. He visits Daisy again and this time calmly opens the window. But when Daisy shows her boyfriend her new hat, his reaction is uncontrollable laughter. Daisy goes into a rage of her own and the short ends by pointing out that Donald is not the only Duck in need of anger management training. There is a continuation regarding her temper at one episode in *Mickey Mouse Works* where she and Donald have a date in a restaurant wherein they both end up with a bad temper. Daisy's final animated

appearance in the *Golden Age of American* animation was in *Donald's Diary*—March 5, 1954. There she played the role of a young lady who manages to start a long-term relationship with Donald. But after having a nightmare about the anxieties that would come from married life, Donald runs out on her and joins the French Foreign Legion. Several scenes of the short imply that Daisy has had several previous relationships with men. Daisy Duck in her familiar name and design first appeared in "Mr. Duck Steps Out" Donald carves their names on a tree. Not noticing that the opposing side of the tree features her name alongside that of several other boyfriends. The marriage scene in Donald's dream featured a group of sailors waving goodbye to Daisy and mourning the loss of their apparent lover.



“They were all good friends,
whom I remember fondly.”

—Ollie Johnston

ANIMATOR

Ollie Johnston

Ollie was the only one of the Studio animators who was sensitive to character relationships and how they affected story. “Back then cartoon characters seldom touched unless they hit each other. But one day Ollie said, ‘You know, the act of two people holding hands communicates in a powerful way.’ And he was right. His warmth made a difference in so many of our characters.”

Indeed, Ollie animated such memorable friendships as that of Baloo and Mowgli in *“The Jungle Book”* and the sycophantic relationship shared by Sir Hiss and Prince John in *“Robin Hood.”* And he valued his own relationship with the characters he animated, including Thumper in *“Bambi,”* Mr. Smee in *“Peter Pan”* and the trio of fanciful fairies in *“Sleeping Beauty.”* Ollie says, “They were all good friends, whom I remember fondly.”

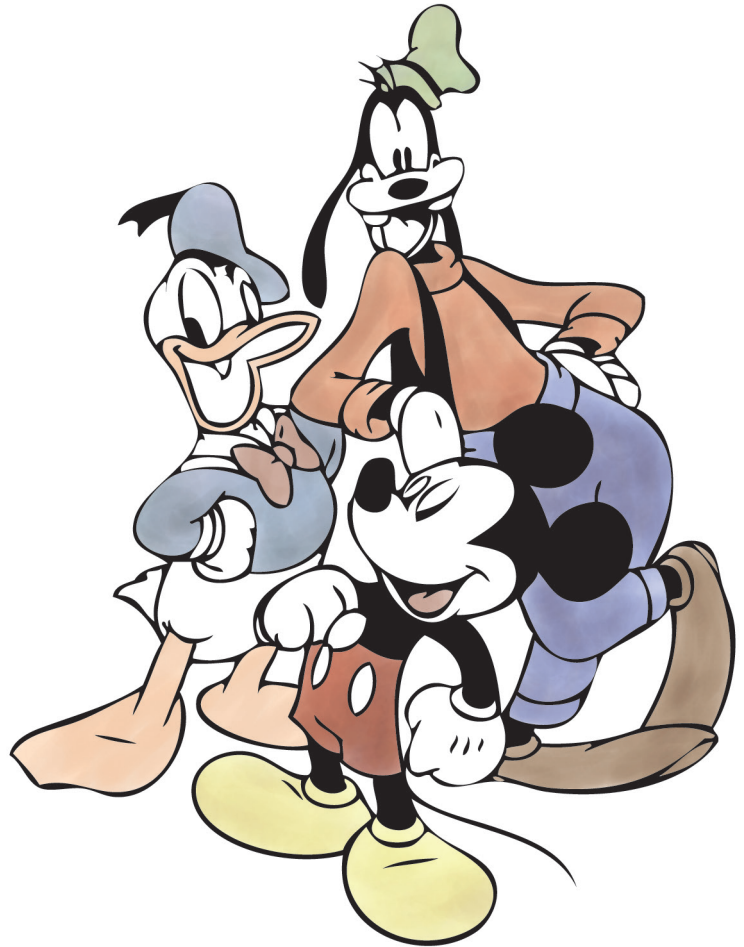


STUDIO

Entertainment

The Walt Disney Studios, home to the Company's motion picture, home entertainment, music, live entertainment and stage production units, had a transformative year in 2009. Under the leadership of new chairman Rich Ross, the Studio is strengthening its creative endeavors while making the organizational changes needed to confront structural changes affecting the movie industry.

Last year, the Studio entered into alliances with DreamWorks through a long-term distribution deal with principals Steven Spielberg and Stacey Snider, and with acclaimed filmmaker Guillermo del Toro, under a new production label called Disney Double Dare You. Alongside existing alliances with Robert Zemeckis' ImageMovers Digital and Jerry Bruckheimer Films, and our own productions under the Disney, Pixar, Touchstone, Disneynature and



Miramax labels, the Studio has a strong and diverse set of films coming to delight audiences of all ages. The Studio also consolidated marketing and distribution functions under leaders responsible for managing film titles throughout every step of the release chain, from theaters to electronic sell-through.

At the 2009 box office, Walt Disney Studios Motion Pictures had one of its biggest animated hits with Disney Pixar's *Up* in both traditional theatrical and Disney Digital 3D™ formats. The film gave a big lift to moviegoers all over the world and became the Studio's third highest grossing domestic animated release of all time, with a domestic box office take exceeding \$293 million. Internationally, it soared to a box office gross of over \$430 million, and finished as one of the biggest animated releases in industry history at the worldwide box office. *Up* also became one of the top DVD and Blu-ray titles of the year upon its release in November. Walt Disney Animation Studios opened *The Princess and the Frog* in December which has already grossed

over \$160 million thus far at the worldwide box office. The critically-acclaimed film demonstrated Disney's excellence in all areas of animation, added to the Studio's legacy for musical fairy tales and introduced a dazzling new princess to the royal family.

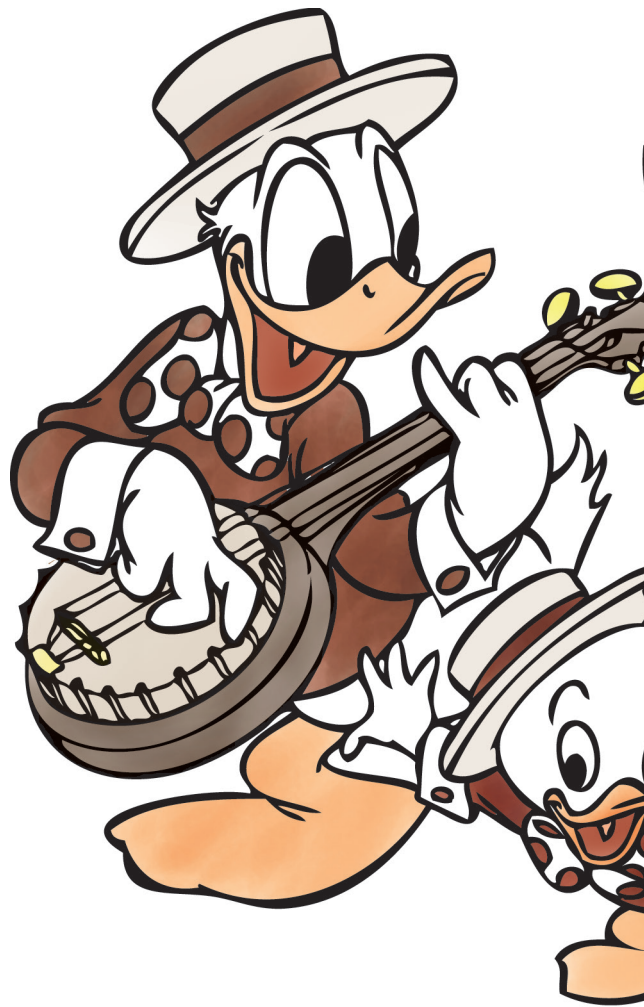
The 2010 theatrical release schedule includes more great entertainment from Walt Disney and Pixar Animation Studios, starting with the June release of *Toy Story 3*—including Disney Digital 3D™ presentations—which brings back the all-star toy cast in a hilarious, action-packed new adventure. Arriving in time for the holidays is Disney's first computer-animated fairy tale, *Rapunzel*, featuring one of the last great retold classics, hair-raising adventures, an unforgettable cast of characters, and memorable songs from Oscar®-winning composer Alan Menken.

