

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
December 29, 2018

Commission File Number 1-11605

The WALT DISNEY Company

Incorporated in Delaware

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

There were 1,490,776,763 shares of common stock outstanding as of January 30, 2019.

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	
	December 29, 2018	December 30, 2017
Revenues:		
Services	\$ 12,866	\$ 12,984
Products	2,437	2,367
Total revenues	15,303	15,351
Costs and expenses:		
Cost of services (exclusive of depreciation and amortization)	(7,564)	(7,324)
Cost of products (exclusive of depreciation and amortization)	(1,437)	(1,405)
Selling, general, administrative and other	(2,152)	(2,087)
Depreciation and amortization	(732)	(742)
Total costs and expenses	(11,885)	(11,558)
Restructuring and impairment charges	—	(15)
Other income	—	53
Interest expense, net	(63)	(129)
Equity in the income of investees	76	43
Income before income taxes	3,431	3,745
Income taxes	(645)	728
Net income	2,786	4,473
Less: Net (income) loss attributable to noncontrolling interests	2	(50)
Net income attributable to The Walt Disney Company (Disney)	\$ 2,788	\$ 4,423
Earnings per share attributable to Disney:		
Diluted	\$ 1.86	\$ 2.91
Basic	\$ 1.87	\$ 2.93
Weighted average number of common and common equivalent shares outstanding:		
Diluted	1,498	1,521
Basic	1,490	1,512
Dividends declared per share	\$ 0.88	\$ 0.84

See Notes to Condensed Consolidated Financial Statements

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

	Quarter Ended	
	December 29, 2018	December 30, 2017
Net income	\$ 2,786	\$ 4,473
Other comprehensive income/(loss), net of tax:		
Market value adjustments for investments	—	(1)
Market value adjustments for hedges	(9)	18
Pension and postretirement medical plan adjustments	53	61
Foreign currency translation and other	(21)	87
Other comprehensive income	23	165
Comprehensive income	2,809	4,638
Net (income) loss attributable to noncontrolling interests, including redeemable noncontrolling interests	2	(50)
Other comprehensive (income) attributable to noncontrolling interests	(2)	(41)
Comprehensive income attributable to Disney	\$ 2,809	\$ 4,547

See Notes to Condensed Consolidated Financial Statements

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

	December 29, 2018	September 29, 2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,455	\$ 4,150
Receivables	10,123	9,334
Inventories	1,357	1,392
Television costs and advances	824	1,314
Other current assets	778	635
Total current assets	17,537	16,825
Film and television costs	8,177	7,888
Investments	2,970	2,899
Parks, resorts and other property		
Attractions, buildings and equipment	55,385	55,238
Accumulated depreciation	(31,069)	(30,764)
	24,316	24,474
Projects in progress	4,336	3,942
Land	1,145	1,124
	29,797	29,540
Intangible assets, net	6,747	6,812
Goodwill	31,289	31,269
Other assets	3,424	3,365
Total assets	\$ 99,941	\$ 98,598
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and other accrued liabilities	\$ 10,696	\$ 9,479
Current portion of borrowings	3,489	3,790
Deferred revenue and other	3,434	4,591
Total current liabilities	17,619	17,860
Borrowings	17,176	17,084
Deferred income taxes	3,177	3,109
Other long-term liabilities	6,452	6,590
Commitments and contingencies (Note 12)		
Redeemable noncontrolling interests	1,124	1,123
Equity		
Preferred stock	—	—
Common stock, \$0.01 par value, Authorized – 4.6 billion shares, Issued – 2.9 billion shares	36,799	36,779
Retained earnings	84,887	82,679
Accumulated other comprehensive loss	(3,782)	(3,097)
	117,904	116,361
Treasury stock, at cost, 1.4 billion shares	(67,588)	(67,588)
Total Disney Shareholders' equity	50,316	48,773
Noncontrolling interests	4,077	4,059
Total equity	54,393	52,832
Total liabilities and equity	\$ 99,941	\$ 98,598

See Notes to Condensed Consolidated Financial Statements

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

	Quarter Ended	
	December 29, 2018	December 30, 2017
OPERATING ACTIVITIES		
Net income	\$ 2,786	\$ 4,473
Depreciation and amortization	732	742
Deferred income taxes	46	(1,726)
Equity in the income of investees	(76)	(43)
Cash distributions received from equity investees	170	170
Net change in film and television costs and advances	468	34
Equity-based compensation	92	94
Other	61	139
Changes in operating assets and liabilities:		
Receivables	(1,078)	(1,378)
Inventories	32	65
Other assets	25	(29)
Accounts payable and other liabilities	(1,289)	(1,160)
Income taxes	130	856
Cash provided by operations	2,099	2,237
INVESTING ACTIVITIES		
Investments in parks, resorts and other property	(1,195)	(981)
Other	(141)	(62)
Cash used in investing activities	(1,336)	(1,043)
FINANCING ACTIVITIES		
Commercial paper borrowings/(payments), net	(302)	1,140
Borrowings	—	1,025
Reduction of borrowings	—	(1,330)
Repurchases of common stock	—	(1,313)
Proceeds from exercise of stock options	37	50
Other	(146)	(156)
Cash used in financing activities	(411)	(584)
Impact of exchange rates on cash, cash equivalents and restricted cash	(44)	21
Change in cash, cash equivalents and restricted cash	308	631
Cash, cash equivalents and restricted cash, beginning of period	4,155	4,064
Cash, cash equivalents and restricted cash, end of period	\$ 4,463	\$ 4,695

See Notes to Condensed Consolidated Financial Statements

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

	Quarter Ended							
	Equity Attributable to Disney					Total Disney Equity	Non-controlling Interests ⁽¹⁾	Total Equity
	Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock			
Balance at September 29, 2018	1,488	\$ 36,779	\$ 82,679	\$ (3,097)	\$ (67,588)	\$ 48,773	\$ 4,059	\$ 52,832
Comprehensive income	—	—	2,788	21	—	2,809	(1)	2,808
Equity compensation activity	2	20	—	—	—	20	—	20
Dividends	—	—	(1,310)	—	—	(1,310)	—	(1,310)
Contributions	—	—	—	—	—	—	20	20
Adoption of new accounting standards:								
Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	—	—	691	(691)	—	—	—	—
Intra-Entity Transfers of Assets Other Than Inventory	—	—	129	—	—	129	—	129
Revenues from Contracts with Customers	—	—	(116)	—	—	(116)	—	(116)
Other	—	—	22	(15)	—	7	—	7
Distributions and other	—	—	4	—	—	4	(1)	3
Balance at December 29, 2018	1,490	\$ 36,799	\$ 84,887	\$ (3,782)	\$ (67,588)	\$ 50,316	\$ 4,077	\$ 54,393
Balance at September 30, 2017	1,517	\$ 36,248	\$ 72,606	\$ (3,528)	\$ (64,011)	\$ 41,315	\$ 3,689	\$ 45,004
Comprehensive income	—	—	4,423	124	—	4,547	97	4,644
Equity compensation activity	3	6	—	—	—	6	—	6
Common stock repurchases	(13)	—	—	—	(1,313)	(1,313)	—	(1,313)
Dividends	—	—	(1,266)	—	—	(1,266)	—	(1,266)
Distributions and other	—	—	—	—	—	—	8	8
Balance at December 30, 2017	1,507	\$ 36,254	\$ 75,763	\$ (3,404)	\$ (65,324)	\$ 43,289	\$ 3,794	\$ 47,083

⁽¹⁾ Excludes redeemable noncontrolling interest

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 ended December 29, 2018 are not necessarily indicative of the results that may be expected for the year ending September 28, 2019.

These financial statements should be read in conjunction with the Company's 2018 Annual Report on Form 10-K.

The Company enters into relationships or investments with other entities that may be variable interest entities (VIE). A VIE is consolidated in the financial statements if the Company has the power to direct activities that most significantly impact the economic performance of the VIE and has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant (as defined by ASC 810-10-25-38) to the VIE. Hong Kong Disneyland Resort and Shanghai Disney Resort (together the Asia Theme Parks) are VIEs in which the Company has less than 50% equity ownership. Company subsidiaries (the Management Companies) have management agreements with the Asia 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 Asia Theme Parks. In addition, the Management Companies receive management fees under these arrangements that we believe could be significant to the Asia Theme Parks. Therefore, the Company has consolidated the Asia 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes thereto. Actual results may differ from those estimates.

Reclassifications

Certain reclassifications have been made in fiscal 2018 financial statements and notes to conform to the fiscal 2019 presentation.

2. Description of Business and Segment Information

Our operating segments report separate financial information, which is evaluated regularly by the Chief Executive Officer in order to decide how to allocate resources and to assess performance.

Effective in fiscal 2019, the Company started reporting its results in the following operating segments:

- Media Networks;
- Parks, Experiences & Consumer Products;
- Studio Entertainment; and
- Direct-to-Consumer & International

The Parks, Experiences & Consumer Products segment reflects the combination of the former Parks & Resorts and Consumer Products & Interactive Media segments. Certain businesses that were previously reported in Media Networks, Studio Entertainment and Consumer Products & Interactive Media are now reported in Direct-to-Consumer & International (DTCI). Fiscal 2018 segment operating results have been recast to align with the fiscal 2019 presentation.

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

DESCRIPTION OF BUSINESS

Media Networks

- Significant operations:
 - Disney, ESPN and Freeform branded domestic cable networks
 - ABC branded broadcast television network and eight owned domestic television stations
 - Television programming, production and distribution
 - A 50% equity investment in A+E Television Networks (A+E), which operates a variety of cable channels including A&E, HISTORY and Lifetime
- Significant revenues:
 - Affiliate fees - Fees charged to multi-channel video programming distributors (i.e. cable, satellite, telecommunications and digital over-the-top (e.g. Hulu, YouTube TV) service providers) (“MVPDs”) and to television stations affiliated with the ABC Network for the right to deliver our programming to their customers
 - Advertising - Sales of ad time/space on our domestic networks and related platforms, except non-ratings-based advertising on digital platforms (“ratings-based ad sales”), and the sale of time on our domestic television stations. Ratings-based ad sales are generally determined using viewership measured with Nielsen ratings. Non-ratings-based advertising on digital platforms will be reported by DTIC as discussed in the DTIC section
 - TV/SVOD distribution - Licensing fees and other revenues for the right to use our television programs and productions and content transactions with other Company segments (“program sales”)
- Significant expenses:
 - Operating expenses consisting primarily of programming and production costs, participations and residuals expense, technical support costs, operating labor, and distribution costs
 - Selling, general and administrative costs
 - Depreciation and amortization

Parks, Experiences & Consumer Products

- Significant operations:
 - Parks & Experiences:
 - Theme parks and resorts, which include: Walt Disney World Resort in Florida; Disneyland Resort in California; Disneyland Paris; and 47% and 43% interests in Hong Kong Disneyland Resort and Shanghai Disney Resort, respectively, all of which are consolidated in our results. Additionally, the Company licenses our intellectual property to a third party to operate Tokyo Disney Resort
 - Disney Cruise Line, Disney Vacation Club and Aulani, a Disney Resort & Spa in Hawaii
 - Consumer Products:
 - Licensing of our trade names, characters, visual, literary and other intellectual properties to various manufacturers, game developers, publishers and retailers throughout the world
 - Sale of branded merchandise through retail, online and wholesale businesses, and development and publishing of books, magazines, comic books and games. As of the end of fiscal 2018, the Company had substantially exited the vertical games development business
- Significant revenues:
 - Theme park admissions - Sales of tickets for admission to our theme parks
 - Parks & Experiences merchandise, food and beverage - Sales of merchandise, food and beverages at our theme parks and resorts and cruise ships
 - Resorts and vacations - Sales of room nights at hotels, sales of cruise vacations and sales and rentals of vacation club properties
 - Merchandise licensing and retail
 - Merchandise licensing - Royalties from intellectual property licensing
 - Retail - Sales of merchandise at The Disney Stores and through branded internet shopping sites, as well as, to wholesalers (including sales of published materials and games)
 - Parks licensing and other - Revenues from sponsorships and co-branding opportunities, real estate rent and sales, and royalties from Tokyo Disney Resort

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

- Significant expenses:
 - Operating expenses consisting primarily of operating labor, costs of goods sold, infrastructure costs, supplies, commissions and entertainment offerings. Infrastructure costs include information systems expense, repairs and maintenance, utilities and fuel, property taxes, retail occupancy costs, insurance, and transportation
 - Selling, general and administrative costs
 - Depreciation and amortization

Studio Entertainment

- Significant operations:
 - Motion picture production and distribution under the Walt Disney Pictures, Pixar, Marvel, Lucasfilm and Touchstone banners
 - Development, production and licensing of live entertainment events on Broadway and around the world (“Stage plays”)
- Significant revenues:
 - Theatrical distribution - Rentals from licensing our motion pictures to theaters
 - Home entertainment - Sale of our motion pictures to retailers and distributors in physical (DVD and Blu-ray) and electronic formats
 - TV/SVOD distribution and other - Licensing fees and other revenue for the right to use our motion picture productions, content transactions with other Company segments, ticket sales from stage plays and fees from licensing our intellectual properties for use in live entertainment productions
- Significant expenses:
 - Operating expenses consisting primarily of amortization of production, participations and residuals costs, distribution costs and costs of sales
 - Selling, general and administrative costs
 - Depreciation and amortization

Direct-to-Consumer & International

- Significant operations:
 - Disney and ESPN branded international television networks and channels (“International Channels”)
 - Direct-to-consumer (DTC) businesses:
 - ESPN+ streaming service, which was launched in April 2018
 - Disney+ streaming service, which we plan to launch in late 2019
 - Other Company branded digital content distribution platforms and services
 - BAMTech LLC (BAMTech) (owned 75% by the Company since September 25, 2017), which provides streaming technology services
 - Equity investments:
 - A 30% interest in Hulu, which aggregates acquired television and film entertainment content and original content produced by Hulu and distributes it digitally to internet-connected devices
 - A 21% effective ownership in Vice Group Holdings, Inc. (Vice), which is a media company that targets millennial audiences. Vice operates Viceland, which is owned 50% by Vice and 50% by A+E
- Significant revenues:
 - Affiliate fees - Fees charged to MVPDs for the right to deliver our International Channels to their customers
 - Advertising - Sales of ad time/space on our International Channels. Sales of non-ratings based ad time/space on digital platforms (“addressable ad sales”). In general, addressable ad sales are delivered using technology that allows for dynamic insertion of advertisements into video content, which can be targeted to specific viewer groups
 - Subscription fees and other - Fees charged to customers/subscribers for our DTC streaming and other services and fees charged for streaming technology services
- Significant expenses:
 - Operating expenses consisting primarily of programming and production costs (including programming, production and branded digital content obtained from other Company segments), technical support costs, operating labor and distribution costs

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

- Selling, general and administrative costs
- Depreciation and amortization

SEGMENT INFORMATION

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

Intersegment content transactions (e.g. feature films aired on the ABC Television Network) are presented “gross” (i.e. the segment producing the content reports revenue and profit from intersegment transactions in a manner similar to the reporting of third-party transactions, and the required eliminations are reported on a separate “Eliminations” line when presenting a summary of our segment results). Previously, these transactions were reported “net”, and the intersegment revenue was eliminated in the results of the segment producing the content. Fiscal 2018 intersegment content transactions have been recast to align with the fiscal 2019 presentation.

Segment revenues and segment operating income are as follows:

	Quarter Ended	
	December 29, 2018	December 30, 2017
Revenues ⁽¹⁾:		
Media Networks	\$ 5,921	\$ 5,555
Parks, Experiences & Consumer Products	6,824	6,527
Studio Entertainment	1,824	2,509
Direct-to-Consumer & International	918	931
Eliminations ⁽²⁾	(184)	(171)
	<u>\$ 15,303</u>	<u>\$ 15,351</u>
Segment operating income ⁽¹⁾:		
Media Networks	\$ 1,330	\$ 1,243
Parks, Experiences & Consumer Products	2,152	1,954
Studio Entertainment	309	825
Direct-to-Consumer & International	(136)	(42)
Eliminations	—	6
	<u>\$ 3,655</u>	<u>\$ 3,986</u>

⁽¹⁾ Studio Entertainment revenues and operating income include an allocation of Parks, Experiences & Consumer Products revenues, which is meant to reflect royalties on sales of merchandise based on film properties. The increase to Studio Entertainment revenues and operating income and corresponding decrease to Parks, Experiences & Consumer Products revenues and operating income was \$154 million and \$171 million for the quarters ended December 29, 2018 and December 30, 2017, respectively.

⁽²⁾ Intersegment content transactions are as follows:

(in millions)	Quarter Ended	
	December 29, 2018	December 30, 2017
Revenues		
Studio Entertainment:		
Content transactions with Media Networks	\$ (21)	\$ (31)
Content transactions with Direct-to-Consumer & International	(18)	(8)
Media Networks:		
Content transactions with Direct-to-Consumer & International	(145)	(132)
Total revenues	<u>\$ (184)</u>	<u>\$ (171)</u>

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

Equity in the income/(loss) of investees is included in segment operating income as follows:

	Quarter Ended	
	December 29, 2018	December 30, 2017
Media Networks	\$ 179	\$ 159
Parks, Experiences & Consumer Products	(12)	(7)
Direct-to-Consumer & International	(91)	(109)
Equity in the income / (loss) of investees	<u>\$ 76</u>	<u>\$ 43</u>

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

	Quarter Ended	
	December 29, 2018	December 30, 2017
Segment operating income	\$ 3,655	\$ 3,986
Corporate and unallocated shared expenses	(161)	(150)
Restructuring and impairment charges	—	(15)
Other income	—	53
Interest expense, net	(63)	(129)
Income before income taxes	<u>\$ 3,431</u>	<u>\$ 3,745</u>

3. Revenues

On September 30, 2018, the Company adopted Financial Accounting Standards Board (FASB) guidance, which replaced the existing accounting standards for revenue recognition with a single comprehensive five-step model (“new revenue standard”). The core principle is to recognize revenue upon the transfer of control of goods or services to customers at an amount that reflects the consideration expected to be received. We adopted the new revenue standard using the modified retrospective method, therefore results for reporting periods beginning after September 30, 2018 are presented under the new revenue standard, while prior period amounts have not been adjusted and continue to be reported in accordance with our historic accounting. Upon adoption, we elected to apply the new revenue standard to all contracts and we recorded a net reduction to opening retained earnings of \$116 million.

The most significant changes to the Company’s revenue recognition policies resulting from the adoption of the new revenue standard are as follows:

- For television and film content licensing agreements with multiple availability windows with the same licensee, the Company now defers more revenue to future windows than under the previous accounting guidance.
- For licenses of character images, brands and trademarks with minimum guaranteed license fees, the excess of the minimum guaranteed amount over actual amounts earned based on a percentage of the licensee’s underlying sales (“minimum guarantee shortfall”) is now recognized straight-line over the remaining license period once an expected shortfall is identified. Previously, shortfalls were recognized at the end of the contract period.
- For licenses that include multiple television and film titles with a minimum guaranteed license fee across all titles that earns out against the aggregate fees based on the licensee’s underlying sales, the Company now allocates the minimum guaranteed license fee to each title at contract inception and recognizes the allocated license fee as revenue when the title is made available to the customer. License fees earned in excess of the allocated minimum guaranteed amount by title are deferred until the aggregate contractual minimum guarantee is exceeded and then recognized as revenue as earned based on the licensee’s underlying sales. Previously, license fees were recognized as earned based on the licensee’s underlying sales with any shortfalls recognized at the end of the contract period.
- For renewals or extensions of license agreements for television and film content, revenues are now recognized when the licensed content becomes available under the renewal or extension. Previously, revenues were recognized when the agreement was renewed or extended.

The adoption of the new revenue standard resulted in certain reclassifications on the Condensed Consolidated Balance Sheet. The primary changes are the reclassification of sales returns reserves (previously reported as a reduction of receivables)

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

to other accrued liabilities (\$163 million at December 29, 2018) and the reclassification of refundable customer advances (previously reported as deferred revenues) to other accrued liabilities (\$739 million at December 29, 2018).

The cumulative effect of adoption at September 29, 2018 and the impact at December 29, 2018 (had we not applied the new revenue standard) on the Condensed Consolidated Balance Sheet is as follows:

	September 29, 2018			December 29, 2018		
	Fiscal 2018 Ending Balances as Reported	Effect of Adoption	Q1 2019 Opening Balances	Balances Assuming Historical Accounting	Q1 2019 Impact of New Revenue Standard	Q1 2019 Ending Balances as Reported
Assets						
Receivables - current/non-current	\$ 11,262	\$ (241)	\$ 11,021	\$ 12,030	\$ (102)	\$ 11,928
Film and television costs and advances - current/non-current	9,202	48	9,250	8,968	33	9,001
Liabilities						
Accounts payable and other accrued liabilities	9,479	1,039	10,518	9,799	897	10,696
Deferred revenue and other	4,591	(1,082)	3,509	4,342	(908)	3,434
Deferred income taxes	3,109	(34)	3,075	3,208	(31)	3,177
Equity	52,832	(116)	52,716	54,420	(27)	54,393

The impact on the Condensed Consolidated Statement of Income for the quarter ended December 29, 2018, due to the adoption of the new revenue standard is as follows:

	Quarter ended December 29, 2018		
	Results Assuming Historical Accounting	Impact of New Revenue Standard	Reported
Revenues	\$ 15,109	\$ 194	\$ 15,303
Cost and Expenses	(11,806)	(79)	(11,885)
Income Taxes	(619)	(26)	(645)
Net Income	2,697	89	2,786

The most significant impacts were at the Media Networks and Parks, Experiences & Consumer Products segments, both of which reflected a change in the timing of revenue recognition on contracts with minimum guarantees.

Summary of Significant Revenue Recognition Accounting Policies

The Company generates revenue from the sale of both services and products. Revenue is recognized when control of the services or products is transferred to the customer. The amount of revenue recognized reflects the consideration the Company expects to receive in exchange for the services or products.

The Company has three broad categories of service revenues: licenses of rights to use our intellectual property, sales to guests at our Parks and Experiences businesses, and advertising. The Company's primary product revenues include the sale of food, beverage and merchandise at our parks, resorts and retail stores and the sale of film and television productions in physical formats (DVD and Blu-ray).

The new revenue standard defines two types of licenses of intellectual property ("IP"): IP that has "standalone functionality," which is called functional IP, and all other IP, which is called symbolic IP. Revenue related to the license of functional IP is generally recognized upon delivery (availability) of the IP to the customer. The substantial majority of the Company's film and television content distribution activities at the Media Networks, Studio Entertainment and DTCI segments is considered licensing of functional IP. Revenue related to the license of symbolic IP is generally recognized over the term of the license. The Company's primary revenue stream derived from symbolic IP is the licensing of trade names, characters, visual and literary properties at the Parks, Experiences & Consumer Products segment.

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

More detailed information about the revenue recognition policies for our key revenues is as follows:

- **Affiliate fees** - Fees charged to affiliates (i.e., MVPDs or television stations) for the right to deliver our television network programming on a continuous basis to their customers are recognized as the programming is provided based on contractually specified per subscriber rates and the actual number of the affiliate's customers receiving the programming.

Affiliate contracts may include a minimum guaranteed license fee. For these contracts, the guaranteed license fee is recognized ratably over the guaranteed period and any fees earned in excess of the guarantee are recognized as earned once the minimum guarantee has been exceeded.

Affiliate agreements may also include a license to use the network programming for on demand viewing. As the fees charged under these contracts are generally based on a contractually specified per subscriber rate for the number of underlying subscribers of the affiliate, revenues are recognized as earned.

