

**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  
March 28, 2015

Commission File Number 1-11605

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**The Walt Disney Company**

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Incorporated in Delaware

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

500 South Buena Vista Street, Burbank, California 91521  
(818) 560-1000

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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 1,696,761,250 shares of common stock outstanding as of April 29, 2015 .



# 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     |                   | Six Months Ended  |                   |
|-----------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                             | March 28,<br>2015 | March 29,<br>2014 | March 28,<br>2015 | March 29,<br>2014 |
| Revenues:                                                                   |                   |                   |                   |                   |
| Services                                                                    | \$ 10,552         | \$ 9,601          | 21,279            | 19,458            |
| Products                                                                    | 1,909             | 2,048             | 4,573             | 4,500             |
| Total revenues                                                              | 12,461            | 11,649            | 25,852            | 23,958            |
| Costs and expenses:                                                         |                   |                   |                   |                   |
| Cost of services (exclusive of depreciation and amortization)               | (5,543)           | (4,786)           | (11,677)          | (10,400)          |
| Cost of products (exclusive of depreciation and amortization)               | (1,147)           | (1,186)           | (2,669)           | (2,637)           |
| Selling, general, administrative and other                                  | (2,081)           | (2,116)           | (4,016)           | (4,134)           |
| Depreciation and amortization                                               | (584)             | (580)             | (1,176)           | (1,141)           |
| Total costs and expenses                                                    | (9,355)           | (8,668)           | (19,538)          | (18,312)          |
| Restructuring and impairment charges                                        | —                 | (48)              | —                 | (67)              |
| Other expense, net                                                          | —                 | (37)              | —                 | (31)              |
| Interest income/(expense), net                                              | 8                 | 62                | (50)              | 111               |
| Equity in the income of investees                                           | 206               | 217               | 418               | 456               |
| Income before income taxes                                                  | 3,320             | 3,175             | 6,682             | 6,115             |
| Income taxes                                                                | (1,092)           | (1,119)           | (2,210)           | (2,155)           |
| Net income                                                                  | 2,228             | 2,056             | 4,472             | 3,960             |
| Less: Net income attributable to noncontrolling interests                   | (120)             | (139)             | (182)             | (203)             |
| Net income attributable to The Walt Disney Company (Disney)                 | \$ 2,108          | \$ 1,917          | \$ 4,290          | \$ 3,757          |
| Earnings per share attributable to Disney:                                  |                   |                   |                   |                   |
| Diluted                                                                     | \$ 1.23           | \$ 1.08           | \$ 2.50           | \$ 2.11           |
| Basic                                                                       | \$ 1.24           | \$ 1.10           | \$ 2.52           | \$ 2.14           |
| Weighted average number of common and common equivalent shares outstanding: |                   |                   |                   |                   |
| Diluted                                                                     | 1,715             | 1,770             | 1,716             | 1,777             |
| Basic                                                                       | 1,699             | 1,750             | 1,700             | 1,756             |
| Dividends declared per share                                                | \$ —              | \$ —              | \$ 1.15           | \$ 0.86           |

*See Notes to Condensed Consolidated Financial Statements*

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

|                                                                         | Quarter Ended     |                   | Six Months Ended  |                   |
|-------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                         | March 28,<br>2015 | March 29,<br>2014 | March 28,<br>2015 | March 29,<br>2014 |
| Net income                                                              | \$ 2,228          | \$ 2,056          | \$ 4,472          | \$ 3,960          |
| Other comprehensive income/(loss), net of tax:                          |                   |                   |                   |                   |
| Market value adjustments for investments                                | (54)              | (36)              | (70)              | (55)              |
| Market value adjustments for hedges                                     | 129               | (64)              | 264               | (33)              |
| Pension and postretirement medical plan adjustments                     | 34                | 39                | 78                | 64                |
| Foreign currency translation and other                                  | (84)              | (25)              | (179)             | (11)              |
| Other comprehensive income/(loss)                                       | 25                | (86)              | 93                | (35)              |
| Comprehensive income                                                    | 2,253             | 1,970             | 4,565             | 3,925             |
| Less: Net income attributable to noncontrolling interests               | (120)             | (139)             | (182)             | (203)             |
| Less: Other comprehensive loss attributable to noncontrolling interests | 12                | 24                | 32                | 16                |
| Comprehensive income attributable to Disney                             | <u>\$ 2,145</u>   | <u>\$ 1,855</u>   | <u>\$ 4,415</u>   | <u>\$ 3,738</u>   |

*See Notes to Condensed Consolidated Financial Statements*

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

|                                                                                      | March 28,<br>2015 | September 27,<br>2014 |
|--------------------------------------------------------------------------------------|-------------------|-----------------------|
| <b>ASSETS</b>                                                                        |                   |                       |
| Current assets                                                                       |                   |                       |
| Cash and cash equivalents                                                            | \$ 3,745          | \$ 3,421              |
| Receivables                                                                          | 8,161             | 7,822                 |
| Inventories                                                                          | 1,432             | 1,574                 |
| Television costs and advances                                                        | 814               | 1,061                 |
| Deferred income taxes                                                                | 496               | 497                   |
| Other current assets                                                                 | 998               | 801                   |
| Total current assets                                                                 | 15,646            | 15,176                |
| Film and television costs                                                            | 5,792             | 5,325                 |
| Investments                                                                          | 2,575             | 2,696                 |
| Parks, resorts and other property                                                    |                   |                       |
| Attractions, buildings and equipment                                                 | 41,838            | 42,263                |
| Accumulated depreciation                                                             | (24,016)          | (23,722)              |
|                                                                                      | 17,822            | 18,541                |
| Projects in progress                                                                 | 4,691             | 3,553                 |
| Land                                                                                 | 1,249             | 1,238                 |
|                                                                                      | 23,762            | 23,332                |
| Intangible assets, net                                                               | 7,302             | 7,434                 |
| Goodwill                                                                             | 27,855            | 27,881                |
| Other assets                                                                         | 2,783             | 2,342                 |
| Total assets                                                                         | \$ 85,715         | \$ 84,186             |
| <b>LIABILITIES AND EQUITY</b>                                                        |                   |                       |
| Current liabilities                                                                  |                   |                       |
| Accounts payable and other accrued liabilities                                       | \$ 6,823          | \$ 7,595              |
| Current portion of borrowings                                                        | 2,771             | 2,164                 |
| Unearned royalties and other advances                                                | 3,816             | 3,533                 |
| Total current liabilities                                                            | 13,410            | 13,292                |
| Borrowings                                                                           | 12,186            | 12,676                |
| Deferred income taxes                                                                | 4,388             | 4,098                 |
| Other long-term liabilities                                                          | 5,994             | 5,942                 |
| Commitments and contingencies (Note 11)                                              |                   |                       |
| Equity                                                                               |                   |                       |
| Preferred stock, \$.01 par value                                                     |                   |                       |
| Authorized – 100 million shares, Issued – none                                       | —                 | —                     |
| Common stock, \$.01 par value                                                        |                   |                       |
| Authorized – 4.6 billion shares, Issued – 2.8 billion shares                         | 34,720            | 34,301                |
| Retained earnings                                                                    | 56,058            | 53,734                |
| Accumulated other comprehensive loss                                                 | (1,843)           | (1,968)               |
|                                                                                      | 88,935            | 86,067                |
| Treasury stock, at cost, 1.1 billion shares at March 28, 2015 and September 27, 2014 | (42,897)          | (41,109)              |
| Total Disney Shareholders' equity                                                    | 46,038            | 44,958                |
| Noncontrolling interests                                                             | 3,699             | 3,220                 |
| Total equity                                                                         | 49,737            | 48,178                |
| Total liabilities and equity                                                         |                   |                       |

|  |           |               |           |               |
|--|-----------|---------------|-----------|---------------|
|  | <u>\$</u> | <u>85,715</u> | <u>\$</u> | <u>84,186</u> |
|--|-----------|---------------|-----------|---------------|

*See Notes to Condensed Consolidated Financial Statements*

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

|                                                       | <b>Six Months Ended</b>   |                           |
|-------------------------------------------------------|---------------------------|---------------------------|
|                                                       | <b>March 28,<br/>2015</b> | <b>March 29,<br/>2014</b> |
| <b>OPERATING ACTIVITIES</b>                           |                           |                           |
| Net income                                            | \$ 4,472                  | \$ 3,960                  |
| Depreciation and amortization                         | 1,176                     | 1,141                     |
| Gains on sales of investments and dispositions        | (56)                      | (280)                     |
| Deferred income taxes                                 | 202                       | 176                       |
| Equity in the income of investees                     | (418)                     | (456)                     |
| Cash distributions received from equity investees     | 349                       | 361                       |
| Net change in film and television costs and advances  | (33)                      | (663)                     |
| Equity-based compensation                             | 213                       | 208                       |
| Other                                                 | 175                       | (29)                      |
| Changes in operating assets and liabilities:          |                           |                           |
| Receivables                                           | (208)                     | (469)                     |
| Inventories                                           | 129                       | 134                       |
| Other assets                                          | (110)                     | (31)                      |
| Accounts payable and other accrued liabilities        | (847)                     | (282)                     |
| Income taxes                                          | (271)                     | (31)                      |
| Cash provided by operations                           | 4,773                     | 3,739                     |
| <b>INVESTING ACTIVITIES</b>                           |                           |                           |
| Investments in parks, resorts and other property      | (1,905)                   | (1,359)                   |
| Sales of investments/proceeds from dispositions       | 81                        | 366                       |
| Other                                                 | (3)                       | (18)                      |
| Cash used in investing activities                     | (1,827)                   | (1,011)                   |
| <b>FINANCING ACTIVITIES</b>                           |                           |                           |
| Commercial paper borrowings, net                      | 1,954                     | 2,316                     |
| Borrowings                                            | 117                       | 138                       |
| Reduction of borrowings                               | (1,953)                   | (1,084)                   |
| Dividends                                             | (1,948)                   | (1,508)                   |
| Repurchases of common stock                           | (1,788)                   | (3,254)                   |
| Proceeds from exercise of stock options               | 235                       | 295                       |
| Contributions from noncontrolling interest holders    | 829                       | 441                       |
| Other                                                 | 209                       | 218                       |
| Cash used in financing activities                     | (2,345)                   | (2,438)                   |
| Impact of exchange rates on cash and cash equivalents | (277)                     | (143)                     |
| Increase in cash and cash equivalents                 | 324                       | 147                       |
| Cash and cash equivalents, beginning of period        | 3,421                     | 3,931                     |
| Cash and cash equivalents, end of period              | \$ 3,745                  | \$ 4,078                  |

*See Notes to Condensed Consolidated Financial Statements*



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

|                              | Quarter Ended          |                                  |                  |                        |                                  |                  |
|------------------------------|------------------------|----------------------------------|------------------|------------------------|----------------------------------|------------------|
|                              | March 28, 2015         |                                  |                  | March 29, 2014         |                                  |                  |
|                              | Disney<br>Shareholders | Non-<br>controlling<br>Interests | Total<br>Equity  | Disney<br>Shareholders | Non-<br>controlling<br>Interests | Total<br>Equity  |
| Beginning balance            | \$ 44,165              | \$ 3,628                         | \$ 47,793        | \$ 44,324              | \$ 2,972                         | \$ 47,296        |
| Comprehensive income         | 2,145                  | 108                              | 2,253            | 1,855                  | 115                              | 1,970            |
| Equity compensation activity | 244                    | —                                | 244              | 246                    | —                                | 246              |
| Common stock repurchases     | (485)                  | —                                | (485)            | (1,536)                | —                                | (1,536)          |
| Contributions                | —                      | 478                              | 478              | —                      | 261                              | 261              |
| Distributions and other      | (31)                   | (515)                            | (546)            | —                      | (597)                            | (597)            |
| <b>Ending balance</b>        | <b>\$ 46,038</b>       | <b>\$ 3,699</b>                  | <b>\$ 49,737</b> | <b>\$ 44,889</b>       | <b>\$ 2,751</b>                  | <b>\$ 47,640</b> |

*See Notes to Condensed Consolidated Financial Statements*

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

|                              | Six Months Ended       |                                  |                  |                        |                                  |                  |
|------------------------------|------------------------|----------------------------------|------------------|------------------------|----------------------------------|------------------|
|                              | March 28, 2015         |                                  |                  | March 29, 2014         |                                  |                  |
|                              | Disney<br>Shareholders | Non-<br>controlling<br>Interests | Total<br>Equity  | Disney<br>Shareholders | Non-<br>controlling<br>Interests | Total<br>Equity  |
| Beginning balance            | \$ 44,958              | \$ 3,220                         | \$ 48,178        | \$ 45,429              | \$ 2,721                         | \$ 48,150        |
| Comprehensive income         | 4,415                  | 150                              | 4,565            | 3,738                  | 187                              | 3,925            |
| Equity compensation activity | 423                    | —                                | 423              | 484                    | —                                | 484              |
| Dividends                    | (1,948)                | —                                | (1,948)          | (1,508)                | —                                | (1,508)          |
| Common stock repurchases     | (1,788)                | —                                | (1,788)          | (3,254)                | —                                | (3,254)          |
| Contributions                | —                      | 829                              | 829              | —                      | 441                              | 441              |
| Distributions and other      | (22)                   | (500)                            | (522)            | —                      | (598)                            | (598)            |
| <b>Ending balance</b>        | <b>\$ 46,038</b>       | <b>\$ 3,699</b>                  | <b>\$ 49,737</b> | <b>\$ 44,889</b>       | <b>\$ 2,751</b>                  | <b>\$ 47,640</b> |

*See Notes to Condensed Consolidated Financial Statements*

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

## 1. Principles of Consolidation

These Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. 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 and six months ended March 28, 2015 are not necessarily indicative of the results that may be expected for the year ending October 3, 2015. Certain reclassifications have been made in the prior-year financial statements to conform to the current-year presentation.

These financial statements should be read in conjunction with the Company's 2014 Annual Report on Form 10-K.

The Company enters into relationships or investments with other entities in which it does not have majority ownership. In certain instances, the entity in which the Company has a relationship or investment 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 (as defined by ASC 810-10-25-38) or the right to receive benefits from the VIE that could potentially be significant to the VIE. 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. The Company reports the performance of its operating segments including equity in the income of investees. Equity in the income of investees included in segment operating results is as follows:

|                                                                        | Quarter Ended     |                   | Six Months Ended  |                   |
|------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                        | March 28,<br>2015 | March 29,<br>2014 | March 28,<br>2015 | March 29,<br>2014 |
| Media Networks                                                         |                   |                   |                   |                   |
| Cable Networks                                                         | \$ 223            | \$ 223            | \$ 465            | \$ 480            |
| Broadcasting                                                           | (18)              | (6)               | (47)              | (24)              |
| Equity in the income of investees included in segment operating income | \$ 205            | \$ 217            | \$ 418            | \$ 456            |

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

|                                                 | Quarter Ended     |                   | Six Months Ended  |                   |
|-------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                 | March 28,<br>2015 | March 29,<br>2014 | March 28,<br>2015 | March 29,<br>2014 |
| <b>Revenues <sup>(1)</sup>:</b>                 |                   |                   |                   |                   |
| Media Networks                                  | \$ 5,810          | \$ 5,134          | \$ 11,670         | \$ 10,424         |
| Parks and Resorts                               | 3,760             | 3,562             | 7,670             | 7,159             |
| Studio Entertainment                            | 1,685             | 1,800             | 3,543             | 3,693             |
| Consumer Products                               | 971               | 885               | 2,350             | 2,011             |
| Interactive                                     | 235               | 268               | 619               | 671               |
|                                                 | <u>\$ 12,461</u>  | <u>\$ 11,649</u>  | <u>\$ 25,852</u>  | <u>\$ 23,958</u>  |
| <b>Segment operating income <sup>(1)</sup>:</b> |                   |                   |                   |                   |
| Media Networks                                  | \$ 2,101          | \$ 2,133          | \$ 3,596          | \$ 3,588          |
| Parks and Resorts                               | 566               | 457               | 1,371             | 1,128             |
| Studio Entertainment                            | 427               | 475               | 971               | 884               |
| Consumer Products                               | 362               | 274               | 988               | 704               |
| Interactive                                     | 26                | 14                | 101               | 69                |
|                                                 | <u>\$ 3,482</u>   | <u>\$ 3,353</u>   | <u>\$ 7,027</u>   | <u>\$ 6,373</u>   |

<sup>(1)</sup> Studio Entertainment segment revenues and operating income include an allocation of Consumer Products 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 revenues and operating income totaled \$133 million and \$58 million for the quarters ended March 28, 2015 and March 29, 2014, respectively, and \$278 million and \$121 million for the six months ended March 28, 2015 and March 29, 2014, respectively.

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

|                                           | Quarter Ended     |                   | Six Months Ended  |                   |
|-------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                           | March 28,<br>2015 | March 29,<br>2014 | March 28,<br>2015 | March 29,<br>2014 |
| Segment operating income                  | \$ 3,482          | \$ 3,353          | \$ 7,027          | \$ 6,373          |
| Corporate and unallocated shared expenses | (170)             | (155)             | (295)             | (271)             |
| Restructuring and impairment charges      | —                 | (48)              | —                 | (67)              |
| Other expense, net                        | —                 | (37)              | —                 | (31)              |
| Interest income/(expense), net            | 8                 | 62                | (50)              | 111               |
| Income before income taxes                | <u>\$ 3,320</u>   | <u>\$ 3,175</u>   | <u>\$ 6,682</u>   | <u>\$ 6,115</u>   |

### 3. Acquisitions

#### 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 may also receive up to \$450 million of additional cash upon final determination of Maker's achievement of performance targets for calendar years 2014 and 2015. The Company has recognized a \$198 million liability for the fair value of the contingent consideration (determined by a probability weighting of potential payouts). Subsequent changes in the estimated fair value, if any, will be recognized in earnings. The majority of the purchase price has been allocated to goodwill, which is not deductible for tax purposes. Goodwill reflects the synergies expected from enhancing the presence of Disney's franchises and brands through the use of Maker's distribution platform, advanced technology and business intelligence capability. The revenue and net income of Maker included in the Company's Condensed Consolidated Statement of Income for the quarter and six months ended March 28, 2015 was not material.