Disney's all-time favorite films and franchises like *Cars*, *Princesses* and *Toy Story* continued to provide other Studio divisions with inspired

source material. Disney Theatrical Group celebrated the 12th anniversary of *The Lion King* on Broadway and the musical's 10th year in London, as the stage hit surpassed 50 million people in worldwide attendance in August, and opened a new production at the Mandalay Bay Resort in Las Vegas. The division also marked the third successful year of *Mary Poppins* in New York, with more than 1,000 to date. A North American tour began in Chicago and played a successful 13-week run in Los Angeles late in the year. Additionally, *Disney on Ice* which has been seen by more than 200 million people since 1981, recently launched its 30th all-new show starring a cast of 50 Disney characters. *Disney Live!* a group of interactive stage shows for younger children, has entertained five million guests in more than 40 countries and recently began its second year traveling in China.

BUILDING ON BLU-RAY

Walt Disney Studios Home Entertainment had some of the industry's top-selling Blu-ray and DVD titles in 2009, while continuing to be the leader in worldwide Blu-ray market share—in both the family





and animated categories, and a pioneer in the electronic delivery of movies. Our key home entertainment releases in 2009 included Bolt, High School Musical 3: Senior Year, The Proposal, Bedtime Stories, Beverly Hills Chihuahua, Hannah Montana: The Movie, and the 2-Disc Platinum Edition of Pinocchio, as well as the direct to DVD's Space Buddies and Santa Buddies. October saw the Blu-ray debut of the landmark Disney animated classic Snow White and the Seven Dwarfs, which was meticulously restored and selected to kick off the new "Diamond Edition" line. Seventy-two years after its theatrical debut, the film looked and sounded better than ever and became the number one sell-thru Blu-ray title of 2009.

The second installment in the popular Disney Fairies series, Tinker Bell and the Lost Treasure, was also released in October, and became one of the year's biggest direct-to-DVD titles. Walt Disney Studios Home Entertainment International had hits with WALL•E, High School Musical 3 and Blu-ray releases of the Pirates of the Caribbean trilogy, among others. Among other notable events in 2009,

Touchstone Pictures had a hit in *The Proposal*, starring Sandra Bullock and Ryan Reynolds. The film became one of the top romantic comedies of all time in the U.S.—over \$163 million of domestic box office, and proved to be a hit with international audiences too. The launch of the new DisneyNature label, with its first offering, *Earth*, marked a return to the Studios' legacy for quality nature films, and set the stage for the 2010 release of *Oceans*. The November release of Disney's *A Christmas Carol* delivered the classic tale to moviegoers with Robert Zemeckis' inventive and ambitious adaptation of the Dickens classic and Jim Carrey's impressive performances in multiple roles. The film went on to bring in over \$240 million at the worldwide box office. Miley Cyrus entertained her legion of fans in 2009 on film, with *Hannah Montana: The Movie* in concert, and as a recording artist. Her movie soundtrack—which was certified platinum and her fourth number one album—was among the four number one albums from Disney Music Group for the year. Cyrus returns to the big



screen in 2010 with the Touchstone Pictures' adaptation of the Nicholas Sparks' bestseller, *The Last Song*.

The division also had three number one album debuts including: Rascal Flatts' *Unstoppable*, Jonas Brothers' *Lines, Vines and Trying Times* and Demi Lovato's *Here We Go Again*. By the end of the year, the Jonas Brothers had sold more than eight million records worldwide. Among the other success stories from Disney Music Group were *Breaking Benjamin*, Selena Gomez, Jesse McCartney and *Love and Theft*. Disney's 2010 theatrical release schedule offers a wide variety of excitement, comedy and fantasy. In March, Tim Burton's imaginative and whimsical take on the Lewis Carroll classic, *Alice in Wonderland* brings together an all-star ensemble—Johnny Depp, Anne Hathaway, Helena Bonham Carter, Crispin Glover, Stephen Fry, Alan Rickman, Michael Sheen and newcomer Mia Wasikowska as Alice. The adventure continues in May with *Prince of Persia: The Sands of Time*, from producer Jerry Bruckheimer. In this epic tale based on a popular

video-game, Jake Gyllenhaal plays a rogue prince who joins a mysterious princess Gemma Arterton in a race against dark forces to safeguard an ancient dagger that allows its possessor to rule the world. There's more Bruckheimerstyle excitement and fantasy in store with the summer release of *The Sorcerer's Apprentice*, starring Nicolas Cage as a master magician who enlists his reluctant protégé—Jay Baruchel—to help him prevent his arch-nemesis—Alfred Molina from controlling modern day Manhattan. Jon Turteltaub *National Treasure 1 and 2*—directs. Arriving in time for the 2010 holiday season is *Tron: Legacy*, a 3D, high tech adventure that reboots the 1982 Disney cult classic and takes moviegoers into a digital world unlike anything ever captured on the big screen. Jeff Bridges returns as Sam Flynn, who joins forces with his son Garrett Hedlund on a thrilling journey across a visually-stunning cyber universe that has become far more advanced and exceedingly dangerous. Comedy fans can look forward to a pair of films starring Kristen Bell. In Touchstone Pictures' *When in Rome*, the actress plays an ambitious New Yorker who suddenly finds herself pursued by an odd group of suitors after

defiantly plucking some magic coins from a Roman fountain of love. In the Disney comedy *You Again*, Bell stars alongside Betty White, Sigourney Weaver and Jamie Lee Curtis as a young woman who is horrified to learn that her brother is marrying the very girl who made her life unbearable in high school. Last year, many of the operations of Miramax Films were consolidated within those of the Studio and the label scaled back its release schedule. Recent or upcoming releases include *Everybody's Fine* starring Robert DeNiro, Drew Barrymore and Kate Beckinsale, *The Debt* from director John Madden—*Shakespeare in Love*, starring Oscar®-winning actress Helen Mirren, *The Tempest* from visionary director Julie Taymor—*The Lion King*—and the thriller *Don't Be Afraid of the Dark*, written by director Guillermo del Toro.



**“I never called my work an art, Its
part of show business, the business
of building entertainment.”**

–Walt Disney

BEAUTY AND THE BEAST CASE STUDY

VIEWING FOR 2D TO 3D CONVERSION

From the earliest stages of the Beauty and the Beast 3D conversion project, the advantages of accurate desk-side 3D viewing was evident. While designing and testing the 2D to 3D conversion process, the engineering team at Walt Disney Animation Studios proposed a 3D viewing configuration that not only allowed artists to “**compose**” stereoscopic 3D but also improved efficiency by allowing artists to instantly detect which image features were essential to the stereoscopic appeal of a shot and which features had minimal or even negative impact. At a time when few commercial 3D monitors were available and few software packages provided 3D desk-side output, the team designed their own prototype devices and collaborated with vendors to create a “**3D composing**” workstation.



This paper outlines the display technologies explored, final choices made for *Beauty and the Beast* 3D, wishes for future development and a few rules of thumb for composing compelling 2D to 3D conversions.

INTRODUCTION

The idea to convert Disney's animated classic *Beauty and the Beast* to stereoscopic 3D began to take shape in late 2007. *Walt Disney Studios* had become a leader in the rebirth of stereoscopic 3D filmmaking for both animated and live-action films and had embraced advancing the art to a higher level. Owing to the well received Disney Digital 3-D releases of *Chicken Little*, *Meet the Robinsons*, *Bolt* and the 2D to 3D conversion of *The Nightmare Before Christmas*, animation films had a particularly strong 3D track record. With that in mind, the engineering team at *Walt Disney Animation Studios* was asked to study the viability of converting one of its most beloved 2D animated films, *Beauty and the Beast*, from hand-drawn 2D to stereoscopic 3D. Could a 2D hand-drawn film be compelling in

stereoscopic 3D? Could a conversion process uphold the quality and magic of the original film? Within just a few weeks, a study of the film and quick mock-up of the 2D to 3D philosophy provided the answer: yes! It was clear that if converted properly, a stereoscopic 3D version of the film could be striking.