- **Subscription fees** - Fees charged to customers/subscribers for our DTC streaming and other services are recognized ratably over the term of the subscription.
- **Advertising** - Sales of advertising time/space on our television networks, digital platforms, and television stations are recognized as revenue, net of agency commissions, when commercials are aired on television or delivered online. The performance obligation in advertising agreements is the delivery of ad time/space and may include a guaranteed number of impressions. When a contract contains a guaranteed number of impressions and the guaranteed number of impressions is not met ("ratings shortfall"), revenues are not recognized for the ratings shortfall until the guaranteed impressions are provided through the delivery of additional advertising time/space.
- **Theme park admissions** - Sales of theme park tickets are recognized when the tickets are used. Sales of annual passes are recognized ratably over the period for which the pass is available for use.
- **Resorts and vacations** - Sales of hotel room nights and cruise vacations and rentals of vacation club properties are recognized as the services are provided to the guest. Sales of vacation club properties are recognized when title to the property transfers to the customer.
- **Merchandise, food and beverage** - Sales of merchandise, food and beverages at our theme parks and resorts, cruise ships and Disney Stores are recognized at the time of sale. Sales from our branded internet shopping sites and to wholesalers are recognized upon delivery. We estimate returns and customer incentives based upon historical return experience, current economic trends and projections of consumer demand for our products.
- **TV/SVOD distribution licensing** - Fees charged for the right to use our television and motion picture productions are recognized as revenue when the content is available for use by the licensee. Contractual license fees may be for a fixed amount, based on performance in previous distribution windows (e.g., box office receipts) or based on underlying sales of the licensee.

TV/SVOD distribution contracts may contain more than one title and/or provide that certain titles are only available for use during defined periods of time during the contract term. In these instances, each title and/or period of availability is generally considered a separate performance obligation. For these contracts, license fees are allocated to each title and period of availability at contract inception based on relative standalone selling price using management's best estimate. Revenue is recognized when the content is made available for use by the licensee.

For TV/SVOD licenses that include multiple titles subject to an aggregate minimum guaranteed license fee across all titles, the minimum guaranteed license fee is allocated to each title at contract inception and recognized as revenue when the title is available for use by the licensee. License fees earned in excess of the allocated minimum guarantee are deferred until the aggregate contractual minimum guaranteed license fee has been exceeded with the excess then recognized as earned.

When the term of an existing agreement is renewed or extended, revenues are recognized when the licensed content becomes available under the renewal or extension.

- **Theatrical distribution licensing** - Fees charged for licensing of our motion pictures to theaters are recognized as revenue based on the contractual royalty rate applied to the theater's underlying sales from exhibition of the film.
- **Merchandise licensing** - Fees charged for the use of our trade names and characters in connection with the sale of a licensee's products are recognized as revenue as the products are sold by the licensee applying a contractual royalty rate to the licensee sales. For licenses with minimum guaranteed license fees, the excess of the minimum guaranteed

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amount over actual royalties earned from licensee sales (shortfall) is recognized straight-line over the remaining license period once an expected shortfall is probable.

- Home entertainment - Sales of our motion pictures to retailers and distributors in physical formats (DVD and Blu-ray) are recognized as revenue on the later of the delivery date or the date that the product can be sold by retailers. We reduce home entertainment revenues for estimated future returns of merchandise and sales incentives based upon historical return experience, current economic trends and projections of consumer demand for our products. Sales of our motion pictures in electronic formats are recognized as revenue when the product is available for use by the consumer.
- Taxes - Taxes collected from customers and remitted to governmental authorities are excluded from revenue.
- Shipping and handling - Fees collected from customers for shipping and handling are recorded as revenue upon delivery of the product to the consumer. The related shipping expenses are recorded in cost of products upon delivery of the product to the customer.

The following table presents our revenues by segment and major source:

Quarter Ended December 29, 2018						
	Media Networks	Parks, Experiences & Consumer Products	Studio Entertainment	Direct-to-Consumer & International	Eliminations	Consolidated
Affiliate fees	\$ 3,075	\$ —	\$ —	\$ 323	\$ —	\$ 3,398
Advertising	2,023	2	—	417	—	2,442
Theme park admissions	—	1,933	—	—	—	1,933
Resort and vacations	—	1,531	—	—	—	1,531
Retail and wholesale sales of merchandise, food and beverage	—	2,122	—	—	—	2,122
TV/SVOD distribution licensing	722	—	605	34	(184)	1,177
Theatrical distribution licensing	—	—	373	—	—	373
Merchandise licensing	—	741	154	15	—	910
Home entertainment	—	—	425	28	—	453
Other	101	495	267	101	—	964
Total revenues	\$ 5,921	\$ 6,824	\$ 1,824	\$ 918	\$ (184)	\$ 15,303

Quarter Ended December 30, 2017 ⁽¹⁾						
	Media Networks	Parks, Experiences & Consumer Products	Studio Entertainment	Direct-to-Consumer & International	Eliminations	Consolidated
Affiliate fees	\$ 2,867	\$ —	\$ —	\$ 338	\$ —	\$ 3,205
Advertising	1,963	2	—	411	—	2,376
Theme park admissions	—	1,832	—	—	—	1,832
Resort and vacations	—	1,463	—	—	—	1,463
Retail and wholesale sales of merchandise, food and beverage	—	2,059	—	—	—	2,059
TV/SVOD distribution licensing	624	—	519	25	(171)	997
Theatrical distribution licensing	—	—	1,169	—	—	1,169
Merchandise licensing	—	776	171	18	—	965
Home entertainment	—	—	361	30	—	391
Other	101	395	289	109	—	894
Total revenues	\$ 5,555	\$ 6,527	\$ 2,509	\$ 931	\$ (171)	\$ 15,351

⁽¹⁾ The table presents our revenues by segment and major source under historical accounting.

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The following table presents our revenues by segment and primary geographical markets:

	Quarter Ended December 29, 2018					
	Media Networks	Parks, Experiences & Consumer Products	Studio Entertainment	Direct-to-Consumer & International	Eliminations	Consolidated
United States and Canada	\$ 5,509	\$ 5,142	\$ 1,038	\$ 404	\$ (164)	\$ 11,929
Europe	152	1,065	413	180	(15)	1,795
Asia Pacific	79	551	286	118	(5)	1,029
Latin America	181	66	87	216	—	550
Total revenues	\$ 5,921	\$ 6,824	\$ 1,824	\$ 918	\$ (184)	\$ 15,303

The amount of revenue recognized for the three months ended December 29, 2018 from performance obligations satisfied (or partially satisfied) in previous periods is \$378 million, which primarily relates to revenues based on theatrical and TV/SVOD distribution licensee sales in the current quarter on titles made available to the licensee in previous quarters.

As of December 29, 2018, revenue expected to be recognized in the future for unsatisfied performance obligations is \$13.3 billion, which primarily relates to content to be delivered in the future under existing agreements with television station affiliates and TV/SVOD licensees. Of this amount, we expect to recognize approximately \$4.2 billion in the remainder of fiscal 2019, \$3.6 billion in fiscal 2020, \$2.3 billion in fiscal 2021, and \$3.3 billion thereafter. These amounts include only fixed consideration or minimum guarantees and do not include amounts related to (i) contracts with an original expected term of one year or less (such as most advertising contracts) or (ii) licenses of IP that are based on sales of the licensee.

Payment terms vary by the type and location of our customers and the products or services offered. For certain products or services and customer types, we require payment before the products or services are provided to the customer; in other cases, after appropriate credit evaluations, payment is due in arrears. Advertising contracts, which are generally short term, are billed monthly with payments generally due within 30 days. Payments due under affiliate arrangements are calculated monthly and are generally due within 45 days of month end. Home entertainment terms generally include payment within 60 to 90 days of availability date to the customer. Licensing payment terms vary by contract but are generally collected in advance or over the license term. The Company has accounts receivable with original maturities greater than one year related to the sale of film and television program rights and vacation club properties (see note 12). These receivables are discounted to present value based on a discount rate reflective of a separate financing transaction at contract inception. Therefore, the related revenues are recognized at the discounted amount.

When the timing of the Company's revenue recognition is different from the timing of customer payments, the Company recognizes either a contract asset (customer payment is subsequent to revenue recognition and subject to the Company satisfying additional performance obligations) or deferred revenue (customer payment precedes the Company satisfying the performance obligations). Consideration due under contracts with payment in arrears are recognized as accounts receivable. Deferred revenues are recognized as revenue as (or when) the Company performs under the contract. Contract assets, accounts receivable and deferred revenues from contracts with customers are as follows:

	December 29, 2018	September 30, 2018
Contract assets	\$ 146	\$ 89
Accounts Receivable		
Current	9,543	8,553
Non-current	1,561	1,640
Allowance for doubtful accounts	(230)	(226)
Deferred revenues		
Current	2,968	2,926
Non-current	514	609

Contract assets relate to certain multi-season TV/SVOD licensing contracts. Activity for the quarter ended December 29, 2018 related to contract assets and the allowance for doubtful accounts was not material.

Deferred revenue primarily relates to nonrefundable consideration received in advance for (i) licensing contracts, theme park annual passes, theme park tickets and vacation packages and (ii) the deferral of advertising revenues due to ratings

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shortfalls. For the three months ended December 29, 2018, \$1.6 billion of revenues primarily related to theme park admissions and vacation packages included in the deferred revenue balance at the beginning of the period were recognized. The decrease in deferred revenues due to the revenues recognized was partially offset by the receipt of additional prepaid parks admissions, non-refundable travel deposits and advances on certain licensing arrangements.

4. Acquisitions

Twenty-First Century Fox

On December 14, 2017, the Company and Twenty-First Century Fox, Inc. ("21CF") announced a definitive agreement (the "Original Merger Agreement") for the Company to acquire 21CF.

On June 20, 2018, the Company, TWDC Holdco 613 Corp ("New Disney"), a direct wholly owned subsidiary of the Company, and 21CF entered into an Amended and Restated Agreement and Plan of Merger ("Amended Merger Agreement") for New Disney to acquire 21CF. The Amended Merger Agreement amends and restates the Original Merger Agreement in its entirety.

Prior to the acquisition, 21CF will transfer a portfolio of its news, sports and broadcast businesses, including the Fox News Channel, Fox Business Network, Fox Broadcasting Company, Fox Sports, Fox Television Stations Group, FS1, FS2, Fox Deportes, Big Ten Network and certain other assets and liabilities into a newly formed subsidiary ("New Fox") (the "New Fox Separation") and distribute all of the issued and outstanding common stock of New Fox to shareholders of 21CF (other than holders that are subsidiaries of 21CF) on a pro rata basis (the "New Fox Distribution"). Prior to the New Fox Distribution, New Fox will pay 21CF a dividend in the amount of \$8.5 billion. As the New Fox Separation and the New Fox Distribution will be taxable to 21CF at the corporate level, the dividend is intended to fund the taxes resulting from the New Fox Separation and New Fox Distribution and certain other transactions contemplated by the Amended Merger Agreement (the "Transaction Tax"). On October 3, 2018, 21CF entered into an agreement to sell its existing 39% interest in Sky plc ("Sky") to Comcast at a price of £17.28 per each Sky share for a total sales price of approximately £11.6 billion (\$15.1 billion). 21CF will retain all assets and liabilities not transferred to New Fox, which will include the 21CF film and television studios, certain cable networks (including FX and Nat Geo), 21CF's international television businesses and the proceeds from the sale of its interest in Sky.

Following the New Fox Separation and the New Fox Distribution, WDC Merger Enterprises I, Inc., a wholly owned subsidiary of New Disney will be merged with and into the Company, with the Company continuing as the surviving corporation (the "Disney Merger"), and WDC Merger Enterprises II, Inc., a wholly owned subsidiary of New Disney, will be merged with and into 21CF, with 21CF continuing as the surviving corporation (the "21CF Merger and together with the Disney Merger, the "Mergers"). As a result of the Mergers, the Company and 21CF will become direct wholly owned subsidiaries of New Disney, which will be renamed "The Walt Disney Company" concurrently with the Mergers. Each share of Disney stock issued and outstanding immediately prior to the Disney Merger will be converted into one share of New Disney stock of the same class.

The Boards of Directors of the Company and 21CF have approved the transaction. On July 27, 2018, the Amended Merger Agreement was adopted by the requisite vote of 21CF's shareholders, and the stock issuance was approved by the requisite vote of the Company's shareholders. The consummation of the transaction is subject to various conditions, including, among others, (i) the consummation of the New Fox Separation, (ii) the receipt of certain tax opinions with respect to the treatment of the transaction under U.S. and Australian tax laws, and (iii) the receipt of certain regulatory approvals and governmental consents. The closing of the acquisition is expected to occur in the first half of calendar year 2019.

Pursuant to a consent decree with the DOJ, we are required to sell 21CF's Regional Sports Networks (the "RSNs") (the "RSN Divestiture"). Under the consent decree, the Company will have at least 90 days from the date of the acquisition to complete the RSN Divestiture, with the possibility that the DOJ can grant extensions of time up to another 90 days; and the DOJ must approve the purchaser(s) and terms and conditions of the RSN Divestiture. The decree is subject to the normal court approval process.

On November 6, 2018, the European Commission approved the acquisition on the condition that the Company divest its interests in certain cable channels in the European Economic Area that are controlled by A+E, including History, H2, Crime & Investigation, Blaze and Lifetime ("the EEA Channels"). A+E is owned 50% by the Company, and the Company plans to comply by divesting its interests in the entities that operate the EEA Channels while retaining its 50% ownership of A+E apart from the A+E entities operating the EEA Channels.

Upon consummation of the transaction, each issued and outstanding share of 21CF common stock (other than (i) treasury shares, (ii) shares held by 21CF subsidiaries and (iii) shares held by 21CF shareholders who have not voted in favor of the 21CF Merger and perfected and not withdrawn a demand for appraisal rights under Delaware law) will be exchanged for an amount (the "Per Share Value"), payable at the election of the holder thereof in either cash or shares of New Disney common stock. The Per Share Value is equal to fifty percent (50%) of the sum of (i) \$38.00 plus (ii) the value of a number of shares of

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the Company's common stock equal to an "exchange ratio" (determined based on the volume weighted average price of Disney common stock over the fifteen consecutive trading day period ending on (and including) the trading day that is three trading days prior to the date of the effective time of the 21CF Merger ("Average Company Stock Price")). If the Average Company Stock Price is greater than \$114.32, then the exchange ratio will be 0.3324. If the Average Company Stock Price is less than \$93.53, then the exchange ratio will be 0.4063. If the Average Company Stock Price is greater than or equal to \$93.53 but less than or equal to \$114.32, then the exchange ratio will be an amount equal to \$38.00 divided by the Average Company Stock Price. The merger consideration is subject to automatic proration and adjustment to ensure that the aggregate cash consideration (before giving effect to the adjustment for the Transaction Tax) is equal to \$35.7 billion.

The merger consideration may be subject to an adjustment based on the final estimate of the Transaction Tax. The merger consideration in the Amended Merger Agreement was set based on an estimate of \$8.5 billion for the Transaction Tax and will be adjusted immediately prior to consummation of the transaction if the final estimate of the Transaction Tax at closing is more than \$8.5 billion or less than \$6.5 billion. Such adjustment could increase or decrease the merger consideration, depending on whether the final estimate is lower or higher, respectively, than \$6.5 billion or \$8.5 billion. Additionally, if the final estimate of the Transaction Tax is lower than \$8.5 billion, the Company will make a cash payment to New Fox reflecting the difference between such amount and \$8.5 billion, up to a maximum cash payment of \$2.0 billion.

As described in an 8-K filed by the Company on October 5, 2018, based on the estimated number of shares of 21CF common stock outstanding as of September 27, 2018 and assuming an Average Company Stock Price of \$111.6013 (which was the volume weighted average price of the Company's stock over the 15-trading day period ending on September 27, 2018), and assuming no adjustment for the Transaction Tax, New Disney would be required to issue approximately 319 million shares of New Disney common stock to 21CF shareholders. New Disney will record the merger consideration based upon the cash paid, which will be funded from New Disney borrowings, plus the value of New Disney common stock issued to 21CF shareholders, which will be determined by the number of shares issued and the Company's stock price on the closing date. We anticipate that we will repay approximately half of the borrowings shortly after the transaction closes using cash we expect to acquire from 21CF. New Disney will assume approximately \$19 billion of 21CF debt that had an estimated fair value of approximately \$23 billion as of September 30, 2018.

Under the terms of the Amended Merger Agreement, Disney will pay 21CF \$2.5 billion if the Mergers are not consummated under certain circumstances relating to the failure to obtain approvals, or if there is a final, non-appealable order preventing the transaction, in each case, relating to antitrust laws, communications laws or foreign regulatory laws. If the Amended Merger Agreement is terminated under certain other circumstances relating to changes in board recommendations and/or alternative transactions, the Company or 21CF may be required to pay the other party approximately \$1.5 billion.

On October 5, 2018, the Company commenced an exchange offer for any and all outstanding notes (the "21CFA Notes") issued by 21st Century Fox America, Inc. ("21CFA"), for up to \$18.1 billion aggregate principal amount of new notes (the "New Disney Notes") and cash. In conjunction with the offer to exchange (each an "Exchange Offer" and collectively, the "Exchange Offers") the 21CFA Notes, New Disney, on behalf of 21CFA, was concurrently soliciting consents (each, a "Consent Solicitation" and, collectively, the "Consent Solicitations") to adopt certain proposed amendments to each of the indentures governing the 21CFA Notes to eliminate substantially all of the restrictive covenants in such indentures, release the guarantee provided by 21CF pursuant to such indentures and limit the reporting covenants under such indentures so that 21CFA is only required to comply with the reporting requirements under the Trust Indenture Act of 1939 (collectively, the "Proposed Amendments").

On October 22, 2018, the Company announced that the requisite number of consents had been received to adopt the Proposed Amendments with respect to all 21CFA Notes. Supplemental indentures effecting the Proposed Amendments were executed on October 22, 2018. Such supplemental indentures were valid and enforceable upon execution but will only become operative upon the settlement of the Exchange Offers and Consent Solicitations. The settlement of the Exchange Offers and Consent Solicitations is expected to occur on or around the closing date of the acquisition. If the acquisition is not consummated, or if the Exchange Offers and Consent Solicitations are otherwise terminated or withdrawn prior to settlement, the Proposed Amendments effected by the supplemental indentures will be deemed to be revoked retroactive to October 22, 2018.

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Goodwill

The changes in the carrying amount of goodwill for the quarter ended December 29, 2018 are as follows:

	Media Networks	Parks and Resorts	Studio Entertainment	Consumer Products & Interactive Media	Parks, Experiences & Consumer Products	Direct-to-Consumer & International	Total
Balance at Sep. 29, 2018	\$ 19,388	\$ 291	\$ 7,164	\$ 4,426	\$ —	\$ —	\$ 31,269
Segment recast ⁽¹⁾	(3,399)	(291)	(70)	(4,426)	4,487	3,699	—
Other, net	—	—	9	—	—	11	20
Balance at Dec. 29, 2018	<u>\$ 15,989</u>	<u>\$ —</u>	<u>\$ 7,103</u>	<u>\$ —</u>	<u>\$ 4,487</u>	<u>\$ 3,710</u>	<u>\$ 31,289</u>

⁽¹⁾ Represents the reallocation of goodwill as a result of the Company recasting its segments (see Note 2).

5. Cash, Cash Equivalents, Restricted Cash and Borrowings

Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported in the Condensed Consolidated Balance Sheet to the total of the amounts reported in the Condensed Consolidated Statements of Cash Flows.

	December 29, 2018	September 29, 2018
Cash and cash equivalents	\$ 4,455	\$ 4,150
Restricted cash included in:		
Other current assets	4	1
Other assets	4	4
Total cash, cash equivalents and restricted cash in the statement of cash flows	<u>\$ 4,463</u>	<u>\$ 4,155</u>

Borrowings

During the quarter ended December 29, 2018, the Company's borrowing activity was as follows:

	September 29, 2018	Borrowings	Payments	Other Activity	December 29, 2018
Commercial paper with original maturities less than three months ⁽¹⁾	\$ 50	\$ 548	\$ —	\$ 1	\$ 599
Commercial paper with original maturities greater than three months	955	99	(950)	(4)	100
U.S. and European medium-term notes	17,942	—	—	5	17,947
Asia Theme Parks borrowings	1,145	—	—	15	1,160
Foreign currency denominated debt and other ⁽²⁾	782	1	—	76	859
Total	<u>\$ 20,874</u>	<u>\$ 648</u>	<u>\$ (950)</u>	<u>\$ 93</u>	<u>\$ 20,665</u>

⁽¹⁾ Borrowings and reductions of borrowings are reported net.

⁽²⁾ The other activity is due to market value adjustments for debt with qualifying hedges, partially offset by the impact of changes in foreign currency exchange rates.

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The Company has bank facilities with a syndicate of lenders to support commercial paper borrowings as follows:

	Committed Capacity	Capacity Used	Unused Capacity
Facility expiring March 2020	\$ 6,000	\$ —	\$ 6,000
Facility expiring March 2021	2,250	—	2,250
Facility expiring March 2023	4,000	—	4,000
Total	<u>\$ 12,250</u>	<u>\$ —</u>	<u>\$ 12,250</u>

The Company had a \$6.0 billion bank facility expiring in March 2019. This facility was refinanced extending the maturity date to March 2020. All of the above bank facilities allow for borrowings at LIBOR-based rates plus a spread depending on the credit default swap spread applicable to the Company's debt, subject to a cap and floor that vary with the Company's debt rating assigned by Moody's Investors Service and Standard & Poor's. The spread above LIBOR can range from 0.18% to 1.63%. The Company also has the ability to issue up to \$500 million of letters of credit under the facility expiring in March 2023, which if utilized, reduces available borrowings under this facility. As of December 29, 2018, the Company has \$221 million of outstanding letters of credit, of which none were issued under this facility. The facilities specifically exclude certain entities, including the Asia Theme Parks, from any representations, covenants, or events of default and contain only one financial covenant relating to interest coverage, which the Company met on December 29, 2018 by a significant margin.

21CF Credit Facility

In June 2018, the Company received committed financing from a bank syndicate to fund the cash component of the pending acquisition of 21CF. Under the terms of the commitment, the bank syndicate has committed to provide and arrange a 364-day unsecured bridge term loan facility in an aggregate principal amount of \$35.7 billion at the completion of the 21CF transaction. The interest rate on the facility can vary based on the Company's debt rating. The interest rate would have been LIBOR plus 0.75% if the Company had drawn on this facility at December 29, 2018.

Cruise Ship Credit Facilities

In October 2016 and December 2017, the Company entered into credit facilities to finance three new cruise ships, which are expected to be delivered in 2021, 2022 and 2023. The financings may be used for up to 80% of the contract price of the cruise ships. Under the agreements, \$1.0 billion in financing is available beginning in April 2021, \$1.1 billion is available beginning in May 2022 and \$1.1 billion is available beginning in April 2023. If utilized, the interest rates will be fixed at 3.48%, 3.72% and 3.74%, respectively, and the loans and interest will be payable semi-annually over a 12-year period from the borrowing date. Early repayment is permitted subject to cancellation fees.

Interest expense, net

Interest expense, interest and investment income, and net periodic pension and postretirement benefit costs (other than service costs) (see Note 8) are reported net in the Condensed Consolidated Statements of Income and consist of the following (net of capitalized interest):

	Quarter Ended	
	December 29, 2018	December 30, 2017
Interest expense	\$ (163)	\$ (146)
Interest and investment income	75	17
Net periodic pension and postretirement benefit costs (other than service costs)	25	—
Interest expense, net	<u>\$ (63)</u>	<u>\$ (129)</u>

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

6. International Theme Parks

The Company has a 47% ownership interest in the operations of Hong Kong Disneyland Resort and a 43% ownership interest in the operations of Shanghai Disney Resort (the Asia Theme Parks together with Disneyland Paris are collectively referred to as the International Theme Parks).

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The following table summarizes the carrying amounts of the International Theme Parks' assets and liabilities included in the Company's Condensed Consolidated Balance Sheets as of December 29, 2018 and September 29, 2018:

	December 29, 2018	September 29, 2018
Cash and cash equivalents	\$ 737	\$ 834
Other current assets	364	400
Total current assets	1,101	1,234
Parks, resorts and other property	8,947	8,973
Other assets	107	103
Total assets ⁽¹⁾	\$ 10,155	\$ 10,310
Current liabilities	\$ 769	\$ 921
Long-term borrowings	1,121	1,106
Other long-term liabilities	348	382
Total liabilities ⁽¹⁾	\$ 2,238	\$ 2,409

⁽¹⁾ Total assets of the Asia Theme Parks were \$8 billion at both December 29, 2018 and September 29, 2018 including parks, resorts and other property of \$7 billion. Total liabilities of the Asia Theme Parks were \$2 billion at both December 29, 2018 and September 29, 2018.