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

*Goodwill*

The changes in the carrying amount of goodwill for the six months ended March 28, 2015 are as follows:

|                                 | Media<br>Networks | Parks and<br>Resorts | Studio<br>Entertainment | Consumer<br>Products | Interactive     | Total            |
|---------------------------------|-------------------|----------------------|-------------------------|----------------------|-----------------|------------------|
| Balance at Sept. 27, 2014       | \$ 16,378         | \$ 291               | \$ 6,856                | \$ 2,967             | \$ 1,389        | \$ 27,881        |
| Acquisitions                    | —                 | —                    | —                       | —                    | —               | —                |
| Dispositions                    | —                 | —                    | —                       | (1)                  | —               | (1)              |
| Other, net                      | (12)              | —                    | (9)                     | —                    | (4)             | (25)             |
| <b>Balance at Mar. 28, 2015</b> | <b>\$ 16,366</b>  | <b>\$ 291</b>        | <b>\$ 6,847</b>         | <b>\$ 2,966</b>      | <b>\$ 1,385</b> | <b>\$ 27,855</b> |

**4. Dispositions and Other Expense**

Other expense for the quarters and six-month periods ended March 28, 2015 and March 29, 2014 is as follows:

|                                              | Quarter Ended     |                   | Six Months Ended  |                   |
|----------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                              | March 28,<br>2015 | March 29,<br>2014 | March 28,<br>2015 | March 29,<br>2014 |
| Venezuelan foreign currency translation loss | \$ —              | \$ (143)          | \$ —              | \$ (143)          |
| Gain on sale of property                     | —                 | 77                | —                 | 77                |
| Other                                        | —                 | 29                | —                 | 35                |
| Other expense, net                           | <u>\$ —</u>       | <u>\$ (37)</u>    | <u>\$ —</u>       | <u>\$ (31)</u>    |

*Venezuela foreign currency loss*

The Company has operations in Venezuela, including film and television distribution and merchandise licensing and has net monetary assets denominated in Venezuelan bolivares (BsF), which primarily consist of cash. The Venezuelan government (Government) has foreign currency exchange controls, which centralize the purchase and sale of all foreign currency at an official rate determined by the Government, currently 6.3 BsF per U.S. dollar. Although the Company has generally been unable to repatriate its cash at the official rate, we translated our net monetary assets at the official rate through December 28, 2013. In January 2014, the Government announced that currency arising from certain transactions could be exchanged at an alternative rate (SICAD 1), which fluctuated based on Government-run auctions. The ability to convert currency in the SICAD 1 market was dependent on market factors and Government discretion, and the Company was not able to convert its currency at this rate. In March 2014, the Government launched a new currency exchange market (SICAD 2), which allowed entities to submit a daily application to exchange foreign currency with financial institutions that are registered with the Venezuelan central bank. Foreign currency exchange rates under SICAD 2 fluctuated daily. The ability to convert in the SICAD 2 market was also dependent on market factors, including the availability of U.S. dollars. Although a small portion of the Company's cash may have been eligible to be exchanged at SICAD 1, the majority was only eligible for exchange at SICAD 2. Accordingly, the Company began translating its BsF denominated net monetary assets at the SICAD 2 rate resulting in a loss of \$143 million in the second quarter of fiscal 2014 based on the SICAD 2 rate, which was 50.9 BsF per U.S. dollar at March 29, 2014.

In February 2015, the Government combined the SICAD 1 and SICAD 2 exchange mechanisms (SICAD) and introduced another exchange mechanism, (SIMADI). The SIMADI exchange mechanism allows for trading BsF at prices set by the market. The Company does not believe it can successfully convert currency at the SICAD rate and therefore, in the second quarter of fiscal 2015, the Company began translating its BsF denominated net monetary assets at the SIMADI rate resulting in an immaterial loss included in "Costs and expenses" in the Condensed Consolidated Statement of Income. The SIMADI rate on March 28, 2015 was 191.0 BsF per U.S. dollar and the Company had net monetary assets of approximately 1.9 billion BsF on March 28, 2015.

*Other*

During the second quarter of fiscal year 2014, the Company recognized \$29 million for a portion of a settlement of an affiliate contract dispute.



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

## 5. Borrowings

During the six months ended March 28, 2015, the Company's borrowing activity was as follows:

|                                                                                 | September 27,<br>2014 | Borrowings | Reductions of<br>borrowings | Other<br>Activity | March 28,<br>2015 |
|---------------------------------------------------------------------------------|-----------------------|------------|-----------------------------|-------------------|-------------------|
| Commercial paper with original maturities less than three months <sup>(1)</sup> | \$ 50                 | \$ 1,855   | \$ —                        | \$ 1              | \$ 1,906          |
| Commercial paper with original maturities greater than three months             | —                     | 1,822      | (1,723)                     | 1                 | 100               |
| U.S. medium-term notes                                                          | 13,713                | —          | (1,800)                     | 5                 | 11,918            |
| Foreign currency denominated debt                                               | 783                   | 123        | (149)                       | (34)              | 723               |
| Other                                                                           | 294                   | —          | (24)                        | 40                | 310               |
| Total                                                                           | \$ 14,840             | \$ 3,800   | \$ (3,696)                  | \$ 13             | \$ 14,957         |

<sup>(1)</sup> Borrowings and reductions of borrowings are reported net.

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 March 28, 2015 :

|                              | Committed<br>Capacity | Capacity<br>Used | Unused<br>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           |

The Company had a \$1.5 billion bank facility expiring in March 2015. This facility was refinanced and the maturity extended to March 2016. 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 March 28, 2015, \$220 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 March 28, 2015 by a significant margin, and specifically exclude certain entities, including the International Theme Parks, from any representations, covenants, or events of default.

### Interest income/(expense)

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     |                   | Six Months Ended  |                   |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                | March 28,<br>2015 | March 29,<br>2014 | March 28,<br>2015 | March 29,<br>2014 |
| Interest expense               | \$ (66)           | \$ (67)           | \$ (135)          | \$ (148)          |
| Interest and investment income | 74                | 129               | 85                | 259               |
| Interest income/(expense), net | \$ 8              | \$ 62             | \$ (50)           | \$ 111            |

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. The quarter and six months ended March 28, 2015 included \$48 million and \$7 million of realized net gains on publicly and non-publicly traded investments, respectively. The quarter ended March 29, 2014 included \$92 million of realized net gains on publicly traded investments and no gains or losses on non-publicly traded investments. The six months ended March 29, 2014 included \$151 million and \$46 million of realized net gains on publicly and non-publicly traded investments, respectively.



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**6. International Theme Park Investments**

At March 28, 2015, the Company had a 77% effective ownership interest in the operations of Disneyland Paris (see Disneyland Paris recapitalization discussion below), a 46% 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 March 28, 2015 and September 27, 2014, reflecting the impact of consolidating the International Theme Parks balance sheets.

|                                   | As of March 28, 2015                                    |                                                 |           |
|-----------------------------------|---------------------------------------------------------|-------------------------------------------------|-----------|
|                                   | Before<br>International<br>Theme Parks<br>Consolidation | International<br>Theme Parks<br>and Adjustments | Total     |
| Cash and cash equivalents         | \$ 2,778                                                | \$ 967                                          | \$ 3,745  |
| Other current assets              | 11,644                                                  | 257                                             | 11,901    |
| Total current assets              | 14,422                                                  | 1,224                                           | 15,646    |
| Investments/Advances              | 6,844                                                   | (4,269)                                         | 2,575     |
| Parks, resorts and other property | 17,030                                                  | 6,732                                           | 23,762    |
| Other assets                      | 43,674                                                  | 58                                              | 43,732    |
| Total assets                      | \$ 81,970                                               | \$ 3,745                                        | \$ 85,715 |

|                                                       |           |          |           |
|-------------------------------------------------------|-----------|----------|-----------|
| Current portion of borrowings                         | \$ 2,771  | \$ —     | \$ 2,771  |
| Other current liabilities                             | 10,243    | 396      | 10,639    |
| Total current liabilities                             | 13,014    | 396      | 13,410    |
| Borrowings                                            | 11,928    | 258      | 12,186    |
| Deferred income taxes and other long-term liabilities | 10,205    | 177      | 10,382    |
| Equity                                                | 46,823    | 2,914    | 49,737    |
| Total liabilities and equity                          | \$ 81,970 | \$ 3,745 | \$ 85,715 |

|                                   | As of September 27, 2014                                |                                                 |           |
|-----------------------------------|---------------------------------------------------------|-------------------------------------------------|-----------|
|                                   | Before<br>International<br>Theme Parks<br>Consolidation | International<br>Theme Parks<br>and Adjustments | Total     |
| Cash and cash equivalents         | \$ 2,645                                                | \$ 776                                          | \$ 3,421  |
| Other current assets              | 11,452                                                  | 303                                             | 11,755    |
| Total current assets              | 14,097                                                  | 1,079                                           | 15,176    |
| Investments/Advances              | 6,627                                                   | (3,931)                                         | 2,696     |
| Parks, resorts and other property | 17,081                                                  | 6,251                                           | 23,332    |
| Other assets                      | 42,958                                                  | 24                                              | 42,982    |
| Total assets                      | \$ 80,763                                               | \$ 3,423                                        | \$ 84,186 |

|                                                       |          |       |          |
|-------------------------------------------------------|----------|-------|----------|
| Current portion of borrowings                         | \$ 2,164 | \$ —  | \$ 2,164 |
| Other current liabilities                             | 10,318   | 810   | 11,128   |
| Total current liabilities                             | 12,482   | 810   | 13,292   |
| Borrowings                                            | 12,423   | 253   | 12,676   |
| Deferred income taxes and other long-term liabilities | 9,859    | 181   | 10,040   |
| Equity                                                | 45,999   | 2,179 | 48,178   |
| Total liabilities and equity                          |          |       |          |

|  |           |               |           |              |           |               |
|--|-----------|---------------|-----------|--------------|-----------|---------------|
|  | <u>\$</u> | <u>80,763</u> | <u>\$</u> | <u>3,423</u> | <u>\$</u> | <u>84,186</u> |
|--|-----------|---------------|-----------|--------------|-----------|---------------|

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The following table presents summarized income statement information of the Company for the six months ended March 28, 2015 , reflecting the impact of consolidating the International Theme Parks income statements.

|                                   | Before<br>International<br>Theme Parks<br>Consolidation <sup>(1)</sup> | International<br>Theme Parks<br>and Adjustments | Total     |
|-----------------------------------|------------------------------------------------------------------------|-------------------------------------------------|-----------|
| Revenues                          | \$ 24,838                                                              | \$ 1,014                                        | \$ 25,852 |
| Cost and expenses                 | (18,409)                                                               | (1,129)                                         | (19,538)  |
| Other income/(expense), net       | (31)                                                                   | 31                                              | —         |
| Interest expense, net             | (12)                                                                   | (38)                                            | (50)      |
| Equity in the income of investees | 333                                                                    | 85                                              | 418       |
| Income before income taxes        | 6,719                                                                  | (37)                                            | 6,682     |
| Income taxes                      | (2,210)                                                                | —                                               | (2,210)   |
| Net income                        | \$ 4,509                                                               | \$ (37)                                         | \$ 4,472  |

<sup>(1)</sup> These amounts include the International Theme Parks under the equity method of accounting. As such, royalty and management fee income from these operations is included in Revenues and our share of their net income/(loss) is included in Equity in the income of investees. There were \$29 million of royalties and management fees recognized for the six months ended March 28, 2015 .

The following table presents summarized cash flow statement information of the Company for the six months ended March 28, 2015 , reflecting the impact of consolidating the International Theme Parks cash flow statements.

|                                                       | Before<br>International<br>Theme Parks<br>Consolidation | International<br>Theme Parks<br>and Adjustments | Total    |
|-------------------------------------------------------|---------------------------------------------------------|-------------------------------------------------|----------|
| Cash provided by operations                           | \$ 4,788                                                | \$ (15)                                         | \$ 4,773 |
| Investments in parks, resorts and other property      | (851)                                                   | (1,054)                                         | (1,905)  |
| Cash (used in)/provided by other investing activities | (432)                                                   | 510                                             | 78       |
| Cash (used in)/provided by financing activities       | (3,125)                                                 | 780                                             | (2,345)  |
| Impact of exchange rates on cash and cash equivalents | (247)                                                   | (30)                                            | (277)    |
| Change in cash and cash equivalents                   | 133                                                     | 191                                             | 324      |
| Cash and cash equivalents, beginning of period        | 2,645                                                   | 776                                             | 3,421    |
| Cash and cash equivalents, end of period              | \$ 2,778                                                | \$ 967                                          | \$ 3,745 |

*Disneyland Paris*

In January 2015, Disneyland Paris received its shareholders' approval to implement a €1.0 billion recapitalization consisting of the following:

- An equity rights offering completed in February 2015, which raised €0.4 billion in cash proceeds of which the Company funded €0.2 billion . 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, the Company replaced its existing lines of credit with Disneyland Paris with a new €350 million line of credit bearing interest at EURIBOR plus 2.0% and maturing in 2023 . The prior lines of credit were repaid, and there is no outstanding balance under the new line of credit at March 28, 2015 . As of March 28, 2015, the total outstanding balance of loans provided by the Company to Disneyland Paris was €1.0 billion .
- Following regulatory approval, the Company opened a mandatory tender offer to the other Disneyland Paris shareholders in April 2015 to purchase their shares at €1.25 per share, and the Company may be required to purchase up to an additional €0.3 billion in shares. There was an appeal to the regulatory approval, and the tender offer will remain outstanding during the appeal process.



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- Following the completion of the mandatory tender offer and to offset the dilution caused by the loan conversion, the Company will offer the right to Disneyland Paris shareholders to purchase shares from the Company at €1.25 .

As of March 28, 2015, the Company has a 77% effective ownership interest in Disneyland Paris. The Company's final ownership interest following the recapitalization will depend on the number of Disneyland Paris shareholders that accept the Company's tender offer and/or exercise their anti-dilution rights. The Company will have a minimum effective ownership interest of 54% after the above transaction.

The Company has recognized approximately \$375 million of deferred income tax assets on the difference between the Company's tax basis in its investment in Disneyland Paris and the Company's financial statement carrying value of Disneyland Paris. The Company will likely be required to write-off this deferred tax asset as a result of the recapitalization although it will depend on the final outcome of the tender offer and anti-dilution process including the determination of our final ownership interest.

The recapitalization is expected to be completed by the end of 2015.

*Hong Kong Disneyland Resort*

At September 27, 2014 , the Government of the Hong Kong Special Administrative Region (HKSAR) and the Company had a 52% and 48% equity interest in HKDL, respectively. In addition, HKSAR holds a right to receive additional shares over time if HKDL exceeds certain return on asset performance targets. The amount of additional shares HKSAR can receive varies to the extent certain performance targets are exceeded, but is capped on both an annual and cumulative basis. Because HKDL exceeded the performance targets in fiscal 2014, HKSAR received additional shares, which increased their ownership interest to approximately 54% . Additional shares that may be issued in future years could decrease the Company's equity interest by up to an additional 8 percentage points over a period no shorter than 17 years.

HKDL plans to build 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% .

*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 includes a theme park, two hotels and a retail, dining and entertainment area with a planned investment of approximately 34 billion yuan ( \$5.5 billion ). Construction on the project began in April 2011, with the completion of major construction work anticipated by the end of calendar 2015 and opening planned for spring 2016.

The total investment in Shanghai Disney Resort will be funded in accordance with each partner's ownership percentage, with approximately 67% from equity contributions and 33% from shareholder loans. Shanghai Disney Resort is owned through two joint venture companies, in which Shendi owns 57% and the Company owns 43% . An additional joint venture, in which the Company has a 70% interest and Shendi a 30% interest, is responsible for designing, constructing and operating Shanghai Disney Resort.

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## 7. Pension and Other Benefit Programs

The components of net periodic benefit cost are as follows:

|                                          | Pension Plans  |                |                  |                | Postretirement Medical Plans |                |                  |                |
|------------------------------------------|----------------|----------------|------------------|----------------|------------------------------|----------------|------------------|----------------|
|                                          | Quarter Ended  |                | Six Months Ended |                | Quarter Ended                |                | Six Months Ended |                |
|                                          | March 28, 2015 | March 29, 2014 | March 28, 2015   | March 29, 2014 | March 28, 2015               | March 29, 2014 | March 28, 2015   | March 29, 2014 |
| Service costs                            | \$ 83          | \$ 71          | \$ 166           | \$ 142         | \$ 3                         | \$ 2           | \$ 7             | \$ 5           |
| Interest costs                           | 131            | 122            | 262              | 244            | 17                           | 17             | 34               | 33             |
| Expected return on plan assets           | (178)          | (162)          | (356)            | (323)          | (9)                          | (9)            | (19)             | (18)           |
| Amortization of prior-year service costs | 4              | 3              | 8                | 7              | (1)                          | (1)            | (1)              | (1)            |
| Recognized net actuarial loss/ (gain)    | 61             | 37             | 123              | 73             | 2                            | (2)            | 5                | (4)            |
| Net periodic benefit cost                | <u>\$ 101</u>  | <u>\$ 71</u>   | <u>\$ 203</u>    | <u>\$ 143</u>  | <u>\$ 12</u>                 | <u>\$ 7</u>    | <u>\$ 26</u>     | <u>\$ 15</u>   |

During the six months ended March 28, 2015, 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 2015 of approximately \$375 million to \$400 million. Final minimum pension plan funding requirements for fiscal 2015 will be determined based on our January 1, 2015 funding actuarial valuation, which will be available in the fourth quarter of fiscal 2015.

## 8. 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  |                | Six Months Ended |                |
|--------------------------------------------------------------------------------------|----------------|----------------|------------------|----------------|
|                                                                                      | March 28, 2015 | March 29, 2014 | March 28, 2015   | March 29, 2014 |
| Shares (in millions):                                                                |                |                |                  |                |
| Weighted average number of common and common equivalent shares outstanding (basic)   | 1,699          | 1,750          | 1,700            | 1,756          |
| Weighted average dilutive impact of Awards                                           | 16             | 20             | 16               | 21             |
| Weighted average number of common and common equivalent shares outstanding (diluted) | 1,715          | 1,770          | 1,716            | 1,777          |
| Awards excluded from diluted earnings per share                                      | 5              | 6              | 7                | 8              |

## 9. Equity

On December 3, 2014, the Company declared a \$1.15 per share dividend ( \$1.9 billion ) related to fiscal 2014 for shareholders of record on December 15, 2014, which was paid on January 8, 2015. The Company paid a \$0.86 per share dividend ( \$1.5 billion ) during the second quarter of fiscal 2014 related to fiscal 2013.

During the six months ended March 28, 2015, the Company repurchased 20 million shares of its common stock for \$1.8 billion. On January 30, 2015, the Company's Board of Directors increased the repurchase authorization to a total of 400 million shares as of that date. As of March 28, 2015, the Company had remaining authorization in place to repurchase approximately 396 million additional shares. The

repurchase program does not have an expiration date.