The next step, then, was to devise the process and workflow that would convert the film **“properly.”** Focusing on three key project requirements and three key process requirements, the engineering team began designing the software and hardware that would best assist the artists to this end. This included the creation of a **“stereo composing”** workstation that provided viewing techniques that had not previously been available for stereoscopic artists at their desks. Not losing sight of the fact that the task at hand was to convert an entire feature length film from 2D planar imagery to stereoscopic 3D, a scale which had seldom been attempted, and that 2D animation can appear flat by nature, the engineering team set about evaluating all

existing options for real-time desk-side 3D viewing. It was found that cost effective commercial devices offered sub-standard stereo and image quality while adequate solutions were costprohibitive. Therefore, confident that the technology existed to create suitable devices, the engineering team chose to build their own prototype systems while continuing to evaluate all new consumer devices until a satisfactory solution was found. This paper follows the exploration of 3D viewing devices and evolution of consumer devices that led to a successful desk-side 3D viewing configuration. While meeting nearly all requirements and directly contributing to the success of the project, the solution still reveals the need for continued evolution in the field. To present the engineering process that occurred for desk-side 3D viewing, this paper will first review the project and process requirements that accompanied the design of a “**stereo composing**” workstation.

An assessment of the state of the art of 3D monitors at the inception of the project follows with a description

of the prototypes and evaluations performed by the engineering team to arrive at a final configuration. Finally, by evaluating the strengths and weaknesses of the configuration, criteria for potential future development are proposed.

BACKGROUND & OBJECTIVES

We can begin to see the need for desk-side 3D viewing by reviewing the scope of the Beauty and the Beast 3D project as well as the principles of compelling 2D to 3D conversion. From initial engineering tests to the final production configuration, the idea of composing stereoscopic 3D shots without being able to readily observe the results in depth seemed akin to lighting a chromatic film or rendering a chromatic computer graphics image without seeing color.

PROJECT REQUIREMENTS

Besides a “**stereo composing**” workstation, there were three essential requirements for the production. The engineering team addressed these requirements,

namely; data, a process and a pipeline, while shaping the stereo viewing objectives. 2D Data. *Beauty and the Beast* was created in 1991 using Disney/Pixar’s Computer Animation Production System—**CAPS**, the award winning digital 2D animation system designed in the late 1980’s.

This system preserved a complete archive of the film’s digital assets, metadata and image processing algorithms. Although access to this data was a great advantage for the project, digital 2D animation assets are organized and assembled more intricately than typical digital and computer graphics assets. This intricacy proved valuable for certain calculations but could be reduced for the majority of the stereo conversion process.

PROCESS REQUIREMENTS

This requires truthful re-creation of the scene in depth as well as compliance to the rules of compelling stereoscopy and an awareness of the contributions of

the imagery itself. **Desk-side 3D** viewing devices greatly enhanced the production’s ability to identify and uphold the following objectives for the film.

Be Accurate. The foremost principle of good stereoscopic conversion is to accurately represent the objects of an image in depth. This is done by simulating the placement of each object in a three dimensional environment.

When mimicking the view of each object from horizontally offset left eye and right eye perspectives, the offset between the object in the left image and the right image, or binocular disparity, indicates the position of the object with respect to the observer. Just as with real-world viewing where the left eye and right eye observe the surroundings from slightly different angles, the brain “**fuses**” the two views together to recreate a scene and interprets depth using stereo triangulation. In addition, objects convey the feeling of volume because of the changing triangulation of the points along their shape. For compelling 3D

conversion, therefore, rather than flat “**cards in space**”, objects should be given volume to simulate shape. Moreover, in the real world, as in computer graphics rendering, the apparent volume will reduce as the object moves away from the observer. This affect should be recreated in an accurate 3D conversion. Finally, animation and alignment of objects in depth should be simulated accurately. If an object animates forward or backward the depth and volume should adjust accordingly and it should align properly with all other objects in the scene. Be Compelling.

The second set of principles for appealing stereoscopic conversion are the same as for good stereo composition in modern CG or live-action productions, namely compelling 3D creative direction and audience comfort.

Rather than the more gimmicky 3D effects exploited in ride films and the 1950’s 3D fad, films released in recent years have utilized stereo 3D primarily as if looking

into a window of depth. This approach maximizes the immersion of the viewer and minimizes discomfort and was the model for *Beauty and the Beast 3D*.

The first guideline for this approach is to manage the Depth Budget of each shot. The Depth Budget refers to the distribution of depth layers in an image and particularly the closest and furthest objects. In most modern productions shots are not given extreme depth ranges by placing, in the same shot, an object far in front of the screen and an object far behind the screen. In addition, effort is made to avoid excessive “**convergence**”, or turning in of the eyes, to resolve an object far in front of the screen, and “**divergence**”, or turning out of the eyes beyond parallel, to resolve an object far behind the screen. The budget is generally predefined and monitored throughout a production by the stereographer. In the case of 2D to 3D conversion, the Depth Budget should mimic the depth of the original scene but can be scaled for comfort and storytelling and may include

subtle adjustments to “**rein in**” the adverse affects of extreme compositions.

Secondly, the transition in depth from one shot to another, or Depth Continuity, should avoid sharp changes in depth budget where possible. That is, if one shot is very shallow with a focal point behind the screen, and the next shot is extremely deep with a focal point far in front of the screen, the viewer’s eyes must quickly re-converge and re-focus for these differing depth budgets. This will likely cause discomfort, especially if occurring often, and so, for best composition, shot transitions should instead move fluidly from one point of convergence and depth budget to the next. In addition, the depth should be choreographed to mimic the scene but also to support the emotional journey of the story. This is often referred to as the **Depth Script**. For example, it may be compelling to allow the depth budget to remain smaller in less emotional sequences and grow for more emotional scenes. There are a growing

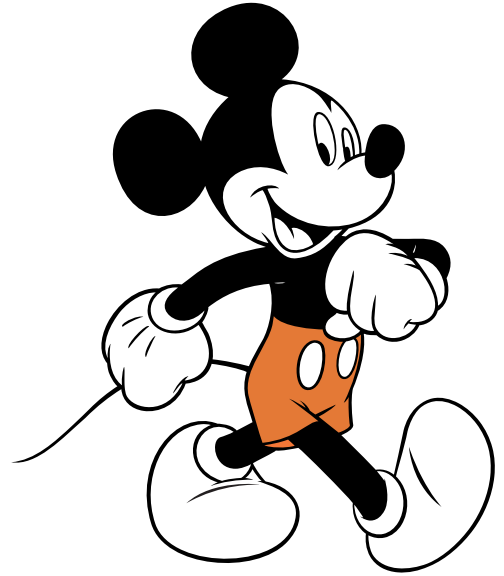
number of techniques and artistic styles in this area, but it should at least be noted that the conversion artist and stereographer should stay consistent and aware of the overall creative affect of their depth composition within the context of the entire film. Finally, and particularly significant to 3D conversion, it is important to avoid retinal rivalry. Retinal rivalry occurs when one eye sees part or all of an object and the other eye does not. This effect usually manifests itself by making the object appear slightly transparent because it exists in one eye and not in the other. This may occur in any stereoscopic imagery due to image mismatches, such as a lens flare in one camera image and not the other, a background object that is visible to one eye but blocked from another or, in the case of stereoscopic conversion, improper alignment or application of the conversion method. It is therefore important to provide artists with 3D viewing and other quality control techniques to identify these issues and correct them.

Be Smart. Effective and efficient production is also key to a successful stereoscopic conversion. This is primarily achieved by avoiding unnecessary work and ensuring that the most time is spent on work with the most valuable results. For example, the stereoscopic conversion artist should be mindful of the depth cues that already exist in the 2D imagery. Shading, familiar size, relative size, motion parallax, occlusion, linear perspective and atmospheric perspective are fundamental monocular depth cues. 2,3,4,5 In all two-dimensional imagery, particularly 2D hand-drawn animation, these cues are used heavily to convey shape and structure to the observer. Therefore, in this process of adding the binocular cue of stereopsis, or binocular disparity, it is important not to conflict with these depth cues.



“I only hope that we don't lose sight of one thing – that it was all started by a mouse.”