The following table summarizes the International Theme Parks' revenues and costs and expenses included in the Company's Condensed Consolidated Statement of Income for the quarter ended December 29, 2018:

	December 29, 2018
Revenues	\$ 910
Costs and expenses	(891)
Equity in the loss of investees	(12)

Asia Theme Parks' royalty and management fees of \$33 million for the quarter ended December 29, 2018 are eliminated in consolidation but are considered in calculating earnings attributable to noncontrolling interests.

International Theme Parks' cash flows included in the Company's Condensed Consolidated Statement of Cash Flows for the quarter ended December 29, 2018 were \$135 million generated from operating activities, \$230 million used in investing activities and \$20 million generated from financing activities. Approximately half of cash flows generated from operating activities and used in investing activities were for the Asia Theme Parks.

Hong Kong Disneyland Resort

The Government of the Hong Kong Special Administrative Region (HKSAR) and the Company have a 53% and a 47% equity interest in Hong Kong Disneyland Resort, respectively.

The Company and HKSAR have both provided loans to Hong Kong Disneyland Resort with outstanding balances of \$144 million and \$143 million respectively. The interest rate is three month HIBOR plus 2%, and the maturity date is September 2025 for the majority of the borrowings. The Company's loan is eliminated in consolidation.

The Company has provided Hong Kong Disneyland Resort with a revolving credit facility of HK \$2.1 billion (\$269 million), which bears interest at a rate of three month HIBOR plus 1.25% and matures in December 2023. There is no outstanding balance under the line of credit at December 29, 2018.

Shanghai Disney Resort

Shanghai Shendi (Group) Co., Ltd (Shendi) and the Company have 57% and 43% equity interests in Shanghai Disney Resort, respectively. A management company, in which the Company has a 70% interest and Shendi a 30% interest, operates Shanghai Disney Resort.

The Company has provided Shanghai Disney Resort with loans totaling \$809 million, bearing interest at rates up to 8% and maturing in 2036, with early repayment permitted. In addition, the Company has an outstanding balance of \$160 million due from Shanghai Disney Resort primarily related to royalties. The Company has also provided Shanghai Disney Resort with a

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\$157 million line of credit bearing interest at 8%. There is no outstanding balance under the line of credit at December 29, 2018. These balances are eliminated in consolidation.

Shendi has provided Shanghai Disney Resort with loans totaling 7.0 billion yuan (approximately \$1.0 billion), bearing interest at rates up to 8% and maturing in 2036, with early repayment permitted. Shendi has also provided Shanghai Disney Resort with a 1.4 billion yuan (approximately \$199 million) line of credit bearing interest at 8%. There is no outstanding balance under the line of credit at December 29, 2018.

7. Income Taxes

U.S. Tax Cuts and Jobs Act

In December 2017, new federal income tax legislation, the “Tax Cuts and Jobs Act” (Tax Act), was signed into law. The most significant impacts on the Company are as follows:

- Effective January 1, 2018, the U.S. corporate federal statutory income tax rate was reduced from 35.0% to 21.0%. Because of our fiscal year end, the Company’s fiscal 2018 statutory federal tax rate was 24.5%. The Company’s statutory federal tax rate is 21.0% for fiscal 2019 (and thereafter).
- The Company remeasured its U.S. federal deferred tax assets and liabilities at the rate that the Company expects to be in effect when those deferred taxes are realized (either 24.5% if in 2018 or 21.0% thereafter) (Deferred Remeasurement). The Company recognized a benefit of approximately \$2.2 billion from the Deferred Remeasurement, the majority of which was recognized in the first quarter of fiscal 2018. The amount recognized for the quarter ended December 29, 2018 was not material.
- A one-time tax is due on certain accumulated foreign earnings (Deemed Repatriation Tax), which is payable over eight years. The effective tax rate is generally 15.5% on the portion of the earnings held in cash and cash equivalents and 8% on the remainder. The Company recognized a charge for the Deemed Repatriation Tax of approximately \$0.4 billion, the majority of which was recognized in the first quarter of fiscal 2018. The amount recognized for the quarter ended December 29, 2018 was not material. Generally there will no longer be a U.S. federal income tax cost arising from the repatriation of foreign earnings.
- The Company is eligible to claim an immediate deduction for investments in qualified fixed assets acquired and film and television productions that commenced after September 27, 2017 and placed in service by the end of fiscal 2022. The immediate deduction phases out for assets placed in service in fiscal 2023 through fiscal 2027.
- Beginning in fiscal 2019:
 - The domestic production activity deduction is eliminated.
 - Certain foreign derived income will be taxed in the U.S. at an effective rate of approximately 13% (which increases to approximately 16% in 2025) rather than the general statutory rate of 21%.
 - Certain foreign earnings will be taxed at a minimum effective rate of approximately 13%, which increases to approximately 16% in 2025. The Company’s policy is to expense the tax on these earnings in the period the earnings are taxable in the U.S.

Intra-Entity Transfers of Assets Other Than Inventory

On September 30, 2018, the Company adopted a FASB standard that requires recognition of the income tax consequences of an intra-entity transfer of an asset (other than inventory) when the transfer occurs instead of when the asset is ultimately sold to an outside party. For the quarter ended December 29, 2018, the Company recorded a \$0.1 billion deferred tax asset with an offsetting increase to retained earnings.

Unrecognized Tax Benefits

During the quarter ended December 29, 2018, the Company increased its gross unrecognized tax benefits by \$0.1 billion from \$0.6 billion to \$0.7 billion. In the next twelve months, it is reasonably possible that our unrecognized tax benefits could change due to resolutions of open tax matters and we do not expect that the resolutions will have a material impact.

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8. Pension and Other Benefit Programs

The components of net periodic benefit cost are as follows:

	Pension Plans		Postretirement Medical Plans	
	Quarter Ended		Quarter Ended	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
Service costs	\$ 83	\$ 88	\$ 2	\$ 3
Other costs (benefits):				
Interest costs	145	123	16	15
Expected return on plan assets	(239)	(225)	(14)	(13)
Amortization of prior-year service costs	3	3	—	—
Recognized net actuarial loss	64	87	—	3
Total other costs (benefits)	(27)	(12)	2	5
Net periodic benefit cost	\$ 56	\$ 76	\$ 4	\$ 8

On September 30, 2018, the Company adopted a FASB standard on the presentation of the components of net periodic pension and postretirement benefit cost (“net periodic benefit cost”). This standard requires the Company to present the service cost component of net periodic benefit cost in the same line items on the statement of operations as other compensation costs of the related employees (i.e. “Costs and expense” in the Condensed Consolidated Statement of Income). All of the other components of net periodic benefit cost (“other costs / benefits”) are presented as a component of “Interest expense, net” in the Condensed Consolidated Statement of Income (see Note 5). The other costs / benefits in fiscal 2018 were not material and are reported in Costs and expenses.

During the quarter ended December 29, 2018, the Company did not make material contributions to its pension and postretirement medical plans. The Company expects total pension and postretirement medical plan contributions in fiscal 2019 of approximately \$600 million to \$700 million. However, final funding amounts for fiscal 2019 will be assessed based on our January 1, 2019 funding actuarial valuation, which will be available in the fourth quarter of fiscal 2019.

9. 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 the number of Awards excluded from the diluted earnings per share calculation, as they were anti-dilutive, are as follows:

	Quarter Ended	
	December 29, 2018	December 30, 2017
Shares (in millions):		
Weighted average number of common and common equivalent shares outstanding (basic)	1,490	1,512
Weighted average dilutive impact of Awards	8	9
Weighted average number of common and common equivalent shares outstanding (diluted)	1,498	1,521
Awards excluded from diluted earnings per share	11	16

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10. Equity

The Company paid the following dividends in fiscal 2019 and 2018:

Per Share	Total Paid	Payment Timing	Related to Fiscal Period
\$0.88	\$1.3 billion	Second quarter of Fiscal 2019	Second Half of 2018
\$0.84	\$1.2 billion	Fourth Quarter of Fiscal 2018	First Half of 2018
\$0.84	\$1.3 billion	Second Quarter of Fiscal 2018	Second Half of 2017
\$0.78	\$1.2 billion	Fourth Quarter of Fiscal 2017	First Half of 2017

During the quarter ended December 29, 2018, the Company did not purchase any of its common stock to hold as treasury shares. As of December 29, 2018, the Company had remaining authorization in place to repurchase approximately 158 million shares of common stock. The repurchase program does not have an expiration date.

As of September 29, 2018 and December 29, 2018 the Company had 100 million preferred series A shares authorized with a \$0.01 par value, of which none are issued. As of September 29, 2018, the Company had 40 thousand preferred series B shares authorized with \$0.01 par value, which were canceled during the quarter ended December 29, 2018.

The following tables summarize the changes in each component of accumulated other comprehensive income (loss) (AOCI) including our proportional share of equity method investee amounts:

	Market Value Adjustments		Unrecognized Pension and Postretirement Medical Expense	Foreign Currency Translation and Other	
<u>AOCI, before tax</u>	Investments	Cash Flow Hedges			AOCI
<i>First quarter of fiscal 2019</i>					
Balance at September 29, 2018	\$ 24	\$ 177	\$ (4,323)	\$ (727)	\$ (4,849)
Quarter Ended December 29, 2018:					
Unrealized gains (losses) arising during the period	—	27	—	(16)	11
Reclassifications of realized net (gains) losses to net income	—	(39)	69	—	30
Reclassifications to retained earnings	(24)	1	—	—	(23)
Balance at December 29, 2018	\$ —	\$ 166	\$ (4,254)	\$ (743)	\$ (4,831)
<i>First quarter of fiscal 2018</i>					
Balance at September 30, 2017	\$ 15	\$ (108)	\$ (4,906)	\$ (523)	\$ (5,522)
Quarter Ended December 30, 2017:					
Unrealized gains (losses) arising during the period	(1)	19	—	62	80
Reclassifications of realized net (gains) losses to net income	—	20	96	—	116
Balance at December 30, 2017	\$ 14	\$ (69)	\$ (4,810)	\$ (461)	\$ (5,326)

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	Market Value Adjustments		Unrecognized Pension and Postretirement Medical Expense	Foreign Currency Translation and Other	AOCI
<u>Tax on AOCI</u>	Investments	Cash Flow Hedges			
<i>First quarter of fiscal 2019</i>					
Balance at September 29, 2018	\$ (9)	\$ (32)	\$ 1,690	\$ 103	\$ 1,752
Quarter Ended December 29, 2018:					
Unrealized gains (losses) arising during the period	—	(6)	—	(7)	(13)
Reclassifications of realized net (gains) losses to net income	—	9	(16)	—	(7)
Reclassifications to retained earnings	9	(9)	(667)	(16)	(683)
Balance at December 29, 2018	\$ —	\$ (38)	\$ 1,007	\$ 80	\$ 1,049
<i>First quarter of fiscal 2018</i>					
Balance at September 30, 2017	\$ (7)	\$ 46	\$ 1,839	\$ 116	\$ 1,994
Quarter Ended December 30, 2017:					
Unrealized gains (losses) arising during the period	—	(13)	—	(16)	(29)
Reclassifications of realized net (gains) losses to net income	—	(8)	(35)	—	(43)
Balance at December 30, 2017	\$ (7)	\$ 25	\$ 1,804	\$ 100	\$ 1,922

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	Market Value Adjustments		Unrecognized Pension and Postretirement Medical Expense	Foreign Currency Translation and Other	
<u>AOCI, after tax</u>	Investments	Cash Flow Hedges			AOCI
<i>First quarter of fiscal 2019</i>					
Balance at September 29, 2018	\$ 15	\$ 145	\$ (2,633)	\$ (624)	\$ (3,097)
Quarter Ended December 29, 2018:					
Unrealized gains (losses) arising during the period	—	21	—	(23)	(2)
Reclassifications of realized net (gains) losses to net income	—	(30)	53	—	23
Reclassifications to retained earnings (1)	(15)	(8)	(667)	(16)	(706)
Balance at December 29, 2018	\$ —	\$ 128	\$ (3,247)	\$ (663)	\$ (3,782)
<i>First quarter of fiscal 2018</i>					
Balance at September 30, 2017	\$ 8	\$ (62)	\$ (3,067)	\$ (407)	\$ (3,528)
Quarter Ended December 30, 2017:					
Unrealized gains (losses) arising during the period	(1)	6	—	46	51
Reclassifications of realized net (gains) losses to net income	—	12	61	—	73
Balance at December 30, 2017	\$ 7	\$ (44)	\$ (3,006)	\$ (361)	\$ (3,404)

⁽¹⁾ On September 30, 2018, the Company adopted a FASB standard, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, and elected to reclassify \$691 million from AOCI to retained earnings in the quarter ended December 29, 2018.

In addition, on September 30, 2018, the Company adopted a FASB standard, Recognition and Measurement of Financial Assets and Liabilities, and reclassified \$24 million (\$15 million after tax) of market value adjustments on investments previously recorded in AOCI to retained earnings.

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

	Affected line item in the Condensed Consolidated Statements of Income:	Quarter Ended	
		December 29, 2018	December 30, 2017
Gains/(losses) in net income:			
Cash flow hedges	Primarily revenue	\$ 39	\$ (20)
Estimated tax	Income taxes	(9)	8
		30	(12)
Pension and postretirement medical expense	Costs and expenses	—	(96)
	Interest expense, net	(69)	—
Estimated tax	Income taxes	16	35
		(53)	(61)
Total reclassifications for the period		\$ (23)	\$ (73)

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11. *Equity-Based Compensation*

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

	Quarter Ended	
	December 29, 2018	December 30, 2017
Stock options	\$ 19	\$ 23
RSUs	73	71
Total equity-based compensation expense ⁽¹⁾	\$ 92	\$ 94
Equity-based compensation expense capitalized during the period	\$ 16	\$ 19

⁽¹⁾ Equity-based compensation expense is net of capitalized equity-based compensation and excludes amortization of previously capitalized equity-based compensation costs.

Unrecognized compensation cost related to unvested stock options and RSUs was \$209 million and \$735 million, respectively, as of December 29, 2018.

The weighted average grant date fair values of options granted during the quarter ended December 29, 2018 and December 30, 2017 were \$28.72 and \$28.01, respectively.

During the quarter ended December 29, 2018, the Company made equity compensation grants consisting of 3.8 million stock options and 3.2 million RSUs.

12. *Commitments and Contingencies*

Legal Matters

The Company, together with, in some instances, certain of its directors and officers, is a defendant in various 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 those 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, which mature in 2037. In the event of a debt service shortfall, the Company will be responsible to fund the shortfall. As of December 29, 2018, the remaining debt service obligation guaranteed by the Company was \$296 million. To the extent that tax revenues exceed the debt service payments subsequent to the Company funding a shortfall, the Company would be reimbursed for any previously funded shortfalls. To date, tax revenues have exceeded the debt service payments for these bonds.

Commitments

The Company is committed to make a capital contribution of approximately \$645 million to Hulu LLC in calendar year 2019.

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 film and television program rights and vacation club properties. 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 film and 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 film and television program sales receivables recorded in other non-current assets, net of an immaterial allowance for credit losses, was \$0.9 billion as of December 29, 2018. The activity for the quarters ended December 29, 2018 and December 30, 2017 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 club properties 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

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for credit losses of approximately 4%, was \$0.7 billion as of December 29, 2018. The activity for the quarters ended December 29, 2018 and December 30, 2017 related to the allowance for credit losses was not material.

13. 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 generally classified in one of the following 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 December 29, 2018				
	Level 1	Level 2	Level 3	Total
Assets				
Investments	\$ 28	\$ —	\$ —	\$ 28
Derivatives				
Foreign exchange	—	508	—	508
Other	—	2	—	2
Liabilities				
Derivatives				
Interest rate	—	(284)	—	(284)
Foreign exchange	—	(342)	—	(342)
Other	—	(11)	—	(11)
Total recorded at fair value	\$ 28	\$ (127)	\$ —	\$ (99)
Fair value of borrowings	\$ —	\$ 19,544	\$ 1,187	\$ 20,731
Fair Value Measurement at September 29, 2018				
	Level 1	Level 2	Level 3	Total
Assets				
Investments	\$ 38	\$ —	\$ —	\$ 38
Derivatives				
Foreign exchange	—	469	—	469
Other	—	15	—	15
Liabilities				
Derivatives				
Interest rate	—	(410)	—	(410)
Foreign exchange	—	(274)	—	(274)
Total recorded at fair value	\$ 38	\$ (200)	\$ —	\$ (162)
Fair value of borrowings	\$ —	\$ 19,826	\$ 1,171	\$ 20,997

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.

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Level 2 borrowings, which include commercial paper, U.S. and European medium-term notes and certain foreign currency denominated borrowings, are valued based on quoted prices for similar instruments in active markets or identical instruments in markets that are not active.

Level 3 borrowings include the Asia Theme Park borrowings, which are valued based on the current borrowing cost and credit risk of the Asia Theme Parks as well as prevailing market interest rates.

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.

14. *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 December 29, 2018				
	Current Assets	Other Assets	Other Current Liabilities	Other Long-Term Liabilities
Derivatives designated as hedges				
Foreign exchange	\$ 211	\$ 181	\$ (72)	\$ (77)
Interest rate	—	—	(221)	—
Other	2	—	(7)	(4)
Derivatives not designated as hedges				
Foreign exchange	27	89	(140)	(53)
Interest rate	—	—	—	(63)
Gross fair value of derivatives	240	270	(440)	(197)
Counterparty netting	(145)	(225)	228	142
Cash collateral (received)/paid	(3)	—	104	15
Net derivative positions	\$ 92	\$ 45	\$ (108)	\$ (40)
As of September 29, 2018				
	Current Assets	Other Assets	Other Current Liabilities	Other Long-Term Liabilities
Derivatives designated as hedges				
Foreign exchange	\$ 166	\$ 169	\$ (80)	\$ (39)
Interest rate	—	—	(329)	—
Other	13	2	—	—
Derivatives not designated as hedges				
Foreign exchange	38	96	(95)	(60)
Interest rate	—	—	—	(81)
Gross fair value of derivatives	217	267	(504)	(180)
Counterparty netting	(158)	(227)	254	131
Cash collateral (received)/paid	—	—	135	5
Net derivative positions	\$ 59	\$ 40	\$ (115)	\$ (44)

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

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minimum and maximum percentage. The Company primarily uses pay-floating and pay-fixed interest rate swaps to facilitate its interest rate risk management activities.

The Company designates pay-floating interest rate swaps as fair value hedges of fixed-rate borrowings effectively converting fixed-rate borrowings to variable rate borrowings indexed to LIBOR. As of December 29, 2018 and September 29, 2018, the total notional amount of the Company's pay-floating interest rate swaps was \$7.5 billion and \$7.6 billion, respectively.

The following table summarizes fair value hedge adjustments to hedged borrowings at December 29, 2018 and September 29, 2018:

	Carrying Amount of Hedged Borrowings ⁽¹⁾		Fair Value Adjustments Included in Hedged Borrowings ⁽¹⁾	
	December 29, 2018	September 29, 2018	December 29, 2018	September 29, 2018
Borrowings:				
Current	\$ 1,590	\$ 1,585	\$ (9)	\$ (14)
Long-term	6,499	6,425	(177)	(290)
	<u>\$ 8,089</u>	<u>\$ 8,010</u>	<u>\$ (186)</u>	<u>\$ (304)</u>

⁽¹⁾ Includes \$40 million and \$41 million of gains on terminated interest rate swaps as of December 29, 2018 and September 29, 2018, respectively.

The following amounts are included in "Interest expense, net" in the Condensed Consolidated Statements of Income:

	Quarter Ended	
	December 29, 2018	December 30, 2017
Gain (loss) on:		
Pay-floating swaps	\$ 117	\$ (64)
Borrowings hedged with pay-floating swaps	(117)	64
Benefit (expense) associated with interest accruals on pay-floating swaps	(14)	7

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 December 29, 2018 or at September 29, 2018, and gains and losses related to pay-fixed swaps recognized in earnings for the quarter ended December 29, 2018 and December 30, 2017 were not material.

To facilitate its interest rate risk management activities, the Company sold options in November 2016, October 2017 and April 2018 to enter into a future pay-floating interest rate swaps indexed to LIBOR for \$2.0 billion in future borrowings. The fair values of these contracts as of December 29, 2018 or at September 29, 2018 were not material. The options are not designated as hedges and do not qualify for hedge accounting; accordingly, changes in their fair value are recorded in earnings. Gains and losses on the options for the quarters ended December 29, 2018 and December 30, 2017 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, British pound, Chinese yuan and Canadian dollar. Cross-currency swaps are used to effectively convert foreign currency denominated borrowings into U.S. dollar denominated borrowings.

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The Company designates foreign exchange forward and option contracts as cash flow hedges of firmly committed and forecasted foreign currency transactions. As of December 29, 2018 and September 29, 2018, the notional amounts of the Company's net foreign exchange cash flow hedges were \$6.1 billion and \$6.2 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. Net deferred gains recorded in AOCI for contracts that will mature in the next twelve months total \$147 million. The following table summarizes the effect of foreign exchange cash flow hedges on AOCI for the quarter ended December 29, 2018:

	December 29, 2018
Gain/(loss) recognized in Other Comprehensive Income	\$ 50
Gain/(loss) reclassified from AOCI into the Statement of Income ⁽¹⁾	37

⁽¹⁾ Primarily recorded in revenue.

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 December 29, 2018 and September 29, 2018 were \$2.4 billion and \$3.3 billion, respectively. The following table summarizes the net foreign exchange gains or losses recognized on foreign currency denominated assets and liabilities and the net foreign exchange gains or losses on the foreign exchange contracts we entered into to mitigate our exposure with respect to foreign currency denominated assets and liabilities for the quarter ended December 29, 2018 and December 30, 2017 by the corresponding line item in which they are recorded in the Condensed Consolidated Statements of Income:

	Costs and Expenses		Interest expense, net		Income Tax expense	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
Quarter Ended:						
Net gain (loss) on foreign currency denominated assets and liabilities	\$ (27)	\$ 17	\$ 40	\$ 3	\$ 15	\$ 3
Net gain (loss) on foreign exchange risk management contracts not designated as hedges	24	(14)	(39)	(1)	(18)	(1)
Net gain (loss)	\$ (3)	\$ 3	\$ 1	\$ 2	\$ (3)	\$ 2

Commodity Price Risk Management

The Company is subject to the volatility of commodities prices and the Company designates certain commodity forward contracts as cash flow hedges of forecasted commodity purchases. Mark-to-market gains and losses on these contracts are deferred in AOCI and are recognized in earnings when the hedged transactions occur, offsetting changes in the value of commodity purchases. The notional amount of these commodities contracts at December 29, 2018 and September 29, 2018 and related gains or losses recognized in earnings for the quarter ended December 29, 2018 and December 30, 2017 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 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 notional amount and fair value of these contracts at December 29, 2018 and September 29, 2018 were not material. The related gains or losses recognized in earnings for the quarter ended December 29, 2018 and December 30, 2017 were not material.

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 \$267 million and \$299 million on December 29, 2018 and September 29, 2018, respectively.

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15. Restructuring and Impairment Charges and Other Income

For the quarter ended December 30, 2017, the Company recorded \$15 million of restructuring and impairment charges, primarily for severance costs, and a \$53 million gain from the sale of property rights.

16. New Accounting Pronouncements

Accounting Pronouncements Adopted in Fiscal 2019

- Revenues from Contracts with Customers - See Note 3
- Intra-Entity Transfers of Assets Other Than Inventory - See Note 7
- Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost - See Note 8
- Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income - See Note 10
- Recognition and Measurement of Financial Assets and Liabilities - See Note 10
- Targeted Improvements to Accounting for Hedging Activities - The adoption of the new standard did not have a material impact on our consolidated financial statements

Leases

In February 2016, the FASB issued a new lease accounting standard, which requires the present value of committed operating lease payments to be recorded as right-of-use lease assets and lease liabilities on the balance sheet. The standard is effective at the beginning of the Company's 2020 fiscal year. We expect to adopt the standard without restating prior periods.

The new standard provides a number of practical expedients for transition upon adoption. The Company expects to elect the practical expedients that permit the Company not to reassess its prior conclusions concerning whether:

- Arrangements contain a lease
- The Company's lease arrangements are operating or capital leases (financing)
- Initial direct costs should be capitalized
- Existing land easements are leases

The Company is currently assessing the impact of the new standard on its financial statements. We believe the most significant effects of adoption will be:

- Recognizing new right-of-use assets and lease liabilities on our balance sheet for our operating leases
- Reclassifying a deferred gain of approximately \$350 million related to a prior sale-leaseback transaction to retained earnings

As of September 29, 2018, the Company had an estimated \$3.6 billion in undiscounted future minimum lease commitments.