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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<br>Pension and<br>Postretirement<br>Medical<br>Expense | Foreign<br>Currency<br>Translation<br>and Other | AOCI              |
|-------------------------------------------------------|--------------------------|------------------|---------------------------------------------------------------------|-------------------------------------------------|-------------------|
|                                                       | Investments, net         | Cash Flow Hedges |                                                                     |                                                 |                   |
| Balance at December 27, 2014                          | \$ 84                    | \$ 339           | \$ (2,152)                                                          | \$ (151)                                        | \$ (1,880)        |
| Quarter Ended March 28, 2015:                         |                          |                  |                                                                     |                                                 |                   |
| Unrealized gains (losses) arising during the period   | (24)                     | 183              | (9)                                                                 | (72)                                            | 78                |
| Reclassifications of net (gains) losses to net income | (30)                     | (54)             | 43                                                                  | —                                               | (41)              |
| <b>Balance at March 28, 2015</b>                      | <b>\$ 30</b>             | <b>\$ 468</b>    | <b>\$ (2,118)</b>                                                   | <b>\$ (223)</b>                                 | <b>\$ (1,843)</b> |
| Balance at December 28, 2013                          | \$ 76                    | \$ 114           | \$ (1,246)                                                          | \$ (88)                                         | \$ (1,144)        |
| Quarter Ended March 29, 2014:                         |                          |                  |                                                                     |                                                 |                   |
| Unrealized gains (losses) arising during the period   | 22                       | (43)             | 15                                                                  | (1)                                             | (7)               |
| Reclassifications of net (gains) losses to net income | (58)                     | (21)             | 24                                                                  | —                                               | (55)              |
| <b>Balance at March 29, 2014</b>                      | <b>\$ 40</b>             | <b>\$ 50</b>     | <b>\$ (1,207)</b>                                                   | <b>\$ (89)</b>                                  | <b>\$ (1,206)</b> |
| Balance at September 27, 2014                         | \$ 100                   | \$ 204           | \$ (2,196)                                                          | \$ (76)                                         | \$ (1,968)        |
| Six Months Ended March 28, 2015:                      |                          |                  |                                                                     |                                                 |                   |
| Unrealized gains (losses) arising during the period   | (40)                     | 359              | (9)                                                                 | (147)                                           | 163               |
| Reclassifications of net (gains) losses to net income | (30)                     | (95)             | 87                                                                  | —                                               | (38)              |
| <b>Balance at March 28, 2015</b>                      | <b>\$ 30</b>             | <b>\$ 468</b>    | <b>\$ (2,118)</b>                                                   | <b>\$ (223)</b>                                 | <b>\$ (1,843)</b> |
| Balance at September 28, 2013                         | \$ 95                    | \$ 83            | \$ (1,271)                                                          | \$ (94)                                         | \$ (1,187)        |
| Six Months Ended March 29, 2014:                      |                          |                  |                                                                     |                                                 |                   |
| Unrealized gains (losses) arising during the period   | 40                       | (2)              | 15                                                                  | 5                                               | 58                |
| Reclassifications of net (gains) losses to net income | (95)                     | (31)             | 49                                                                  | —                                               | (77)              |
| <b>Balance at March 29, 2014</b>                      | <b>\$ 40</b>             | <b>\$ 50</b>     | <b>\$ (1,207)</b>                                                   | <b>\$ (89)</b>                                  | <b>\$ (1,206)</b> |

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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  |                | Six Months Ended |                |
|--------------------------------------------|------------------------------------------------------------------------|----------------|----------------|------------------|----------------|
|                                            |                                                                        | March 28, 2015 | March 29, 2014 | March 28, 2015   | March 29, 2014 |
| Investments, net                           | Interest income/(expense), net                                         | \$ 48          | \$ 92          | \$ 48            | \$ 151         |
| Estimated tax                              | Income taxes                                                           | (18)           | (34)           | (18)             | (56)           |
|                                            |                                                                        | <u>30</u>      | <u>58</u>      | <u>30</u>        | <u>95</u>      |
| Cash flow hedges                           | Primarily revenue                                                      | 86             | 33             | 151              | 49             |
| Estimated tax                              | Income taxes                                                           | (32)           | (12)           | (56)             | (18)           |
|                                            |                                                                        | <u>54</u>      | <u>21</u>      | <u>95</u>        | <u>31</u>      |
| Pension and postretirement medical expense | Costs and expenses                                                     | (68)           | (38)           | (138)            | (78)           |
| Estimated tax                              | Income taxes                                                           | 25             | 14             | 51               | 29             |
|                                            |                                                                        | <u>(43)</u>    | <u>(24)</u>    | <u>(87)</u>      | <u>(49)</u>    |
| Total reclassifications for the period     |                                                                        | <u>\$ 41</u>   | <u>\$ 55</u>   | <u>\$ 38</u>     | <u>\$ 77</u>   |

At March 28, 2015, the Company held available-for-sale investments in net unrecognized gain positions totaling \$45 million and no investments in significant unrecognized loss positions. At September 27, 2014, the Company held available-for-sale investments in net unrecognized gain positions totaling \$55 million and no investments in significant unrecognized loss positions.

## 10. Equity-Based Compensation

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

|                                                                 | Quarter Ended  |                | Six Months Ended |                |
|-----------------------------------------------------------------|----------------|----------------|------------------|----------------|
|                                                                 | March 28, 2015 | March 29, 2014 | March 28, 2015   | March 29, 2014 |
| Stock options/rights <sup>(1)</sup>                             | \$ 27          | \$ 26          | \$ 52            | \$ 51          |
| RSUs                                                            | 83             | 86             | 162              | 160            |
| Total equity-based compensation expense <sup>(2)</sup>          | <u>\$ 110</u>  | <u>\$ 112</u>  | <u>\$ 214</u>    | <u>\$ 211</u>  |
| Equity-based compensation expense capitalized during the period | <u>\$ 14</u>   | <u>\$ 15</u>   | <u>\$ 29</u>     | <u>\$ 29</u>   |

<sup>(1)</sup> Includes stock appreciation rights.

<sup>(2)</sup> Equity-based compensation expense is net of capitalized equity-based compensation and excludes amortization of previously capitalized equity-based compensation costs. During the quarter and six months ended March 28, 2015, amortization of previously capitalized equity-based compensation totaled \$9 million and \$18 million, respectively. During the quarter and six months ended March 29, 2014, amortization of previously capitalized equity-based compensation totaled \$14 million and \$27 million, respectively.

Unrecognized compensation cost related to unvested stock options/rights and RSUs totaled approximately \$197 million and \$629 million, respectively, as of March 28, 2015.

The weighted average grant date fair values of options issued during the six months ended March 28, 2015 and March 29, 2014 were \$22.64 and \$19.16, respectively.

During the six months ended March 28, 2015, the Company made equity compensation grants consisting of 5.0 million stock options and 4.2 million RSUs.



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## **11. 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 February 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 March 28, 2015, the remaining debt service obligation guaranteed by the Company was \$330 million, of which \$64 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 within the Media Networks segment and vacation ownership units within the Parks and Resorts segment. 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 March 28, 2015. 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 March 28, 2015. The activity in the current period related to the allowance for credit losses was not material.

### *Income Taxes*

During the six months ended March 28, 2015, the Company increased its gross unrecognized tax benefits by \$57 million to \$860 million with a corresponding increase to income tax expense.

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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 \$151 million, of which \$78 million would reduce our income tax expense and effective tax rate if recognized.

## 12. 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 March 28, 2015 |                 |                 |               |
|-------------------------------------|------------------------------------------|-----------------|-----------------|---------------|
|                                     | Level 1                                  | Level 2         | Level 3         | Total         |
| <b>Assets</b>                       |                                          |                 |                 |               |
| Investments                         | \$ 79                                    | \$ —            | \$ —            | \$ 79         |
| <b>Derivatives</b>                  |                                          |                 |                 |               |
| Interest rate                       | —                                        | 104             | —               | 104           |
| Foreign exchange                    | —                                        | 1,327           | —               | 1,327         |
| Other                               | —                                        | 1               | —               | 1             |
| <b>Liabilities</b>                  |                                          |                 |                 |               |
| <b>Derivatives</b>                  |                                          |                 |                 |               |
| Interest rate                       | —                                        | (20)            | —               | (20)          |
| Foreign exchange                    | —                                        | (300)           | —               | (300)         |
| Other                               | —                                        | (68)            | —               | (68)          |
| Other                               | —                                        | —               | (198)           | (198)         |
| <b>Total recorded at fair value</b> | <b>\$ 79</b>                             | <b>\$ 1,044</b> | <b>\$ (198)</b> | <b>\$ 925</b> |
| Fair value of borrowings            | \$ —                                     | \$ 14,656       | \$ 816          | \$ 15,472     |

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|                                     | Fair Value Measurement at September 27, 2014 |                  |                 |                  |
|-------------------------------------|----------------------------------------------|------------------|-----------------|------------------|
|                                     | Level 1                                      | Level 2          | Level 3         | Total            |
| <b>Assets</b>                       |                                              |                  |                 |                  |
| Investments                         | \$ 100                                       | \$ —             | \$ —            | \$ 100           |
| <b>Derivatives</b>                  |                                              |                  |                 |                  |
| Interest rate                       | —                                            | 117              | —               | 117              |
| Foreign exchange                    | —                                            | 621              | —               | 621              |
| <b>Liabilities</b>                  |                                              |                  |                 |                  |
| <b>Derivatives</b>                  |                                              |                  |                 |                  |
| Interest rate                       | —                                            | (75)             | —               | (75)             |
| Foreign exchange                    | —                                            | (121)            | —               | (121)            |
| Other                               | —                                            | —                | (198)           | (198)            |
| <b>Total recorded at fair value</b> | <u>\$ 100</u>                                | <u>\$ 542</u>    | <u>\$ (198)</u> | <u>\$ 444</u>    |
| Fair value of borrowings            | <u>\$ —</u>                                  | <u>\$ 14,374</u> | <u>\$ 901</u>   | <u>\$ 15,275</u> |

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.

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 and is determined by a probability weighting of potential payouts.

Level 3 borrowings, which include HKDL 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.

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### 13. *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 March 28, 2015 |               |                           |                             |
|--------------------------------------|----------------------|---------------|---------------------------|-----------------------------|
|                                      | Current Assets       | Other Assets  | Other Accrued Liabilities | Other Long-Term Liabilities |
| Derivatives designated as hedges     |                      |               |                           |                             |
| Foreign exchange                     | \$ 562               | \$ 371        | \$ (113)                  | \$ (16)                     |
| Interest rate                        | —                    | 104           | (20)                      | —                           |
| Other                                | —                    | 1             | (16)                      | (5)                         |
| Derivatives not designated as hedges |                      |               |                           |                             |
| Foreign exchange                     | 180                  | 214           | (160)                     | (11)                        |
| Other                                | —                    | —             | —                         | (47)                        |
| Gross fair value of derivatives      | 742                  | 690           | (309)                     | (79)                        |
| Counterparty netting                 | (280)                | (45)          | 299                       | 26                          |
| Cash collateral (received)/posted    | (330)                | (281)         | —                         | —                           |
| Net derivative positions             | <u>\$ 132</u>        | <u>\$ 364</u> | <u>\$ (10)</u>            | <u>\$ (53)</u>              |

|                                      | As of September 27, 2014 |               |                           |                             |
|--------------------------------------|--------------------------|---------------|---------------------------|-----------------------------|
|                                      | Current Assets           | Other Assets  | Other Accrued Liabilities | Other Long-Term Liabilities |
| Derivatives designated as hedges     |                          |               |                           |                             |
| Foreign exchange                     | \$ 251                   | \$ 160        | \$ (54)                   | \$ (8)                      |
| Interest rate                        | —                        | 117           | (75)                      | —                           |
| Derivatives not designated as hedges |                          |               |                           |                             |
| Foreign exchange                     | 171                      | 39            | (59)                      | —                           |
| Gross fair value of derivatives      | 422                      | 316           | (188)                     | (8)                         |
| Counterparty netting                 | (144)                    | (18)          | 154                       | 8                           |
| Cash collateral (received)/posted    | (80)                     | (119)         | —                         | —                           |
| Net derivative positions             | <u>\$ 198</u>            | <u>\$ 179</u> | <u>\$ (34)</u>            | <u>\$ —</u>                 |

#### *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.

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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 March 28, 2015 and September 27, 2014, the total notional amount of the Company's pay-floating interest rate swaps was \$5.8 billion and \$6.8 billion, respectively. The following table summarizes adjustments related to fair value hedges included in "Interest income/(expense), net" in the Condensed Consolidated Statements of Income.

|                                    | <b>Quarter Ended</b>      |                           | <b>Six Months Ended</b>   |                           |
|------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                                    | <b>March 28,<br/>2015</b> | <b>March 29,<br/>2014</b> | <b>March 28,<br/>2015</b> | <b>March 29,<br/>2014</b> |
| Gain (loss) on interest rate swaps | \$ 34                     | \$ 15                     | \$ 44                     | \$ (16)                   |
| Gain (loss) on hedged borrowings   | (34)                      | (15)                      | (44)                      | 16                        |

In addition, during the quarter and six months ended March 28, 2015, the Company realized net benefits of \$24 million and \$49 million, respectively, in net interest expense related to the pay-floating interest rate swaps. During the quarter and six months ended March 29, 2014, the Company realized net benefits of \$22 million and \$44 million, respectively, in net interest expense 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 March 28, 2015 or at September 27, 2014 and gains and losses related to pay-fixed swaps recognized in earnings for the six months ended March 28, 2015 and March 29, 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 March 28, 2015 and September 27, 2014, the notional amounts of the Company's net foreign exchange cash flow hedges were \$5.3 billion and \$5.0 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 six months ended March 28, 2015 and March 29, 2014 were not material. Net deferred gains recorded in AOCI for contracts that will mature in the next twelve months totaled \$ 466 million.

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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 March 28, 2015 and September 27, 2014 were \$3.0 billion and \$4.3 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 six months ended March 28, 2015 and March 29, 2014 by the corresponding line item in which they are recorded in the Condensed Consolidated Statements of Income.

|                                                                                           | Costs and Expenses |                |                  |                | Interest Income/(Expense), net |                |                  |                |
|-------------------------------------------------------------------------------------------|--------------------|----------------|------------------|----------------|--------------------------------|----------------|------------------|----------------|
|                                                                                           | Quarter Ended      |                | Six Months Ended |                | Quarter Ended                  |                | Six Months Ended |                |
|                                                                                           | March 28, 2015     | March 29, 2014 | March 28, 2015   | March 29, 2014 | March 28, 2015                 | March 29, 2014 | March 28, 2015   | March 29, 2014 |
| Net gains (losses) on foreign currency denominated assets and liabilities                 | \$ (333)           | \$ (5)         | \$ (548)         | \$ 4           | \$ 19                          | \$ 6           | \$ 31            | \$ 18          |
| Net gains (losses) on foreign exchange risk management contracts not designated as hedges | 310                | (22)           | 515              | (44)           | (17)                           | (11)           | (29)             | (21)           |
| Net gains (losses)                                                                        | <u>\$ (23)</u>     | <u>\$ (27)</u> | <u>\$ (33)</u>   | <u>\$ (40)</u> | <u>\$ 2</u>                    | <u>\$ (5)</u>  | <u>\$ 2</u>      | <u>\$ (3)</u>  |

In addition to the amounts in the above table, the Company recorded a \$143 million foreign currency translation loss on net monetary assets denominated in Venezuelan BsF in the second quarter of fiscal 2014, which was reported in "Other expense, net" (see Note 4 to the Condensed Consolidated Financial Statements).

*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 March 28, 2015 and September 27, 2014 and related gains or losses recognized in earnings for the six months ended March 28, 2015 and March 29, 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 March 28, 2015 and September 27, 2014 were not material. The related gains or losses recognized in earnings were not material for the six months ended March 28, 2015 and March 29, 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 \$16 million and \$34 million on March 28, 2015 and September 27, 2014, respectively.

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## **14. Restructuring and Impairment Charges**

There were no restructuring and impairment charges in the current quarter and six-month period. The Company recorded \$48 million and \$67 million of restructuring and impairment charges in the prior-year quarter and six-month period, respectively, driven by severance costs related to organizational and cost structure initiatives across various of our businesses.

## **15. 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 requires a company 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. The standard is effective beginning the first quarter of the Company's 2018 fiscal year (with early adoption not permitted) and 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 fiscal 2018. In April 2015, the FASB announced its intent to amend the guidance for determining revenue recognition associated with the licensing of intellectual property and to defer the new standard's effective date by one year. The Company is assessing the potential impact this guidance will have on its financial statements.

### *Consolidations*

In February 2015, the FASB issued guidance that amends the existing accounting standards for consolidation under the variable interest entity and voting interest entity models. The new guidance changes the analysis for determining whether a fee paid to a decision maker or service provider is a variable interest. The standard is effective beginning the first quarter of the Company's 2017 fiscal year (with early adoption permitted) and 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 fiscal 2017. The Company is assessing the potential impact this guidance will have on its financial statements.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## 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
- Seasonality
- Business Segment Results
- Corporate and Unallocated Shared Expenses
- Significant Developments
- Financial Condition
- Commitments and Contingencies
- Other Matters
- Market Risk

### CONSOLIDATED RESULTS AND NON-SEGMENT ITEMS

Our summary consolidated results are presented below:

|                                                               | Quarter Ended     |                   | % Change           | Six Months Ended  |                   | % Change           |
|---------------------------------------------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|--------------------|
|                                                               | March 28,<br>2015 | March 29,<br>2014 | Better/<br>(Worse) | March 28,<br>2015 | March 29,<br>2014 | Better/<br>(Worse) |
| (in millions, except per share data)                          |                   |                   |                    |                   |                   |                    |
| Revenues:                                                     |                   |                   |                    |                   |                   |                    |
| Services                                                      | \$ 10,552         | \$ 9,601          | 10 %               | \$ 21,279         | \$ 19,458         | 9 %                |
| Products                                                      | 1,909             | 2,048             | (7) %              | 4,573             | 4,500             | 2 %                |
| Total revenues                                                | 12,461            | 11,649            | 7 %                | 25,852            | 23,958            | 8 %                |
| Costs and expenses:                                           |                   |                   |                    |                   |                   |                    |
| Cost of services (exclusive of depreciation and amortization) | (5,543)           | (4,786)           | (16) %             | (11,677)          | (10,400)          | (12) %             |
| Cost of products (exclusive of depreciation and amortization) | (1,147)           | (1,186)           | 3 %                | (2,669)           | (2,637)           | (1) %              |
| Selling, general, administrative and other                    | (2,081)           | (2,116)           | 2 %                | (4,016)           | (4,134)           | 3 %                |
| Depreciation and amortization                                 | (584)             | (580)             | (1) %              | (1,176)           | (1,141)           | (3) %              |
| Total costs and expenses                                      | (9,355)           | (8,668)           | (8) %              | (19,538)          | (18,312)          | (7) %              |
| Restructuring and impairment charges                          | —                 | (48)              | nm                 | —                 | (67)              | nm                 |
| Other expense, net                                            | —                 | (37)              | nm                 | —                 | (31)              | nm                 |
| Interest income/(expense), net                                | 8                 | 62                | (87) %             | (50)              | 111               | nm                 |
| Equity in the income of investees                             | 206               | 217               | (5) %              | 418               | 456               | (8) %              |
| Income before income taxes                                    | 3,320             | 3,175             | 5 %                | 6,682             | 6,115             | 9 %                |
| Income taxes                                                  | (1,092)           | (1,119)           | 2 %                | (2,210)           | (2,155)           | (3) %              |
| Net income                                                    | 2,228             | 2,056             | 8 %                | 4,472             | 3,960             | 13 %               |
| Less: Net income attributable to noncontrolling interests     | (120)             | (139)             | 14 %               | (182)             | (203)             | 10 %               |
| Net income attributable to Disney                             | \$ 2,108          | \$ 1,917          | 10 %               | \$ 4,290          | \$ 3,757          | 14 %               |
| Diluted earnings per share attributable to Disney             | \$ 1.23           | \$ 1.08           | 14 %               | \$ 2.50           | \$ 2.11           | 18 %               |

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)

## Quarter Results

Revenues for the quarter increased 7% , or \$0.8 billion, to \$12.5 billion , and net income attributable to Disney increased 10% , or \$0.2 billion, to \$2.1 billion . Diluted earnings per share attributable to Disney (EPS) increased 14% from \$1.08 to \$1.23 due to improved operating performance, a decrease in the weighted average shares outstanding as a result of our share repurchase program and a lower effective income tax rate.