–Walt Disney



ANALYSIS OF OPERATIONS & Financial Overview

The Walt Disney Company Financial and Strategic Analysis Review Summary The Walt Disney Company Walt Disney is one of the leading diversified international family entertainment and media enterprise companies. It carries out its operations through its subsidiaries and affiliates. The company principally operates in Europe, North America, Latin America and Asia Pacific. The company operates in four business segments namely, Media Networks, Parks and Resorts, Studio Entertainment and Consumer Products.

The Media Networks segment encompasses an array of broadcast, cable, radio, and publishing businesses. Its key areas include: Disney ABC Television Group, ESPN Inc., and ABC Owned Television Stations Group Global Markets Directs The Walt Disney Company Financial and



Strategic Analysis Review is an in-depth business, strategic and financial analysis of The Walt Disney Company. The report provides a comprehensive insight into the company, including business structure and operations, executive biographies and key competitors. The hallmark of the report is the detailed strategic analysis of the company. This highlights its strengths and weaknesses and the opportunities and threats it faces going forward. Scope Provides key company information for business intelligence needs The companys strengths and weaknesses and areas of development or decline are analyzed.

Financial, strategic and operational factors are considered. The opportunities open to the company are considered and its growth potential assessed. Competitive or technological threats are highlighted. The report contains critical company information business structure and operations, the company history, major products and services, key competitors, key employees and executive biographies, different locations and important subsidiaries. The report provides detailed financial ratios

for the past five years as well as interim ratios for the last four quarters. Financial ratios include profitability, margins and returns, liquidity and leverage, financial position and efficiency ratios. Reasons to buy A quick "one-stop-shop" to understand the company. Enhance business/sales activities by understanding customers businesses better. Get detailed information and financial & strategic analysis on companies operating in your industry. Identify prospective partners and suppliers with key data on their businesses and locations. Capitalize on competitors weaknesses and target the market opportunities available to them. Compare your companies financial trends with those of your peers competitors. Scout for potential acquisition targets, with detailed insight into the companies strategic, financial and operational performance.

ANALYSIS OF OPERATIONS

Financial Review

CONSOLIDATED RESULTS

Revenues for the year decreased 4%, or \$1.7 billion, to \$36.1 billion; net income decreased 25%, or \$1.1 billion, to \$3.3 billion; and diluted earnings per share decreased 23% to \$1.76. Net income for the current year included certain items that affected comparability, including restructuring and impairment charges—\$0.17 per diluted share, a non-cash gain in connection with the merger of Lifetime and AETN—\$0.08 per diluted share—and a gain on the sale of our investment in two pay television services in Latin America—\$0.04 per diluted share. Including the impact of rounding, these items collectively resulted in a net adverse impact of \$0.06 per diluted share. Fiscal 2008 included an accounting gain related to the acquisition of the Disney Stores North America and a gain on the sale of movies.com together \$0.01 per diluted share, the favorable resolution of certain income tax matters—\$0.03

per diluted share, a bad debt charge for a receivable from Lehman Brothers—\$0.03 per diluted share—and an impairment charge—\$0.01 per diluted share. These items collectively had no net impact on earnings per share. The current year results also include the benefit from one additional week of operations compared to fiscal 2008 and fiscal 2007 due to the timing of our fiscal period end. Fiscal 2010 will not include an additional week and will be a fifty-two week fiscal year.

The decrease in diluted earnings per share reflected lower operating results and the items discussed above, partially offset by a decrease in weighted average shares outstanding. The decrease in operating results was primarily due to lower broadcast and cable advertising revenues, a decline in worldwide sales of DVD units, decreased guest

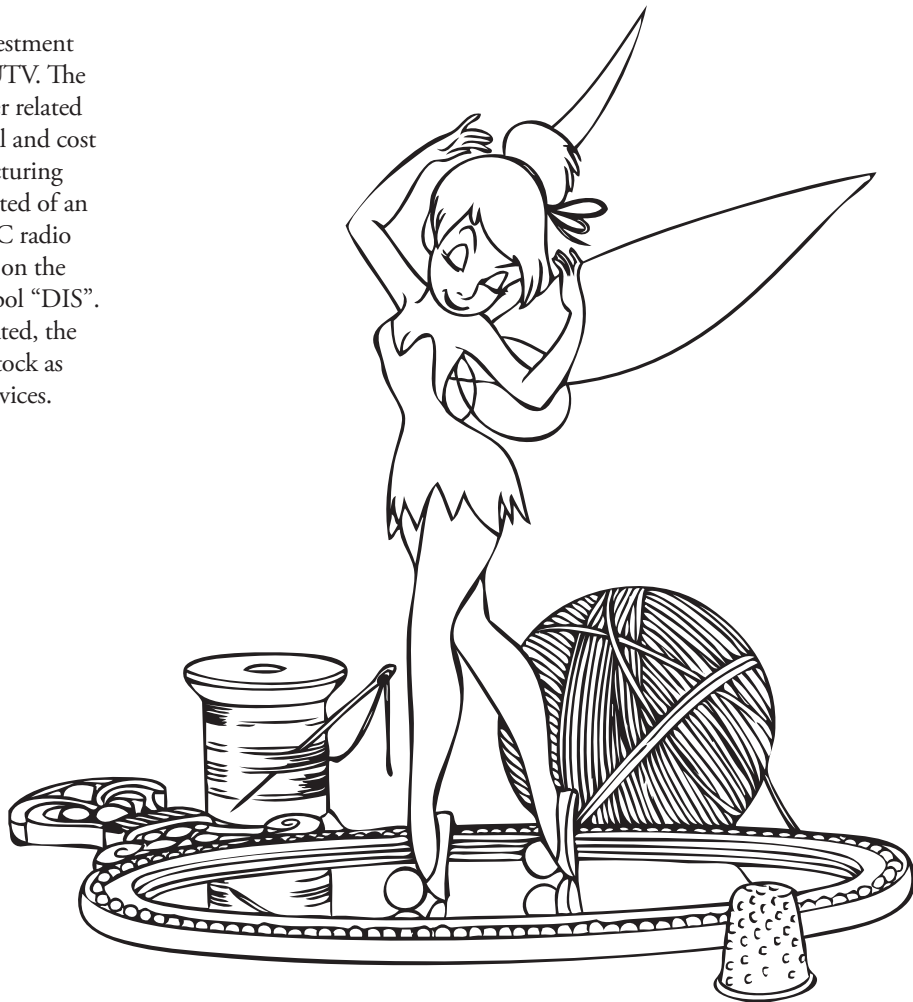
spending at our domestic parks and resorts and Disneyland Paris, higher programming costs and production cost amortization at our cable and broadcast businesses, lower performance of our movies in worldwide theatrical and television distribution and lower earned revenue at our licensing business. These decreases were partially offset by contractual rate increases on revenues from MVSPs—Affiliate Fees, principally at ESPN, cost mitigation activities at Walt Disney World Resort and Disneyland Paris and higher international and domestic sales of ABC Studios productions. 2008 vs 2007 Revenues for the year increased 7%, or \$2.3 billion, to \$37.8 billion; net income decreased 6%, or \$260 million, to \$4.4 billion; and diluted earnings per share increased 1% to \$2.28.

As discussed above, net income for fiscal 2008 included certain items which affected comparability. Fiscal 2007 included gains from the sales of E! Entertainment and Us Weekly—together \$0.31 per diluted share, the favorable resolution of certain income tax matters—\$0.03 per diluted share, income from the discontinued operations

of the ABC Radio business—\$0.01 per diluted share, an equity-based compensation plan modification charge—\$0.01 per diluted share—and an impairment charge—\$0.01 per diluted share. These items collectively resulted in a net benefit of \$0.33 per diluted share.