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
Financial Condition
Commitments and Contingencies
Other Matters
Market Risk

CONSOLIDATED RESULTS AND NON-SEGMENT ITEMS

Our summary consolidated results are presented below:

(in millions, except per share data)	Quarter Ended		% Change Better/ (Worse)
	December 29, 2018	December 30, 2017	
Revenues:			
Services	\$ 12,866	\$ 12,984	(1) %
Products	2,437	2,367	3 %
Total revenues	15,303	15,351	— %
Costs and expenses:			
Cost of services (exclusive of depreciation and amortization)	(7,564)	(7,324)	(3) %
Cost of products (exclusive of depreciation and amortization)	(1,437)	(1,405)	(2) %
Selling, general, administrative and other	(2,152)	(2,087)	(3) %
Depreciation and amortization	(732)	(742)	1 %
Total costs and expenses	(11,885)	(11,558)	(3) %
Restructuring and impairment charges	—	(15)	nm
Other income	—	53	nm
Interest expense, net	(63)	(129)	51 %
Equity in the income of investees	76	43	77 %
Income before income taxes	3,431	3,745	(8) %
Income taxes	(645)	728	nm
Net income	2,786	4,473	(38) %
Less: Net (income) loss attributable to noncontrolling interests	2	(50)	nm
Net income attributable to Disney	\$ 2,788	\$ 4,423	(37) %
Diluted earnings per share attributable to Disney	\$ 1.86	\$ 2.91	(36) %

The Company's financial results for fiscal 2019 are presented in accordance with a new accounting standard for revenue recognition (ASC 606) that we adopted in the first quarter of fiscal 2019. Prior period results have not been restated to reflect this change in accounting standard. The current quarter includes a \$115 million favorable impact on segment operating income from the ASC 606 adoption. The most significant benefits were \$56 million at Media Networks and \$34 million at Parks, Experiences & Consumer Products, both of which reflected a change in timing of revenue recognition on contracts with

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

minimum guarantees. We do not anticipate the impact on our full fiscal 2019 results to be material. Further information about our adoption of the new standard is provided in Note 3 to the Condensed Consolidated Financial Statements.

Quarter Results

Revenues for the quarter were comparable to the prior-year quarter at \$15.3 billion; net income attributable to Disney decreased 37%, or \$1.6 billion, to \$2.8 billion; and diluted earnings per share attributable to Disney (EPS) decreased 36% from \$2.91 to \$1.86. The EPS decrease for the quarter was due to a benefit in the prior-year quarter from new federal income tax legislation, the "Tax Cuts and Jobs Act" (Tax Act) (See Note 7 to the Condensed Consolidated Financial Statements) and lower segment operating income. Lower segment operating income was due to decreases at Studio Entertainment and, to a lesser extent, increased losses at Direct-to-Consumer & International, partially offset by growth at our Parks, Experiences & Consumer Products and Media Networks segments.

Revenues

Service revenues for the quarter decreased 1%, or \$0.1 billion, to \$12.9 billion due to lower theatrical distribution revenue, partially offset by higher Affiliate Fees, growth in guest spending at our theme parks and resorts, increased TV/SVOD distribution revenue and higher advertising revenue.

Product revenues for the quarter increased 3%, or \$70 million, to \$2.4 billion due to guest spending growth at our theme parks and resorts and higher home entertainment volumes and net effective pricing.

Costs and expenses

Cost of services for the quarter increased 3%, or \$240 million, to \$7.6 billion due to higher sports programming and production costs and labor cost inflation at our theme parks and resorts, partially offset by a decrease in film cost amortization driven by lower theatrical distribution revenue.

Cost of products for the quarter increased 2%, or \$32 million, to \$1.4 billion due to higher home entertainment volumes.

Selling, general, administrative and other costs increased 3%, or \$65 million, to \$2.2 billion due to higher marketing spending, costs incurred in connection with our agreement to acquire Twenty-First Century Fox, Inc. and inflation.

Restructuring and impairment charges

Restructuring and impairment charges of \$15 million in the prior-year quarter were primarily for severance costs.

Other income

Other income of \$53 million in the prior-year quarter consisted of a gain on the sale of property rights.

Interest expense, net

Interest expense, net is as follows:

(in millions)	Quarter Ended		% Change Better/(Worse)
	December 29, 2018	December 30, 2017	
Interest expense	\$ (163)	\$ (146)	(12) %
Interest income, investment income and other	100	17	>100 %
Interest expense, net	\$ (63)	\$ (129)	51 %

The increase in interest expense was due to financing costs related to the 21CF acquisition and higher average interest rates, partially offset by lower average debt balances and higher capitalized interest.

The increase in interest income, investment income and other was due to unrealized investment gains in the current quarter and the inclusion of a \$25 million benefit related to pension and postretirement benefit costs, other than service cost. The Company adopted a new accounting standard in fiscal 2019 and now presents the elements of pension and postretirement plan costs, other than service cost, in "Interest expense, net." A net benefit of \$7 million in the prior-year quarter was reported in "Costs and expenses." The benefit in the current quarter was due to the expected return on pension plan assets, partially offset by interest expense on plan liabilities and amortization of prior net actuarial losses.

Equity in the income of investees

Equity in the income of investees increased \$33 million to \$76 million for the quarter due to higher income from A+E Television Networks (A+E) and lower losses from Hulu. The increase at A+E was due to lower marketing and programming costs. Hulu results were due to higher subscription and advertising revenue, partially offset by higher programming costs.

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

Effective Income Tax Rate

	Quarter Ended		Change Better/(Worse)
	December 29, 2018	December 30, 2017	
Effective income tax rate	18.8%	(19.4)%	(38.2) ppt

The increase in the effective income tax rate for the quarter reflected a \$1.6 billion net benefit related to the Tax Act that was recognized in the prior-year quarter. This net benefit drove a 41.6 percentage point reduction in the prior-year effective tax rate. The \$1.6 billion reflected a \$1.9 billion benefit due to the remeasurement of our net federal deferred tax liability to new statutory rates (Deferred Remeasurement), partially offset by a one-time tax of \$0.3 billion on certain accumulated foreign earnings (Deemed Repatriation Tax). The current quarter benefited from a reduction in the Company's U.S. statutory federal income tax rate to 21.0% in fiscal 2019 from 24.5% in fiscal 2018. In addition, in the current quarter the Company adjusted its estimate of the Deferred Remeasurement and Deemed Repatriation Tax impact and recognized a \$34 million net benefit.

Refer to Note 7 of the Condensed Consolidated Financial Statements for further information on the impact of the Tax Act on the Company.

Noncontrolling Interests

(in millions)	Quarter Ended		% Change Better/(Worse)
	December 29, 2018	December 30, 2017	
Net (income) loss attributable to noncontrolling interests	\$ 2	\$ (50)	nm

The change in net (income)/loss attributable to noncontrolling interests was due to lower results at ESPN and Shanghai Disney Resort and losses at our direct-to-consumer sports business, partially offset by growth at Hong Kong Disneyland Resort. Lower results at ESPN were largely due to the benefit of the Tax Act in the prior-year quarter.

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

SEASONALITY

The Company's businesses are subject to the effects of seasonality. Consequently, the operating results for the quarter ended December 29, 2018 for each business segment, and for the Company as a whole, are not necessarily indicative of results to be expected for the full year.

Media Networks revenues are subject to seasonal advertising patterns, changes in viewership levels and timing of program sales. In general, advertising revenues are somewhat higher during the fall and somewhat lower during the summer months. Affiliate fees are generally recognized ratably throughout the year. Effective at the beginning of fiscal 2019, the Company adopted ASC 606, which changed the timing of affiliate revenue recognition for certain contracts, which may result in higher revenue in the first quarter of our fiscal year.

Parks, Experiences & Consumer Products revenues fluctuate with changes in theme park attendance and resort occupancy resulting from the seasonal nature of vacation travel and leisure activities and seasonal consumer purchasing behavior, which generally results in increased revenues during the Company's first and fourth fiscal quarter. Peak attendance and resort occupancy generally occur during the summer months when school vacations occur and during early-winter and spring-holiday periods. In addition, licensing revenues fluctuate with the timing and performance of our theatrical releases and cable programming broadcasts.

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.

Direct-to-Consumer & International revenues fluctuate based on: the timing and performance of releases of our digital media content; viewership levels on our cable channels and digital platforms; changes in subscriber levels; and the demand for sports and Disney content. Each of these may depend on the availability of content, which varies from time to time throughout the year based on, among other things, sports seasons and content production schedules.

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

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
(in millions)	December 29, 2018	December 30, 2017	Better/ (Worse)
<i>Revenues:</i>			
Media Networks	\$ 5,921	\$ 5,555	7 %
Parks, Experiences & Consumer Products	6,824	6,527	5 %
Studio Entertainment	1,824	2,509	(27) %
Direct-to-Consumer & International	918	931	(1) %
Eliminations	(184)	(171)	(8) %
	<u>\$ 15,303</u>	<u>\$ 15,351</u>	— %
<i>Segment operating income/(loss):</i>			
Media Networks	\$ 1,330	\$ 1,243	7 %
Parks, Experiences & Consumer Products	2,152	1,954	10 %
Studio Entertainment	309	825	(63) %
Direct-to-Consumer & International	(136)	(42)	>(100) %
Eliminations	—	6	nm
	<u>\$ 3,655</u>	<u>\$ 3,986</u>	(8) %

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

(in millions)	Quarter Ended		% Change Better/ (Worse)
	December 29, 2018	December 30, 2017	
Income before income taxes	\$ 3,431	\$ 3,745	(8) %
<i>Add/(subtract):</i>			
Corporate and unallocated shared expenses	161	150	(7) %
Restructuring and impairment charges	—	15	nm
Other income/(expense), net	—	(53)	nm
Interest expense, net	63	129	51 %
Segment Operating Income	<u>\$ 3,655</u>	<u>\$ 3,986</u>	(8) %

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

Depreciation expense is as follows:

(in millions)	Quarter Ended		% Change Better/ (Worse)
	December 29, 2018	December 30, 2017	
Media Networks			
Cable Networks	\$ 24	\$ 29	17 %
Broadcasting	20	23	13 %
Total Media Networks	44	52	15 %
Parks, Experiences & Consumer Products			
Domestic	352	363	3 %
International	186	182	(2) %
Total Parks, Experiences & Consumer Products	538	545	1 %
Studio Entertainment	14	13	(8) %
Direct-to-Consumer & International	32	22	(45) %
Corporate	39	45	13 %
Total depreciation expense	\$ 667	\$ 677	1 %

Amortization of intangible assets is as follows:

(in millions)	Quarter Ended		% Change Better/ (Worse)
	December 29, 2018	December 30, 2017	
Media Networks	\$ —	\$ —	nm
Parks, Experiences & Consumer Products	27	27	— %
Studio Entertainment	16	17	6 %
Direct-to-Consumer & International	22	21	(5) %
Total amortization of intangible assets	\$ 65	\$ 65	— %

Media Networks

Operating results for the Media Networks segment are as follows:

(in millions)	Quarter Ended		% Change Better/ (Worse)
	December 29, 2018	December 30, 2017	
Revenues			
Affiliate fees	\$ 3,075	\$ 2,867	7 %
Advertising	2,023	1,963	3 %
TV/SVOD distribution and other	823	725	14 %
Total revenues	5,921	5,555	7 %
Operating expenses	(4,248)	(3,963)	(7) %
Selling, general, administrative and other	(478)	(456)	(5) %
Depreciation and amortization	(44)	(52)	15 %
Equity in the income of investees	179	159	13 %
Operating Income	\$ 1,330	\$ 1,243	7 %

Revenues

The increase in affiliate fees was due to growth of 7% from higher contractual rates and 1% from an impact from the adoption of ASC 606, partially offset by a 1% decrease from fewer subscribers.

The increase in advertising revenues was due to increases of \$54 million at Broadcasting, from \$962 million to \$1,016 million and \$6 million at Cable Networks, from \$1,001 million to \$1,007 million. Broadcasting advertising revenue reflected increases of 8% from higher network rates and 7% from the owned television stations due to higher political advertising.

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

partially offset by a decrease of 10% from lower network impressions due to lower average viewership. Cable Networks advertising revenue reflected an increase of 3% from higher rates, partially offset by a decrease of 2% from lower impressions at Freeform and ESPN. Rates and impressions at ESPN reflected the impact of the shift in the mix of College Football Playoff (CFP) games. Two semi-finals and one "host" game were aired in the current quarter, whereas three host games were aired in the prior-year quarter. Semi-final games generally generate more advertising revenue than host games.

TV/SVOD distribution and other revenue increased \$98 million due to higher program sales. The increase in program sales was driven by the sale of *The Punisher* in the current quarter, increased revenues from programs licensed to Hulu and higher sales of Disney Channel programs, partially offset by lower sales internationally driven by sales of *Once Upon a Time* and *Designated Survivor* in the prior-year quarter. Program sales also benefited from the adoption of ASC 606.

Costs and Expenses

Operating expenses include programming and production costs, which increased \$277 million, from \$3,824 million to \$4,101 million. At Cable Networks, programming and production costs increased \$185 million due to contractual rate increases for our key sports programming and the shift in mix of CFP bowl games. Semi-final games generally have a higher cost than host games. At Broadcasting, programming and production costs increased \$92 million due to higher average cost network programming, driven by *The Conners* and *Dancing with the Stars* in the current quarter, and an increase in program sales.

Selling, general, administrative and other costs increased \$22 million, from \$456 million to \$478 million due to higher marketing costs at ESPN and ABC.

Equity in the Income of Investees

Income from equity investees increased \$20 million, from \$159 million to \$179 million due to higher income from A+E Television Networks driven by lower marketing and programming costs.

Segment Operating Income

Segment operating income increased 7%, or \$87 million, to \$1,330 million due to increases at the owned television stations, higher income from program sales and an increase at the Disney Channels, partially offset by decreases at ESPN and Freeform.

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

	Quarter Ended		% Change
(in millions)	December 29, 2018	December 30, 2017	Better/ (Worse)
<i>Supplemental revenue detail</i>			
Cable Networks	\$ 3,986	\$ 3,833	4 %
Broadcasting	1,935	1,722	12 %
	<u>\$ 5,921</u>	<u>\$ 5,555</u>	7 %
<i>Supplemental operating income detail</i>			
Cable Networks	\$ 743	\$ 793	(6) %
Broadcasting	408	291	40 %
Equity in the income of investees	179	159	13 %
	<u>\$ 1,330</u>	<u>\$ 1,243</u>	7 %

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

Parks, Experiences & Consumer Products

Operating results for the Parks, Experiences & Consumer Products segment are as follows:

(in millions)	Quarter Ended		% Change Better/ (Worse)
	December 29, 2018	December 30, 2017	
Revenues			
Theme park admissions	\$ 1,933	\$ 1,832	6 %
Parks & Experiences merchandise, food and beverage	1,565	1,495	5 %
Resorts and vacations	1,531	1,463	5 %
Merchandise licensing and retail	1,300	1,342	(3) %
Parks licensing and other	495	395	25 %
Total revenues	6,824	6,527	5 %
Operating expenses	(3,406)	(3,329)	(2) %
Selling, general, administrative and other	(689)	(665)	(4) %
Depreciation and amortization	(565)	(572)	1 %
Equity in the loss of investees	(12)	(7)	(71) %
Operating Income	\$ 2,152	\$ 1,954	10 %

Revenues

The increase in theme parks admissions revenue was due to an increase of 8% from higher average ticket prices, partially offset by decreases of 1% from an unfavorable foreign currency impact and 1% from lower attendance.

Parks & Experiences merchandise, food and beverage revenue growth was due to an increase of 5% from higher average guest spending.

The increase in resorts and vacations revenue was primarily due to increases of 2% from higher average daily hotel room rates, 1% from higher occupied hotel room nights and 1% from higher average ticket prices for cruise line sailings.

Merchandise licensing and retail revenues were lower primarily due to a decrease of 3% from licensing revenue. The decrease in licensing revenue was due to lower revenue from products based on Star Wars and Cars, partially offset by increases from minimum guarantee shortfall recognition, licensee settlements and revenue from products based on Spider-Man. Higher minimum guarantee shortfall recognition was due to an impact from the adoption of ASC 606.

The increase in parks licensing and other revenue was driven by an impact from the adoption of ASC 606, which required certain cost reimbursements from licensees to be recognized as revenue (rather than recorded as an offset to operating expenses).

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

The following table presents supplemental park and hotel statistics:

	Domestic		International ⁽²⁾		Total	
	Quarter Ended		Quarter Ended		Quarter Ended	
	Dec. 29, 2018	Dec. 30, 2017	Dec. 29, 2018	Dec. 30, 2017	Dec. 29, 2018	Dec. 30, 2017
Parks						
Increase/(decrease)						
Attendance	—%	6%	(5) %	10%	(1) %	7%
Per Capita Guest Spending	7%	7%	8 %	9%	8 %	7%
Hotels ⁽¹⁾						
Occupancy	94%	91%	86 %	84%	92 %	89%
Available Room Nights (in thousands)	2,491	2,516	799	799	3,290	3,315
Per Room Guest Spending	\$360	\$344	\$318	\$311	\$351	\$337

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

⁽²⁾ Per capita guest spending growth rate is stated on a constant currency basis. Per room guest spending is stated at the fiscal 2018 first quarter average foreign exchange rate.

Costs and Expenses

Operating expenses include operating labor, which increased \$52 million, from \$1,441 million to \$1,493 million, cost of goods sold and distribution costs, which increased \$3 million, from \$728 million to \$731 million, and infrastructure costs, which decreased \$14 million, from \$564 million to \$550 million. The increase in operating labor was due to inflation. Other operating expenses, which include costs for such items as supplies, commissions and entertainment offerings, increased \$36 million, from \$596 million to \$632 million due to higher third-party royalty expense and the recognition of certain cost reimbursements as revenue (rather than recorded as an offset to operating expenses), partially offset by lower operations support costs.

Selling, general, administrative and other costs increased \$24 million from \$665 million to \$689 million due to inflation.

Depreciation and amortization decreased \$7 million, from \$572 million to \$565 million due to a favorable foreign currency impact.

Equity in the Loss of Investees

Loss from equity investees increased \$5 million to \$12 million due to a higher loss from Villages Nature.

Segment Operating Income

Segment operating income increased 10%, or \$198 million, to \$2,152 million due to growth at our domestic theme parks and resorts, partially offset by a decrease from licensing activities.

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

The following table presents supplemental revenue and operating income detail for the Parks, Experiences & Consumer Products segment to provide continuity with our legacy reporting:

	Quarter Ended		% Change Better / (Worse)
(in millions)	December 29, 2018	December 30, 2017	
Supplemental revenue detail			
Parks & Experiences			
Domestic	\$ 4,473	\$ 4,171	7 %
International	1,012	985	3 %
Consumer Products	1,339	1,371	(2)%
	<u>\$ 6,824</u>	<u>\$ 6,527</u>	5 %
Supplemental operating income detail			
Parks & Experiences			
Domestic	\$ 1,481	\$ 1,240	19 %
International	99	109	(9)%
Consumer Products	572	605	(5)%
	<u>\$ 2,152</u>	<u>\$ 1,954</u>	10 %

Studio Entertainment

Operating results for the Studio Entertainment segment are as follows:

(in millions)	Quarter Ended		% Change Better/ (Worse)
	December 29, 2018	December 30, 2017	
Revenues			
Theatrical distribution	\$ 373	\$ 1,169	(68) %
Home entertainment	425	361	18 %
TV/SVOD distribution and other	1,026	979	5 %
Total revenues	<u>1,824</u>	<u>2,509</u>	(27) %
Operating expenses	(876)	(1,026)	15 %
Selling, general, administrative and other	(609)	(628)	3 %
Depreciation and amortization	(30)	(30)	— %
Operating Income	<u>\$ 309</u>	<u>\$ 825</u>	(63) %

Revenues

The decrease in theatrical distribution revenue was due to the strong performance of *Star Wars: The Last Jedi* and *Thor: Ragnarok* in the prior-year quarter with no comparable Lucas and Marvel titles in the current quarter. Other significant releases in the current quarter included *Ralph Breaks the Internet*, *Mary Poppins Returns* and *The Nutcracker and the Four Realms*, while the prior-year quarter included *Coco*.

Higher home entertainment revenue was due to increases of 10% from unit sales and 7% from net effective pricing. The increase in unit sales was due to the performance of *Incredibles 2* in the current quarter compared to *Cars 3* in the prior-year quarter and the timing of the release of Star Wars titles. The current quarter included the continued performance of *Solo: A Star Wars Story*, which was released in the fourth quarter of fiscal 2018, whereas *Rogue One: A Star Wars Story* was released in the third quarter of fiscal 2017. The increase in net effective pricing was due to an increase in sales of new releases, electronic downloads and Blu-ray titles, which have a higher sales price compared to catalog and DVD titles. Net effective pricing is the wholesale selling price adjusted for discounts, sales incentives and returns.

Growth in TV/SVOD distribution and other revenue was due to an increase of 9% from TV/SVOD distribution, partially offset by a decrease of 4% from Lucasfilm's special effects business due to fewer projects during the current quarter. The increase from TV/SVOD distribution was driven by the performance of *Incredibles 2* and *Avengers: Infinity War* in the current

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

quarter compared to *Cars 3* and *Guardians of the Galaxy Vol. 2* in the prior-year quarter, more title availabilities and, to a lesser extent, an impact from the adoption of ASC 606.

Costs and Expenses

Operating expenses include a decrease of \$93 million in film cost amortization, from \$711 million to \$618 million, due to the lower revenues, partially offset by higher average film cost amortization rates in the current quarter. Operating expenses also include cost of goods sold and distribution costs, which decreased \$57 million, from \$315 million to \$258 million due to lower theatrical distribution costs and decreased costs from Lucasfilm's special effects business.

Selling, general, administrative and other costs decreased \$19 million from \$628 million to \$609 million driven by lower international theatrical marketing costs, partially offset by an increase in pre-release theatrical marketing costs in the current quarter.

Segment Operating Income

Segment operating income decreased 63%, or \$516 million, to \$309 million due to lower theatrical distribution results, partially offset by growth in TV/SVOD distribution.

Direct-to-Consumer & International

Operating results for the Direct-to-Consumer & International segment are as follows:

(in millions)	Quarter Ended		% Change Better/ (Worse)
	December 29, 2018	December 30, 2017	
Revenues			
Affiliate fees	\$ 323	\$ 338	(4) %
Advertising	417	411	1 %
Subscription fees and other	178	182	(2) %
Total revenues	918	931	(1) %
Operating expenses	(655)	(588)	(11) %
Selling, general, administrative and other	(254)	(233)	(9) %
Depreciation and amortization	(54)	(43)	(26) %
Equity in the loss of investees	(91)	(109)	17 %
Operating Loss	<u>\$ (136)</u>	<u>\$ (42)</u>	>(100) %

Revenues

Affiliate fees decreased 4% due to a decrease of 11% from an unfavorable foreign currency impact, partially offset by increases of 4% from higher contractual rates and 2% from subscriber growth.

Advertising revenues increased 1% as a 7% increase from higher addressable ad sales was largely offset by a 5% decrease from ad sales at our International Channels. Higher addressable ad sales were driven by an increase in impressions. Lower ad sales at our International Channels were due to an unfavorable foreign currency impact and lower impressions.

Subscription fees and other revenue decreased \$4 million due to lower revenue from streaming technology services, partially offset by subscription fees for ESPN+, which launched in April 2018.

Costs and Expenses

Operating expenses include a \$42 million increase in programming and production costs, from \$404 million to \$446 million and a \$25 million increase in other operating expenses, from \$184 million to \$209 million. The increase in programming and production costs was due to higher sports rights costs and an increase in costs for content obtained from other Company segments, partially offset by a favorable foreign currency impact. The increase in sports rights costs was due to the launch of ESPN+, partially offset by a decrease in soccer rights costs for our International Channels. Other operating expenses, which include technical support and distribution costs, increased due to the launch of ESPN+ and costs associated with the upcoming launch of Disney+.