## Revenues

Service revenues for the quarter increased 10% , or \$1.0 billion, to \$10.6 billion due to higher contractual rates for fees from Multi-channel Video Distributors (MVPDs) (Affiliate Fees), increased advertising revenues, higher average guest spending and volumes at our domestic parks and resorts, an increase in merchandise licensing revenue and increased program sales. These increases were partially offset by lower international theatrical distribution revenue.

Product revenues for the quarter decreased 7% , or \$0.1 billion, to \$1.9 billion primarily due to lower domestic home entertainment volumes, partially offset by higher food, beverage and merchandise average guest spending and volumes at our domestic parks and resorts operations.

## Costs and expenses

Cost of services for the quarter increased 16% , or \$0.8 billion, to \$5.5 billion primarily due to higher sports programming and production costs and inflation and volume growth at our domestic parks and resorts operations.

Cost of products for the quarter decreased 3% , or \$39 million, to \$1.1 billion driven by lower domestic home entertainment volumes, partially offset by inflation and volume growth at our domestic parks and resorts operations.

Selling, general, administrative and other costs decreased 2% , or \$35 million, to \$2.1 billion due to lower marketing costs.

## Restructuring and impairment charges

The Company recorded \$48 million of restructuring and impairment charges in the prior-year quarter primarily for severance costs.

## Other expense, net

Other expense, net is as follows (see Note 4 to the Condensed Consolidated Financial Statements):

| (in millions)                                | Quarter Ended  |                |
|----------------------------------------------|----------------|----------------|
|                                              | March 28, 2015 | March 29, 2014 |
| Venezuelan foreign currency translation loss | \$ —           | \$ (143)       |
| Gain on sale of property                     | —              | 77             |
| Other                                        | —              | 29             |
| Other expense, net                           | <u>\$ —</u>    | <u>\$ (37)</u> |

## Interest income, net

Interest income, net is as follows:

| (in millions)                  | Quarter Ended  |                | % Change<br>Better/(Worse) |
|--------------------------------|----------------|----------------|----------------------------|
|                                | March 28, 2015 | March 29, 2014 |                            |
| Interest expense               | \$ (66)        | \$ (67)        | 1 %                        |
| Interest and investment income | 74             | 129            | (43)%                      |
| Interest income, net           | <u>\$ 8</u>    | <u>\$ 62</u>   | (87)%                      |

The decrease in interest and investment income for the quarter was due to income on late payments realized in the prior-year quarter in connection with the settlement of an affiliate contract dispute.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)

## Equity in the income of investees

Equity in the income of investees decreased 5% , or \$11 million, to \$206 million for the quarter primarily due to a decrease at Hulu LLC ("Hulu") driven by higher programming and marketing costs, partially offset by an increase in subscription revenue.

## Effective Income Tax Rate

|                           | Quarter Ended  |                | Change<br>Better/(Worse) |
|---------------------------|----------------|----------------|--------------------------|
|                           | March 28, 2015 | March 29, 2014 |                          |
| Effective income tax rate | 32.9%          | 35.2%          | 2.3 ppt                  |

The decrease in the effective income tax rate for the quarter was driven by a benefit from an increase in earnings from foreign operations indefinitely reinvested outside the United States, which are subject to tax rates lower than the federal statutory income tax rate, a favorable impact from changes in our estimated full year effective income tax rate and an increased benefit related to qualified domestic production activities. The estimated full year effective rate is used to determine the quarterly income tax provision and is adjusted each quarter based on information available at the end of that quarter. The impact was favorable in the current quarter, whereas it was unfavorable in the prior-year quarter.

## Noncontrolling Interests

| (in millions)                                       | Quarter Ended  |                | % Change<br>Better/(Worse) |
|-----------------------------------------------------|----------------|----------------|----------------------------|
|                                                     | March 28, 2015 | March 29, 2014 |                            |
| Net income attributable to noncontrolling interests | \$ 120         | \$ 139         | 14%                        |

The decrease in net income attributable to noncontrolling interests for the quarter was due to lower results at ESPN and Hong Kong Disneyland Resort.

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

## Six -Month Results

Revenues for the six-month period increased 8% , or \$1.9 billion, to \$25.9 billion , and net income attributable to Disney increased 14% , or \$0.5 billion, to \$4.3 billion . EPS increased 18% from \$2.11 to \$2.50 due to improved operating performance, a decrease in the weighted average shares outstanding as a result of our share repurchase program and a lower effective income tax rate, partially offset by a decrease in investment gains.

## Revenues

Service revenues for the six-month period increased 9% , or \$1.8 billion, to \$21.3 billion due to higher Affiliate Fee rates, an increase in merchandise licensing revenue, increased average guest spending and volumes at our domestic parks and resorts and higher program sales. These increases were partially offset by lower theatrical distribution revenue.

Product revenues for the six-month period increased 2% , or \$0.1 billion, to \$4.6 billion due to higher food, beverage and merchandise volumes and average guest spending at our domestic parks and resorts operations and comparable store and online sales growth at our retail operations, partially offset by lower domestic home entertainment unit sales.

## Costs and expenses

Cost of services for the six-month period increased 12% , or \$1.3 billion, to \$11.7 billion primarily due to higher sports programming costs and inflation and volume growth at our domestic parks and resorts operations.

Cost of products for the six-month period increased 1% , or \$32 million, to \$2.7 billion due to higher volumes and inflation at our domestic parks and resorts and retail operations, partially offset by lower domestic home entertainment unit sales.

Selling, general, administrative and other costs decreased 3% , or \$0.1 billion, to \$4.0 billion due to lower marketing costs.



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)

Depreciation and amortization costs increased 3% , or \$35 million, to \$1.2 billion driven by new attractions at our parks and resorts.

### Restructuring and impairment charges

The Company recorded \$67 million of restructuring and impairment charges in the prior-year six -month period primarily for severance costs.

### Interest income/(expense), net

Interest income/(expense), net is as follows:

| (in millions)                  | Six Months Ended |                | % Change<br>Better/(Worse) |
|--------------------------------|------------------|----------------|----------------------------|
|                                | March 28, 2015   | March 29, 2014 |                            |
| Interest expense               | \$ (135)         | \$ (148)       | 9 %                        |
| Interest and investment income | 85               | 259            | (67)%                      |
| Interest income/(expense), net | <u>\$ (50)</u>   | <u>\$ 111</u>  | nm                         |

The decrease in interest expense for the six -month period was due to lower effective interest rates. The decrease in interest and investment income for the six -month period was due to lower gains on the sales of investments and income on late payments realized in the prior-year six-month period in connection with the settlement of an affiliate contract dispute.

### Equity in the income of investees

Equity in the income of investees decreased 8% , or \$38 million, to \$418 million primarily due to a decrease at Hulu driven by higher programming and marketing costs, partially offset by an increase in subscription and advertising revenue.

### Effective Income Tax Rate

|                           | Six Months Ended |                | Change<br>Better/(Worse) |
|---------------------------|------------------|----------------|--------------------------|
|                           | March 28, 2015   | March 29, 2014 |                          |
| Effective income tax rate | 33.1%            | 35.2%          | 2.1 ppt                  |

The decrease in the effective income tax rate for the six -month period includes a benefit from an increase in earnings from foreign operations indefinitely reinvested outside the United States, which are subject to tax rates lower than the federal statutory income tax rate, and an increased benefit related to qualified domestic production activities.

### Noncontrolling Interests

| (in millions)                                       | Six Months Ended |                | % Change<br>Better/(Worse) |
|-----------------------------------------------------|------------------|----------------|----------------------------|
|                                                     | March 28, 2015   | March 29, 2014 |                            |
| Net income attributable to noncontrolling interests | \$ 182           | \$ 203         | 10%                        |

The decrease in net income attributable to noncontrolling interests for the six -month period was due to lower results at ESPN and Hong Kong Disneyland Resort.

### SEASONALITY

The Company's businesses are subject to the effects of seasonality. Consequently, the operating results for the six months ended March 28, 2015 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 and changes in viewership levels. In general, advertising revenues are somewhat higher during the fall and somewhat lower during the summer months. Affiliate revenues



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)

are typically collected ratably throughout the year. In the past, certain affiliate revenues at ESPN were deferred until annual programming commitments were met, which were typically satisfied during the second half of the Company's fiscal year. Most MVPD contracts no longer have annual programming commitments that require the deferral of revenues.

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

Interactive revenues fluctuate due to the timing and performance of game releases, which are determined by several factors, including theatrical releases and cable programming broadcasts on which the games are based, competition and the timing of holiday periods. Revenues from certain of our internet and mobile operations are subject to similar seasonal trends.

### BUSINESS SEGMENT RESULTS

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

|                            | Quarter Ended     |                   | % Change           | Six Months Ended  |                   | % Change           |
|----------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|--------------------|
| (in millions)              | March 28,<br>2015 | March 29,<br>2014 | Better/<br>(Worse) | March 28,<br>2015 | March 29,<br>2014 | Better/<br>(Worse) |
| Revenues:                  |                   |                   |                    |                   |                   |                    |
| Media Networks             | \$ 5,810          | \$ 5,134          | 13 %               | \$ 11,670         | \$ 10,424         | 12 %               |
| Parks and Resorts          | 3,760             | 3,562             | 6 %                | 7,670             | 7,159             | 7 %                |
| Studio Entertainment       | 1,685             | 1,800             | (6) %              | 3,543             | 3,693             | (4)%               |
| Consumer Products          | 971               | 885               | 10 %               | 2,350             | 2,011             | 17 %               |
| Interactive                | 235               | 268               | (12) %             | 619               | 671               | (8)%               |
|                            | <u>\$ 12,461</u>  | <u>\$ 11,649</u>  | 7 %                | <u>\$ 25,852</u>  | <u>\$ 23,958</u>  | 8 %                |
| Segment operating income : |                   |                   |                    |                   |                   |                    |
| Media Networks             | \$ 2,101          | \$ 2,133          | (2) %              | \$ 3,596          | \$ 3,588          | — %                |
| Parks and Resorts          | 566               | 457               | 24 %               | 1,371             | 1,128             | 22 %               |
| Studio Entertainment       | 427               | 475               | (10) %             | 971               | 884               | 10 %               |
| Consumer Products          | 362               | 274               | 32 %               | 988               | 704               | 40 %               |
| Interactive                | 26                | 14                | 86 %               | 101               | 69                | 46 %               |
|                            | <u>\$ 3,482</u>   | <u>\$ 3,353</u>   | 4 %                | <u>\$ 7,027</u>   | <u>\$ 6,373</u>   | 10 %               |

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)**

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

| (in millions)                             | <b>Quarter Ended</b>      |                   | % Change<br>Better/<br>(Worse) | <b>Six Months Ended</b>   |                   | % Change<br>Better/<br>(Worse) |
|-------------------------------------------|---------------------------|-------------------|--------------------------------|---------------------------|-------------------|--------------------------------|
|                                           | <b>March 28,<br/>2015</b> | March 29,<br>2014 |                                | <b>March 28,<br/>2015</b> | March 29,<br>2014 |                                |
| Segment operating income                  | \$ 3,482                  | \$ 3,353          | 4 %                            | \$ 7,027                  | \$ 6,373          | 10 %                           |
| Corporate and unallocated shared expenses | (170)                     | (155)             | (10) %                         | (295)                     | (271)             | (9) %                          |
| Restructuring and impairment charges      | —                         | (48)              | nm                             | —                         | (67)              | — %                            |
| Other expense, net                        | —                         | (37)              | nm                             | —                         | (31)              | — %                            |
| Interest income/(expense), net            | 8                         | 62                | (87) %                         | (50)                      | 111               | nm                             |
| Income before income taxes                | <u>\$ 3,320</u>           | <u>\$ 3,175</u>   | 5 %                            | <u>\$ 6,682</u>           | <u>\$ 6,115</u>   | 9 %                            |

Depreciation expense is as follows:

| (in millions)              | <b>Quarter Ended</b>      |                   | % Change<br>Better/<br>(Worse) | <b>Six Months Ended</b>   |                   | % Change<br>Better/<br>(Worse) |
|----------------------------|---------------------------|-------------------|--------------------------------|---------------------------|-------------------|--------------------------------|
|                            | <b>March 28,<br/>2015</b> | March 29,<br>2014 |                                | <b>March 28,<br/>2015</b> | March 29,<br>2014 |                                |
| Media Networks             |                           |                   |                                |                           |                   |                                |
| Cable Networks             | \$ 38                     | \$ 35             | (9) %                          | \$ 75                     | \$ 68             | (10) %                         |
| Broadcasting               | 26                        | 24                | (8) %                          | 47                        | 47                | — %                            |
| Total Media Networks       | <u>64</u>                 | <u>59</u>         | (8) %                          | <u>122</u>                | <u>115</u>        | (6) %                          |
| Parks and Resorts          |                           |                   |                                |                           |                   |                                |
| Domestic                   | 289                       | 282               | (2) %                          | 586                       | 561               | (4) %                          |
| International              | 85                        | 87                | 2 %                            | 174                       | 173               | (1) %                          |
| Total Parks and Resorts    | <u>374</u>                | <u>369</u>        | (1) %                          | <u>760</u>                | <u>734</u>        | (4) %                          |
| Studio Entertainment       | 14                        | 13                | (8) %                          | 28                        | 25                | (12) %                         |
| Consumer Products          | 14                        | 21                | 33 %                           | 27                        | 33                | 18 %                           |
| Interactive                | 3                         | 3                 | — %                            | 6                         | 4                 | (50) %                         |
| Corporate                  | 61                        | 58                | (5) %                          | 122                       | 116               | (5) %                          |
| Total depreciation expense | <u>\$ 530</u>             | <u>\$ 523</u>     | (1) %                          | <u>\$ 1,065</u>           | <u>\$ 1,027</u>   | (4) %                          |

Amortization of intangible assets is as follows:

| (in millions)                           | <b>Quarter Ended</b>      |                   | % Change<br>Better/<br>(Worse) | <b>Six Months Ended</b>   |                   | % Change<br>Better/<br>(Worse) |
|-----------------------------------------|---------------------------|-------------------|--------------------------------|---------------------------|-------------------|--------------------------------|
|                                         | <b>March 28,<br/>2015</b> | March 29,<br>2014 |                                | <b>March 28,<br/>2015</b> | March 29,<br>2014 |                                |
| Media Networks                          | \$ 5                      | \$ 3              | (67) %                         | \$ 10                     | \$ 5              | (100) %                        |
| Parks and Resorts                       | 1                         | —                 | nm                             | 2                         | 1                 | (100) %                        |
| Studio Entertainment                    | 20                        | 25                | 20 %                           | 41                        | 48                | 15 %                           |
| Consumer Products                       | 25                        | 26                | 4 %                            | 52                        | 54                | 4 %                            |
| Interactive                             | 3                         | 3                 | — %                            | 6                         | 6                 | — %                            |
| Total amortization of intangible assets | <u>\$ 54</u>              | <u>\$ 57</u>      | 5 %                            | <u>\$ 111</u>             | <u>\$ 114</u>     | 3 %                            |

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)**

**Media Networks**

Operating results for the Media Networks segment are as follows:

| (in millions)                              | Quarter Ended     |                   | % Change<br>Better/<br>(Worse) |
|--------------------------------------------|-------------------|-------------------|--------------------------------|
|                                            | March 28,<br>2015 | March 29,<br>2014 |                                |
| Revenues                                   |                   |                   |                                |
| Affiliate Fees                             | \$ 3,032          | \$ 2,671          | 14 %                           |
| Advertising                                | 1,968             | 1,804             | 9 %                            |
| Other                                      | 810               | 659               | 23 %                           |
| Total revenues                             | 5,810             | 5,134             | 13 %                           |
| Operating expenses                         | (3,140)           | (2,523)           | (24) %                         |
| Selling, general, administrative and other | (705)             | (633)             | (11) %                         |
| Depreciation and amortization              | (69)              | (62)              | (11) %                         |
| Equity in the income of investees          | 205               | 217               | (6) %                          |
| Operating Income                           | \$ 2,101          | \$ 2,133          | (2) %                          |

*Revenues*

The 14% increase in Affiliate Fee revenue was due to growth of 10% from higher contractual rates, 4% from an increase in subscribers, 1% from lower revenue deferrals at ESPN as a result of changes in contractual provisions related to annual programming commitments and 1% from new contractual provisions at our broadcasting business, partially offset by a decrease of 2% from a benefit in the prior-year quarter of a settlement of an affiliate contract dispute. The increase in subscribers was due to the launch of the SEC Network in the fourth quarter of the prior year, partially offset by a decline in subscribers at certain of our other cable networks.

The 9% increase in advertising revenues was due to growth of \$129 million at Cable Networks, from \$862 million to \$991 million, and \$35 million at Broadcasting, from \$942 million to \$977 million. The increase at Cable Networks was due to a 9% increase from higher rates and a 5% increase from more units sold. The growth at Broadcasting was driven by the ABC television network reflecting a 1% increase from higher rates, a 1% increase from higher ratings and a 1% increase from more units sold.

Other revenue increased \$151 million from \$659 million to \$810 million primarily due to higher program sales driven by the sale of Marvel's *Daredevil* and higher sales of *Grey 's Anatomy* and *Lost* in the current quarter, partially offset by a decrease due to the sale of *Wife Swap* in the prior-year quarter.

*Costs and Expenses*

Operating expenses include programming and production costs, which increased \$551 million from \$2,144 million to \$2,695 million. At Cable Networks, programming and production costs increased \$465 million due to higher rights costs for college football programming, the addition of an NFL wild card playoff game and the launch of the SEC Network. At Broadcasting, programming and production costs increased \$86 million due to higher program sales.

Selling, general, administrative and other costs increased \$72 million from \$633 million to \$705 million. The increase included higher primetime marketing costs for the launch of new series in the quarter.