The increase in diluted earnings per share for fiscal 2008 was the result of an increase in segment operating results and a decrease in weighted average shares outstanding, partially offset by the absence of the gains in fiscal 2007 discussed above. Higher segment operating results reflected increases in Affiliate Fees and advertising revenues at our cable businesses, higher guest spending and attendance at Walt Disney World Resort and Disneyland Paris, and strong sales of licensed products, partially offset by a decline in worldwide DVD sales. Restructuring and Impairment Charges The Company recorded charges totaling \$492 million for the current year which included impairment charges of \$279 million and restructuring costs of \$213 million. The most significant of the impairment charges were \$142 million related to FCC

radio licenses and \$65 million related to our investment in UTV Software Communications Limited—UTV. The restructuring charges included severance and other related costs as a result of various ongoing organizational and cost structure initiatives across our businesses. Restructuring and impairment charges for the prior year consisted of an impairment charge of \$39 million related to FCC radio licenses. The Company's common stock is listed on the New York Stock Exchange under the ticker symbol "DIS". The following table shows, for the periods indicated, the high and low sales prices per share of common stock as reported in the Bloomberg Financial markets services.



2009

| | | | | |
|-------------|----|-------|----|-------|
| 4th Quarter | \$ | 28.68 | \$ | 22.05 |
| 3rd Quarter | | 26.29 | | 17.54 |
| 2nd Quarter | | 24.83 | | 15.14 |
| 1st Quarter | | 32.95 | | 18.60 |

2008

| | | | | |
|-------------|----|-------|----|-------|
| 4th Quarter | \$ | 34.85 | \$ | 28.55 |
| 3rd Quarter | | 35.02 | | 29.57 |
| 2nd Quarter | | 33.23 | | 26.30 |
| 1st Quarter | | 35.69 | | 30.68 |

| Period | Total Number of Shares Purchased ⁽¹⁾ | 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 Programs ⁽²⁾ |
|-------------------------------------|---|---------------------------------|--|--|
| June 28, 2009 – July 31, 2009 | 156,772 | \$ 24.28 | — | 180 million |
| August 1, 2009 – August 31, 2009 | 118,524 | 26.27 | — | 180 million |
| September 1, 2009 – October 3, 2009 | 1,443,928 | 26.08 | 1,310,900 | 179 million |
| Total | 1,719,224 | 25.93 | 1,310,900 | 179 million |

The Company declared a \$648 million dividend—\$0.35 per share—on December 3, 2008 related to fiscal 2008, which was paid in the second quarter of fiscal 2009. The Board of Directors has not declared a dividend related to fiscal 2009 as of the date of this report.

As of October 3, 2009, the approximate number of common shareholders of record was 1,009,288. 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 October 3, 2009:

(1) 408,324 shares were purchased on the open market to provide shares to participants in the Walt Disney Investment Plan and Employee Stock Purchase Plan. 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 May 1, 2007, following share repurchases made through May 1, 2007, the Company's Board of Directors increased the repurchase authorization to a total of 400 million shares as of that date. The repurchase program does not have an expiration date.

SELECTED Financial Data

(In Millions, Except per share data)

| | 2009 ⁽¹⁾ | | 2008 ⁽²⁾ | | 2007 ⁽³⁾⁽⁴⁾ | | 2006 ⁽³⁾⁽⁵⁾ | | 2005 ⁽³⁾⁽⁶⁾ | |
|---|---------------------|---------|---------------------|---------|------------------------|---------|------------------------|---------|------------------------|---------|
| Statements of income | | | | | | | | | | |
| REVENUES | \$ | 36,149 | \$ | 37,843 | \$ | 35,510 | \$ | 33,747 | \$ | 31,374 |
| Income from continuing operations before the cumulative effect of accounting changes Per common share | | | | | | | | | | |
| | | 3,307 | | 4,427 | | 4,674 | | 3,304 | | 2,460 |
| Earnings from continuing operations before the cumulative effect of accounting changes | | | | | | | | | | |
| Diluted | \$ | 1.76 | \$ | 2.28 | \$ | 2.24 | \$ | 1.60 | \$ | 1.19 |
| Basic | | 1.78 | | 2.34 | | 2.33 | | 1.65 | | 1.21 |
| Dividends | | 0.35 | | 0.35 | | 0.31 | | 0.27 | | 0.24 |
| Balance sheets | | | | | | | | | | |
| Total assets | \$ | 63,117 | \$ | 62,497 | \$ | 60,928 | \$ | 59,998 | \$ | 53,158 |
| Long-term obligations | | 16,939 | | 14,889 | | 14,916 | | 13,974 | | 14,102 |
| Shareholders' equity | | 33,734 | | 32,323 | | 30,753 | | 31,820 | | 26,210 |
| Statements of cash flows | | | | | | | | | | |
| Cash provided (used) by: | | | | | | | | | | |
| Continuing operating activities | \$ | 5,064 | \$ | 5,446 | \$ | 5,398 | \$ | 5,960 | \$ | 4,139 |
| Continuing investing activities | | (2,096) | | (2,162) | | (618) | | (220) | | (1,682) |
| Continuing financing activities | | (2,552) | | (3,953) | | (3,619) | | (5,166) | | (2,899) |



(1) The fiscal 2009 results include restructuring and impairment charges—\$0.17 per diluted share, a non-cash gain in connection with the merger of Lifetime and AETN—\$0.08 per diluted share—and a gain on the sale of our investment in two pay television services in Latin America—\$0.04 per diluted share. Including the impact of rounding, these items collectively resulted in a net adverse impact of \$0.06 per diluted share.

(2) The fiscal 2008 results include an accounting gain related to the acquisition of the Disney Stores North America and a gain on the sale of movies.com— together \$0.01 per diluted share, the favorable resolution of certain income tax matters—\$0.03 per diluted share, a bad debt charge for a receivable from Lehman Brothers—\$0.03 per diluted share—and an impairment charge—\$0.01 per diluted share. These items collectively had no net impact on earnings per share.

(3) During fiscal 2007, the Company concluded the spin-off of the ABC Radio business and thus reports ABC Radio as discontinued operations for all periods presented—see Note 5 to the Consolidated Financial Statements for further discussion.

(4) The fiscal 2007 results include gains from the sales of E! Entertainment and Us Weekly—together \$0.31 per diluted share, the favorable resolution of certain income tax matters—\$0.03 per diluted share, an equity-based compensation plan modification charge—\$0.01 per diluted share—and an impairment charge—\$0.01 per diluted share. These items collectively resulted in a net benefit of \$0.32 per diluted share.

(5) During fiscal 2006, the Company completed an all stock acquisition of Pixar for \$7.5 billion. In addition, results include gains on sales of a Spanish cable equity investment and Discover Magazine together \$0.02 per diluted share, the favorable resolution of certain income tax matters—\$0.02 per diluted share, a net benefit associated with the completion of the Pixar acquisition—\$0.01 per diluted share) and an impairment charge—\$0.01 per diluted share. These items collectively resulted in a net benefit of \$0.04 per diluted share.

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



RESULTS

Consolidated

(in millions, except per share data)

| | | | | % Change Better/(Worse) | |
|--|-----------|-----------|-----------|----------------------------|-------------|
| | | | | 2009 | 2008 |
| | | | | vs. 2008 | vs. 2007 |
| | 2009 | 2008 | 2007 | | |
| REVENUES | \$ 36,149 | \$ 37,843 | \$ 35,510 | (4) % | 7 % |
| Costs and expenses | (30,452) | (30,400) | (28,655) | — % | (6) % |
| Restructuring and impairment charges | (492) | (39) | (26) | nm | (50) % |
| Other income (expense) | 342 | (59) | 1,004 | nm | nm |
| Net interest expense | (466) | (524) | (593) | 11 % | 12 % |
| Equity in the income of investors | 577 | 581 | 485 | (1) % | 20 % |
| Income from continuing operations before income taxes and minority interests | 5,658 | 7,402 | 7,725 | (24) % | (4) % |
| Income taxes | (2,049) | (2,673) | (2,874) | 23 % | 7 % |
| Minority interests | (302) | (302) | (177) | — % | (71) % |
| Income from continuing operations | 3,307 | 4,427 | 4,674 | (25) % | (5) % |
| Discontinued operations, net of tax | — | — | 13 | nm | nm |
| Net income | \$ 3,307 | \$ 4,427 | \$ 4,687 | (25) % | (6) % |
| Diluted Earnings per share ⁽¹⁾ : | | | | | |
| Earnings per share, continuing operations | \$ 1.76 | \$ 2.28 | \$ 2.24 | (23) % | 2 % |
| Earnings per share, discontinued operations | — | — | 0.01 | nm | nm |
| Earnings per share | \$ 1.76 | \$ 2.28 | \$ 2.25 | (23) % | 1 % |