Selling, general, administrative and other costs increased \$21 million from \$233 million to \$254 million due to ESPN+ marketing costs and costs associated with the upcoming launch of Disney+.

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

Depreciation and amortization increased \$11 million from \$43 million to \$54 million driven by increased investment in technology assets.

Equity in the Loss of Investees

Loss from equity investees decreased \$18 million from \$109 million to \$91 million driven by a lower loss from Hulu due to increases in subscription and advertising revenue, partially offset by higher programming costs.

Segment Operating Loss

Segment operating loss increased to \$136 million due to the investment ramp-up in ESPN+ and a loss from streaming technology services, as well as costs associated with the upcoming launch of Disney+. These impacts were partially offset by an increase at our International Channels and a lower equity loss from our investment in Hulu.

The following table presents supplemental revenue and operating income detail for the Direct-to-Consumer & International segment to provide information on International Channels that were historically reported in the Media Networks segment:⁽¹⁾

	Quarter Ended		% Change
(in millions)	December 29, 2018	December 30, 2017	Better / (Worse)
<i>Supplemental revenue detail</i>			
International Channels	\$ 494	\$ 510	(3) %
Direct-to-Consumer businesses and other	424	421	1 %
	<u>\$ 918</u>	<u>\$ 931</u>	(1) %
<i>Supplemental operating income/(loss) detail</i>			
International Channels	\$ 137	\$ 108	27 %
Direct-to-Consumer businesses and other	(182)	(41)	>(100) %
Equity in the loss of investees	(91)	(109)	17 %
	<u>\$ (136)</u>	<u>\$ (42)</u>	>(100) %

⁽¹⁾ We anticipate providing additional supplemental information for the DTC businesses following the expected consolidation of Hulu and launch of Disney+.

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

Eliminations

The following is a summary of intersegment content transaction revenues and operating income:

(in millions)	Quarter Ended		% Change Better/ (Worse)
	December 29, 2018	December 30, 2017	
Revenues			
Studio Entertainment:			
Content transactions with Media Networks	\$ (21)	\$ (31)	32 %
Content transactions with Direct-to-Consumer & International	(18)	(8)	>(100) %
Media Networks:			
Content transactions with Direct-to-Consumer & International	(145)	(132)	(10) %
Total revenues	\$ (184)	\$ (171)	(8) %
Operating income			
Studio Entertainment:			
Content transactions with Media Networks	—	7	(100) %
Content transactions with Direct-to-Consumer & International	2	—	nm
Media Networks:			
Content transactions with Direct-to-Consumer & International	(2)	(1)	(100) %
Operating Income	\$ —	\$ 6	(100) %

CORPORATE AND UNALLOCATED SHARED EXPENSES

(in millions)	Quarter Ended		% Change Better/ (Worse)
	December 29, 2018	December 30, 2017	
Corporate and unallocated shared expenses	\$ (161)	\$ (150)	(7) %

Corporate and unallocated shared expenses increased \$11 million to \$161 million in the current quarter primarily due to costs incurred in connection with the 21CF acquisition, partially offset by lower compensation costs.

FINANCIAL CONDITION

The change in cash and cash equivalents is as follows:

(in millions)	Quarter Ended		% Change Better/ (Worse)
	December 29, 2018	December 30, 2017	
Cash provided by operations	\$ 2,099	\$ 2,237	(6) %
Cash used in investing activities	(1,336)	(1,043)	(28) %
Cash used in financing activities	(411)	(584)	30 %
Impact of exchange rates on cash, cash equivalents and restricted cash	(44)	21	nm
Change in cash, cash equivalents and restricted cash	\$ 308	\$ 631	(51) %

Operating Activities

Cash provided by operating activities decreased 6% to \$2.1 billion for the current quarter compared to \$2.2 billion in the prior-year quarter primarily due to higher cash taxes, partially offset by higher operating cash flows at Studio Entertainment due to lower film production spending.

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

Film and Television Costs

The Company's Studio Entertainment, Media Networks and Direct-to-Consumer & International 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, television stations and direct-to-consumer streaming services. Programming assets are generally recorded when the programming becomes available to us with a corresponding increase in programming liabilities. Accordingly, we analyze our programming assets net of the related liability.

The Company's film and television production and programming activity for the quarter ended December 29, 2018 and December 30, 2017 are as follows:

(in millions)	Quarter Ended	
	December 29, 2018	December 30, 2017
Beginning balances:		
Production and programming assets	\$ 9,202	\$ 8,759
Programming liabilities	(1,178)	(1,108)
	8,024	7,651
Spending:		
Television program licenses and rights	2,060	2,114
Film and television production	1,636	1,687
	3,696	3,801
Amortization:		
Television program licenses and rights	(2,819)	(2,728)
Film and television production	(1,345)	(1,107)
	(4,164)	(3,835)
Change in film and television production and programming costs	(468)	(34)
Other non-cash activity	(93)	(143)
Ending balances:		
Production and programming assets	9,001	8,783
Programming liabilities	(1,525)	(1,309)
	\$ 7,476	\$ 7,474

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

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 quarter ended December 29, 2018 and December 30, 2017 are as follows:

(in millions)	Quarter Ended	
	December 29, 2018	December 30, 2017
Media Networks		
Cable Networks	\$ 32	\$ 46
Broadcasting	33	36
Total Media Networks	65	82
Parks, Experiences & Consumer Products		
Domestic	838	646
International	206	149
Total Parks, Experiences & Consumer Products	1,044	795
Studio Entertainment	20	22
Direct-to-Consumer & International	24	34
Corporate	42	48
	<u>\$ 1,195</u>	<u>\$ 981</u>

Capital expenditures for the Parks, Experiences & Consumer Products segment are principally for theme park and resort expansion, new attractions, cruise ships, capital improvements and systems infrastructure. Capital expenditures increased \$248 million to \$1.0 billion driven by higher spending on new attractions at our domestic theme parks and resorts.

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 Direct-to-Consumer & International reflect investments in technology.

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

The Company currently expects its fiscal 2019 capital expenditures will be approximately \$1 billion higher than fiscal 2018 capital expenditures of \$4.5 billion due to increased investments at our domestic and international parks and resorts.

Other Investing Activities

The Company has entered into a definitive agreement to acquire 21CF, which, if completed, will require \$35.7 billion of cash and approximately \$35.6 billion in stock consideration (See Note 4 to the Condensed Consolidated Financial Statements).

Financing Activities

Cash used in financing activities was \$0.4 billion in the current quarter, which reflected repayments of commercial paper borrowings.

Cash used in financing activities of \$0.4 billion in the current quarter was \$0.2 billion less than the \$0.6 billion used in the prior-year quarter as a decrease of \$1.3 billion due to no repurchases of common stock in the current period (compared to \$1.3 billion purchased in the prior-year period) was partially offset by a net repayment of borrowings in the current period compared to a net increase in borrowings in the prior-year period (\$0.3 billion decrease in the current period compared to \$0.8 billion increase in the prior-year period).

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

See Note 5 to the Condensed Consolidated Financial Statements for a summary of the Company's borrowing activities during the quarter ended December 29, 2018 and information regarding the Company's bank facilities. 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.

See Note 10 to the Condensed Consolidated Financial Statements for a summary of the Company's dividends in fiscal 2019 and 2018. During the quarter ended December 29, 2018, the Company did not repurchase any of its common stock to hold as treasury shares.

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 the cash consideration in the pending acquisition of 21CF, 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 December 29, 2018, Moody's Investors Service's long- and short-term debt ratings for the Company were A2 and P-1, respectively, Standard and Poor's long- and short-term debt ratings for the Company were A+ and A-1+, and Fitch's long- and short-term debt ratings for the Company were A and F1, respectively. Each of Moody's Investors Service, Standard and Poor's and Fitch had placed the Company's long- and short-term debt ratings on review for downgrade as a result of the pending acquisition of 21CF. On October 8, 2018, Moody's Investor Service affirmed the Company's long- and short-term debt ratings of A2 and P-1, respectively, with stable outlook following its review of the impact of the acquisition. On January 18, 2019, Fitch affirmed the Company's long- and short-term debt ratings of A and F1, respectively, with stable outlook. The Company currently expects Standard and Poor's to finalize its review of the Company's debt ratings upon closing of the acquisition and may downgrade our long- and short-term debt ratings. Should a downgrade occur, we do not anticipate that it would impact our ability to fund ongoing operating requirements and future capital expenditures. The Company's bank facilities contain only one financial covenant, relating to interest coverage, which the Company met on December 29, 2018, by a significant margin. The Company's bank facilities also specifically exclude certain entities, including the Asia Theme Parks, from any representations, covenants or events of default.

COMMITMENTS AND CONTINGENCIES

Legal Matters

As disclosed in Note 12 to the Condensed Consolidated Financial Statements, the Company has exposure for certain legal matters.

Guarantees

See Note 14 to the Consolidated Financial Statements in the 2018 Annual Report on Form 10-K for information regarding the Company's guarantees.

Tax Matters

As disclosed in Note 9 to the Consolidated Financial Statements in the 2018 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 2018 Annual Report on Form 10-K for information regarding the Company's contractual commitments.

OTHER MATTERS

Accounting Policies and Estimates

We believe that the application of the following accounting policies, which are important to our financial position and results of operations, require significant judgments and estimates on the part of management. For a summary of our significant accounting policies, including the accounting policies discussed below, see Note 2 to the Consolidated Financial Statements in the 2018 Annual Report on Form 10-K. In addition, for our revenue recognition policy, see Note 3 to the Condensed Consolidated Financial Statements.

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

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 factors affecting estimates of Ultimate Revenues are program ratings 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 licensing of program rights worldwide to television distributors, SVOD services and in home entertainment formats. Alternatively, poor ratings may result in cancellation of the program, which would require an immediate write-down of any unamortized production costs. A significant decline in the advertising market would also negatively impact our estimates.

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

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

Revenue Recognition

The Company has revenue recognition policies for its various operating segments that are appropriate to the circumstances of each business. We have updated our revenue recognition policies in conjunction with our adoption of the new revenue recognition standard as further described in Note 3 to the Condensed Consolidated Financial Statements.

Fees charged for the right to use our television and motion picture productions are recognized as revenue when the content is available for use by the licensee. TV/SVOD distribution contracts may contain more than one title and/or provide that certain titles are only available for use during defined periods of time during the contract term. In these instances, each title and/or period of availability is generally considered a separate performance obligation. For these contracts, license fees are allocated to each title and period of availability at contract inception based on relative standalone selling price using management's best

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

estimate. Estimates used to determine a performance obligations' standalone selling price impact the timing of revenue recognition, but not the total revenue to be recognized under the arrangements.

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 2018 Annual Report on Form 10-K for estimated impacts of changes in these assumptions. Other assumptions include the healthcare cost trend rate and employee demographic factors such as retirement patterns, mortality, turnover and rate of compensation increase.

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

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

Goodwill, Other 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 an operating segment or one level below the operating segment. The Company compares the fair value of each reporting unit to its carrying amount, and to the extent the carrying amount exceeds the fair value, an impairment of goodwill is recognized for the excess up to the amount of goodwill allocated to the reporting unit.

To determine the fair value of our reporting units, we generally use a present value technique (discounted cash flows) 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. We believe our estimates of fair value are consistent with how a marketplace participant would value our reporting units.

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

The Company is required to compare the fair values of other indefinite-lived intangible assets to their carrying amounts. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized for the excess. 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.

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

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 the 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 proceedings. These estimates are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies and have been developed in consultation with outside counsel as appropriate. From time to time, we may also be involved in other contingent matters for which we have accrued estimates for a probable and estimable loss. 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 legal proceedings or our assumptions regarding other contingent matters. See Note 12 to the Condensed Consolidated Financial Statements for more detailed information on litigation exposure.

Income Tax Audits

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

New Accounting Pronouncements

See Note 16 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 flow 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.

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

The principal foreign currencies hedged are the euro, Japanese yen, British pound, Chinese yuan 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, and Note 14 to the Condensed Consolidated Financial Statements.

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 December 29, 2018, the principal executive officer and principal financial officer of the Company have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective.

There have been no changes in our internal controls over financial reporting during the first quarter of fiscal 2019 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 12 to the Condensed Consolidated Financial Statements, the Company is engaged in certain legal matters, and the disclosure set forth in Note 12 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 entertainment, 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, demand for our products and services, expenses of providing medical and pension benefits, performance of some or all company businesses either directly or through their impact on those who distribute our products and the pending transaction with 21CF. Additional factors are discussed in the 2018 Annual Report on Form 10-K under the Item 1A, “Risk Factors.”

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

(a) 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 December 29, 2018:

Period	Total Number of Shares Purchased ⁽¹⁾	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
September 30, 2018 - October 31, 2018	27,558	\$ 115.33	—	158 million
November 1, 2018 - November 30, 2018	23,282	113.57	—	158 million
December 1, 2018 - December 29, 2018	24,717	108.74	—	158 million
Total	<u>75,557</u>	112.63	<u>—</u>	158 million

⁽¹⁾ 75,557 shares were purchased on the open market to provide shares to participants in the Walt Disney Investment Plan (WDIP). These purchases were not made pursuant to a publicly announced repurchase plan or program.

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

ITEM 6. Exhibits

See Index of Exhibits.

SIGNATURE

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

THE WALT DISNEY COMPANY

(Registrant)

By:

/s/ CHRISTINE M. MCCARTHY

Christine M. McCarthy,
Senior Executive Vice President and Chief Financial Officer

February 5, 2019
Burbank, California

INDEX OF EXHIBITS

Number and Description of Exhibit (Numbers Coincide with Item 601 of Regulation S-K)	Document Incorporated by Reference from a Previous Filing or Filed Herewith, as Indicated below
3.1 Certificate of Elimination of Series B Convertible Preferred Stock of The Walt Disney Company as filed with the Secretary of State of the State of Delaware on November 28, 2018	Exhibit 3.1 to the Current Report on Form 8-K of the Company filed November 30, 2018
10.1 Amendment to Amended and Restated Employment Agreement, Dated as of October 6, 2011, as amended, between the Company and Robert A. Iger, dated November 30, 2018	Exhibit 10.1 to the Current Report on Form 8-K of the Company filed December 3, 2018
10.2 Performance-Based Stock Unit Award (Four-Year Vesting subject to Total Shareholder Return Test) as Amended and Restated November 30, 2018 by and between the Company and Robert A. Iger	Exhibit 10.2 to the Current Report on Form 8-K of the Company filed December 3, 2018
10.3 Amendment dated December 3, 2018 to the Employment Agreement, dated as of September 27, 2013, as amended, between the Company and Alan N. Braverman	Exhibit 10.1 to the Current Report on Form 8-K of the Company filed December 4, 2018
10.4 Employment Agreement, dated as of September 27, 2018 between the Company and Zenia Mucha	Filed herewith
10.5 364 Day Credit Agreement dated as of December 19, 2018	Exhibit 10.1 to the Current Report on Form 8-K of the Company filed December 26, 2018
10.6 First Amendment dated as of December 19, 2018 to the Five-Year Credit Agreement dated as of March 9, 2018	Exhibit 10.2 to the Current Report on Form 8-K of the Company filed December 26, 2018
10.7 Second Amendment dated as of December 19, 2018 to the Five-Year Credit Agreement dated as of March 11, 2016	Exhibit 10.3 to the Current Report on Form 8-K of the Company filed December 26, 2018
10.8 Form of Restricted Stock Unit Award Agreement (Time-Based Vesting)	Filed herewith
10.9 Form of Restricted Stock Unit Award Agreement (Section 162(m) Vesting Requirement)	Filed herewith
10.10 Form of Performance-Based Stock Unit Award Agreement (Three-Year Vesting subject to Total Shareholder Return/EPS Growth Tests)	Filed herewith
10.11 Form of Performance-Based Stock Unit Award Agreement (Three-Year Vesting subject to Total Shareholder Return Test /EPS Growth Test/Section 162(m) Vesting Requirements)	Filed herewith
10.12 Form of Non-Qualified Stock Option Award Agreement	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 December 29, 2018 formatted in Extensible Business Reporting Language (XBRL): Filed
(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

* 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.

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, dated as of September 27, 2018, by and between The Walt Disney Company, a Delaware corporation (the “*Company*”), and Zenia Mucha (“*Executive*”).

WITNESSETH:

WHEREAS, the Company has most recently employed Executive pursuant to an employment agreement, dated as of January 1, 2015, which is scheduled to expire by its own terms on January 31, 2019, (the “*Prior Agreement*”) and which shall be superseded in its entirety on the date hereof by this Agreement except as otherwise provided in Paragraph 8(e) hereof; and

WHEREAS, the Company and Executive wish to enter into an agreement (this “*Agreement*”) to provide for Executive’s continued service to the Company;

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the Company and Executive hereby agree as follows:

1. Employment. Upon the terms and subject to the conditions of this Agreement, the Company hereby employs Executive, and Executive hereby accepts employment by the Company, for the period commencing as of September 27, 2018, and ending on December 31, 2021 (or such earlier date as shall be determined pursuant to Paragraph 5). The period during which Executive is employed pursuant to this Agreement shall be referred to as the “*Employment Period*.”

2. Position and Duties. During the Employment Period, Executive shall serve as Senior Executive Vice President and Chief Communications Officer, of the Company and in such other positions with the Company and its subsidiaries consistent with Executive’s position as Senior Executive Vice President and Chief Communications Officer, as the Chief Executive Officer of the Company shall reasonably assign Executive from time to time. Executive’s upward reporting structure will be consistent with the upward reporting structure of comparable senior executives. During the Employment Period, Executive shall devote all Executive’s business time on a full-time and exclusive basis to the services required hereunder, and shall perform such services in a manner consonant with the duties of Executive’s position. Executive shall be subject to the terms and conditions of any applicable policy of the Company (including, without limitation, “The Walt Disney Company and Associated Companies Standards of Business Conduct” booklet and the Employee Policy Manual), as reasonably made available and as interpreted from time to time by the Company, provided that, subject to the provisions of Paragraph 7(a), nothing herein shall preclude Executive from (i) engaging in charitable activities and community affairs, and (ii) managing Executive’s personal investments and affairs, so long as the activities listed in subclauses (i)-(ii) do not materially interfere, individually or in the aggregate, with the proper performance of Executive’s duties and responsibilities as

Senior Executive Vice President and Chief Communications Officer, of the Company. Notwithstanding the Policy on Board Service contained in the Employee Policy Manual, during the six-month period preceding the Scheduled Expiration Date, Executive shall, upon reasonable notice to and absent objection by the Chief Executive Officer of the Company, be entitled to explore opportunities for service on the board of directors of any public company that is not a Designated Business, as such term is defined in the Consulting Agreement (Exhibit A, attached hereto). For the avoidance of doubt, actual service on the board of directors of any public company while employed by the Company remains prohibited.

3. Compensation.

(a) Base Salary. Effective September 27, 2018, Executive shall receive an annual base salary of \$1,161,840. Subsequent salary amounts shall be determined by the Company in its sole discretion; provided, however, that none of such subsequent annualized salaries shall be less than \$1,161,840.

The amount of annual base salary payable under this Paragraph 3(a) shall be reduced, however, to the extent Executive elects in accordance with Section 409A of the Internal Revenue Code of 1986, as amended (the “**Code**”), and the regulations and interpretations thereunder (“**Section 409A**”), to defer such salary under the terms of any deferred compensation or savings plan or arrangement maintained or established by or on behalf of the Company or any of its subsidiaries. Executive’s annual base salary payable hereunder, without reduction for any amounts deferred as described above, is referred to herein as the “**Base Salary**.” The Company shall pay Executive the portion of Base Salary not deferred at the election of Executive in accordance with its generally applicable policies for senior executives (currently paid on a weekly basis), but not less frequently than in equal monthly installments.

(b) Annual Incentive Bonus. Executive shall be given the opportunity to earn an annual discretionary incentive bonus in accordance with the annual bonus plan generally applicable to the Company’s executive officers, as the same may be in effect from time to time (the “**Annual Plan**”). Executive’s target annual incentive bonus opportunity under the Annual Plan during each full fiscal year during the term hereof shall be no less than one hundred twenty-five percent (125%) of Executive’s Base Salary as expected to be in effect at the end of such fiscal year. The actual amount payable to Executive as an annual bonus under the Annual Plan shall be dependent upon the achievement of performance objectives established in accordance with the Annual Plan by the Board of Directors of the Company or the committee of the Board responsible for administering such Annual Plan (the “**Compensation Committee**”), which shall be substantially similar to the objectives established under the Annual Plan for other senior executive officers of the Company. The preceding sentence shall not limit any power or discretion of the Board or the Compensation Committee in the administration of the Annual Plan. Accordingly, depending on performance, the actual amount payable as an annual bonus to Executive under the Annual Plan may be less than, greater than or equal

to the target bonus specified above. Any bonus payable pursuant to this Paragraph 3(b) shall be paid at the same time as annual bonuses are payable to other officers of the Company in accordance with the provisions of the Annual Plan, subject to Executive's continued employment with the Company through the date on which such bonuses are paid. If Executive's employment continues until and ends upon the Scheduled Expiration Date, the Chief Executive Officer of the Company will, in his discretion, recommend to the Compensation Committee an annual cash bonus for the fiscal year in which the termination occurs in consideration of Executive's contributions during such fiscal year. Such bonus shall be payable at the same time annual cash bonuses are paid to senior management and shall be based on actual achievement of performance targets, evaluated as if Executive had remained employed through the end of the applicable performance period.

(c) Eligibility for Equity Awards. Subject to the terms of this Agreement, Executive shall be entitled to participate in the equity-based long-term incentive compensation plans, programs or arrangements generally made available to the executive officers of the Company. The size of the awards made to Executive shall reflect Executive's position with the Company and the Compensation Committee's evaluation of Executive's performance and competitive compensation practices. For each full fiscal year during the term hereof, Executive shall receive an annual award with a target accounting award value of two hundred twenty-five percent (225%) of Executive's Base Salary as expected to be in effect at the end of such fiscal year. The preceding shall not limit any power or discretion of the Board of Directors of Disney or the Committee in the administration of any such long-term incentive plan, it being understood, specifically, that the Compensation Committee may adjust (i.e. reduce or increase) the target award value of any award made in respect of any fiscal year based on its evaluation of Executive's performance and/or any economic, financial and/or market conditions affecting the Company and/or Disney. The actual benefits conveyed to Executive in respect of any such awards may be less than, greater than or equal to the targeted award value, as such benefits will be dependent on a series of performance and other factors, such as the value of Disney's common stock and satisfaction of any applicable vesting requirements and performance conditions.

4. Benefits, Perquisites and Expenses.

(a) Benefits. During the Employment Period, Executive shall be eligible to participate in (i) each welfare benefit plan sponsored or maintained from time to time by the Company and made available generally to its executive officers, including, without limitation, each such group life, hospitalization, medical, dental, health, accident or disability insurance, vacation or similar plan or program, whether now existing or established hereafter, and (ii) each pension, profit sharing, retirement, deferred compensation or savings plan sponsored or maintained by the Company for its executive officers, whether now existing or established hereafter, in accordance with the generally applicable provisions thereof.

(b) Perquisites. During the Employment Period, Executive shall be entitled to receive such perquisites as are generally provided to other executive officers of the Company in accordance with the then current policies and practices of the Company.

(c) Business Expenses. The Company shall pay or reimburse Executive for all reasonable expenses incurred or paid by Executive during the Employment Period in the performance of Executive's duties hereunder, upon presentation of expense statements or vouchers and such other information as the Company may reasonably require and in accordance with the generally applicable policies and procedures of the Company for its executive officers as in effect from time to time.

(d) Indemnification. Executive and Company are parties to an indemnification agreement dated July 11, 2008 ("***Indemnification Agreement***") which shall continue in full force and effect in accordance with its terms.

5. Termination of Employment.

(a) Early Termination of the Employment Period. Notwithstanding Paragraph 1, the Employment Period shall end upon the earliest to occur, if any, of (i) Executive's death, (ii) a Termination due to Disability, (iii) a Termination for Cause, (iv) the Termination Date specified in connection with any exercise by the Company of its Termination Right or (v) a Termination for Good Reason. If the Employment Period terminates as of a date specified under this Paragraph 5, Executive shall be deemed to have automatically resigned, effective immediately upon termination, from any and all positions Executive holds with the Company and any of its subsidiaries and affiliates, with no further action required by Executive or the Company or any of its subsidiaries and affiliates.