*Equity in the Income of Investees*

Income from equity investees decreased \$12 million from \$217 million to \$205 million due to a decrease at Hulu driven by higher programming and marketing costs, partially offset by an increase in subscription revenues.

*Segment Operating Income*

Segment operating income decreased 2% , or \$32 million, to \$2,101 million driven by a decrease at ESPN, partially offset by an increase at our Broadcasting business.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)

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

| (in millions)                   | Quarter Ended     |                   | % Change<br>Better/<br>(Worse) |
|---------------------------------|-------------------|-------------------|--------------------------------|
|                                 | March 28,<br>2015 | March 29,<br>2014 |                                |
| <b>Revenues</b>                 |                   |                   |                                |
| Cable Networks                  | \$ 4,030          | \$ 3,633          | 11 %                           |
| Broadcasting                    | 1,780             | 1,501             | 19 %                           |
|                                 | <u>\$ 5,810</u>   | <u>\$ 5,134</u>   | 13 %                           |
| <b>Segment operating income</b> |                   |                   |                                |
| Cable Networks                  | \$ 1,799          | \$ 1,974          | (9) %                          |
| Broadcasting                    | 302               | 159               | 90 %                           |
|                                 | <u>\$ 2,101</u>   | <u>\$ 2,133</u>   | (2) %                          |

## Other expense, net

The Company recorded a \$100 million loss related to Cable Networks in the prior-year quarter resulting from the foreign currency translation of net monetary assets denominated in Venezuelan currency, which was reported in "Other expense, net" in the Condensed Consolidated Statement of Income.

## Parks and Resorts

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

| (in millions)                              | Quarter Ended     |                   | % Change<br>Better/<br>(Worse) |
|--------------------------------------------|-------------------|-------------------|--------------------------------|
|                                            | March 28,<br>2015 | March 29,<br>2014 |                                |
| <b>Revenues</b>                            |                   |                   |                                |
| Domestic                                   | \$ 3,236          | \$ 2,990          | 8 %                            |
| International                              | 524               | 572               | (8) %                          |
| Total revenues                             | 3,760             | 3,562             | 6 %                            |
| Operating expenses                         | (2,363)           | (2,248)           | (5) %                          |
| Selling, general, administrative and other | (456)             | (488)             | 7 %                            |
| Depreciation and amortization              | (375)             | (369)             | (2) %                          |
| Operating Income                           | <u>\$ 566</u>     | <u>\$ 457</u>     | 24 %                           |

## Revenues

Parks and Resorts revenues increased 6% , or \$198 million, to \$3.8 billion due to an increase of \$246 million at our domestic operations, partially offset by a decrease of \$48 million at our international operations.

Revenue growth of 8% at our domestic operations reflected a 6% increase from higher average guest spending and a 2% increase from higher volumes. Higher average guest spending was due to higher average ticket prices for admissions at our theme parks and for sailings at our cruise line, increased food, beverage and merchandise spending and higher average hotel room rates. Higher volumes were primarily due to attendance growth at Walt Disney World Resort and sales of vacation club units at Disney's Polynesian Villas & Bungalows, partially offset by lower attendance at Disneyland Resort.

Revenues at our international operations reflected a 13% decrease from foreign currency translation due to the strengthening of the U.S. dollar against the euro and Japanese yen and a 1% decrease from lower volumes, partially offset by an increase of 5% from higher average guest spending. Lower volumes were driven by a decrease in attendance at Hong Kong Disneyland Resort, partially offset by higher occupied room nights and attendance at Disneyland Paris. Guest spending growth was due to higher average ticket prices and increased food, beverage and merchandise spending.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)**

The following table presents supplemental park and hotel statistics:

|                                      | Domestic      |               | International <sup>(2)</sup> |               | Total         |               |
|--------------------------------------|---------------|---------------|------------------------------|---------------|---------------|---------------|
|                                      | Quarter Ended |               | Quarter Ended                |               | Quarter Ended |               |
|                                      | Mar. 28, 2015 | Mar. 29, 2014 | Mar. 28, 2015                | Mar. 29, 2014 | Mar. 28, 2015 | Mar. 29, 2014 |
| <b>Parks</b>                         |               |               |                              |               |               |               |
| Increase/(decrease)                  |               |               |                              |               |               |               |
| Attendance                           | 2%            | 3%            | (2)%                         | —%            | 1%            | 3%            |
| Per Capita Guest Spending            | 7%            | 4%            | 8 %                          | 5%            | 7%            | 5%            |
| <b>Hotels <sup>(1)</sup></b>         |               |               |                              |               |               |               |
| Occupancy                            | 89%           | 86%           | 78 %                         | 75%           | 87%           | 84%           |
| Available Room Nights (in thousands) | 2,596         | 2,625         | 609                          | 609           | 3,205         | 3,234         |
| Per Room Guest Spending              | \$292         | \$275         | \$267                        | \$267         | \$288         | \$273         |

<sup>(1)</sup> 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.

<sup>(2)</sup> Per capita guest spending growth rate is stated on a constant currency basis. Per room guest spending is stated at the fiscal 2014 second quarter average foreign exchange rate. The euro to U.S. dollar weighted average foreign currency exchange rate was \$1.14 and \$1.37 for the quarters ended March 28, 2015 and March 29, 2014 , respectively.

*Costs and Expenses*

Operating expenses include operating labor, which increased \$76 million from \$1,032 million to \$1,108 million, cost of sales, which increased \$14 million from \$334 million to \$348 million, and infrastructure costs, which decreased \$19 million from \$475 million to \$456 million. The increase in operating labor was due to inflation, new guest offerings and higher pension and postretirement medical costs. The increase in cost of sales was due to inflation and higher volumes. The decrease in infrastructure costs reflected higher costs in the prior-year quarter in connection with the launch of *MyMagic+* and the absence of costs that were incurred in the prior-year quarter for the dry-dock of the *Disney Wonder* . Other operating expenses, which include supplies and commissions, increased driven by new guest offerings and inflation . Operating expense growth was partially offset by a 2% decrease from foreign currency translation due to the strengthening of the U.S. dollar against the euro.

Selling, general, administrative and other costs decreased \$32 million from \$488 million to \$456 million primarily due to the impact of foreign currency translation due to the strengthening of the U.S. dollar against the euro and lower marketing costs.

*Segment Operating Income*

Segment operating income increased 24% , or \$109 million, to \$566 million due to growth at our domestic operations, partially offset by a decrease at our international operations.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)

## Studio Entertainment

Operating results for the Studio Entertainment segment are as follows:

| (in millions)                              | Quarter Ended     |                   | % Change<br>Better/<br>(Worse) |
|--------------------------------------------|-------------------|-------------------|--------------------------------|
|                                            | March 28,<br>2015 | March 29,<br>2014 |                                |
| Revenues                                   |                   |                   |                                |
| Theatrical distribution                    | \$ 434            | \$ 467            | (7) %                          |
| Home entertainment                         | 457               | 624               | (27) %                         |
| TV/SVOD distribution and other             | 794               | 709               | 12 %                           |
| Total revenues                             | 1,685             | 1,800             | (6) %                          |
| Operating expenses                         | (666)             | (669)             | — %                            |
| Selling, general, administrative and other | (558)             | (618)             | 10 %                           |
| Depreciation and amortization              | (34)              | (38)              | 11 %                           |
| Operating Income                           | \$ 427            | \$ 475            | (10) %                         |

### Revenues

The 7% decrease in theatrical distribution revenue was due to unfavorable foreign currency translation impacts and the international performance of *Big Hero 6* in the current quarter compared to *Frozen* in the prior-year quarter. Additionally, the prior-year quarter included DreamWorks' *Need for Speed* and the international release of Marvel's *Captain America 2: The Winter Soldier* compared to the release of *Cinderella* and no DreamWorks or Marvel releases in the current quarter.

The 27% decrease in home entertainment revenue was due to a 24% decrease from lower domestic unit sales driven by the performance of *Big Hero 6* in the current quarter compared to *Frozen* in the prior-year quarter.

The 12% increase in TV and subscription video on demand (SVOD) distribution and other revenue was due to an increase of 10% from higher revenue share with the Consumer Products segment driven by the success of *Frozen* merchandise.

### Costs and Expenses

Operating expenses include an increase of \$14 million in film cost amortization, from \$355 million to \$369 million, driven by an increase in the theatrical film cost amortization rate for titles in the current quarter compared to *Frozen* in the prior-year quarter, partially offset by lower film cost impairments. Operating expenses also include cost of goods sold and distribution costs, which decreased \$17 million, from \$314 million to \$297 million, due to a decrease in home entertainment units sold.

Selling, general, administrative and other costs decreased \$60 million from \$618 million to \$558 million driven by lower home entertainment and theatrical marketing expense. The decrease in home entertainment marketing expense was driven by lower marketing expense for *Big Hero 6* in the current quarter compared to *Frozen* in the prior-year quarter. Additionally, the prior-year quarter included marketing expense for Marvel's *Thor: The Dark World*, compared to no Marvel home entertainment release in the current quarter. The decrease in theatrical marketing expense was driven by the impact of foreign currency translation.

### Segment Operating Income

Segment operating income decreased \$48 million to \$427 million due to decreases in domestic home entertainment and international theatrical distribution, partially offset by higher revenue share with the Consumer Products segment and lower film cost impairments.

### Other expense, net

The Company recorded a \$31 million loss related to Studio Entertainment in the prior-year quarter resulting from the foreign currency translation of net monetary assets denominated in Venezuelan currency, which was reported in "Other expense, net" in the Condensed Consolidated Statements of Income.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)

## Consumer Products

Operating results for the Consumer Products segment are as follows:

| (in millions)                              | Quarter Ended     |                   | % Change<br>Better/<br>(Worse) |
|--------------------------------------------|-------------------|-------------------|--------------------------------|
|                                            | March 28,<br>2015 | March 29,<br>2014 |                                |
| Revenues                                   |                   |                   |                                |
| Licensing and publishing                   | \$ 647            | \$ 572            | 13 %                           |
| Retail and other                           | 324               | 313               | 4 %                            |
| Total revenues                             | 971               | 885               | 10 %                           |
| Operating expenses                         | (388)             | (383)             | (1) %                          |
| Selling, general, administrative and other | (182)             | (181)             | (1) %                          |
| Depreciation and amortization              | (39)              | (47)              | 17 %                           |
| Operating Income                           | \$ 362            | \$ 274            | 32 %                           |

### Revenues

The 13% increase in licensing and publishing revenue was due to a 14% increase from our licensing business driven by the performance of merchandise based on *Frozen* and, to a lesser extent, *The Avengers*.

The 4% increase in retail and other revenue was due to comparable store sales growth driven by *Frozen* merchandise and higher online sales driven by *Princess* and *Cinderella* merchandise. These increases were partially offset by an unfavorable impact from foreign currency translation as a result of strengthening of the U.S. dollar against the euro, Japanese yen and British pound and a decrease from fiscal 2014 store closures in Europe.

### Costs and Expenses

Operating expenses include a \$3 million increase in cost of goods sold, from \$152 million to \$155 million, and a \$2 million increase in distribution, labor and occupancy costs from \$202 million to \$204 million. These increases were driven by comparable store sales growth at our retail business, partially offset by the impact of foreign currency translation.

The decrease in depreciation and amortization was primarily due to the absence of costs related to facility closures in the prior-year quarter.

### Segment Operating Income

Segment operating income increased 32% to \$362 million primarily due to an increase at our merchandise licensing business.

### Other expense, net

The Company recorded a \$16 million loss related to Consumer Products in the prior-year quarter resulting from the foreign currency translation of net monetary assets denominated in Venezuelan currency, which was reported in "Other expense, net" in the Condensed Consolidated Statements of Income.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)**

**Interactive**

Operating results for the Interactive segment are as follows:

| (in millions)                              | Quarter Ended <sup>(1)</sup> |                   | % Change<br>Better/<br>(Worse) |
|--------------------------------------------|------------------------------|-------------------|--------------------------------|
|                                            | March 28,<br>2015            | March 29,<br>2014 |                                |
| <b>Revenues</b>                            |                              |                   |                                |
| Games                                      | \$ 187                       | \$ 211            | (11) %                         |
| Other content                              | 48                           | 57                | (16) %                         |
| Total revenues                             | 235                          | 268               | (12) %                         |
| <b>Operating expenses</b>                  | (133)                        | (149)             | 11 %                           |
| Selling, general, administrative and other | (70)                         | (99)              | 29 %                           |
| Depreciation and amortization              | (6)                          | (6)               | — %                            |
| Operating Income                           | \$ 26                        | \$ 14             | 86 %                           |

<sup>(1)</sup> Reclassifications have been made to the revenue amounts presented for the prior-year quarter to conform with the current quarter presentation. The principal change was to reclassify game-related revenue at our Japan mobile business from Other content to Games.

*Revenues*

Games revenues decreased \$24 million from \$211 million to \$187 million due to a decrease of 11% from console games, partially offset by an increase of 3% from mobile games. The decrease in sales of console games was primarily due to lower unit sales of Disney Infinity accessories. The increase in mobile games revenue was due to the growth of *Tsum Tsum* in Japan.

Lower other content revenue was driven by a decrease in advertising revenue.

*Costs and Expenses*

Operating expenses include a \$17 million decrease in product development from \$71 million to \$54 million reflecting fewer mobile titles in development, partially offset by an increase in costs for Disney Infinity. Operating expenses also include cost of sales, which were essentially flat at \$79 million in the current quarter compared to \$78 million in the prior-year quarter, as higher per unit costs for Disney Infinity, which included the impact of inventory obsolescence charges, were largely offset by lower Disney Infinity sales volume.

Selling, general, administrative and other costs decreased \$29 million from \$99 million to \$70 million primarily due to a decrease in marketing and sales costs at our mobile phone business in Japan, lower marketing costs at our console games business and the benefit of previous restructuring activities.

*Segment Operating Income*

Segment operating income increased \$12 million to \$26 million driven by an increase at our mobile games business, partially offset by lower results at our console games business.

*Restructuring and impairment charges*

The Company recorded restructuring charges of \$35 million related to Interactive in the prior-year quarter, primarily for severance costs from organizational and cost structure initiatives. These charges were reported in "Restructuring and impairment charges" in the Condensed Consolidated Statements of Income.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)**

**BUSINESS SEGMENT RESULTS - Six Month Results**

**Media Networks**

Operating results for the Media Networks segment are as follows:

| (in millions)                              | Six Months Ended  |                   | % Change<br>Better/<br>(Worse) |
|--------------------------------------------|-------------------|-------------------|--------------------------------|
|                                            | March 28,<br>2015 | March 29,<br>2014 |                                |
| <b>Revenues</b>                            |                   |                   |                                |
| Affiliate Fees                             | \$ 5,886          | \$ 5,055          | 16 %                           |
| Advertising                                | 4,270             | 4,137             | 3 %                            |
| Other                                      | 1,514             | 1,232             | 23 %                           |
| <b>Total revenues</b>                      | <b>11,670</b>     | 10,424            | 12 %                           |
| Operating expenses                         | (7,030)           | (5,960)           | (18) %                         |
| Selling, general, administrative and other | (1,330)           | (1,212)           | (10) %                         |
| Depreciation and amortization              | (132)             | (120)             | (10) %                         |
| Equity in the income of investees          | 418               | 456               | (8) %                          |
| <b>Operating Income</b>                    | <b>\$ 3,596</b>   | <b>\$ 3,588</b>   | — %                            |

*Revenues*

The 16% increase in Affiliate Fee revenue was due to an increase of 9% from higher contractual rates, 4% from an increase in subscribers, 3% from lower revenue deferrals at ESPN as a result of changes in contractual provisions related to annual programming commitments and 2% from new contractual provisions at our broadcasting business. The increase in subscribers was due to the launch of the SEC Network in the fourth quarter of the prior year, partially offset by a decline in subscribers at certain of our other cable networks.

The 3% increase in advertising revenues was due to an increase of \$124 million at Cable Networks, from \$2,089 million to \$2,213 million and an increase of \$9 million at Broadcasting, from \$2,048 million to \$2,057 million. The increase at Cable Networks was due to a 5% increase from higher rates and a 3% increase from more units sold, partially offset by a 3% decrease from lower ratings. At Broadcasting, a 2% increase from network rates and a 1% increase from higher owned television stations revenue were essentially offset by a 3% decrease from lower network units sold.

Other revenue increased \$282 million from \$1,232 million to \$1,514 million due to higher program sales driven by the sale of Marvel's *Daredevil* and higher sales of *Grey 's Anatomy* and *Once Upon a Time*.

*Costs and Expenses*

Operating expenses include programming and production costs, which increased \$929 million from \$5,197 million to \$6,126 million. At Cable Networks, programming and production costs increased \$773 million due to higher rights costs for the NFL and for college football programming and the addition of an NFL wild card playoff game and the SEC Network. At Broadcasting, programming and production costs increased \$156 million primarily due to higher program sales.

Selling, general, administrative and other costs increased \$118 million from \$1,212 million to \$1,330 million , including increases in ESPN and ABC primetime marketing costs.

*Equity in the Income of Investees*

Income from equity investees decreased \$38 million from \$456 million to \$418 million primarily due to a decrease at Hulu driven by higher programming and marketing costs, partially offset by increases in subscription and advertising revenue.

*Segment Operating Income*

Segment operating income was essentially flat at \$3,596 million as an increase at our Broadcasting business was offset by a decrease at ESPN.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)

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

| (in millions)                   | Six Months Ended  |                   | % Change<br>Better/<br>(Worse) |
|---------------------------------|-------------------|-------------------|--------------------------------|
|                                 | March 28,<br>2015 | March 29,<br>2014 |                                |
| <b>Revenues</b>                 |                   |                   |                                |
| Cable Networks                  | \$ 8,196          | \$ 7,392          | 11 %                           |
| Broadcasting                    | 3,474             | 3,032             | 15 %                           |
|                                 | <u>\$ 11,670</u>  | <u>\$ 10,424</u>  | 12 %                           |
| <b>Segment operating income</b> |                   |                   |                                |
| Cable Networks                  | \$ 3,054          | \$ 3,251          | (6) %                          |
| Broadcasting                    | 542               | 337               | 61 %                           |
|                                 | <u>\$ 3,596</u>   | <u>\$ 3,588</u>   | — %                            |

### *Restructuring and impairment charges and Other expense, net*

The Company recorded restructuring and impairment charges of \$15 million related to Media Networks in the prior-year six -month period for an investment impairment and contract termination costs. These charges were reported in "Restructuring and impairment charges" in the Condensed Consolidated Statements of Income. The Company recorded a \$100 million loss related to Cable Networks in the prior-year six -month period resulting from the foreign currency translation of net monetary assets denominated in Venezuelan currency, which was reported in "Other expense, net" in the Condensed Consolidated Statements of Income.