RESULTS

Consolidated

(Continued)

| | | | | % Change Better/(Worse) | |
|--|---------------------------|---------|---------|----------------------------|---------------------|
| | 2009 | 2008 | 2007 | 2009 vs. 2008 | 2008 vs. 2007 |
| | Basic Earnings per share: | | | | |
| Earnings per share, continuing operations | \$ 1.78 | \$ 2.34 | \$ 2.33 | (24) % | — % |
| Earnings per share, discontinued operations | — | — | 0.01 | nm | nm |
| Earnings per share | \$ 1.78 | \$ 2.34 | \$ 2.34 | (24) % | — % |
| Weighted average number of common and common equivalent shares outstanding: | | | | | |
| Diluted | 1,875 | 1,948 | 2,092 | | |
| Basic | 1,856 | 1,890 | 2,004 | | |

- (1) The calculation of diluted earnings per share assumes the conversion of the Company's convertible senior notes into 45 million shares of common stock for periods presented prior to their redemption in the third quarter of fiscal 2008. Related after-tax interest expense of \$12 million for fiscal 2008 and \$21 million for fiscal 2007 has been added back for the calculation of diluted earnings per share.

RESTRUCTURING & Impairment Charges

Other Income (Expense)

Other income (expense) is as follows (in millions):

| | 2009 | 2008 | 2007 |
|--|--------|---------|----------|
| Gain on Lifetime/AETN transaction ⁽¹⁾ | \$ 228 | \$ — | \$ — |
| Gain on sale of investment in two pay television services in Latin America | 114 | — | — |
| Gain related to the acquisition of the Disney Stores North America | — | 18 | — |
| Gain on sale of movies.com | — | 14 | — |
| Bad debt charge for Lehman Brothers receivable | — | (91) | — |
| Gain on sale of equity investment in E! Entertainment | — | — | 780 |
| Gain on sale of equity investment in Us Weekly | — | — | 272 |
| Equity-based compensation plan modification charge | — | — | (48) |
| Other income (expense) | \$ 342 | \$ (59) | \$ 1,004 |

The Company recorded charges totaling \$492 million for the current year which included impairment charges of \$279 million and restructuring costs of \$213 million. The most significant of the impairment charges were \$142 million related to FCC radio licenses and \$65 million related to our investment in UTV Software Communications Limited—UTV. The restructuring charges included severance and other related costs as a result of various ongoing organizational and cost structure initiatives across our businesses. Restructuring and impairment charges for the prior year consisted of an impairment charge of \$39 million related to FCC radio licenses.

⁽¹⁾ On September 15, 2009, the Company and Hearst both contributed their 50% interest in Lifetime to AETN in exchange for an increased interest in AETN. The transaction resulted in a \$228 million non-cash gain. See Note 4 to the Consolidated Financial Statements for further details of this transaction.



RESTRUCTURING & Impairment Charges (Continued)

| (in millions) | | | | % Change Better/(Worse) | |
|--|-----------|-----------|-----------|----------------------------|---------------------|
| | 2009 | 2008 | 2007 | 2009 vs. 2008 | 2008 vs. 2007 |
| | | | | | |
| REVENUES: | | | | | |
| Media Networks | \$ 16,209 | \$ 15,857 | \$ 14,913 | 2 % | 6 % |
| Parks and Resorts | 10,667 | 11,504 | 10,626 | (7) % | 8 % |
| Studio Entertainment | 6,136 | 7,348 | 7,491 | (16) % | (2) % |
| Consumer Products | 2,425 | 2,415 | 1,990 | — % | 21 % |
| Interactive Media | 712 | 719 | 490 | (1) % | 47 % |
| | \$ 36,149 | \$ 37,843 | \$ 35,510 | (4) % | 7 % |
| Segment operating income (loss) ⁽¹⁾ : | | | | | |
| Media Networks | \$ 4,765 | \$ 4,981 | \$ 4,534 | (4) % | 10 % |
| Parks and Resorts | 1,418 | 1,897 | 1,710 | (25) % | 11 % |
| Studio Entertainment | 175 | 1,086 | 1,195 | (84) % | (9) % |
| Consumer Products | 609 | 778 | 689 | (22) % | 13 % |
| Interactive Media | (295) | (258) | (291) | (14) % | 11 % |
| | \$ 6,672 | \$ 8,484 | \$ 7,837 | (21) % | 8 % |

⁽¹⁾ Segment operating income includes equity in the income of investees. In the Business Segment results discussion, equity in the income of investees is included in segment operating income but does not affect segment revenues or costs and expenses.

RESTRUCTURING & Impairment Charges

(Continued)

| (in millions) | 2009 | 2008 | 2007 | % Change Better/(Worse) | |
|--|----------|----------|----------|----------------------------|---------------------|
| | | | | 2009 vs. 2008 | 2008 vs. 2007 |
| Segment operating income | \$ 6,672 | \$ 8,484 | \$ 7,837 | (21) % | 8 % |
| Corporate and unallocated shared expenses | (398) | (460) | (497) | 13 % | 7 % |
| Restructuring and impairment charges ⁽¹⁾ | (492) | (39) | (26) | nm | (50) % |
| Other income (expense) | 342 | (59) | 1,00 | nm | nm |
| Net interest expense | (466) | (524) | (593) | 11 % | 12 % |
| Income from continuing operations before income taxes and minority interests | \$ 5,658 | \$ 7,402 | \$ 7,725 | (24) % | (4) % |

The Company evaluates the performance of its operating segments based on segment operating income, and management uses aggregate segment operating income as a measure of the overall performance of the operating businesses. The Company believes that information about aggregate segment operating income assists investors by allowing them to evaluate changes in the operating results of the Company's portfolio of businesses separate from factors other than business operations that affect net income. The following table reconciles segment operating income to income from continuing operations before income taxes and minority interests.

The fiscal 2008 and 2007 amounts consist of impairment charges for FCC radio licenses which were previously reported in Media Networks operating income in the fiscal 2008 and 2007 financial statements. For the fiscal 2009 financial statements, these amounts have been reclassified to "Restructuring and Impairment Charges" in the consolidated statements of income to conform to the fiscal 2009 presentation.

MEDIA Networks

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

| (in millions) | | | | % Change Better/(Worse) | |
|---------------------------------|-----------|-----------|-----------|----------------------------|---------------------|
| | 2009 | 2008 | 2007 | 2009 vs. 2008 | 2008 vs. 2007 |
| REVENUES | | | | | |
| Cable Networks | \$ 10,555 | \$ 10,041 | \$ 9,167 | 5 % | 10 % |
| Broadcasting | 5,654 | 5,816 | 5,746 | (3) % | 1 % |
| | \$ 16,209 | \$ 15,857 | \$ 14,913 | 2 % | 6 % |
| Segment operating income | | | | | |
| Cable Networks | \$ 4,260 | \$ 4,139 | \$ 3,603 | 3 % | 15 % |
| Broadcasting | 505 | 842 | 931 | (40) % | (10) % |
| | \$ 4,765 | \$ 4,981 | \$ 4,534 | (4) % | 10 % |

REVENUES

Media Networks revenues increased 2%, or \$352 million, to \$16.2 billion, consisting of a 5% increase, or \$514 million, at the Cable Networks offset by a 3% decrease, or \$162 million, at Broadcasting.

Increased Cable Networks revenues were primarily due to growth of \$614 million from Affiliate Fees, partially offset by a decrease of \$149 million from advertising revenues. Affiliate Fees are generally derived from fees charged on a per-subscriber basis, and the increase in the current year was primarily due to contractual rate increases at ESPN and, to a lesser extent, at the domestic Disney Channel and ABC Family, the impact of the additional week of operations and subscriber growth at ESPN. Lower advertising revenue reflected a decrease at ESPN, partially offset by an increase at ABC Family.