(b) Benefits Payable Upon Termination.

(i) In the event of Executive's death during the Employment Period or a Termination due to Disability, Executive or Executive's beneficiaries or legal representatives shall be provided the Unconditional Entitlements, including, but not limited to, any such Unconditional Entitlements that are or become payable under any Company plan, policy, practice or program or any contract or agreement with the Company by reason of Executive's death or Termination due to Disability. Unless and until a Termination due to Disability, during any period during which Executive is unable to perform the services required hereunder for medical or health-related reasons, Executive's Base Salary shall be payable to Executive and for any such period of approved leave, Executive shall remain an employee of the Company for purposes of stock option and restricted stock unit awards, annual incentive bonus compensation pursuant to Paragraph 3(b) hereof, and equity awards pursuant to Paragraph 3(c) hereof.

(ii) In the event of Executive's Termination for Cause, Executive shall be provided the Unconditional Entitlements, except that Executive will not be paid the bonus referred to in Paragraph 5(c)(ii) below.

(iii) In the event of a Termination for Good Reason or the exercise by the Company of its Termination Right, Executive shall be provided the Unconditional Entitlements. In addition, the Company shall provide Executive the Conditional Benefits, subject to (A) Executive's execution of the Release, (B) Executive having not revoked such Release within the seven-day revocation period permitted following delivery of such Release and (C) Executive's execution of the Consulting Agreement, it being understood, for the avoidance of doubt, that any failure by Executive to execute either the Consulting Agreement or the Release or both of them shall not be deemed to be a breach hereof. For Executive to become entitled to the Conditional Benefits, Executive must deliver both (i) the executed Release and (ii) the executed Consulting Agreement to the Company by no later than twenty-two (22) days following the Termination Date.

(c) Unconditional Entitlements. For purposes of this Agreement, the "***Unconditional Entitlements***" to which Executive may become entitled under Paragraph 5(b) are as follows:

(i) Earned Salary. Any Base Salary earned, but unpaid, including without limitation accrued but unused and unpaid vacation, for services rendered to the Company on or prior to the date on which the Employment Period ends pursuant to Paragraph 5(a) (but excluding any salary and interest accrued thereon payment of which has been deferred, which shall be paid as provided under the applicable plan) shall be paid within 30 days following the termination of Executive's employment hereunder (or such date or earlier dates upon which payment of any part or whole of the foregoing is required under applicable law).

(ii) Prior Year Bonus. If Executive's employment terminates after the end of a fiscal year but before the annual incentive compensation payable for services rendered in that prior fiscal year has been paid, the annual incentive compensation that would have been payable to Executive for such completed fiscal year in accordance with Paragraph 3(b) shall be paid within 30 days following the termination of Executive's employment hereunder (or such date or earlier dates upon which payment of any part or whole of the foregoing is required under applicable law) or, if any part thereof constitutes a bonus which is subject to or conditioned upon any performance conditions, within thirty (30) days following the determination that such conditions have been met, provided that in all events the bonus shall be paid no later than 120 days following Executive's termination of employment.

(iii) Benefits. All benefits payable to Executive under any employee benefit plans (including, without limitation any pension plans or 401(k) plans) of the Company or any of its subsidiaries applicable to Executive at the time of termination of Executive's employment with the Company and all amounts and benefits (other than the Conditional Benefits) which are vested or which Executive is otherwise entitled to receive under the terms of or in accordance with any plan, policy, practice or program of, or any contract or agreement with, the Company or any of its subsidiaries, at or subsequent to the date of Executive's termination without regard to the performance by Executive of further services or the resolution of a contingency, shall be paid or provided in accordance with and subject to the terms and provisions of such plans, it being understood that all such benefits shall be determined on the basis of the actual date of termination of Executive's employment with the Company. Notwithstanding the immediately preceding sentence, Executive shall not be entitled to any benefits under any severance plan or policy of the Company or any of its subsidiaries.

(iv) Indemnities. Any right which Executive may have to claim a defense and/or indemnity for liabilities to or claims asserted by third parties in connection with Executive's activities as an officer, director or employee of the Company or any of its subsidiaries pursuant to the terms of the Indemnification Agreement referenced in Paragraph 4(d) shall be unaffected by Executive's termination of employment and shall remain in effect in accordance with its terms.

(v) Medical Coverage. Executive shall be entitled to such continuation of health care coverage as is required under, and in accordance with, applicable law or otherwise provided in accordance with the Company's policies. Executive shall be notified in writing pursuant to this Paragraph 5(c)(v) of Executive's rights to continue such coverage after the termination of Executive's employment, provided that Executive timely complies with the conditions to continue such coverage that are applicable at law or pursuant to Company's policies and procedures to a termination of employment at that time. Executive understands and acknowledges that Executive is responsible to make all payments required for any such continued health care coverage that Executive may choose to receive.

(vi) Business Expenses. Executive shall be entitled to reimbursement, in accordance with the Company's policies regarding expense reimbursement as in effect from time to time, for all business expenses incurred by Executive prior to the termination of employment.

(vii) Stock Options/RSUs. Except to the extent additional rights are provided upon Executive's qualifying to receive the Conditional Benefits, Executive's rights with respect to any stock options and/or

restricted stock units granted to Executive by the Company shall be governed by the terms and provisions of the plans (including plan rules) and award agreements pursuant to which such stock options and restricted stock units were awarded, as in effect at the date Executive's employment terminates.

(d) Conditional Benefits. For purposes of this Agreement, the "***Conditional Benefits***" to which Executive may become entitled, provided Executive complies with the terms and conditions hereof (including the applicable agreements attached hereto), are as follows:

(i) Remaining Salary. As further noted in paragraph 2 of the Consulting Agreement, the Company shall pay Executive a lump sum amount equal to the Consulting Amount as compensation for consulting services under the Consulting Agreement. If the Scheduled Expiration Date is later than the end of the Consulting Agreement Period, the Company shall also pay Executive the Severance Amount. The Consulting Amount and the Severance Amount shall be paid on the date that is six months and one day after the Termination Date (or upon Executive's death, if earlier).

(ii) Stock Options. The Continuing Stock Options shall become exercisable in accordance with the applicable Original Stock Option Award Documents, on the same basis as such options would have become vested and exercisable if Executive had remained employed under this Agreement through the Scheduled Expiration Date. Once exercisable, all Continuing Stock Options shall remain exercisable until the Stock Option Termination Date. All of Executive's Remaining Stock Options that were vested and exercisable at the Termination Date shall remain exercisable until the Stock Option Termination Date. Notwithstanding any other term or provision hereof, any of Executive's stock options which are not vested at the Termination Date, and which are not Continuing Stock Options, shall automatically terminate upon the Termination Date. Except as otherwise expressly provided herein, all of the Remaining Stock Options shall continue to be subject to the Original Stock Option Award Documents. Notwithstanding the foregoing, in the event of Executive's death prior to the Scheduled Expiration Date, all Continuing Stock Options shall vest on the date of Executive's death and all Remaining Stock Options shall be exercisable for the period following Executive's death determined under such Original Stock Option Award Documents on the same basis as though Executive was employed on the date of Executive's death and regardless of when the Stock Option Termination Date would otherwise have occurred. However, any provisions in the Original Stock Option Award Documents relating to disability or change in control of the Company after the Termination Date shall not be operative with respect to any Remaining Stock Options.

(iii) **RSUs.** The Continuing Stock Units shall continue to vest in accordance with the terms of the Original RSU Award Documents, on the same basis as such stock units would have become vested if Executive had remained employed under this Agreement through the Scheduled Expiration Date. Except as otherwise expressly provided herein, all such Continuing Stock Units shall be subject to, and administered in accordance with, the Original RSU Award Documents. Any of Executive's restricted stock unit awards that have not become vested on or before the Termination Date, and that are outstanding at the Termination Date, but which are not Continuing Stock Units, shall automatically terminate on the Termination Date. Notwithstanding any term or provision of the Original RSU Award Documents:

(A) any provisions in such Original RSU Award Documents relating to disability shall not be applicable to any such Continuing Stock Units after the Termination Date; and

(B) in the event of Executive's death after the Termination Date but prior to the Scheduled Expiration Date, the terms and provisions of the Original RSU Award Documents shall be interpreted and applied in the same manner with respect to such Continuing Stock Units as if Executive were an active employee on the date of Executive's death.

(C) to the extent that, under the Company's compensation practices and policies, any tranche of Continuing Stock Units is subject to the achievement of performance conditions which were imposed solely because Executive was an executive officer of the Company who could have been a covered employee within the meaning of Section 162(m) at the time payment in respect of such award was expected to be made (the "***Applicable 162(m) Criteria***") and such Applicable 162(m) Criteria relate, in whole or in part, to any performance period continuing after the end of the Company's fiscal year in which the Termination Date occurs, such Applicable 162(m) Criteria shall be waived as of the Termination Date with respect to such tranche of the Continuing Stock Units; provided, however, that this Paragraph 5(d)(iii)(C) shall not be applicable if and to the extent, in the reasonable opinion of tax counsel to the Company, the presence of such provision would cause any stock units intended to be qualified as other performance based compensation within the meaning of Section 162(m) of the Code to fail to be so qualified at any time prior to Executive's Termination Date.

(iv) Pro-Rated Current Year Bonus. The Company shall pay Executive a pro rata annual bonus for the fiscal year in which the Termination Date occurs, determined on the basis of an assumed full year target bonus determined pursuant to Section 3(b) and the number of days in the applicable fiscal year occurring on or before the Termination Date. Such pro-rata current year bonus payable pursuant to the foregoing shall be paid no later than the later of (i) two and a half months after the end of Executive's tax year in which the Termination Date occurs and (ii) two and a half months after the end of the Company's tax year in which the Termination Date occurs.

(v) Additional Distribution Rules in Respect of Conditional Benefits. The following additional rules shall apply with respect to distribution of the payments and benefits, if any, to be provided to Executive under Paragraph 5(d)(i), (iii) and (iv):

(A) It is intended that each installment of the payments and benefits provided under Paragraphs 5(d)(i), (iii) and (iv) shall be treated as a separate "payment" for purposes of Section 409A. Neither the Company nor Executive shall have the right to accelerate or defer the delivery of any such payments or benefits except to the extent specifically permitted or required by Section 409A;

(B) Distribution in respect of any tranche of Continuing Stock Units to which Paragraph 5(d)(iii)(C) applies shall be made within 90 days following the later of the date that (i) the service conditions that had originally been specified for such tranche of Continuing Stock Units under the applicable Original RSU Award Documents would otherwise have been satisfied (had Executive continued to be employed) and (ii) the last performance measurement period applicable in respect of such tranche of Continuing Stock Units under the applicable Original RSU Award Documents would otherwise have expired;

(C) Each installment of the payments and benefits due under Paragraph 5(d)(i) and (iii) that would, absent this subsection, be paid within the six-month period following Executive's "separation from service" (within the meaning of Section 409A of the Code and as provided in Paragraph 5(g) hereof) from the Company shall not be paid until the date that is six months and one day after such separation from service (or, if earlier, Executive's death), with any such installments that are required to be delayed being accumulated during the six-month period and paid in a lump sum on the date that is six months and one day following Executive's separation from service; provided, however, that the preceding provisions of this sentence shall not apply to any installment of

payments and benefits if and to the maximum extent that such installment is deemed to be paid under a separation pay plan that does not provide for a deferral of compensation by reason of the application of Treasury Regulation 1.409A-1(b)(9)(iii) (relating to separation pay upon an involuntary separation from service). (Any installments that qualify for the exception under Treasury Regulation Section 1.409A-1(b)(9)(iii) must be paid no later than the last day of Executive's second taxable year following the taxable year of Executive in which the separation from service occurs.) Any subsequent installments that would be payable more than six months following Executive's separation from service shall be paid in accordance with the dates and terms set forth herein.

(e) Definitions. For purposes of this Paragraph 5, the following terms shall have the meanings ascribed to them below:

"Consulting Agreement" means the consulting agreement in the form attached hereto as Exhibit A.

"Consulting Agreement Period" means the period established under the Consulting Agreement during which Executive shall be required to provide consulting services to the Company.

"Consulting Amount" means a lump sum amount equal to the aggregate Base Salary which would have been earned by Executive during the Employment Period had Executive's employment under this Agreement continued after the Termination Date and through the earlier to occur of (i) the end of the Consulting Agreement Period or (ii) any earlier date that the Consulting Agreement terminates for any reason whatsoever.

"Continuing Stock Options" means any of Executive's stock options that were not vested and exercisable at the Termination Date, but that would have become vested and exercisable on or prior to the Latest Stock Option Vesting Date had Executive continued to be employed by the Company through the Scheduled Expiration Date.

"Continuing Stock Units" means any of Executive's restricted stock units outstanding at the Termination Date (whether or not subject to performance conditions) that, subject to the satisfaction of any applicable performance conditions, would have become vested on or prior to the Scheduled Expiration Date had Executive continued to be employed by the Company through the Scheduled Expiration Date.

"Latest Stock Option Vesting Date" means the date which is three months after the Scheduled Expiration Date.

“Original Stock Option Award Documents” means, with respect to any Remaining Stock Option, the terms and provisions of the award agreement and plan pursuant to which such Remaining Stock Option was granted, each as in effect on the Termination Date.

“Original RSU Award Documents” means, with respect to any tranche of Continuing Stock Units, the terms and provisions of the award agreement related to, and the plan governing, such tranche of Continuing Stock Units, each as in effect on the Termination Date.

“Release” means the General Release in the form set forth in Exhibit B attached hereto.

“Remaining Stock Options” means any of Executive’s stock options which are (i) vested at the Termination Date or (ii) Continuing Stock Options.

“Scheduled Expiration Date” means December 31, 2021.

“Severance Amount” means an amount equal to the aggregate Base Salary which would have been earned by Executive under this Agreement for the period commencing on the day after termination of the Consulting Agreement Period and ending on the Scheduled Expiration Date; provided that if the Company terminates the Consulting Agreement due to Executive’s material breach of any term thereof, the Severance Amount shall be reduced to zero.

“Stock Option Termination Date” means, with respect to any Remaining Stock Option, the expiration date as stated in the applicable award, taking into account any expiration date extension provided in the applicable award based on Executive’s age and/or years of service as of the Scheduled Expiration Date.

“Termination for Cause” means a termination of Executive’s employment by the Company due to (i) gross negligence, (ii) gross misconduct, (iii) willful material breach of this Agreement (which “material breach” for the avoidance of doubt includes a resignation by Executive without Good Reason (as defined herein) from Executive’s position and/or employment hereunder) or (iv) willful nonfeasance, which termination may be effected (A) immediately upon notice from the Company if the Company shall reasonably and in good faith determine that the conduct or cause specified in such notice is not curable (it being understood that such notice shall describe in reasonable detail the conduct or cause giving rise to such notice and shall state the reason(s) why the Company has determined that such conduct or cause is not curable); or (B) upon twenty business days notice from the Company, if the Company shall in good faith determine that the conduct or cause specified in such notice is curable (it being understood that such notice shall describe in reasonable detail the conduct or cause

giving rise to such notice and shall state the reason(s) why the Company has determined that such conduct or cause is curable and what steps the Company believes should or could be taken to cure such conduct or cause, provided, however, that such opportunity to cure shall only be provided by the Company with respect to a termination of Executive's employment hereunder due to gross negligence); provided that the Company shall not be entitled to terminate Executive's employment for Cause, if Executive has, within five business days after notice in accordance with subclause (B) has been given personally to Executive or otherwise has been received by Executive, commenced in good faith to cure the conduct or cause specified in such notice and completes such cure within 20 business days following the date such notice was received.

"Termination Date" means the earlier to occur of (i) the date the Company specifies in writing to Executive in connection with the exercise of its Termination Right or (ii) the date Executive specifies in writing to the Company in connection with any notice to effect a Termination for Good Reason.

"Termination due to Disability" means a termination of Executive's employment by the Company because Executive has been incapable, after reasonable accommodation, of substantially fulfilling the positions, duties, responsibilities and obligations set forth in this Agreement because of physical, mental or emotional incapacity resulting from injury, sickness or disease for a period of (i) six (6) consecutive months or (ii) an aggregate of nine (9) months (whether or not consecutive) in any twelve (12) month period, provided that any notice of such termination of employment must be given when Executive is incapable of substantially fulfilling Executive's positions, duties, responsibilities, and obligations hereunder as referred to above and has not resumed such duties. Any question as to the existence, extent or potentiality of Executive's disability shall be determined by a qualified physician selected by the Company with the consent of Executive, which consent shall not be unreasonably withheld.

"Termination for Good Reason" means a termination of Executive's employment under this Agreement by Executive within 30 days of the Company's failure to cure, in accordance with the procedures set forth below, any of the following events: (i) a reduction in Executive's compensation rights hereunder (that is; failure to pay or reduction in Base Salary; the loss of target bonus opportunity specified in Paragraph 3(b), it being understood that the failure of Executive to receive an actual bonus for any fiscal year equal to or greater than the target bonus opportunity for such year is not a reduction in such compensation rights; or the loss of entitlement to participate in equity-based long-term incentive plan(s) generally made available to comparable executives of the Company as provided in Paragraph 3(c)); (ii) the removal of Executive by the Company

from the position of Senior Executive Vice President and Chief Communications Officer of the Company; (iii) a material reduction in Executive's duties and responsibilities as of the date of this Agreement; (iv) the assignment to Executive of duties that are materially inconsistent with Executive's position or duties or that materially impair Executive's ability to function as Senior Executive Vice President and Chief Communications Officer of the Company, and any other position in which Executive is then serving; (v) the relocation of Executive's principal office to a location that is more than 50 miles outside of the greater Los Angeles area; or (vi) a material breach of any material provision of this Agreement by the Company. In addition, following the occurrence of a Change in Control (as defined in the 2011 Stock Incentive Plan of the Company (the "**2011 Stock Plan**"), the Amended and Restated 2005 Stock Incentive Plan (the "**2005 Stock Plan**") and the Amended and Restated 1995 Stock Incentive Plan (the "**1995 Stock Plan**")), any occurrence that would constitute a Triggering Event for purposes of Section 11 of the 2011 Stock Plan, the 2005 Stock Plan and the 1995 Stock Plan (together with the 2011 Stock Plan and 2005 Stock Plan, the "**Plans**"), as such Plans may be amended and/or superseded from time to time, shall also constitute an event upon which Executive may effect a Termination for Good Reason in accordance with this Agreement. Notwithstanding the foregoing, a termination shall not be treated as a Termination for Good Reason (A) if Executive shall have consented in writing to the occurrence of the specific event giving rise to the claim of Termination for Good Reason (and such consent may reasonably be understood to generally relate to the time period in which such event occurred), or (B) unless Executive shall have delivered a written notice to the Company within three months of having actual knowledge of the occurrence of one of such events stating that Executive intends to terminate Executive's employment for Good Reason and specifying the factual basis for such termination, and such event, if capable of being cured, shall not have been cured within 30 days of the receipt of such notice.

"**Termination Right**" means the right of the Company, in its sole, absolute and unfettered discretion, to terminate Executive's employment under this Agreement for any reason or no reason whatsoever. For the avoidance of doubt, any Termination for Cause effected by the Company shall not constitute the exercise of its Termination Right.

(f) Conflict With Plans. As permitted under the terms of the applicable Plans, the Company and Executive agree that the definitions of Termination for Cause or Termination for Good Reason set forth in this Paragraph 5 shall apply in place of any similar definition or comparable concept applicable under either of the Plans (or any similar definition in any successor plan), except that, in connection with a "Triggering Event" as defined in the Plans, as such Plans may be amended from time to time, the terms of the applicable plan (and not the definitions of

Termination for Cause or Termination for Good Reason set forth in this Paragraph 5) shall apply to determine Executive's rights and entitlements in respect of the awards made under any such plan (and only in respect of such awards).

(g) Section 409A. To the extent applicable, it is intended that this Agreement comply with the requirements of Section 409A, and this Agreement shall be interpreted in a manner consistent with this intent. Notwithstanding anything else contained herein to the contrary, any payment required to be made to Executive hereunder upon Executive's termination of employment (including any payment pursuant to this Paragraph 5) shall be made promptly after the six month anniversary of Executive's date of termination to the extent necessary to avoid imposition on Executive of any tax penalty imposed under Section 409A of the Code. Solely for purposes of determining the time and form of payments due Executive under this Agreement (including any payments due under Paragraph 3(a)) or otherwise in connection with Executive's termination of employment with the Company, Executive shall not be deemed to have incurred a termination of employment unless and until Executive shall incur a "separation from service" within the meaning of Section 409A of the Code. The parties agree, as permitted in accordance with the final regulations thereunder, a "separation from service" shall occur when Executive and the Company reasonably anticipate that Executive's level of bona fide services for the Company (whether as an employee or an independent contractor) will permanently decrease to no more than 40 percent of the average level of bona fide services performed by Executive for the Company over the immediately preceding 36 months. The determination of whether and when a separation from service has occurred shall be made in accordance with this subparagraph and in a manner consistent with Treasury Regulation Section 1.409A-1(h). To the extent that the Company and Executive determine that any provision of this Agreement could reasonably be expected to result in Executive's being subject to the payment of interest or additional tax under Section 409A, the Company and Executive agree, to the extent reasonably possible as determined in good faith, to amend this Agreement, retroactively, if necessary, in order to avoid the imposition of any such interest or additional tax under Section 409A. All reimbursements and in-kind benefits provided under the Agreement shall be made or provided in accordance with the requirements of Section 409A to the extent that such reimbursements or in-kind benefits are subject to Section 409A, including, where applicable, the requirements that (i) any reimbursement is for expenses incurred during Executive's lifetime (or during a shorter period of time specified in this Agreement), (ii) the amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year, (iii) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the year in which the expense is incurred and (iv) the right to reimbursement is not subject to set off or liquidation or exchange for any other benefit. Each payment of compensation under the Agreement shall be treated as a separate payment of compensation for purposes of Section 409A. Executive's right to any deferred compensation, as defined under Section 409A, shall not be subject to anticipation, alienation, sale, transfer,

assignment, pledge, encumbrance, attachment, garnishment by creditors, or borrowing to the extent necessary to avoid tax, penalties, and/or interest under Section 409A.

(h) Amendment of Existing Agreements. The parties acknowledge and agree that to the extent that this Paragraph 5 affects any of the terms and conditions of Executive's Remaining Stock Options or Continuing Stock Units, this Agreement shall constitute an amendment of the Original Stock Option Award Documents and Original RSU Award Documents as they pertain to Executive.

6. Exclusive Remedy. Executive shall be under no obligation to mitigate damages or seek other employment or other engagement of Executive's services after this Agreement is terminated pursuant to Paragraph 5 in order to obtain the benefits provided for under Paragraph 5(d) of this Agreement. Executive acknowledges and agrees that the payments and rights provided under Paragraph 5 are fair and reasonable, and are Executive's sole and exclusive remedy, in lieu of all other remedies at law or in equity, for termination of Executive's employment by the Company upon exercise of its Termination Right pursuant to this Agreement or upon a Termination for Good Reason. The failure of Executive to execute and timely deliver the Release and the Consulting Agreement for any reason (i) shall limit Executive's rights in connection with the exercise by the Company of its Termination Right solely to the right to receive the Unconditional Entitlements, (ii) shall not effect a modification of any of Executive's commitments set forth in this Agreement (none of which are contingent upon execution of the Release by Executive) and (iii) shall not preserve or revive any rights waived by Executive hereunder. Subject to Executive's execution and delivery of the Release without revocation thereof and execution and delivery of the Consulting Agreement, (i) the Company agrees to enter into the Release and Consulting Agreement, and (ii) there shall be no offset available to the Company against any amounts due, paid or payable to Executive in respect of the Conditional Benefits and Unconditional Entitlements under Paragraph 5 with respect to any compensation, remuneration or payment attributable to any services that Executive may provide to any third party subsequent to termination of employment hereunder, whether as an employee or otherwise.

7. Non-competition and Confidentiality.

(a) Non-competition. During the Employment Period, Executive shall not engage in any business, or become associated with any entity, whether as a principal, partner, employee, consultant, shareholder or otherwise (other than as a holder of not in excess of 1% of the outstanding voting shares of any publicly traded company) that is actively engaged in any business, which is in competition, in any geographic area, with a business conducted by the Company or any subsidiary of the Company at the time of the alleged competition.