### **Parks and Resorts**

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

| (in millions)                              | Six Months Ended  |                   | % Change<br>Better/<br>(Worse) |
|--------------------------------------------|-------------------|-------------------|--------------------------------|
|                                            | March 28,<br>2015 | March 29,<br>2014 |                                |
| <b>Revenues</b>                            |                   |                   |                                |
| Domestic                                   | \$ 6,469          | \$ 5,912          | 9 %                            |
| International                              | 1,201             | 1,247             | (4) %                          |
| Total revenues                             | <u>7,670</u>      | <u>7,159</u>      | 7 %                            |
| Operating expenses                         | (4,646)           | (4,400)           | (6) %                          |
| Selling, general, administrative and other | (891)             | (896)             | 1 %                            |
| Depreciation and amortization              | (762)             | (735)             | (4) %                          |
| Operating Income                           | <u>\$ 1,371</u>   | <u>\$ 1,128</u>   | 22 %                           |

### *Revenues*

Parks and Resorts revenues increased 7% , or \$511 million, to \$7.7 billion due to an increase of \$557 million at our domestic operations, partially offset by a decrease of \$46 million at our international operations.

Revenue growth of 9% at our domestic operations reflected increases of 5% from higher average guest spending and 4% from higher volumes. Higher average guest spending was primarily due to higher average ticket prices for admissions at our theme parks and for sailings at our cruise line, increased food, beverage and merchandise spending and higher average hotel room rates. Higher volumes were primarily due to attendance growth at Walt Disney World Resort and Disneyland Resort and higher occupied room nights at Walt Disney World Resort.

Revenues at our international operations reflected a 9% decrease from foreign currency translation due to the strengthening of the U.S. dollar against the euro and Japanese yen, partially offset by a 5% increase from higher average guest spending and a 1% increase from higher volumes. Guest spending growth at both Disneyland Paris and Hong Kong Disneyland Resort was primarily due to higher average ticket prices and higher food, beverage and merchandise spending. Higher volumes were due to increases in attendance and occupied room nights at Disneyland Paris, partially offset by decreases in attendance and occupied room nights at Hong Kong Disneyland Resort.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)

The following table presents supplemental park and hotel statistics:

|                                      | Domestic          |                   | International <sup>(2)</sup> |                   | Total             |                   |
|--------------------------------------|-------------------|-------------------|------------------------------|-------------------|-------------------|-------------------|
|                                      | Six Months Ended  |                   | Six Months Ended             |                   | Six Months Ended  |                   |
|                                      | March 28,<br>2015 | March 29,<br>2014 | March 28,<br>2015            | March 29,<br>2014 | March 28,<br>2015 | March 29,<br>2014 |
| <b>Parks</b>                         |                   |                   |                              |                   |                   |                   |
| Increase/(decrease)                  |                   |                   |                              |                   |                   |                   |
| Attendance                           | 4%                | 2%                | 1%                           | (1)%              | 4%                | 1%                |
| Per Capita Guest Spending            | 5%                | 6%                | 7%                           | 5 %               | 6%                | 6%                |
| <b>Hotels <sup>(1)</sup></b>         |                   |                   |                              |                   |                   |                   |
| Occupancy                            | 89%               | 83%               | 78%                          | 76 %              | 87%               | 82%               |
| Available Room Nights (in thousands) | 5,187             | 5,243             | 1,230                        | 1,230             | 6,417             | 6,473             |
| Per Room Guest Spending              | \$290             | \$276             | \$305                        | \$299             | \$292             | \$280             |

<sup>(1)</sup> 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.

<sup>(2)</sup> Per capita guest spending growth rate is stated on a constant currency basis. Per room guest spending is stated at the fiscal 2014 six-month average foreign exchange rate. The euro to U.S. dollar weighted average foreign currency exchange rate was \$1.19, and \$1.37 for the six months ended March 28, 2015 and March 29, 2014 , respectively.

## Costs and Expenses

Operating expenses include operating labor, which increased \$164 million from \$2,064 million to \$2,228 million, cost of sales, which increased \$37 million from \$680 million to \$717 million and infrastructure costs, which decreased \$34 million from \$897 million to \$863 million. The increase in operating labor was due to inflation, new guest offerings, higher volumes and higher pension and postretirement medical costs. The increase in cost of sales was due to higher volumes and inflation. The decrease in infrastructure costs was due to costs that were incurred in the prior-year six-month period for the dry-docks of the *Disney Magic* and *Disney Wonder* and in connection with the launch of *MyMagic+* . Other operating expenses, which include supplies and commissions, increased due to new guest offerings, higher volumes and inflation. Operating expense growth was partially offset by a 2% decrease from foreign currency translation due to the strengthening of the U.S. dollar against the euro.

Selling, general, administrative and other costs decreased \$5 million from \$896 million to \$891 million driven by the impact of foreign currency translation due to the strengthening of the U.S. dollar against the euro, partially offset by higher marketing costs.

The increase in depreciation and amortization was driven by new attractions.

## Segment Operating Income

Segment operating income increased 22% , or \$243 million, to \$1,371 million due to growth at our domestic operations, partially offset by a decrease at our international operations.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)

## Studio Entertainment

Operating results for the Studio Entertainment segment are as follows:

| (in millions)                              | Six Months Ended  |                   | % Change<br>Better/<br>(Worse) |
|--------------------------------------------|-------------------|-------------------|--------------------------------|
|                                            | March 28,<br>2015 | March 29,<br>2014 |                                |
| Revenues                                   |                   |                   |                                |
| Theatrical distribution                    | \$ 770            | \$ 1,093          | (30) %                         |
| Home entertainment                         | 1,135             | 1,240             | (8) %                          |
| TV/SVOD distribution and other             | 1,638             | 1,360             | 20 %                           |
| Total revenues                             | 3,543             | 3,693             | (4) %                          |
| Operating expenses                         | (1,424)           | (1,453)           | 2 %                            |
| Selling, general, administrative and other | (1,079)           | (1,283)           | 16 %                           |
| Depreciation and amortization              | (69)              | (73)              | 5 %                            |
| Operating Income                           | \$ 971            | \$ 884            | 10 %                           |

### Revenues

The 30% decrease in theatrical distribution revenue reflected the performance of *Big Hero 6* in the current period compared to *Frozen* in the prior-year period. Additionally, the current period had four Disney live-action releases, whereas the prior-year period included Marvel's *Thor: The Dark World*, two Disney live-action releases and three DreamWorks titles. Significant Disney live-action releases in the current period included *Cinderella* and *Into the Woods*.

The 8% decrease in home entertainment revenue was due to a 10% decrease from lower domestic unit sales driven by the performance of *Big Hero 6* in the current period compared to *Frozen* in the prior-year period. Additionally, the current period included the domestic release of Marvel's *Guardians of the Galaxy*, *Maleficent* and *Planes: Fire and Rescue*, whereas the prior-year period included the release of *Monsters University*, *Planes* and Marvel's *Thor: The Dark World*.

The 20% increase in TV/SVOD distribution and other revenue was due to increases of 11% from revenue share with the Consumer Products segment due to the success of *Frozen* merchandise, 3% from stage play revenues and 2% from TV/SVOD distribution. Higher stage play revenues were driven by more performances of *Aladdin* in the current year. The increase in TV/SVOD revenue was driven by the timing of title availabilities in domestic pay television.

### Costs and Expenses

Operating expenses include a decrease of \$17 million in film cost amortization, from \$820 million to \$803 million driven by lower revenues and lower film cost impairments. These decreases were partially offset by a higher film cost amortization rate for titles in the current year compared to *Frozen* in the prior year. Operating expenses also include cost of goods sold and distribution costs, which decreased \$12 million, from \$633 million to \$621 million due to a decrease at home entertainment, partially offset by an increase in stage play costs. Lower home entertainment cost of goods sold and distribution costs were due to lower average per unit costs and lower units sold.

Selling, general, administrative and other costs decreased \$204 million from \$1,283 million to \$1,079 million due to lower theatrical marketing expense driven by fewer releases in the current year.

### Segment Operating Income

Segment operating income increased \$87 million to \$971 million driven by an increase in revenue share with the Consumer Products segment, lower film cost impairments and an increase in TV/SVOD distribution, partially offset by a decrease in theatrical distribution.

### Other expense, net

The Company recorded a \$31 million loss related to Studio Entertainment in the prior-year six -month period resulting from the foreign currency translation of net monetary assets denominated in Venezuelan currency, which was reported in "Other expense, net" in the Condensed Consolidated Statements of Income.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)

## Consumer Products

Operating results for the Consumer Products segment are as follows:

| (in millions)                              | Six Months Ended  |                   | % Change<br>Better/<br>(Worse) |
|--------------------------------------------|-------------------|-------------------|--------------------------------|
|                                            | March 28,<br>2015 | March 29,<br>2014 |                                |
| Revenues                                   |                   |                   |                                |
| Licensing and publishing                   | \$ 1,428          | \$ 1,206          | 18 %                           |
| Retail and other                           | 922               | 805               | 15 %                           |
| Total revenues                             | 2,350             | 2,011             | 17 %                           |
| Operating expenses                         | (921)             | (858)             | (7) %                          |
| Selling, general, administrative and other | (362)             | (362)             | — %                            |
| Depreciation and amortization              | (79)              | (87)              | 9 %                            |
| Operating Income                           | \$ 988            | \$ 704            | 40 %                           |

### Revenues

The 18% increase in licensing and publishing revenues was due to an 18% increase from our licensing business driven by performance of merchandise based on *Frozen* and, to a lesser extent, *The Avengers*.

The 15% increase in retail and other revenue was due to comparable store sales growth and higher online sales in all of our key markets, driven by *Frozen* merchandise. These increases were partially offset by an unfavorable impact from foreign currency translation as a result of strengthening of the U.S. dollar against the Japanese yen, euro and British pound and a decrease from fiscal 2014 store closures in Europe.

### Costs and Expenses

Operating expenses included an increase of \$51 million in cost of goods sold, from \$379 million to \$430 million, and an increase of \$11 million in distribution, labor and occupancy costs from \$421 million to \$432 million. These increases were due to comparable store sales growth at our retail business, partially offset by the favorable impact of foreign currency translation.

The decrease in depreciation and amortization was primarily due to the absence of costs related to facility closures in the prior-year six-month period.

### Segment Operating Income

Segment operating income increased 40% to \$988 million due to increases at our licensing and retail businesses.

### Other expense, net

The Company recorded a \$16 million loss related to Consumer Products in the prior-year six -month period resulting from the foreign currency translation of net monetary assets denominated in Venezuelan currency, which was reported in "Other expense, net" in the Condensed Consolidated Statements of Income.

## Interactive

Operating results for the Interactive segment are as follows:

| (in millions)                              | Six Months Ended <sup>(1)</sup> |                   | % Change<br>Better/<br>(Worse) |
|--------------------------------------------|---------------------------------|-------------------|--------------------------------|
|                                            | March 28,<br>2015               | March 29,<br>2014 |                                |
| Revenues                                   |                                 |                   |                                |
| Games                                      | \$ 515                          | \$ 547            | (6) %                          |
| Other content                              | 104                             | 124               | (16) %                         |
| Total revenues                             | 619                             | 671               | (8) %                          |
| Operating expenses                         | (325)                           | (366)             | 11 %                           |
| Selling, general, administrative and other | (181)                           | (226)             | 20 %                           |
| Depreciation and amortization              | (12)                            | (10)              | (20) %                         |
| Operating Income                           | \$ 101                          | \$ 69             | 46 %                           |



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)

<sup>(1)</sup> Reclassifications have been made to the revenue amounts presented for the prior-year six-month period to conform with the current year presentation. The principal change was to reclassify game-related revenue at our Japan mobile business from Other content to Games.

### Revenues

Games revenues decreased \$32 million from \$547 million to \$515 million driven by a decrease of 10% from console games, partially offset by an increase of 6% from mobile games. The decrease in sales of console games was due to decreased unit sales of Disney Infinity accessories and lower performance of catalog titles. The increase in mobile games revenue was primarily due to the success of *Tsum Tsum*, *Frozen Free Fall* and *Star Wars Commander*, partially offset by lower performance of catalog titles and *Avengers Alliance*.

Lower other content revenue was due to a decrease in advertising revenue.

### Costs and Expenses

Operating expenses reflected a \$48 million decrease in product development from \$150 million to \$102 million, reflecting fewer mobile titles in development, partially offset by an increase in costs for Disney Infinity. Operating expenses also include a \$7 million increase in cost of sales from \$216 million to \$223 million driven by *Frozen Free Fall* and *Star Wars Commander* sales volume and a higher cost mix of Disney Infinity products sold, partially offset by a decrease due to lower sales of catalog titles.

Selling, general, administrative and other costs decreased \$45 million from \$226 million to \$181 million driven by lower marketing and sales costs at our mobile phone business in Japan, lower marketing costs from fewer mobile titles in release and the benefit of previous restructuring activities.

### Segment Operating Income

Segment operating income increased \$32 million from \$69 million to \$101 million driven by an increase at our mobile games business, partially offset by lower results at our console games business.

### Restructuring and impairment charges

The Company recorded restructuring charges of \$36 million related to Interactive in the prior-year six-month period, primarily for severance costs from organizational and cost structure initiatives. These charges were reported in "Restructuring and impairment charges" in the Condensed Consolidated Statements of Income.

## CORPORATE AND UNALLOCATED SHARED EXPENSES

| (in millions)                             | Quarter Ended     |                   | % Change<br>Better/<br>(Worse) | Six Months Ended  |                   | % Change<br>Better/<br>(Worse) |
|-------------------------------------------|-------------------|-------------------|--------------------------------|-------------------|-------------------|--------------------------------|
|                                           | March 28,<br>2015 | March 29,<br>2014 |                                | March 28,<br>2015 | March 29,<br>2014 |                                |
| Corporate and unallocated shared expenses | \$ (170)          | \$ (155)          | (10) %                         | \$ (295)          | \$ (271)          | (9) %                          |

The increase in Corporate and unallocated shared expenses in the current quarter and six-month period was driven by the timing of allocations to operating segments. The increase in the six-month period also included higher charitable giving.

## SIGNIFICANT DEVELOPMENTS

### Disneyland Paris Recapitalization

As disclosed in Note 6 to the Condensed Consolidated Financial Statements, Disneyland Paris is implementing a €1.0 billion recapitalization, which is expected to be completed by the end of 2015.

The Company has recognized approximately \$375 million of deferred income tax assets on the difference between the Company's tax basis in its investment in Disneyland Paris and the Company's financial statement carrying value of Disneyland Paris. The Company will likely be required to write-off this deferred tax asset as a result of the recapitalization.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)

## Seven TV Investment

The Company has a 49% ownership interest in Seven TV, which operates an advertising-supported, free-to-air Disney Channel in Russia and is accounted for under the equity method. In October 2014, regulations were adopted in Russia that prohibit more than 20% foreign ownership of media companies and could require the Company to divest a portion of its interest by January 2016. The Company continues to evaluate its options with respect to these regulations and, depending on the outcome, we could have an impairment of some or all of our approximately \$300 million investment related to Seven TV.

## FINANCIAL CONDITION

The change in cash and cash equivalents is as follows:

| (in millions)                                         | Six Months Ended  |                   | % Change<br>Better/<br>(Worse) |
|-------------------------------------------------------|-------------------|-------------------|--------------------------------|
|                                                       | March 28,<br>2015 | March 29,<br>2014 |                                |
| Cash provided by operations                           | \$ 4,773          | \$ 3,739          | 28 %                           |
| Cash used in investing activities                     | (1,827)           | (1,011)           | (81) %                         |
| Cash used in financing activities                     | (2,345)           | (2,438)           | 4 %                            |
| Impact of exchange rates on cash and cash equivalents | (277)             | (143)             | (94) %                         |
| Increase in cash and cash equivalents                 | <u>\$ 324</u>     | <u>\$ 147</u>     | >100 %                         |

## Operating Activities

Cash provided by operating activities increased 28% to \$4.8 billion for the current six -month period compared to \$3.7 billion in the prior-year six -month period due to higher operating cash flow at our Media Networks, Studio Entertainment, Parks and Resorts and Consumer Products segments. Higher operating cash flow at Media Networks was due to increased operating receipts driven by Affiliate Fee growth, partially offset by higher disbursements for operating expenses. Studio Entertainment cash flow benefited from higher operating cash receipts driven by increased collections of prior-year accounts receivable. Parks and Resorts cash flow benefited from higher operating cash receipts due to increased revenues, partially offset by higher payments for labor and other costs driven by higher volumes and inflation. Consumer Products cash flow benefited from higher operating cash receipts due to licensing revenue reflecting the performance of *Frozen*. These increases were partially offset by an increase in taxes paid driven by higher pre-tax profits.

## 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)**

The Company's film and television production and programming activity for the six months ended March 28, 2015 and March 29, 2014 are as follows:

| (in millions)                                                  | <b>Six Months Ended</b>   |                           |
|----------------------------------------------------------------|---------------------------|---------------------------|
|                                                                | <b>March 28,<br/>2015</b> | <b>March 29,<br/>2014</b> |
| Beginning balances:                                            |                           |                           |
| Production and programming assets                              | \$ 6,386                  | \$ 5,417                  |
| Programming liabilities                                        | (875)                     | (928)                     |
|                                                                | <u>5,511</u>              | <u>4,489</u>              |
| Spending:                                                      |                           |                           |
| Television program licenses and rights                         | 3,254                     | 3,275                     |
| Film and television production                                 | 2,183                     | 2,123                     |
|                                                                | <u>5,437</u>              | <u>5,398</u>              |
| Amortization:                                                  |                           |                           |
| Television program licenses and rights                         | (3,643)                   | (2,948)                   |
| Film and television production                                 | (1,761)                   | (1,787)                   |
|                                                                | <u>(5,404)</u>            | <u>(4,735)</u>            |
| Change in film and television production and programming costs | 33                        | 663                       |
| Other non-cash activity                                        | 61                        | 28                        |
| Ending balances:                                               |                           |                           |
| Production and programming assets                              | 6,606                     | 6,004                     |
| Programming liabilities                                        | (1,001)                   | (824)                     |
|                                                                | <u>\$ 5,605</u>           | <u>\$ 5,180</u>           |

**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 six months ended March 28, 2015 and March 29, 2014 are as follows:

| (in millions)           | <b>Six Months Ended</b>   |                           |
|-------------------------|---------------------------|---------------------------|
|                         | <b>March 28,<br/>2015</b> | <b>March 29,<br/>2014</b> |
| Media Networks          |                           |                           |
| Cable Networks          | \$ 26                     | \$ 68                     |
| Broadcasting            | 20                        | 28                        |
| Total Media Networks    | <u>46</u>                 | <u>96</u>                 |
| Parks and Resorts       |                           |                           |
| Domestic                | 606                       | 464                       |
| International           | 1,054                     | 651                       |
| Total Parks and Resorts | <u>1,660</u>              | <u>1,115</u>              |
| Studio Entertainment    | 52                        | 32                        |
| Consumer Products       | 16                        | 10                        |
| Interactive             | 10                        | 2                         |
| Corporate               | 121                       | 104                       |
|                         | <u>\$ 1,905</u>           | <u>\$ 1,359</u>           |

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)

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 international parks and resorts operations was due to higher construction spending on the Shanghai Disney 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 Corporate primarily reflect investments in corporate facilities, information technology and equipment.