The decrease at ESPN reflected fewer units sold, partially offset by higher rates. The increase at ABC Family reflected increased units sold and higher rates. Higher Affiliate Fees at the domestic Disney Channel were more than offset by lower DVD sales. Certain of the Company's contracts with cable and satellite operators include annual live programming commitments. In these cases, recognition of revenues subject to the

commitments is deferred until the annual commitments are satisfied, which generally results in higher revenue recognition in the second half of the year. Decreased Broadcasting revenues were primarily due to lower advertising sales at the ABC Television Network and at the owned television stations, partially offset by higher international and domestic sales of ABC Studios productions driven by Grey's Anatomy, Private Practice, and Criminal Minds. Lower advertising revenues at the ABC Television Network reflected lower primetime ratings.

COSTS & EXPENSES

Costs and expenses, which consist primarily of programming rights costs, production costs, participation costs, distribution and marketing expenses and general and administrative costs, increased 5%, or \$539 million, to \$12.0 billion, consisting of a 6% increase, or \$367 million, at the Cable Networks and a 3% increase, or \$172 million, at Broadcasting. The increase at Cable Networks was driven by higher rights costs at ESPN due to contractual rate increases for key contracts and costs of new and renewed contracts for college and international sports programming and increased programming costs at ABC Family due to more original series. The increase at Broadcasting was driven by higher programming and production costs

and a bad debt charge in connection with a bankruptcy of a syndication customer. Higher programming and production costs reflected more hours of original scripted primetime programming at the ABC Television Network and higher production cost amortization related to sales of ABC Studios productions.

SPORTS PROGRAMMING

Costs The Company has various contractual commitments for the purchase of rights for multi-year sports programming packages, including the National Football League, college football (including college bowl games) and basketball conferences, National Basketball Association, NASCAR, Major League Baseball, World Cup and various soccer leagues, and Golf and Tennis Associations. The costs of these contracts have increased significantly in recent years. We enter into these contractual commitments with the expectation that, over the life of the contracts, revenue from advertising during the programming and Affiliate Fees will exceed the costs of the programming. While contract costs may initially exceed incremental revenues and negatively impact operating income, it is our expectation that the combined value to our networks from all of these contracts will result in long-term benefits. The actual impact of these contracts on the Company's results over the term of the contracts is dependent upon a number of factors, including the strength of advertising markets, effectiveness of marketing efforts and the size of viewer audiences.

OPERATING INCOME

Segment operating income decreased 4%, or \$216 million, to \$4.8 billion for the year due to a decrease of \$337 million at Broadcasting, partially offset by an increase of \$121 million at the Cable Networks. The decrease at Broadcasting was primarily due to lower advertising sales, higher programming costs and the syndication customer bad debt charge, partially offset by increased sales of ABC Studios productions. The increase at the Cable Networks was primarily due to growth at ESPN and ABC Family.



PARK & Resorts

Revenues

Parks and Resorts revenues decreased 7%, or \$837 million, to \$10.7 billion due to decreases of \$531 million at our domestic operations and \$306 million at our international operations. The following table presents attendance, per capita theme park guest spending, and hotel statistics for our domestic properties:

| | East Coast | | West Coast | | Total Domestic | |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Fiscal Year 2009 | Fiscal Year 2008 | Fiscal Year 2009 | Fiscal Year 2008 | Fiscal Year 2009 | Fiscal Year 2008 |
| <i>Parks</i> | | | | | | |
| Increase/ (decrease) Attendance | — % | 2 % | 7 % | — % | 2 % | 2 % |
| Per Capita Guest Spending | (4) % | 3 % | (9) % | 2 % | (6) % | 3 % |
| <i>Hotels</i> ⁽¹⁾ | | | | | | |
| Occupancy | 87 % | 90 % | 80 % | 88 % | 87 % | 89 % |
| Available Room Nights (in thousands) | 8,732 | 8,566 | 817 | 801 | 9,549 | 9,367 |
| Per Room Guest Spending | \$ 205 | \$ 223 | \$ 315 | \$ 339 | \$ 214 | \$ 233 |

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

INTERACTIVE Media

REVENUES

Interactive Media revenues decreased 1%, or \$7 million, to \$712 million primarily due to a decrease of \$58 million at Disney Interactive Studios, driven by lower sales of self-published video games and decreased licensing revenues, partially offset by increases of \$39 million at our mobile phone service business in Japan, which was launched in the second quarter of fiscal 2008, and \$11 million at Disney Online driven by increased subscription revenues at Club Penguin.

At Disney Interactive Studios, lower self-published video games sales reflected decreased net effective pricing and unit sales. Significant current year titles included High School Musical 3, Sing It and Bolt as compared to the prior year, which included High School Musical, Turok, Hannah Montana 2 and Pure. The decrease in licensing revenues was primarily due to the performance of WALL-E, Cars and Ratatouille in the prior year.

COSTS & EXPENSES

Costs and expenses, which consist primarily of video game and internet product development costs, cost of sales, distribution and marketing expenses, general and administrative costs, and technology infrastructure costs, increased 4%, or \$35 million, to \$1.0 billion.

The increase was primarily due to higher unit cost of sales and distribution costs, which included the costs for bundled accessories and music royalties for certain current-year titles at Disney Interactive Studios, higher expenses at our mobile phone service business in Japan driven by a full year of operations, partially offset by a decrease at Disney Online driven by lower marketing costs.

SEGMENT OPERATING LOSS

Segment operating loss increased 14%, or \$37 million, to \$295 million driven by lower results at Disney Interactive Studio partially offset by improved results at Disney Online.



NON-SEGMENT ITEMS

2009 vs. 2008

Corporate and Unallocated Shared Expenses Corporate and unallocated shared expense decreased 13%, from \$460 million to \$398 million, driven by savings from cost mitigation activities and an increase in allocation of costs to the business segments

Net Interest Expense

Net interest expense is detailed below:

| (in millions) | 2009 | 2008 | % Change Better/(Worse) |
|--------------------------------|----------|----------|----------------------------|
| Interest expense | \$ (588) | \$ (712) | 17 % |
| Interest and investment income | 122 | 188 | (35) % |
| Net interest expense | \$ (466) | \$ (524) | 11 % |

v

BOARD OF Directors

JOHN E. PEPPER, JR.
Chairman of the Board
The Walt Disney Company

SUSAN E. ARNOLD
Former President-Global Business Units
The Procter & Gamble Company

JOHN E. BRYSON
Senior Advisor to Kohlberg Kravis Roberts & Co.
Former Chairman & Chief Executive Officer
Edison International

JOHN S. CHEN
Chairman, Chief Executive Officer and President
Sybase, Inc.

JUDITH L. ESTRIN
Chief Executive Officer
JLabs, LLC

ROBERT A. IGER
President & Chief Executive Officer
The Walt Disney Company

STEVEN P. JOBS
Chief Executive Officer
Apple Inc.

FRED H. LANGHAMMER
Chairman, Global Affairs
The Estee Lauder Companies Inc.

AYLWIN B. LEWIS
President and Chief Executive Officer
Potbelly Sandwich Works

MONICA G. LOZANO
Publisher and Chief Executive Officer
La Opinión

ROBERT W. MATSCHULLAT
Former Vice Chairman and
Chief Financial Officer
The Seagram Company Ltd.

ORIN C. SMITH
Former President & Chief Executive Officer
Starbucks Corporation



SENIOR CORPORATE Officers

ROBERT A. IGER
President & Chief Executive Officer

JAMES A. RASULO
Senior Executive Vice President
Chief Financial Officer

ALAN N. BRAVERMAN
Senior Executive Vice President
General Counsel & Secretary

KEVIN A. MAYER
Executive Vice President
Corporate Strategy, Business Development &
Technology