(b) Confidentiality. Executive acknowledges and agrees that Executive executed the standard form of agreement, entitled "The Walt Disney Company and Affiliated Companies Confidentiality Agreement," at the time Executive

commenced employment with the Company or one of its affiliated companies in the form then utilized by the Company (the “**Original TWDC Confidentiality Agreement**”). Executive acknowledges and agrees that the Original TWDC Confidentiality Agreement remains in full force and effect through the date that Executive signs the current version of The Walt Disney Company and Affiliated Companies Confidentiality Agreement, attached hereto as Exhibit C, which Executive is required to sign along with this Agreement and which, once signed, will replace the Original TWDC Confidentiality Agreement.

(c) Company Property. Promptly following Executive’s termination of employment, Executive shall return to the Company all property of the Company, and all copies thereof in Executive’s possession or under Executive’s control, except that Executive may retain notes, files, calendars, contact information and correspondence of a personal nature (whether in hard copy or electronic form), provided, in each case, that no confidential Company information or information intended primarily for internal Company use is contained therein.

(d) Non-Solicitation of Employees. During the Employment Period and, subject to the provisions of applicable law, during the two-year period following any termination of Executive’s employment, Executive shall not, except in the course of carrying out Executive’s duties hereunder, directly or indirectly induce any employee of the Company or any of its subsidiaries to terminate employment with such entity, and shall not directly or indirectly, either individually or as owner, agent, employee, consultant or otherwise,

(i) solicit, encourage or induce the employment or engagement of, or entice from the employment of the Company or any of its subsidiaries, or

(ii) direct, arrange, participate or assist in any such solicitation, encouragement, inducement or enticement of,

any person who is or was employed by the Company or any subsidiary of either (other than Executive’s personal assistant) unless such person shall have ceased to be employed by such entity for a period of at least six (6) months.

(e) Injunctive Relief with Respect to Covenants. Executive acknowledges and agrees that the covenants and obligations of Executive with respect to noncompetition, nonsolicitation, confidentiality and Company property relate to special, unique and extraordinary matters and that a violation of any of the terms of such covenants and obligations may cause the Company and/or its subsidiaries irreparable injury for which adequate remedies are not available at law. Therefore, Executive agrees that the Company and/or its subsidiaries shall be entitled to obtain an injunction, restraining order or such other equitable relief restraining Executive from committing any violation of the covenants and obligations contained in this Paragraph 7 in any court of competent jurisdiction.

The foregoing remedies are cumulative and are in addition to any other rights and remedies the Company and/or its subsidiaries may have at law or in equity.

8. Miscellaneous.

(a) Survival. Paragraphs 5 (relating to early termination of the Employment Period), 6 and 7 (relating to nondisclosure and nonsolicitation of employees) shall survive the termination hereof, whether such termination shall be by expiration of the Employment Period in accordance with Paragraph 1 or an early termination of the Employment Period pursuant to Paragraph 5 hereof.

(b) Binding Effect. This Agreement shall be binding on, and shall inure to the benefit of, the Company and any person or entity that succeeds to the interest of the Company (regardless of whether such succession does or does not occur by operation of law) by reason of a merger, consolidation or reorganization involving the Company or a sale of all or substantially all of the assets of the Company. The Company further agrees that, in the event of a sale of assets as described in the preceding sentence, it shall use its reasonable best efforts to cause such assignee or transferee to expressly assume the liabilities, obligations and duties of the Company hereunder in writing as a condition to any assignment thereof to such assignee or transferee. This Agreement shall also inure to the benefit of Executive's heirs, executors, administrators and legal representatives and beneficiaries as provided in Paragraph 8(d).

(c) Assignment. Except as provided under Paragraph 8(b), and except for transfers and/or assignments of this Agreement from any Company entity to another Company entity, neither this Agreement nor any of the rights or obligations hereunder shall be assigned or delegated by any party hereto without the prior written consent of the other party.

(d) Beneficiaries/References. Executive shall be entitled, to the extent permitted under any applicable law and the terms of any applicable plan, to select and change a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following Executive's death by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of Executive's incompetence, reference in this Agreement to Executive shall be deemed, where appropriate, to refer to Executive's beneficiary, estate or other legal representative.

(e) Entire Agreement. This Agreement shall constitute the entire agreement between the parties hereof, with respect to the matters referred to herein; provided that this Agreement shall not alter, amend, or supercede, except as specifically provided in Paragraph 5, any agreement that includes the terms of any equity grant made to Executive prior to the date hereof or the Indemnification Agreement referenced in Paragraph 4(d), which by their terms survive the termination thereof. This Agreement expressly supersedes the Prior Agreement

except for those provisions of the Prior Agreement that by their terms survive the expiration thereof.

THERE ARE NO PROMISES, REPRESENTATIONS, INDUCEMENTS OR STATEMENTS BETWEEN THE PARTIES OTHER THAN THOSE THAT ARE EXPRESSLY CONTAINED HEREIN.

Notwithstanding the foregoing, nothing in this Agreement shall be construed to limit, modify or supersede The Walt Disney Company and Associated Companies Confidentiality Agreement executed by Executive, which shall survive regardless of the termination of this Agreement.

(f) Representations. Executive represents that Executive's employment hereunder and compliance by Executive with the terms and conditions of this Agreement will not conflict with or result in the breach of any agreement to which Executive is a party or by which Executive may be bound. The Company represents that (i) it is a corporation duly organized, validly existing and in good standing under the laws of the State of California, (ii) it has the full corporate power and authority to execute and deliver this Agreement, and (iii) the execution, delivery and performance of this Agreement has been duly and validly authorized.

(g) Authority of The Walt Disney Company Board. For the avoidance of doubt, nothing in this Agreement shall preclude the Board of Directors of the Company or the Compensation Committee from its ability to exercise any power or authority to take such actions as it is required or permitted to take as a matter of law or pursuant to the terms of the Company's governing documents. Nothing in this Paragraph 8(g) shall be construed to modify, amend, limit or otherwise impair the rights and entitlements of Executive set forth in the other Paragraphs of this Agreement (including, without limitation, the rights and entitlements specified in Paragraph 5).

(h) Severability; Reformation. In the event that one or more of the provisions of this Agreement shall become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby or relieve the Company or Executive of liability for any breach by Company or Executive of any such remaining provisions. In the event any of subparagraphs (a), (b) or (d) of Paragraph 7 hereof is not enforceable in accordance with its terms, Executive and the Company agree that such subparagraph of such Paragraph 7 shall be reformed to make such subparagraph enforceable in a manner which provides the Company the maximum rights permitted at law.

(i) Waiver. Waiver by any party hereto of any breach or default by the other party of any of the terms of this Agreement shall not operate as a waiver of any other breach or default, whether similar to or different from the breach or default

waived. No waiver of any provision of this Agreement shall be implied from any course of dealing between the parties hereto or from any failure by either party hereto to assert its or Executive's rights hereunder on any occasion or series of occasions.

(j) Notices. Any notice required or desired to be delivered under this Agreement shall be in writing and shall be delivered personally, by courier service, or by registered mail, return receipt requested, and shall be effective upon actual receipt when delivered personally or by courier and when sent by registered mail, three business days following date of mailing, and shall be addressed as follows (or to such other address as the party entitled to notice shall hereafter designate in accordance with the terms hereof):

If to the Company:

The Walt Disney Company
500 South Buena Vista Street
Burbank, California 91521

Attention: Chief Executive Officer
Facsimile: (818) 560-5960

and

Senior Executive Vice President,
General Counsel and Secretary
Facsimile: (818) 569-5146

If to Executive:

To the address listed as Executive's principal residence in the Company's human resources records and to Executive's principal place of employment with the Company.

(k) Amendments. No amendment to this Agreement shall be binding between the parties unless it is in writing and signed by the party against whom enforcement is sought.

(l) Headings. Headings to paragraphs in this Agreement are for the convenience of the parties only and are not intended to be part of or to affect the meaning or interpretation hereof.

(m) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument, and a facsimile signature shall have the same force and effect as one penned in ink.

(n) Withholding. Any payments provided for herein shall be reduced by any amounts required to be withheld by the Company from time to time under applicable federal, state or local income or employment tax laws or similar statutes or other provisions of law then in effect.

(o) Governing Law. This Agreement shall be governed by the laws of the State of California, without reference to principles of conflicts or choice of law under which the law of any other jurisdiction would apply.

(p) No Obligation To Continued Employment. This Agreement does not constitute a commitment of Company with regard to Executive's employment, express or implied, other than to the extent expressly provided for herein. Upon termination of this Agreement, neither Company nor Executive shall have any obligation to the other with respect to continued employment. In the event that Executive's employment continues for any period of time following the stated expiration date of this Agreement, unless and until agreed to in a new subscribed written document, such employment or any continuation thereof is "at will," and may be terminated without obligation at any time by either party's giving notice to the other, unless otherwise prescribed by applicable law.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer and Executive has hereunto set Executive's hand as of the day and year first above written.

THE WALT DISNEY COMPANY

Dated: December 14, 2018

By: /s/ JAYNE PARKER
Jayne Parker

Dated: December 13, 2018

/s/ ZENIA MUCHA
Zenja Mucha

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (hereinafter referred to as "**Agreement**") is made and entered into by and between Zenia Mucha (hereinafter referred to as "**Consultant**") and The Walt Disney Company (hereinafter referred to as "**Company**") on and as of _____, 20__ pursuant to that certain Employment Agreement by and between Executive and Company dated as of September 27, 2018 (the "**Employment Agreement**"). All capitalized terms not defined herein shall have the meaning ascribed to them in the Employment Agreement.

1. (a) Unless this Agreement is earlier terminated as hereinafter provided, for a period following the termination of Consultant's employment under the Employment Agreement equal to the lesser of (i) 6 months or (ii) the remaining period of the originally scheduled term of the Employment Agreement (the "**Consulting Agreement Period**"), Consultant shall personally and diligently provide to the Company such consulting services as the Company may reasonably request from time to time, provided that such services shall relate to matters appropriate for an executive employed in the position referred to in paragraph 2 of the Employment Agreement and shall be a type and nature and duration typical for a post-employment consulting agreement with an executive formerly employed in such position, it being understood for the avoidance of doubt that to the extent any such consulting services involve creative services and/or input, such services and/or input shall be limited to existing matters and projects that Company and/or Consultant was working on or involved in (or has specific plans to work on) at the time of termination or any time prior thereto during the Term and shall be in scope and nature generally limited to types of services not inconsistent with Consultant's former position. Consultant shall not be required to report to the Company's offices and shall be permitted, subject to the terms hereof, to provide consulting services to third parties during the term hereof, provided (i) in no event shall consulting services or other services or advice of any nature be provided by Consultant, directly or indirectly (whether as an employee, consultant, independent contractor, agent, partner, principal, owner or otherwise) to any person or entity which directly or indirectly owns, operates, manages, develops, controls or provides services to, any business involved in any of the following activities (a "**Designated Business**"): (A) the conception, creation, development, production, purchase, sale, distribution, broadcast, transmission or other disposition (including, without limitation, the licensing and/or merchandising of related consumer products) of audio and/or visual and/or interactive products or works of any nature in any media, including, without limiting the generality of the foregoing, any activity relating to (i) any aspect of the film, network, cable, broadcasting, mobile communications, television (including pay-per-view, closed circuit or any inter-active form of distribution of film, television or other audio/visual product) or internet businesses or any other businesses based on or using interactive technology (including, without limiting the generality of the foregoing, electronic and/or interactive games, environments, information centers or communities, in each case, of any nature), or (ii) the development, production, marketing, distribution or exploitation by any means or vehicle whatsoever of any film, television or software product or any similar content or product in any media, whether or not now existing, it being understood, however, that, for the avoidance of doubt and notwithstanding any other term or provision hereof, the internal use by any business of any of the interactive, internet-based or other technology or media referred to above in the creation, development and/or production of their products and/or services shall not in and of itself result in such business being a Designated Business to which Consultant is prohibited from directly or indirectly providing services hereunder, (B) the operation, management, development, licensing

and promotion of themed resorts, hotels and restaurants or amusement or themed entertainment parks; or (C) the design, development, publishing, promotion or sale of products based on cartoon or other animated characters, films, television and theatrical productions and other intellectual property derived therefrom, in each case, only to the extent (i) that such person or entity is actively engaged in any geographic area in any business which is in competition with a business conducted by The Walt Disney Company or any subsidiary thereof at the time of the performance of such services (the "Specified Activities"), and (ii) that any services reasonably required by Company shall at all times be provided with precedence being given to Company and on a "first priority" basis to Company, although Company shall endeavor to provide, when possible, reasonable advance written notice to Consultant of all services required hereunder and to give due consideration, to the extent practicable, to any prior commitments Consultant may have at such time. In no event shall Consultant be required to devote more than 13.5 hours per week to services to Company hereunder (including travel time, but not time to or from the office) and the parties agree and understand that Consultant's expected commitment to such services shall regularly be less than the stated maximum weekly hours.

(b) In the event of a material uncured breach by Consultant of any term or provision of this paragraph 1 hereof, all of which terms and conditions Consultant acknowledges and agrees are material and of the essence of this Agreement, or any other material term or provision hereof, Company shall have the right, in addition to any other right or remedy available to it at law or in equity, to terminate this Agreement. In such event Company shall have no further obligation to make payments or perform or honor any commitments under the Release or to pay or honor any commitments which relate to or constitute any of the Conditional Benefits; provided, however, that notwithstanding the foregoing, except as otherwise specifically provided in the immediately preceding sentence, no breach of this Agreement by Consultant, no termination of this Agreement by Company, and no other action or inaction by either of them (other than the execution by the parties of a written agreement amending or superseding the Release or any part thereof) shall in any event or under any circumstances have any effect whatsoever on the validity, enforceability, binding nature, effect or interpretation of the releases set forth in paragraph 5 and paragraph 7 of the Release, and the releases set forth therein shall remain in full force and effect.

(c) In the event that Consultant shall receive a written notice of breach of this Agreement from the Company, Consultant shall have ten (10) business days to cure such breach unless the Company shall have determined in its good faith business judgment that such breach is not curable. Any such notice of termination pursuant to this paragraph 1 shall set forth in reasonable detail the basis for such breach and shall contain a statement as to whether or not such breach has been determined to be curable by the Company. In the event that Consultant receives a written notice of breach of the Agreement from the Company, Consultant may challenge such finding of a breach, by written notice to the Company, and shall be afforded an opportunity to present Consultant's objection to the Company, in person or in writing, as determined by the Company, prior to Company having any right to terminate this Agreement and the Conditional Benefits provided under the Employment Agreement.

2. Consultant shall receive gross consulting fees for Consultant's services hereunder which, for any period during the Consulting Agreement Period, shall equal the Consulting Amount. The consulting fee payments shall be made at the date set forth in Paragraph 5(d)(i) of the Employment Agreement.

3. Company shall reimburse Consultant, in accordance with the procedures of Company then in effect for its senior executives, for reasonable business expenses incurred by Consultant in the course of performing the services hereunder.

4. Company, its successors, privies and assigns shall be entitled to, and shall, own as their exclusive property all of the results and proceeds of the services performed hereunder (which results and proceeds are hereinafter collectively referred to as the “**Work Product**”) in whatever stage of completion, all of which shall be considered a work-for-hire, including, without limitation, all written work, research, plot outlines, computer programs, plans, drawings, paintings, sculptures, fanciful creations, specifications, ideas, scripts, sketches, designs, concepts, software, systems, reports, documentation, and other tangible or intangible work product produced by Consultant as part of Consultant’s services performed hereunder. Company shall own all rights in the Work Product in perpetuity throughout the universe including, without limitation, the rights to produce, manufacture, record, reproduce, distribute, transfer or prepare derivative works from the Work Product by any art, medium or method and all copyrights, trademarks and/or patents in the Work Product. Company shall be deemed the sole author of the Work Product and is entitled to the copyright therein (and all renewals and extensions thereof), and the full ownership to the original and all copies of the Work Product. Company shall have the right to dispose of the Work Product and/or make any or all uses thereof as it, at any time and in the exercise of its sole discretion, may desire. Upon Company’s request, Consultant shall deliver all originals and copies of the Work Product (whether completed or in process) and all research, plans, designs, specifications and any other work product or information which pertains to the Work Product to Company upon completion of the performed services hereunder or upon earlier termination of this Agreement. Consultant shall not retain, use or disclose any of the Work Product without Company’s prior written consent. The termination, completion or breach of this Agreement on whatever grounds and by whomsoever affected shall not affect Company’s exclusive ownership of the Work Product. Consultant hereby assigns to Company all now known or hereafter existing rights of every kind throughout the universe, in perpetuity and in all languages, pertaining to the Work Product, including, without limitation, all exclusive exploitation rights, of every kind and nature, including, but not limited to, all trademarks, copyrights and neighboring rights, to the full extent such assignment is allowed by law, and any renewals and extensions therefor throughout the universe, in perpetuity, or for the duration of the rights in each country, and in all languages. Consultant acknowledges that new rights to the Work Product may come into being or be recognized in the future, under the law or in equity (the “**New Exploitation Rights**”), and Consultant intends to and does hereby grant and convey to Company any and all such New Exploitation Rights to the Work Product. Consultant is also aware and acknowledges that new or changed technology, uses, media, format, modes of transmission and methods of distribution, dissemination, exhibition or performance (the “**New Exploitation Methods**”) are being and will inevitably continue to be developed in the future, which would offer new opportunities for exploiting the Work Product. Consultant intends to and does hereby grant and convey to Company any and all rights to such New Exploitation Methods with respect to the Work Product. Consultant agrees to execute, at any time upon Company’s request, such further documents consistent herewith and do such other acts at the Company’s expense as may be required by the Company in its reasonable business judgment to evidence or confirm Company’s exclusive ownership of and exploitation rights to the Work Product and to effectuate Consultant’s purpose to convey such rights to Company including, but not limited to, the New Exploitation Rights and any and all of the New Exploitation Methods. Consultant shall have the right to have any such documents reviewed by counsel with Company giving good faith consideration to changes requested by counsel

unless such review and/or consideration is not in Company's reasonable business judgment feasible or prudent in view of material time constraints; provided, however, that notwithstanding the foregoing, if Consultant fails to execute such further documents within 20 business days after receipt of Company's written request to do so, then Company shall have the power of attorney, which Consultant acknowledges is irrevocable and coupled with an interest, to execute such documents on Consultant's behalf. Consultant agrees that Consultant will not seek to (i) challenge, through the courts, administrative governmental bodies, private organizations or in any other manner, the rights of Company to exploit the Work Product by any means whatsoever or (ii) thwart, hinder or subvert the intent of the preceding grants and conveyances to Company, or the collection by Company of any proceeds relating to the rights conveyed under this Agreement. The provisions of this paragraph shall survive the expiration or sooner termination of this Agreement.

5. This Agreement is for the personal services of Consultant and may not be subcontracted or assigned by Consultant in any fashion, whether by operation of law, or by conveyance of any type, without the prior written consent of Company, which consent Company may withhold in its sole discretion. Company may not assign all or any portion of this Agreement at any time to any of its subsidiaries or to any other person.

6. (a) Consultant, by virtue of this Agreement, shall acquire no right to use, and shall not use, the name "The Walt Disney Company" or "The Walt Disney Studios" or "Disney" or "ABC" or "ABC, Inc." or "American Broadcasting Companies" or "ESPN" or "Marvel" or "Pixar" or "Lucasfilm, Ltd." or any other word, mark, or name used for, or in connection with, the business activities of Company (either alone or in conjunction with or as a part of any other word, mark, or name) or any marks, fanciful characters or designs of the Company or any of their related, affiliated, or subsidiary companies in any advertising, publicity, or promotion; to express or imply any endorsement by the Company or any of its related, affiliated or subsidiary companies of Consultant's services; or in any other manner whatsoever (whether or not similar to the uses hereinabove specifically prohibited). Consistent with Consultant's obligations under Paragraph 7, this Paragraph 6(a) shall not prevent Executive from using such names to describe Consultant's activities with respect to Company and its subsidiaries under and prior to the Employment Agreement and under this Agreement.

(b) Consultant hereby represents and warrants to Company that as of the date of this Agreement, Consultant does not provide any services (including, without limitation, as an employee) to any person or entity that (i) is engaged in, or whose affiliated entities are engaged in, one or more of the Specified Activities or (ii) advises or provides consulting services to any person or entity that is engaged in, or whose affiliated entities are engaged in, any business or activity relating to or constituting one or more of the Specified Activities. Consultant further represents and warrants to Company that Consultant shall make written disclosure to Company prior to providing any services, during the term of this Agreement, to any of the above mentioned persons or entities.

7. Consultant may, during the course of Consultant's engagement hereunder, have access to, and acquire knowledge of or from, materials, data, strategies, systems or other information relating to the services hereunder or Company, or its related, affiliated or subsidiary companies, which may not be accessible or known to the general public (including, but not limited to, the existence of this Agreement and the terms hereof and any Work Product not readily available to the general public) ("**Confidential Information**"). Any such knowledge acquired by Consultant shall

be kept confidential and shall not be used, published, or divulged by Consultant to any other person, firm, or corporation, or in any advertising or promotion regarding Consultant or Consultant's services, or in any other manner or connection whatsoever without first having obtained the prior written permission of Company, which permission Company may withhold in its sole discretion; provided that Consultant shall have no greater duty or obligation in respect of such Confidential Information than applies to Executive under Paragraph 7(b) of the Employment Agreement and any agreements referred to therein. Upon Company's request, Consultant shall immediately return to Company or destroy, all documents, magnetic copies, or other physical evidence of all Confidential Information in Consultant's possession or in the possession of any of Consultant's directors, officers, employees, agents or representatives (including, without limitation, all copies, transcriptions, notes, extracts, analyses, compilations, studies, or other documents, records, or data prepared by Consultant) which contain or otherwise reflect or are generated from the Confidential Information without retaining any copy thereof, all of the foregoing being Confidential Information and the sole property of Company, Consultant shall certify to Company that all of the foregoing has been returned or destroyed as provided in this paragraph. Consultant agrees that Company would be irreparably harmed by any violation or threatened violation of this paragraph and that, therefore, Company shall be entitled to an injunction prohibiting Consultant from any violation or threatened violation of this paragraph. The provisions of this paragraph shall survive the expiration or sooner termination of this Agreement.

8. This Agreement shall be construed and interpreted in accordance with the laws of the State of California without regard to conflicts of laws principles.

9. The terms and provisions of this Agreement, the Release and Paragraphs 5 and 6 of the Employment Agreement constitute the entire agreement between the parties hereto with respect to the subject matter of this Agreement and supersede all previous communications, representations, or agreements, either oral or written, between the parties relating to such subject matter hereof. No change, alteration or modification of this Agreement shall be effective unless made in writing and signed by both parties hereto.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the day and year first above written.

COMPANY Consultant

--EXHIBIT; NOT FOR EXECUTION--

By: _____ By: _____
Title: _____

GENERAL RELEASE

WHEREAS, Zenia Mucha (hereinafter referred to as "Executive") and The Walt Disney Company (hereinafter referred to as the "Company") are parties to an Employment Agreement, dated as of September 27, 2018, (the "Employment Agreement"), which provided for Executive's employment with the Company on the terms and conditions specified therein; and

WHEREAS, pursuant to paragraph 6 of the Employment Agreement, Executive and the Company have agreed to execute mutual releases of the type and nature set forth in this Agreement;

NOW, THEREFORE, in consideration of the premises and mutual promises herein contained and for other good and valuable consideration received in accordance with the terms of the Employment Agreement, it is agreed as follows:

1. (a) Upon the later of (i) the execution hereof by the Company and Executive, (ii) the passage of seven days following execution hereof by Executive without Executive's having exercised the revocation rights referred to in paragraph 10 hereof and (iii) the time specified in the Employment Agreement for payment of a particular item of compensation, the Company shall (x) provide Executive the amounts and benefits described in Paragraph 5 of the Employment Agreement and (y) make full payment for vacation and floating holidays accrued but unused as of the date hereof (to the extent, if any, not already paid in accordance with applicable law), less amounts required to be withheld by law or authorized by Executive to be withheld (it being understood that from and after the date hereof no further rights to vacation or floating holidays or compensation therefor shall accrue or be payable to Executive). Such payment shall be made by check payable to Executive.