The Company currently expects its fiscal 2015 capital expenditures will be approximately \$1.5 billion higher than fiscal 2014 capital expenditures of \$3.3 billion, driven by increased investment in Shanghai Disney Resort. While we fully consolidate capital expenditures for Shanghai Disney Resort, our net contribution is only 43% of the total capital expenditures. Therefore, net of Shanghai Disney Resort partner contributions, our capital spending is expected to increase by approximately \$1.0 billion.

### *Other Investing Activities*

During the current six -month period, proceeds from the sales of investments and dispositions totaled \$81 million . In the prior-year six -month period, proceeds from the sales of investments and dispositions totaled \$366 million .

### **Financing Activities**

Cash used in financing activities was \$2.3 billion in the current six months compared to cash used in financing activities of \$2.4 billion in the prior-year six months .

Cash used in financing activities in the current six months reflected dividend payments of \$1.9 billion and repurchases of common stock of \$1.8 billion , partially offset by contributions from noncontrolling interest holders of \$0.8 billion.

Cash used in financing activities was essentially flat compared to the prior-year six months as a decrease in the repurchases of common stock of \$1.5 billion and higher contributions from noncontrolling interest holders of \$0.4 billion were largely offset by a decrease in net proceeds from borrowings of \$1.3 billion and an increase in dividend payments of \$0.4 billion.

During the six months ended March 28, 2015 , the Company's borrowing activity was as follows:

| (in millions)                                                                        | September 27,<br>2014 | Borrowings      | Reductions of<br>borrowings | Other<br>Activity | March 28,<br>2015 |
|--------------------------------------------------------------------------------------|-----------------------|-----------------|-----------------------------|-------------------|-------------------|
| Commercial paper with original maturities less than three months, net <sup>(1)</sup> | \$ 50                 | \$ 1,855        | \$ —                        | \$ 1              | \$ 1,906          |
| Commercial paper with original maturities greater than three months                  | —                     | 1,822           | (1,723)                     | 1                 | 100               |
| U.S. medium-term notes                                                               | 13,713                | —               | (1,800)                     | 5                 | 11,918            |
| Foreign currency denominated debt                                                    | 783                   | 123             | (149)                       | (34)              | 723               |
| Other                                                                                | 294                   | —               | (24)                        | 40                | 310               |
| Total                                                                                | <u>\$ 14,840</u>      | <u>\$ 3,800</u> | <u>\$ (3,696)</u>           | <u>\$ 13</u>      | <u>\$ 14,957</u>  |

<sup>(1)</sup> Borrowings and reductions of borrowings are reported net.

The Company's bank facilities as of March 28, 2015 were as follows:

| (in millions)                     | Committed<br>Capacity | Capacity<br>Used | Unused<br>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                             | <u>\$ 6,000</u>       | <u>\$ —</u>      | <u>\$ 6,000</u>    |

The Company had a \$1.5 billion bank facility expiring in March 2015. This facility was refinanced and the maturity extended to March 2016. All of the above bank facilities allow for borrowings at LIBOR-based rates plus a spread depending

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)**

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 March 28, 2015, \$220 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 March 28, 2015 by a significant margin, and specifically exclude certain entities, including the International Theme Parks, from any representations, covenants, or events of default.

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 December 3, 2014, the Company declared a \$1.15 per share dividend ( \$1.9 billion ) related to fiscal 2014 for shareholders of record on December 15, 2014, which was paid on January 8, 2015.

During the six months ended March 28, 2015, the Company repurchased 20 million shares of its common stock for \$1.8 billion. On January 30, 2015, the Company's Board of Directors increased the repurchase authorization to a total of 400 million shares as of that date. As of March 28, 2015, the Company had remaining authorization in place to repurchase approximately 396 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 March 28, 2015, 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 March 28, 2015 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 11 to the Condensed Consolidated Financial Statements, the Company has exposure for certain legal matters, and the disclosure set forth in Note 11 relating to certain legal matters is incorporated herein by reference.

#### *Guarantees*

See Note 11 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 2014 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 2014 Annual Report on Form 10-K for information regarding the Company's contractual commitments.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)

### 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 2014 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 values of each year are 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 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)

### *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 2014 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 and concessions in a particular period, we may record less revenue in later periods when returns exceed the estimated amount. Conversely, if we overestimate the level of returns and concessions for a period, we may have additional revenue in later periods when returns and 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 critical 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 2014 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 the average of pension yield curves constructed of a large population of high-quality corporate bonds. The resulting discount rate reflects the matching of plan 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)

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. 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 11 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (continued)

### *New Accounting Pronouncements*

See Note 15 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 March 28, 2015 , 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 second quarter of fiscal 2015 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 11 to the Condensed Consolidated Financial Statements, the Company is engaged in certain legal matters, and the disclosure set forth in Note 11 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 2014 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 March 28, 2015 :

| Period                               | Total<br>Number of<br>Shares<br>Purchased <sup>(1)</sup> | Weighted<br>Average<br>Price Paid<br>per Share | Total Number<br>of Shares<br>Purchased as<br>Part of Publicly<br>Announced<br>Plans or<br>Programs | Maximum<br>Number of<br>Shares that<br>May Yet Be<br>Purchased<br>Under the<br>Plans or<br>Programs <sup>(2)</sup> |
|--------------------------------------|----------------------------------------------------------|------------------------------------------------|----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|
| December 28, 2014 – January 31, 2015 | 884,343                                                  | \$ 94.07                                       | 514,200                                                                                            | 400 million                                                                                                        |
| February 1, 2015 – February 28, 2015 | 1,141,130                                                | 100.59                                         | 1,129,693                                                                                          | 399 million                                                                                                        |
| March 1, 2015 – March 28, 2015       | 3,101,782                                                | 105.46                                         | 3,057,181                                                                                          | 396 million                                                                                                        |
| Total                                | <u>5,127,255</u>                                         | 102.41                                         | <u>4,701,074</u>                                                                                   | 396 million                                                                                                        |

<sup>(1)</sup> 426,181 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.

<sup>(2)</sup> 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 repurchase authorization to a total of 400 million shares as of that date. The repurchase program does not have an expiration date.

## **ITEM 5. Other Information**

On April 30, 2015, the Company amended The Amended and Restated The Walt Disney Productions and Associated Companies Key Employees Deferred Compensation and Retirement Plan (the "Plan") to specify that a limitation on benefits payable to executive officers under the Plan only applies to persons who were executive officers of the Company on January 1, 2012. The limitation caps benefits for executive officers at the amount that would have been payable under the Plan prior to amendments that were effective January 1, 2012. The amendment is set forth in Exhibit 10.3 to this Report on Form 10-Q, which is incorporated herein by reference.

## **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/ JAMES A. RASULO

James A. Rasulo,  
Senior Executive Vice President and Chief Financial  
Officer

May 5, 2015  
Burbank, California

## INDEX OF EXHIBITS

| Number and Description of Exhibit<br>(Numbers Coincide with Item 601 of Regulation S-K)                                                                                                                                                                                                                                                                                                                                                                                                      | Document Incorporated by Reference from<br>a Previous Filing or Filed Herewith, as<br>Indicated below |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| 4.1 364 Day Credit Agreement dated as of March 13, 2015                                                                                                                                                                                                                                                                                                                                                                                                                                      | Exhibit 10.1 to the Current Report on Form 8-K of the Company dated March 12, 2015                    |
| 10.1 Employment Agreement dated as of February 4, 2015 between the Company and Thomas O. Staggs                                                                                                                                                                                                                                                                                                                                                                                              | Exhibit 10.1 to the Current Report on Form 8-K of the Company dated February 5, 2015                  |
| 10.2 Amendment dated February 4, 2015 to the Employee Agreement dated as of September 27, 2013 between the Company and Alan N. Braverman                                                                                                                                                                                                                                                                                                                                                     | Exhibit 10.2 to the Current Report on Form 8-K of the Company dated February 5, 2015                  |
| 10.3 Amendments dated April 30, 2015 to the Amended and Restated The Walt Disney Productions and Associated Companies Key Employees Deferred Compensation and Retirement Plan, Amended and Restated Benefit Equalization Plan of ABC, Inc. and Disney Key Employees Retirement Savings Plan                                                                                                                                                                                                  | Filed herewith                                                                                        |
| 10.4 Third Amendment dated December 18, 2014 to the Disney Savings and Investment Plan                                                                                                                                                                                                                                                                                                                                                                                                       | Filed herewith                                                                                        |
| 10.5 Fourth Amendment dated April 30, 2015 to the Disney Savings and Investment Plan                                                                                                                                                                                                                                                                                                                                                                                                         | Filed herewith                                                                                        |
| 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 March 28, 2015 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.

**AMENDMENT OF PLANS  
(EFFECTIVE JANUARY 1, 2015)**

The undersigned, as a duly authorized officer of Disney Worldwide Services, Inc. and duly empowered by the Investment and Administrative Committee of The Walt Disney Company Qualified Plans and Key Employees Deferred Compensation and Retirement Plan to make nonmaterial amendments to the following employee benefit plans, does hereby adopt an amendment to each of the Disney Key Employees Retirement Savings Plan, the Benefit Equalization Plan of ABC, Inc., and The Walt Disney Productions and Associated Companies Key Employees Deferred Compensation and Retirement Plan, effective January 1, 2015, as follows:

1. Section 4.2(a)(1) of the Disney Key Employees Retirement Savings Plan is amended to read in its entirety:

- (1) The gross contribution amount equals the aggregate amount of Employer Contributions that would have been allocated to the Eligible Employee's Qualified Plan account for the calendar year if those contributions were determined:
- (A) Without regard to the limits imposed by Code section 415;
- (B) As if the annual compensation cap imposed by Code section 401(a)(17) for the calendar year were \$1,000,000; ~~and~~
- (C) By taking into account any equity in lieu of bonus received by the Participant during the calendar year as if it were contribution-eligible compensation under the Qualified Plan ~~;~~ and
- (D) By taking into account, at the time the amount otherwise would have been paid to the Participant, the amount of any compensation (i) that the Participant elected to defer under a nonqualified deferred compensation plan sponsored by the Company or an Affiliate of the Company and (ii) that, absent such election, would have been paid to the Participant on or after January 1, 2015, but only to the extent that the Qualified Plan would not, if the Participant had not made such an election, have taken into account such compensation on account of the compensation cap under Code section 401(a)(17).**

2. Section 4.1(a)(1) of the Benefit Equalization Plan of ABC, Inc., is amended by eliminating “and” at the end of subparagraph (B), renumbering subparagraph (C) to be subparagraph (D), and inserting a new subparagraph (C), as follows:

- (C) By taking into account, at the time the amount otherwise would have been paid to the Participant, the amount of any compensation (i) that the Participant elected to defer under a nonqualified deferred compensation plan sponsored by the Company or an Affiliate of the Company and (ii) that, absent such election, would have been paid to the Participant on or after January 1, 2015, but only to the extent that the Pension Plan would not, if the Participant had not made such an election, have taken into account such compensation on account of the compensation cap under Code section 401(a)(17); and**

3. Section 4.1(a)(1) of The Walt Disney Productions and Associated Companies Key Employees Deferred Compensation and Retirement Plan is amended by eliminating “and” at the end of subparagraph (C), renumbering subparagraph (D) to be subparagraph (E), and inserting a new subparagraph (D), as follows:

- (D) By taking into account, at the time the amount otherwise would have been paid to the Participant, the amount of any compensation (i) that the Participant elected to defer under a nonqualified deferred compensation plan sponsored by the Company or an Affiliate of the Company and (ii) that, absent such election, would have been paid to the Participant on or after January 1, 2015, but only to the extent that the Pension Plan would not, if the Participant had not made such an election, have taken into account such compensation on account of the compensation cap under Code section 401(a)(17); and**

4. Section 4.1(a)(3) of each of the Benefit Equalization Plan of ABC, Inc., and The Walt Disney Productions and Associated Companies Key Employees Deferred Compensation and Retirement Plan is amended to read as follows:

(3) Notwithstanding the foregoing, if a Participant is (or is deemed to be) an Executive Officer **both as of January 1, 2012, and** as of the earlier of the date he ceases to be an Eligible Employee or his Separation from Service, the Participant's Retirement Income shall not exceed the greater of:

(A) The Retirement Income that the Participant would have been entitled to under the Plan if the provisions of the Plan and the Pension Plan as in effect on December 31, 2011 had continued in effect without change; or

(B) If ~~the Participant~~

~~(i) was not an Executive Officer on January 1, 2012, but later becomes an Executive Officer; or~~

~~(ii) after ceasing to be an Executive Officer after January 1, 2012 (including the exhaustion of the period described in Plan section 2.1(r) during which he was deemed to be an Executive Officer),~~ **the Participant** later again becomes an Executive Officer,

the Retirement Income payable to the Participant under the Plan, determined as if he had a Separation from Service on the day immediately preceding the most recent date after January 1, 2012 on which he ~~becomes or~~ again becomes an Executive Officer.

IN WITNESS WHEREOF, these amendments are executed by the undersigned this 30<sup>th</sup> day of April, 2015.

DISNEY WORLDWIDE SERVICES, INC.

By: /s/ JEFFERY E. SHAPIRO  
Jeffrey E. Shapiro  
Vice President, Enterprise Benefits  
Authorized Representative and Committee Member

**THIRD AMENDMENT TO THE  
DISNEY SAVINGS AND INVESTMENT PLAN  
AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2010**

**WHEREAS**, The Walt Disney Company (the “Company”) maintains the Disney Savings and Investment Plan, as amended and restated effective January 1, 2010 (the “Plan”); and

**WHEREAS**, Article 12 of the Plan authorizes the Committee under the Plan to make certain Plan amendments; and

**WHEREAS**, the Committee desires to amend the Plan (1) to change the payment options available under the Plan, (2) to permit age 59-1/2 withdrawals for both active and inactive participants, (3) to exclude unused vacation and sick pay from the definition of “Compensation,” (4) to permit loan repayments after termination, (5) to reflect recent changes to federal treatment of same-sex marriages, and (6) to provide for immediate eligibility and a non-elective contribution (rather than a matching contribution) for ESPN Regular Remote Employees;

**NOW, THEREFORE**, this Third Amendment to the Plan is hereby adopted, effective as set forth below:

1. Effective September 1, 2014, Section 1.05 (“Aggregate Account” or “Account”) of the Plan, is amended in its entirety read:  
**1.05 “Aggregate Account” or “Account”** means the records, including subaccounts, maintained by the Committee in the manner provided hereunder to determine the interest of each Participant in the assets of the Plan and may refer to any or all of the accounts that a Participant may have under this Plan, namely a Tax-Deferred Account, a Matching Account, **an Automatic Contribution Account**, a Rollover Account, a Special Account, an After-Tax Account or a Roth Account.
2. Effective September 1, 2014, a new Section 1.08 (“Automatic Contribution”) is added and remaining sections of Article 1 and cross-references thereto shall be renumbered accordingly:

**1.08 “Automatic Contribution” means the Employer Automatic Contribution made to the Plan on behalf of a Participant pursuant to Section 3.09.**

3. Effective September 1, 2014, a new Section 1.09 (“Automatic Contribution Account”) is added and remaining sections of Article 1 and cross-references thereto shall be renumbered accordingly:

**1.09 “Automatic Contribution Account” means the account maintained for a Participant to record Automatic Contributions made on his behalf pursuant to Section 3.09 and adjustments relating thereto.**

4. Effective January 1, 2015, Section 1.10(a) (“Beneficiary”) of the Plan (as renumbered), as amended in the First Amendment to the Disney Savings and Investment Plan, shall be amended in its entirety as follows:

(a) the Participant’s ~~same-sex~~ domestic partner (determined in accordance with procedures prescribed by the Committee), or if none;

5. Effective January 1, 2015, Section 1.20(f) (“Compensation”) of the Plan (as renumbered), shall be amended to remove the “and” from the end of Section 1.20(e), replace “.” at the end of Section 1.20(f) with “; and”, and add a new Section 1.20(g) as follows:

**(g) Any Compensation in lieu of unused vacation and/or sick pay.**

6. Effective June 26, 2013, Section 1.52 (“Spouse”) of the Plan, shall be amended in its entirety to read:

**1.52 “Spouse”** means a ~~“Spouse” as defined by the Defense of Marriage Act (Pub. Law No. 104-199)~~ **any person married to a Participant if (and only if) the marriage to that individual was legal and valid when it was entered into, under the laws of the jurisdiction where it was entered into.** The term “Spouse” shall also include a former

Spouse of a Participant to the extent required by a Qualified Domestic Relations Order. **A spouse does not include a domestic partner or a partner through civil union or other similar formal relationship that is not treated as marriage under applicable law.**

7. Effective September 1, 2014, Section 1.24 (“Eligible Employee”) of the Plan, shall be revised to add the following phrase at the end of the sentence: “**and the requirement that the Covered Employee has reached the ninetieth (90th) day following his Employment Commencement Date shall not apply to ESPN Regular Remote Employees.**”
8. Effective September 1, 2014, Section 2.05(a)(ii) (“Transferred Participants”) of the Plan, shall be amended in its entirety as follows:
  - (ii) he shall not receive allocations of Matching Contributions, **Automatic Contributions**, or Special Contributions;
9. Effective September 1, 2014, Section 3.02(a) (“Matching Contributions”) of the Plan shall be amended in its entirety to read:
  - (a) Each Employer will contribute, with respect to Participants **(other than ESPN Regular Remote Employees)** employed by it who have met the eligibility requirements set forth in Section 3.02(b), a Matching Contribution equal to 50% of so much of the aggregate Tax-Deferred Contributions and Roth Contributions made on behalf of the Participant for the Plan Year as do not exceed 4% (6% to the extent the Participant is a Covered Employee as described in Section 1.19(a)(ii) or (iii)) of the Participant’s Compensation for the Plan Year, determined without regard to the Maximum Compensation Limitation, disregarding, for the Plan Year in which the Participant first satisfies the eligibility requirements, contributions made and Compensation earned before the Participant satisfies the eligibility requirements or enrolls in the Plan, if later; provided, however, that Matching Contributions made on behalf of a Participant for any Plan Year shall not exceed 2% (3% to the extent the Participant is a Covered Employee described in Section 1.19(a)(ii) or (iii)) of the Participant’s Compensation for the Plan Year, limited by the Maximum Compensation Limitation.
10. Effective September 1, 2014, Section 3.04(a) (“Deductibility Limitations and Form of Contribution”) of the Plan, shall be amended in its entirety as follows:
  - (a) In no event shall the aggregate Tax-Deferred, Roth, Matching, **Automatic**, and Special Contributions of the Employers exceed the amount deductible by the Employers for such Plan Year for income tax purposes as a contribution to the Trust under the applicable provisions of the Code. All Participant Tax-Deferred or Roth Contribution elections, Matching Contributions, **Automatic Contributions**, and Special Contributions are specifically conditioned on such deductibility.
11. Effective September 1, 2014, a new Section 3.09 is added as follows:

**3.09 Automatic Contribution for ESPN Regular Remote Employees**  
**(a) For each Plan Year, the applicable Employer shall contribute, on behalf of each Participant who is an ESPN Regular Remote Employee, an amount equal to 4% of the Participant’s Compensation.**  
**(b) All Automatic Contributions shall be paid to the Trustee no later than the time prescribed by law for filing the federal income tax returns of the Employers, including any extensions granted for the filing of such tax returns.**  
**(c) All Automatic Contributions are subject to the limitations of Article 14 and the further limitations of this Article.**
12. Effective September 1, 2014, the first sentence of Section 4.01 (“Individual Accounts”) of the Plan, shall be amended in its entirety to read:

#### **4.01 Individual Accounts**

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The Committee shall create and maintain adequate records to disclose the interest in the Trust Fund of each Participant and Beneficiary. Such records shall be in the form of individual accounts and credits and charges shall be made to such accounts in the manner herein described. When appropriate, a Participant shall have any or all of the following separate accounts: a Tax-Deferred Account, a Roth Account, a Matching Account, a Special Account, **an Automatic Contribution Account**, and a Rollover Account.