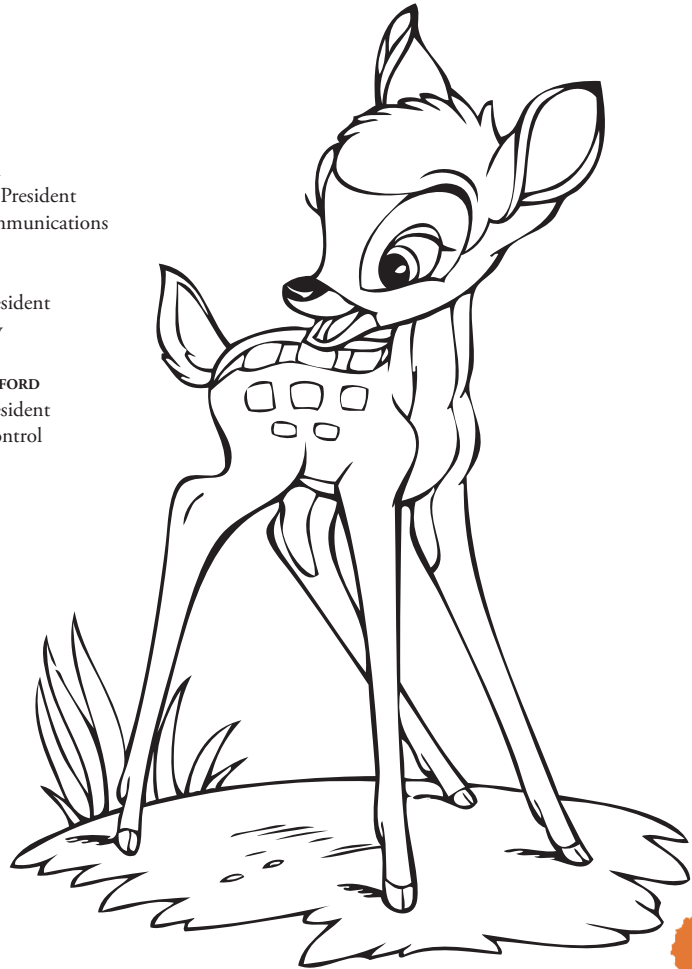
CHRISTINE M. MCCARTHY
Executive Vice President
Corporate Finance & Real Estate and Treasurer

JAYNE PARKER
Executive Vice President & Chief Human
Resources Officer

ZENIA B. MUCHA
Executive Vice President
Corporate Communications

RONALD L. IDEN
Senior Vice President
Global Security

BRENT A. WOODFORD
Senior Vice President
Planning & Control



STOCK Exchanges

Disney common stock is listed for trading on the New York Stock Exchange under the ticker symbol DIS. As of October 3, 2009, the approximate number of common shareholders of record was 1,009,288.

REGISTRAR AND STOCK TRANSFER AGENT

The Walt Disney Company
Shareholder Services
611 N. Brand Boulevard, Suite 6100
Glendale, California 91203
818.553.7200

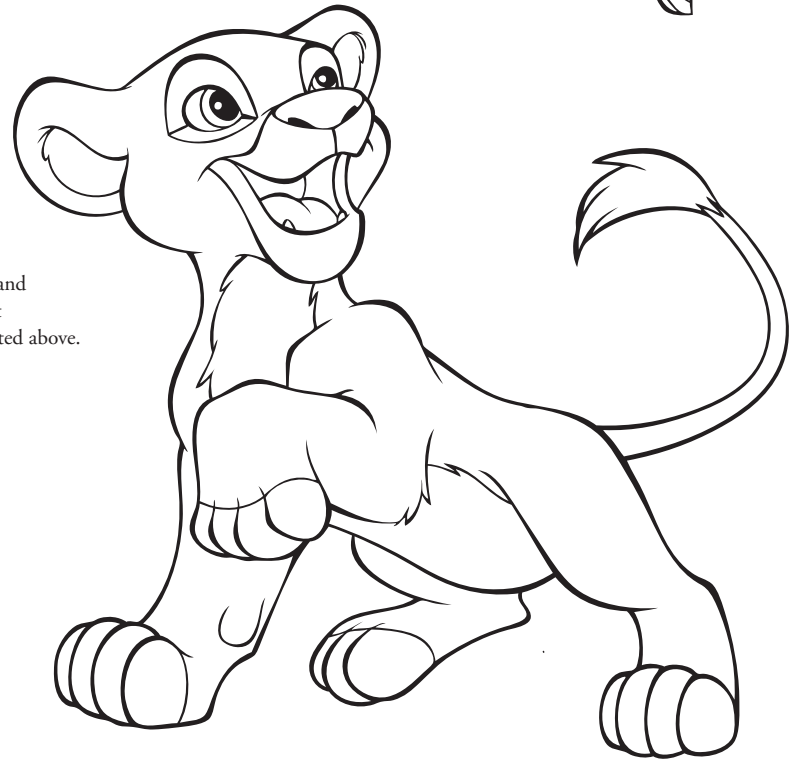
E-mail: investor.relations@disneyonline.com

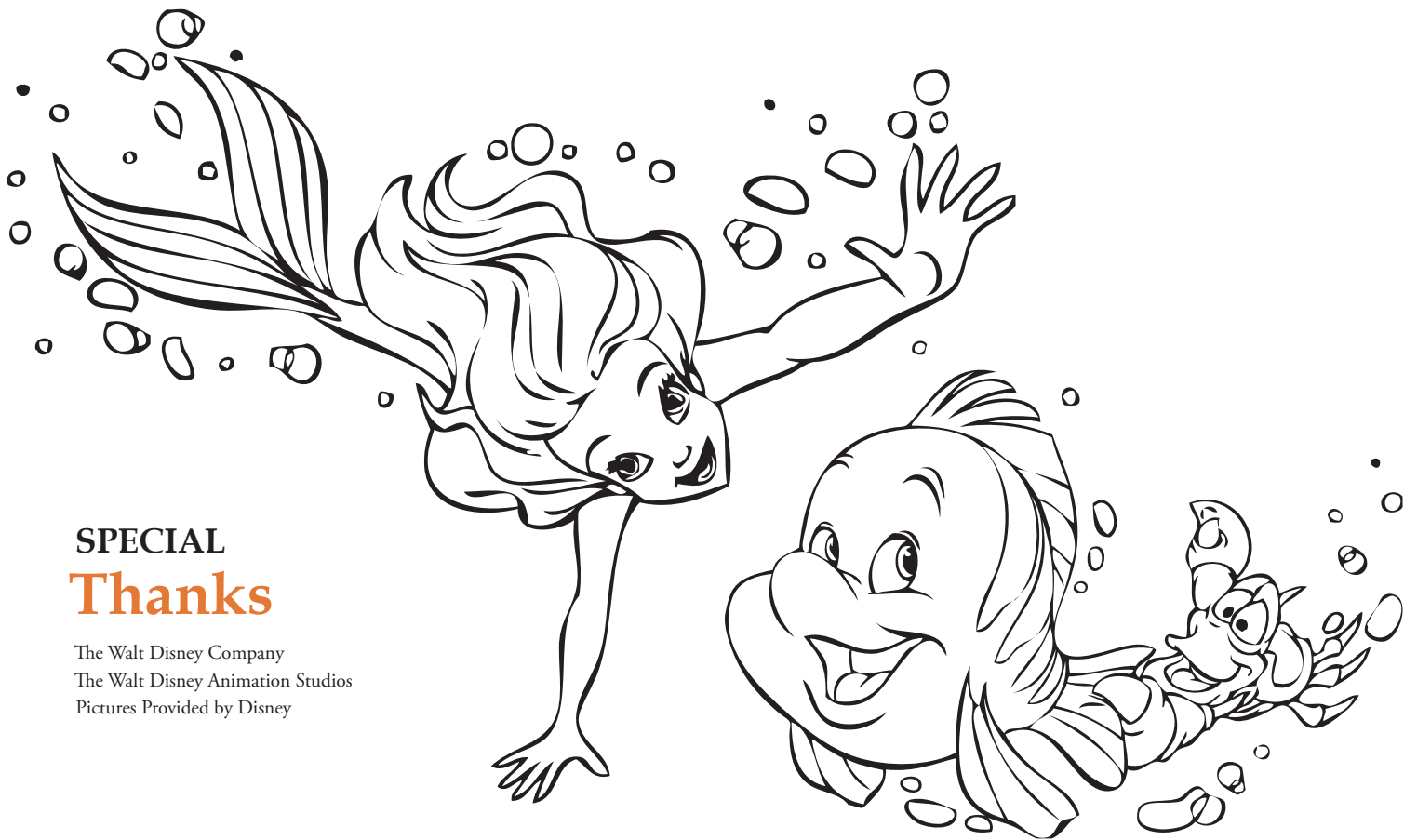
Internet: www.disneyshareholder.com

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

DIRECT REGISTRATION SERVICES

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





SPECIAL
Thanks

The Walt Disney Company
The Walt Disney Animation Studios
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