13. Effective September 1, 2014, Section 4.02 (“Account Allocations”) of the Plan, shall be amended to add new Section 4.02(g) (“Automatic Contributions”) as follows:

**(g) Automatic Contributions: As of each Valuation Date, the Automatic Contributions received by the Trust Fund since the immediately preceding Valuation Date shall be allocated to the Automatic Contribution Accounts of the Participants on whose behalf such Automatic Contributions were made.**

14. Effective September 1, 2014, the title of Section 5.01 of the Plan, shall be amended to add “of Aggregate Account” to the end.

15. Effective September 1, 2014, a new Section 5.02 (“Automatic Contribution Account”) shall be added as follows:

**5.02 Automatic Contribution Account**

**Except as provided in Section 11.07 and Article 14, the interest of each Participant in his Automatic Contribution Account shall be 100% vested and nonforfeitable at all times.**

16. Effective September 1, 2014, the first sentence of Section 6.01(c) (“Investment Options”) of the Plan, shall be amended in its entirety to read:

(c) Except to the extent that a Participant’s loan is considered a separate investment pursuant to Section 7.01, each Participant shall designate the Investment Fund(s) (to the extent such Investment Fund(s) are available for new contributions) under which his Tax-Deferred, Roth, Rollover, Matching, **Automatic**, and Special Contributions and loan repayments under Article 7 are to be invested.

17. Effective September 1, 2014, the first sentence of Section 6.01(d) (“Investment Options”) of the Plan, shall be amended in its entirety to read:

(d) A Participant may (i) change his election of Investment Funds with respect to his future contributions, or (ii) redesignate the proportions and/or the Investment Funds in which amounts already allocated to his Tax-Deferred, Roth, Rollover, Matching, **Automatic Contribution**, and Special Accounts shall be invested (to the extent such Investment Fund(s) are available to accept contributions or transferred amounts).

18. Effective September 1, 2014, the introductory sentence of Section 7.01 (“Loans to Active Participants”) of the Plan, shall be amended in its entirety to read:

**7.01 Loans to Active Participants**

The Committee shall direct the Trustee to loan a Participant or Alternate Payee who is actively employed by an Employer an amount from his Tax-Deferred, Roth, Matching, Special, **Automatic Contribution**, and Rollover Accounts in accordance with the rules of this Section and the Plan’s loan rules, which shall be considered to be a part of the Plan.

19. Effective September 1, 2014, Section 7.01(b) (“Loans to Active Participants”) of the Plan, shall be amended in its entirety to read:

(b) A Participant’s or Alternate Payee’s loan shall not be less than \$1,000 and shall not exceed the lesser of (i) \$50,000, reduced to the extent of the Participant’s or Alternate

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Payee's highest outstanding loan balance during the immediately prior 12-month period (ending the day before the new loan is granted) under the Plan and any other qualified plan maintained by the Employer or an Affiliated Employer or (ii) 50% of the total dollar value of the Participant's or Alternate Payee's Tax-Deferred, Roth, After-Tax, Matching, Special **Automatic Contribution**, and Rollover Accounts as of the date the loan is made.

20. Effective September 1, 2014, Section 7.01(g) ("Loans to Active Participants") of the Plan, shall be amended in its entirety to read:

(g) Each loan shall be treated as a separate investment of the fund credited to a Participant's or Alternate Payee's Tax-Deferred, Roth, After-Tax, Matching, Special **Automatic Contribution**, or Rollover Account.

21. Effective April 1, 2014, Section 7.02(a) ("Repayment of Loans") of the Plan, shall be amended in its entirety to read:

(a) The period of repayment for any loan shall be arrived at by agreement between the Committee and the borrower ~~, but all loans shall become due and payable on termination of employment~~. The repayment period shall be in full year increments and shall not exceed five (5) years, except that a 30-year repayment period may apply to any loan used for the purpose of purchasing a home that is the Participant's or Alternate Payee's principal residence.

22. Effective April 1, 2014, Section 7.02(c) ("Repayment of Loans") of the Plan, shall be removed in its entirety and the remainder of Section 7.02 and any cross-references thereto shall be renumbered accordingly:

~~(c) On the Participant's or Alternate Payee's termination of employment, the full amount of the loan becomes due and payable, regardless of whether a distribution is made pursuant to Section 8.02 at that time.~~

23. Effective April 1, 2014, Section 7.02(c) ("Repayment of Loans") of the Plan (as renumbered), shall be amended in its entirety to read:

( **c** ) Repayment of loans shall be by regular payroll deduction, and all loans shall be contingent on borrower's payroll deduction authorization, provided that if a Participant is subsequently granted an unpaid leave of absence or is transferred to an Affiliated Employer or a position or location with the Employer that is not covered by the plan (or ceases to have sufficient compensation from which the loan payment can be made **, including following a termination of employment** ), the Participant must continue to make timely level installment payments of principal and interest, by certified check, bank check, or money order or by such other method as may be prescribed by the Committee. Loan payments shall be transmitted to the Trustee in accordance with the Committee's usual administrative practice, provided that, if a Participant's loan is funded in part by an amount attributable to his Roth Account, a proportionate share of each of the Participant's loan payments shall be allocated to the Participant's Roth Account.

24. Effective September 1, 2014, Section 7.02(d) ("Repayment of Loans") of the Plan (as renumbered), shall be amended in its entirety to read:

(d) Loan defaults shall be treated as taxable distributions pursuant to Code requirements, but may not be applied to the borrower's collateral in his Tax-Deferred, Roth, Matching, **Automatic Contribution**, or Special Account until such time as a distribution from such accounts could otherwise be made under the Plan.

25. Effective January 1, 2015, Section 8.03(b) ("Distributions on Account of Termination of Employment") of the Plan, shall be amended in its entirety to read:

(b) **Except as set forth in Section 8.03(c) below,** distributions will be in the form of a lump sum cash payment, except that the Participant may request that any portion of the Participant's Aggregate Account that is invested in a Company Stock fund described in

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Section 6.01(a)(i)(A) will be distributed in shares of Company Stock, plus cash for any fractional shares.

26. Effective January 1, 2015, the second paragraph of Section 8.03(c) (“Distributions on Account of Termination of Employment”) of the Plan, shall be amended in its entirety to read:

The Participant may elect a ~~an immediate lump sum~~ distribution at any time after his termination of employment; however, the Participant may elect to delay his distribution until the earliest date that distribution of his Aggregate Account must commence pursuant to Section 8.08. All elections under this section 8.03(c) shall be made in the manner approved by the Committee. **The Participant shall receive distribution of the value of his Aggregate Account in a single lump sum payment, unless he elects to receive distribution of his Aggregate Account in the form of installments. The Participant may elect monthly, quarterly, semi-annual, or annual installments and an installment period of at least one year but not more than 20 years (or the maximum period over which payments are permitted under Section 8.08, if less). If a Participant elects to receive distribution in installments, the amount of each payment shall be determined by dividing the value of the Participant’s Aggregate Account on the Valuation Date as of which such payment is determined by the number of remaining installments, including the installment for which such amount is being determined. Notwithstanding the foregoing, the aggregate payments during any calendar year shall equal no less than the minimum amount (if any) required to be distributed during such calendar year in accordance with Section 8.08.**

27. Effective January 1, 2015, the first sentence of Section 8.03(d)(i) (“Distributions on Account of Termination of Employment”) of the Plan, as amended in the First Amendment to the Disney Savings and Investment Plan, shall be amended in its entirety to read:

(i) Except as provided in Section 8.03(d)(ii), if a Participant dies prior to receiving the lump sum distribution of his Aggregate Account **or prior to the completion of installment payments** under this Section, the distribution shall be paid to the Participant’s Beneficiary as soon as administratively practicable following the Participant’s death, and no later than the latest date payment is permitted under Section 8.08.

28. Effective September 1, 2014, Section 8.02(e) (“Distributions on Account of Termination of Employment”) of the Plan, shall be amended in its entirety to read:

(e) It is possible for a Participant or Beneficiary to receive a distribution under this Section before all Matching, **Automatic**, and Special Contributions on behalf of the Participant are made to the Trust Fund. In such case, such additional amounts shall be paid to the Participant or Beneficiary as soon as practicable after the Trust Fund’s receipt thereof.

29. Effective January 1, 2015, Section 8.07 (“Age 59-1/2 Withdrawals”) of the Plan, shall be amended in its entirety to read:

A Participant who has attained age 59-1/2 ~~and who has not terminated employment~~ may request a distribution from his Aggregate Account, provided that a distribution shall not be made for an amount less than \$250. Such distributions will be made as soon as practicable following the Committee’s receipt of the Participant’s request for withdrawal (on forms approved by the Committee) and will be made in the form of a single lump sum payment, **unless the Participant elects to receive distribution of his Aggregate Account in the form of installments. The Participant may elect monthly, quarterly, semi-annual, or annual installments and an installment period of at least one year but not more than 20 years (or the maximum period over which payments are permitted under Section 8.08, if less). If a Participant elects to receive distributions in installments, the amount of each payment shall be determined by dividing the value of the Participant’s Aggregate Account on the Valuation Date as of which such payment is determined by the number of remaining installments, including the installment for which such amount is being determined. Notwithstanding the foregoing, the aggregate payments**

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**during any calendar year shall equal no less than the minimum amount (if any) required to be distributed during such calendar year in accordance with Section 8.08.**

30. Effective September 1, 2014, Section 11.07 ("Failure to Locate Recipient") of the Plan, shall be amended in its entirety to read:

**11.07 Failure to Locate Recipient**

In the event that the Committee is unable to locate a Participant or Beneficiary who is entitled to payment under the Plan within five (5) years from the date such payment was to have been made, the amount to which such Participant or Beneficiary was entitled shall be declared a forfeiture and shall be used to reduce future Matching **or Automatic** Contributions to the Plan. If the Participant or Beneficiary later is located, the benefit that was previously forfeited hereunder shall be restored by means of additional Employer contributions to the Plan.

31. Effective September 1, 2014, Section 13.03(a) ("Minimum Allocation") of the Plan, shall be amended in its entirety to read:

(a) For any Plan Year in which the Plan is a Top-Heavy Plan, each Participant who is not a Key Employee will receive an allocation of Employer contributions of not less than the lesser of 3% of his Includable Compensation for such Plan Year or the percentage of Includable Compensation that equals the largest percentage of participating Employer contributions (including Tax-Deferred Contributions) and forfeitures allocated to a Key Employee. The Minimum Allocation is determined without regard to any Social Security contribution. Tax-Deferred or Roth Contributions made on behalf of Participants who are not Key Employees will not be treated as Employer contributions for the purposes of the Minimum Allocation. Matching **and Automatic** Contributions shall be taken into account for the purposes of satisfying the Minimum Allocation under the Plan or under such other plan that satisfies the minimum contribution requirement of Code Section 416(c)(2) with respect to such Participant. Matching Contributions that are used to satisfy the Minimum Allocation shall continue to be treated as Matching Contributions for purposes of the contribution percentage test under Section 14.03 and other requirements of Code Section 401(m). The Minimum Allocation applies even though under other Plan provisions the Participant would not otherwise be entitled to receive an allocation, or would have received a lesser allocation for the Plan Year because (i) the non-Key Employee fails to make mandatory contributions to the Plan, (ii) the non-Key Employee's Includable Compensation is less than a stated amount, or (iii) the non-Key Employee fails to complete 1,000 Hours of Service in the Plan Year.

32. Effective September 1, 2014, Section 14.05(d) ("Maximum Annual Additions") of the Plan, shall be amended to add a new Section 14.05 (d)(v) as follows:

**(v) Fifth, the Participant's matched Automatic Contributions under the plan or similar contributions under the other plan shall be reduced to the extend necessary.**

IN WITNESS WHEREOF, the undersigned has caused this Third Amendment to be executed this 18th day of December, 2014.

By: /s/ JEFFERY E. SHAPIRO  
Jeffrey E. Shapiro  
Vice President, Enterprise Benefits  
Authorized Representative and Committee Member

**FOURTH AMENDMENT TO THE  
DISNEY SAVINGS AND INVESTMENT PLAN  
AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2010**

**WHEREAS**, The Walt Disney Company (the “Company”) maintains the Disney Savings and Investment Plan, as amended and restated effective January 1, 2010 (the “Plan”); and

**WHEREAS**, Article 12 of the Plan authorizes the Committee under the Plan to make certain Plan amendments; and

**WHEREAS**, the Committee desires to amend the Plan to change the compensation limit for matching contributions;

**NOW, THEREFORE**, this Fourth Amendment to the Plan is hereby adopted, effective January 1, 2015:

1. Section 3.02(a) (“Matching Contributions”) of the Plan, shall be amended in its entirety to read:

(a) Each Employer will contribute, with respect to Participants (other than ESPN Regular Remote Employees) employed by it who have met the eligibility requirements set forth in Section 3.02(b), a Matching Contribution equal to 50% of so much of the aggregate Tax-Deferred Contributions and Roth Contributions made on behalf of the Participant for the Plan Year as do not exceed 4% (6% to the extent the Participant is a Covered Employee described in Section 1.19(a)(ii) or (iii)) of the Participant’s Compensation for the Plan Year, determined without regard to the Maximum Compensation Limitation, disregarding, for the Plan Year in which the Participant first satisfies the eligibility requirements, contributions made and Compensation earned before the Participant satisfies the eligibility requirements or enrolls in the Plan, if later; provided, however, that Matching Contributions made on behalf of a Participant for any Plan Year shall not exceed 2% (3% to the extent the Participant is a Covered Employee described in Section 1.19(a)(ii) or (iii)) of the ~~Participant’s Compensation~~ **Maximum Compensation Limitation** for the Plan Year, ~~limited by the Maximum Compensation Limitation~~.

IN WITNESS WHEREOF, the undersigned has caused this Fourth Amendment to be executed this 30th day of April, 2015.

By:

/s/ JEFFERY E. SHAPIRO

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Jeffrey E. Shapiro  
Vice President, Enterprise Benefits  
Authorized Representative and Committee Member

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

|                                                                                                                            | <b>Six Months Ended</b>  |                          | <b>Fiscal Year Ended</b> |                  |                  |                 |                 |
|----------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|------------------|------------------|-----------------|-----------------|
|                                                                                                                            | <b>Mar. 28,<br/>2015</b> | <b>Mar. 29,<br/>2014</b> | <b>2014</b>              | <b>2013</b>      | <b>2012</b>      | <b>2011</b>     | <b>2010</b>     |
| <b><u>EARNINGS</u></b>                                                                                                     |                          |                          |                          |                  |                  |                 |                 |
| Income from continuing operations before income taxes                                                                      | \$ 6,682                 | \$ 6,115                 | \$ 12,246                | \$ 9,620         | \$ 9,260         | \$ 8,043        | \$ 6,627        |
| Equity in the income of investees                                                                                          | (418)                    | (456)                    | (854)                    | (688)            | (627)            | (585)           | (440)           |
| Cash distributions received from equity investees                                                                          | 349                      | 361                      | 718                      | 694              | 663              | 608             | 473             |
| Interest expense, amortization of debt discounts and premiums on all indebtedness and amortization of capitalized interest | 168                      | 180                      | 360                      | 415              | 525              | 497             | 514             |
| Imputed interest on operating leases <sup>(1)</sup>                                                                        | 145                      | 148                      | 294                      | 292              | 288              | 273             | 247             |
| <b>TOTAL EARNINGS</b>                                                                                                      | <b>\$ 6,926</b>          | <b>\$ 6,348</b>          | <b>\$ 12,764</b>         | <b>\$ 10,333</b> | <b>\$ 10,109</b> | <b>\$ 8,836</b> | <b>\$ 7,421</b> |
| <b><u>FIXED CHARGES</u></b>                                                                                                |                          |                          |                          |                  |                  |                 |                 |
| Interest expense and amortization of debt discounts and premiums on all indebtedness                                       | \$ 135                   | \$ 148                   | \$ 294                   | \$ 349           | \$ 472           | \$ 435          | \$ 456          |
| Capitalized interest                                                                                                       | 47                       | 31                       | 73                       | 77               | 92               | 91              | 82              |
| Imputed interest on operating leases <sup>(1)</sup>                                                                        | 145                      | 148                      | 294                      | 292              | 288              | 273             | 247             |
| <b>TOTAL FIXED CHARGES</b>                                                                                                 | <b>\$ 327</b>            | <b>\$ 327</b>            | <b>\$ 661</b>            | <b>\$ 718</b>    | <b>\$ 852</b>    | <b>\$ 799</b>   | <b>\$ 785</b>   |
| <b>RATIO OF EARNINGS TO FIXED CHARGES</b><br><sup>(2)</sup>                                                                | <b>21.2</b>              | <b>19.4</b>              | <b>19.3</b>              | <b>14.4</b>      | <b>11.9</b>      | <b>11.1</b>     | <b>9.5</b>      |

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

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

**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: May 5, 2015

By:

/s/ ROBERT A. IGER

Robert A. Iger

Chairman and Chief Executive Officer

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

I, James A. Rasulo, 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: May 5, 2015

By:

/s/ JAMES A. RASULO

James A. Rasulo

Senior Executive Vice President and Chief Financial  
Officer

**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 March 28, 2015 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  
May 5, 2015

\* 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.

**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 March 28, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, James A. Rasulo, 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/ JAMES A. RASULO

James A. Rasulo

Senior Executive Vice President and Chief Financial  
Officer

May 5, 2015

\* 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.