(b) The covenants and commitments of the Company referred to herein (including, specifically, but without limitation, any and all benefits conferred upon Executive pursuant to Paragraph 5 of the Employment Agreement) shall be in lieu of and in full and final discharge of any and all obligations to Executive for compensation, severance payments, or any other expectations of payment, remuneration, continued coverage of any nature or benefit on the part of Executive arising out of or in connection with Executive's employment with the Company, or under any agreement, arrangement, commitment, plan, program, practice or policy of the Company, or otherwise, other than as expressly provided in the Employment Agreement.

(c) Notwithstanding the foregoing or any other term or provision hereof, Executive shall be entitled to such rights as are vested in Executive as of the Termination Date, under and subject to the terms of (i) the Employment Agreement and/or the Consulting Agreement, (ii) any applicable retirement plan(s) to which Executive may be subject, (iii) any applicable stock option plan or other incentive compensation plan of the Company to which Executive may be subject, (iv) any right which Executive now has or may hereafter have to claim a defense and/or indemnity for liabilities to third parties in connection with Executive's activities as an employee of the Company or any of its subsidiaries pursuant to the terms of any applicable statute, under any insurance policy, pursuant to the certificate of incorporation or bylaws or established policies of the Company or any subsidiary thereof or pursuant to written agreement (including, without limitation, the Indemnification Agreement) expressly providing for such indemnity between Executive and the Company or any subsidiary thereof, and (v) any other applicable employee welfare benefit plans to which Executive may be subject and (vi) reimbursement of all reasonable

business expenses received by Executive in accordance with Company's practices and policies regarding reimbursement of business expenses. Further, Executive shall be entitled to such continuation of health care coverage as is required under, and subject to, applicable law, of which Executive shall be notified in writing after the Termination Date, provided Executive timely exercises Executive's rights in accordance therewith. Executive understands and acknowledges that all payments for any such continued health care coverage Executive may elect will be paid by Executive, except to the extent the Employment Agreement provides that such payments shall be made by the Company.

2. Executive confirms that, on or prior to seven (7) days from the date hereof, Executive shall turn over to the Company all files, memoranda, records, credit cards and other documents and physical or personal property that Executive received from the Company or that Executive generated in connection with Executive's employment by the Company or that are the property of the Company provided that Executive may retain notes, files, calendars, contact information and correspondence of a personal nature (whether in hard copy or electronic form), provided, in each case, that no confidential Company information or information intended primarily for internal Company use is contained therein).

3. It is the desire and intent of the parties hereto that the provisions of this Agreement be enforced to the fullest extent permissible under law. Should there be any conflict between any provision hereof and any present or future law, such law will prevail, but the provisions affected thereby will be curtailed and limited only to the extent necessary to bring them within the requirements of law, and the remaining provisions of this Agreement will remain in full force and effect and be fully valid and enforceable.

4. Executive represents and agrees (a) that Executive has to the extent Executive desires discussed all aspects of this Agreement with Executive's attorney, (b) that Executive has carefully read and fully understands all of the provisions of this Agreement, and (c) that Executive is voluntarily entering into this Agreement.

5. Excluding enforcement of the covenants, promises and/or rights reserved herein and/or in the Employment Agreement, Indemnification Agreement and/or the Consulting Agreement, Executive hereby irrevocably and unconditionally releases, acquits and forever discharges the Company and each of the Company's direct or indirect owners, parent companies, stockholders, predecessors, successors, assigns, agents, directors, officers, employees, representatives, attorneys, divisions, subsidiaries, affiliates (including, for the avoidance of doubt, The Walt Disney Company and agents, directors, officers, employees, representatives and attorneys of such companies, divisions, subsidiaries and affiliates) and all persons acting by, through, under or in concert with any of them (collectively "Releasees"), or any of them, from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, including, but not limited to, rights arising out of alleged violations of any contracts, express or implied, any covenant of good faith and fair dealing, express or implied, or any tort or any legal restrictions on the Company's right to terminate employees, or any Federal, state or other governmental statute, regulation or ordinance, including, without limitation, Title VII of the Civil Rights Act of 1964, as amended, the Federal Age Discrimination In Employment Act of 1967, as amended, and the California Fair Employment and Housing Act, all as amended, that

Executive now has, or has ever had, or ever will have, against each or any of the Releasees, by reason of any and all acts, omissions, events, circumstances or facts existing or occurring up through the date of Executive's execution hereof that directly or indirectly arise out of, relate to, or are connected in any manner whatsoever with, Executive's services to, or employment by the Company or any of its subsidiaries (any of the foregoing being an "Executive Claim" or, collectively, the "Executive Claims"). This release does not constitute a release of any Executive Claims that cannot be released as a matter of law.

6. Except as expressly reserved herein, Executive expressly waives and relinquishes all rights and benefits afforded by California Civil Code Section 1542 and does so understanding and acknowledging the significance of such specific waiver of Section 1542. Section 1542 states as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Thus, notwithstanding the provisions of Section 1542, and for the purpose of implementing a full and complete release and discharge of the Releasees, Executive expressly acknowledges that this Agreement is intended to include in its effect, without limitation, all Executive Claims that Executive does not know or suspect to exist in Executive's favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such Executive Claim or Executive Claims.

7. Excluding enforcement of the covenants, promises and/or rights reserved herein or in the Employment Agreement, Indemnification Agreement and/or the Consulting Agreement, and except as otherwise provided in the proviso at the end of this sentence, the Company hereby irrevocably and unconditionally releases, acquits and forever discharges Executive, and Executive's heirs, assigns and successors in interest ("Executive Releasees"), or any of them, from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses (including attorney's fees and costs actually incurred), of any nature whatsoever, known or unknown, suspected or unsuspected, including, but not limited to, rights arising out of alleged violations of any contracts, express or implied, any covenant of good faith and fair dealing, express or implied, or any tort, or any federal, state or other governmental statute, regulation or ordinance, that the Company now has, or has ever had, or ever will have, against Executive and/or the Executive Releasees, by reason of any and all acts, omissions, events, circumstances or facts existing or occurring up through the date of the Company's execution hereof, that directly or indirectly arise out of, relate to, or are connected in any manner whatsoever with, Executive's services to, or employment by the Company (hereinafter referred to as a "Claim" or collectively, the "Claims"); provided, however, that, notwithstanding any other term or provision hereof, any Claim or Claims rising out of, or resulting from, in part or whole, (i) any illegal or fraudulent act(s) or illegal or fraudulent omission(s) to act of Executive, (ii) any action(s) or omission(s) to act which would constitute self-dealing or a breach of Executive's confidentiality obligations to the Company or any affiliate thereof, or a breach of The Walt Disney Company and Associated Companies Confidentiality Agreement executed by Executive, or (iii) the policy of the Board of

Directors of the Company, as the same may be in effect from time to time, regarding the ability of the Company to recoup bonus or incentive payments as a result of Company's being required to restate its financial results due to material noncompliance with financial reporting requirements under the securities laws, are hereby expressly excluded in their entirety from the foregoing release, acquittal and discharge and are unaffected thereby (any Claim or Claims not so excluded pursuant to this proviso being hereinafter referred to as a the "Company Claim" or, collectively, as the "Company Claims"). This release does not constitute a release of any Company Claims that cannot be released as a matter of law.

8. Except as expressly reserved herein, the Company expressly waives and relinquishes all rights and benefits afforded by California Civil Code Section 1542 and does so understanding and acknowledging the significance of such specific waiver of Section 1542. Section 1542 states as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Thus, notwithstanding the provisions of Section 1542, and for the purpose of implementing a full and complete release, acquittal and discharge of the Executive Releasees with respect to the Company Claims only, the Company expressly acknowledges that this Agreement is intended to include in its effect, without limitation, all the Company Claims that the Company does not know or suspect to exist in the Company's favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such Company Claims. Notwithstanding anything in this Release to the contrary, if at any time (whether during or after the Employment Period) the Company is required to restate its financial results due to material noncompliance with financial reporting requirements under the securities laws, nothing in this Release shall be construed to limit the rights of the Company and the Board of Directors of the Company to seek or obtain recovery from Executive of any incentive compensation (including profits realized from the sale of Company securities) previously paid, or the cancellation of any outstanding awards, in accordance with the terms of Company's policy, as in effect from time to time, regarding the ability of the Company to recoup any bonus or incentive payments under such circumstances.

9. Executive is advised to consult with an attorney before signing this Agreement. Executive understands that Executive has been given a period of 21 days to review and consider this Agreement before signing it pursuant to the Age Discrimination In Employment Act of 1967, as amended. Executive further understands that Executive may use as much of this 21-day period as Executive wishes prior to signing.

10. Executive acknowledges and represents that Executive understands that Executive may revoke the waiver of Executive's rights under the Age Discrimination In Employment Act of 1967, as amended, effectuated in this Agreement within 7 days of signing this Agreement. Revocation can be made by delivering a written notice of revocation to the Senior Executive Vice President, General Counsel and Secretary, The Walt Disney Company, 500 South Buena Vista Street, Burbank, California 91521. For this revocation to be effective, written notice must be received by the General Counsel, no later than the close of business on the seventh day after Executive

signs this Agreement. If Executive revokes the waiver of Executive's rights under the Age Discrimination In Employment Act of 1967, as amended, the Company shall have no obligations to Executive under this Agreement or the Employment Agreement.

11. Executive and the Company respectively represent and acknowledge that in executing this Agreement neither of them is relying upon, and has not relied upon, any representation or statement not set forth herein made by any of the agents, representatives or attorneys of the Releasees or of the Executive Releasees with regard to the subject matter, basis or effect of this Agreement or otherwise.

12. This Agreement shall not in any way be construed as an admission by any of the Releasees or Executive Releasees, respectively, that any of the Releasees or Executive Releasees has acted wrongfully or that the Company or Executive has any rights whatsoever against any of the Releasees or Executive Releasees except as specifically set forth herein, and each of the Releasees and Executive Releasees specifically disclaims any liability to any party for any wrongful acts.

13. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California. This Agreement is binding on the successors and assigns of, and sets forth the entire agreement between, the parties hereto; fully supersedes any and all prior agreements or understandings between the parties hereto pertaining to the subject matter hereof; and may not be changed except by explicit written agreement to that effect subscribed by the parties hereto.

PLEASE READ CAREFULLY. THIS SETTLEMENT AGREEMENT AND GENERAL RELEASE INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.

--EXHIBIT; NOT FOR EXECUTION--

Zenja Mucha

Date:

THE WALT DISNEY COMPANY

By:

Title: _____

Date:

**The Walt Disney Company and Affiliated Companies
Confidentiality Agreement**

In consideration for my employment and for the compensation to be paid to me by The Walt Disney Company or a division, subsidiary, or affiliate thereof, or any successor of the foregoing (hereinafter termed the "Company"), and in addition to any other obligation, at all times during the term of my employment and thereafter, I do here agree:

1. To hold in strictest confidence, and not disclose (other than as provided below) to any person, firm, or corporation without express authorization of a corporate officer of the Company, any confidential information or trade secret relating to the products, sales, or business of the Company and not to use any such confidential information or trade secret for my own benefit during the term of my employment or thereafter. This non-disclosure obligation does not apply to a disclosure made (i) in confidence to an attorney or, directly or indirectly, to a federal, state or local government official, as long as the disclosure is made solely for the purpose of reporting or investigating a suspected violation of law or (ii) in a complaint or other document filed in a lawsuit or other proceeding, as long as the filing is made under seal.
2. To fully and promptly disclose to the Company and to hold in trust for the sole right and benefit of the Company, any and all intellectual property, discoveries, or trade secrets which I may solely or jointly conceive, design, develop, create or suggest or cause to be conceived, designed, developed or created during the period of time I am in the employ of the Company, which relate to or are connected with my employment or the business of the Company, whether or not conceived or created during my regular working hours. For purposes of this agreement, the term intellectual property shall include, without limitation, any ideas, concepts, literary material, designs, drawings, illustrations and photographs.
3. That right, title, and interest in and to the intellectual property, discoveries and trade secrets referred to in Paragraph 2 above, shall be the sole and absolute property of the Company, subject to the limitations set forth in Paragraph 4 below.
4. That I will and do hereby assign to the Company all my right, title, and interest in and to the intellectual property, discoveries and trade secrets referred to in Paragraph 2 above; provided, however, that no provision in this agreement is intended to require assignment of any of my rights in any intellectual property or discovery if (i) no equipment, supplies, facilities, trade secret or confidential information of the Company was used; and (ii) the discovery was made or the intellectual property was developed entirely on my own time; and (iii) such discovery or intellectual property neither relates to any business of the Company or the Company's actual or demonstrably anticipated research or development nor results from any work performed by me for the Company.
5. I will execute any documents necessary to evidence the Company's proprietary interest in any discovery, intellectual property or trade secret referred to in Paragraph 2 above. In the event the Company is unable, for any reason whatsoever, to secure my signature to any lawful and necessary document required to apply for protection of, or enforce any action with respect to, copyright, trademark or other proprietary rights, I hereby irrevocably designate and appoint the Company, and its duly authorized officers and agents, as my agent and attorney-in-fact, whose power is coupled with an interest, to act for and in my behalf and stead, to execute such documents and to do all other lawfully permitted acts to protect the Company's interest in any copyright, trademark or other proprietary right with the same legal force and effect as if executed by me.
6. That at the time of leaving the employ of the Company, I will deliver to the Company, and will not keep in my possession nor deliver to anyone else, any and all drawings, notes, notebooks, memoranda, treatments, scripts, documents or any other material connected with my employment by the Company or with the business of the Company.
7. In case of interruption of my employment with the Company, by lay-off or otherwise, this agreement, upon reemployment, will be in full force and effect unless specifically superseded by a new agreement.
8. This agreement shall not embrace or include any copyrights or trademarks or other proprietary rights owned or controlled either jointly or separately by me prior to the time of my employment by the Company. I am listing on a separate attached sheet each copyright, trademark or other proprietary right which I claim to be exempt from this agreement.
9. This agreement supersedes any prior agreement with the Company relating to the subject matter set forth herein.

--EXHIBIT; NOT FOR EXECUTION--

Employee Signature

Employee Name

Date (MM/DD/YY)

(Print)

THE WALT DISNEY COMPANY
Schedule of Provisions for Certain
Time-Vested Restricted Stock Unit Awards
Pursuant to the 2011 Stock Incentive Plan

AWARD AGREEMENT, dated as of **Dated** between The Walt Disney Company, a Delaware corporation (“**Disney**”), and **Participant Name** (the “**Participant**”). This Award is granted on **Grant Date** (the “**Date of Grant**”) by the Compensation Committee of the Disney Board of Directors (the “**Committee**”).

Section 1. **Restricted Stock Unit Award.** Disney hereby grants to the Participant, on the terms and conditions set forth herein, an Award of ~~####~~ Restricted Stock Units pursuant to the 2011 Stock Incentive Plan (the “**Plan**”). All capitalized terms not defined herein shall have the meaning set forth in the Plan. The Award referred to herein constitutes a “**Stock Unit Award**” under the Plan. The Restricted Stock Units are notional units of measurement denominated in Shares of Disney (i.e. one Restricted Stock Unit is equivalent in value to one Share, subject to the terms hereof). The Restricted Stock Units represent an unfunded, unsecured obligation of Disney.

Section 2. **Vesting Requirements.** Subject to accelerated vesting in certain circumstances as provided in Section 3 below and to the terms of Section 6 below regarding extended vesting, your right to receive payment of this Award shall become vested only if you remain continuously employed by Disney or an Affiliate from the date hereof (i) in the case of the first tranche, until the first anniversary of the Date of Grant, (ii) in the case of the second tranche, until the second anniversary of the Date of Grant, (iii) in the case of the third tranche, until the third anniversary of the Date of Grant and (iv) in the case of the fourth tranche, until the fourth anniversary of the Date of Grant. The vesting dates for your award are set forth on the website(s) referred to herein at the Grant Detail page, which may be accessed by clicking on the hyperlink for the award on the left-hand side of the Grant Summary page.

Except as otherwise provided in Sections 3 or 6 below, if the service vesting requirements of this Section 2 are not satisfied for a tranche, the applicable number of Restricted Stock Units shall be immediately forfeited and your rights with respect thereto shall cease. All Restricted Stock Units for which the requirements of this Section 2 have been satisfied shall become vested and shall thereafter be payable in accordance with Section 5 hereof.

Section 3. **Accelerated Vesting.** Notwithstanding the terms and conditions of Section 2 hereof, upon your death or Disability (to the extent permitted under applicable local law), or upon the occurrence of a Triggering Event within the 12-month period following a Change in Control (in accordance with Section 11 of the Plan as in effect on the date hereof), this Award shall become fully vested and shall be payable in accordance with Section 5 hereof to the extent that it has not previously been forfeited.

Section 4. **Dividend Equivalents.** Any dividends paid in cash or Shares will be credited to you as additional Restricted Stock Units as if the Restricted Stock Units you previously held were outstanding Shares, as follows: such credit shall be made in whole Restricted Stock Units only (rounded downward to the nearest whole unit) and shall be based on the Fair Market Value of the Shares on the date of payment of such dividend. All such additional Restricted Stock Units shall be subject to the same vesting requirements applicable to the Restricted Stock Units in respect of which they were credited and shall be payable in accordance with Section 5 hereof.

Section 5. **Payment of Award.** Payment of vested Restricted Stock Units shall be made within 30 days of the applicable vesting date under Section 2 hereof as of which the vesting requirements under Section 2 hereof shall have been satisfied with respect to any tranche (or within 30 days of the acceleration of vesting under Section 3 hereof). The Restricted Stock Units shall be paid in cash or in Shares (or some combination thereof), as determined by the Committee in its discretion at the time of payment, and in either case shall be paid to you after deduction of all

* The vesting dates for your award are set forth on the website(s) referred to herein at the Grant Detail page, which may be accessed by clicking on the hyperlink for the award on the left-hand side of the Grant Summary page.

income tax, social insurance contributions, National Insurance contributions, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you (“Tax-Related Items”) in the amount determined by the Committee.

Section 6. Extended Vesting.

(a) In the event that your employment with Disney or an Affiliate thereof terminates for any reason other than death, Disability or “cause” (as further provided in the Plan) at a time when (i) you have attained the age of 60 and have completed at least 10 consecutive Service Years (as hereinafter defined) and (ii) at least one year has passed since the Date of Grant, then unless otherwise stated in the Appendix (as defined in Section 18), the remaining then unvested tranche(s) of this Award shall vest in accordance with the terms and provisions hereof in the same manner as if your employment had continued through the scheduled vesting date(s) of such tranche(s); provided, however, that in the event of your death prior to any such scheduled vesting date(s), all remaining then unvested tranche(s) of this Award shall vest and be payable immediately upon such event. For purposes of the foregoing, “Service Year” shall mean any 12-month period during which you were continuously employed by Disney or an Affiliate thereof. In determining the total number of consecutive Service Years that you have been so employed, Disney shall apply such rules regarding the bridging of service as the Committee may adopt from time to time.

(b) Notwithstanding any other term or provision hereof, if at the time of termination of employment (other than upon the scheduled expiration date of an employment agreement) you are employed pursuant to an employment agreement with Disney or an Affiliate which provides under certain circumstances for the continued vesting of any Restricted Stock Units subject to this Award in the event of the termination of such employment agreement prior to its scheduled expiration date (a “Contractual Extension Provision”), then, except as otherwise provided in such employment agreement, (i) this Section 6 shall be interpreted and applied in all respects as if you had remained continuously employed by Disney or an Affiliate thereof from the Date of Grant through the scheduled expiration date of such employment agreement and (ii) the date of termination of your employment for all purposes under this Section 6 shall be deemed to be the scheduled expiration date of such employment agreement.

(c) Solely for purposes of determining whether, and to what extent, the Participant shall have satisfied the service vesting requirement in Section 2, the Participant shall be deemed to have continued in employment (without duplication of any service credit afforded with respect to a Contractual Extension Provision) with Disney or an Affiliate during any period for which the Company provides Participant pay in lieu of notice in connection with The Worker Adjustment and Retraining Notification Act, as currently in effect and as the same may be amended from time to time, or any successor statute thereto or any comparable provision of state, local or foreign law applicable to the Participant.

Section 7. Responsibility for Taxes. Restricted Stock Units are granted and vested in the United States. At the time of vesting, if you are a U.S. taxpayer, Disney will withhold all U.S. federal, state and local taxes as required by law at the then-current rate for supplemental wage income as applicable. If you are resident outside the U.S., you shall be responsible for the payment of all Tax-Related Items, and Disney will either withhold the Tax-Related Items as required by local law, or, alternatively, you will be required to pay the Tax-Related Items directly or, where permitted by local law with respect to fringe benefits or employer social taxes, to reimburse Disney or the Affiliate by whom you are employed (the “Employer”) for the Tax-Related Items paid by Disney or such Affiliate.

Regardless of any action Disney or the Employer takes with respect to any Tax-Related Items, you acknowledge that the ultimate liability for all Tax-Related Items is and remains your responsibility and may exceed the amount actually withheld by Disney or the Employer, whether you are in the United States or any other country. You further acknowledge that Disney and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the issuance of Shares upon settlement of the Restricted Stock Units, the subsequent sale of Shares acquired pursuant to such issuance and the receipt of any dividends and/or dividend equivalents; and (ii) do not commit to and are under no obligation to structure the

terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to tax in more than one jurisdiction, you acknowledge that Disney and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, you agree to pay or make adequate arrangements satisfactory to Disney and/or the Employer to satisfy all Tax-Related Items. In this regard, you authorize Disney and/or the Employer, or their respective agents, at their discretion, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following: (i) withholding from your wages or other cash compensation paid to you by Disney and/or the Employer; (ii) withholding from proceeds of the sale of Shares acquired upon vesting/settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by Disney (on your behalf pursuant to this authorization without further consent); or (iii) withholding in Shares to be issued upon settlement of the Restricted Stock Units.

Depending on the withholding method, Disney may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding rates or other applicable withholding rates, including maximum applicable rates, in which case you may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent in Shares. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, you are deemed to have been issued the full number of Shares subject to the vested Restricted Stock Units, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items.

Finally, you shall pay to Disney or the Employer, including through withholding from your wages or other cash compensation paid to you by Disney and/or the Employer, any amount of Tax-Related Items that Disney or the Employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. Disney may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if you fail to comply with your Tax-Related Items obligations.

Section 8. Restrictions on Transfer. Neither this Award nor any Restricted Stock Units covered hereby may be sold, assigned, transferred, encumbered, hypothecated or pledged by you, other than to Disney as a result of forfeiture of the Restricted Stock Units as provided herein.

Section 9. No Voting Rights. The Restricted Stock Units granted pursuant to this Award, whether or not vested, will not confer any voting rights upon you, unless and until the Award is paid in Shares.

Section 10. Award Subject to Plan. This Restricted Stock Unit Award is subject to the terms of the Plan, the terms and provisions of which are hereby incorporated by reference. In the event of a conflict or ambiguity between any term or provision contained herein and a term or provision of the Plan, the Plan will govern and prevail.

Section 11. Changes in Capitalization. The Restricted Stock Units under this Award shall be subject to the provisions of the Plan relating to adjustments for changes in corporate capitalization.

Section 12. Nature of Grant. In accepting the Restricted Stock Unit Award, you acknowledge, understand and agree that:

(a) the Plan is established voluntarily by Disney, it is discretionary in nature, and may be amended, suspended or terminated by Disney at any time, to the extent permitted by the Plan;

(b) the grant of the Restricted Stock Units is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of restricted stock units, or benefits in lieu of restricted stock units, even if restricted stock units have been granted in the past;

- (c) all decisions with respect to future Restricted Stock Unit or other grants, if any, will be at the sole discretion of Disney;
- (d) your participation in the Plan shall not confer upon you any right to employment or service with the Employer, Disney or any other Affiliate, and shall not interfere with the ability of the Employer to terminate your employment or service relationship (if any) at any time or to change the terms and conditions of such employment or service relationship (if any);
- (e) you are voluntarily participating in the Plan;
- (f) the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income and value of same, are not intended to replace any pension rights or compensation;
- (g) the Restricted Stock Unit Award and your participation in the Plan will not be interpreted to form an employment or service agreement or relationship with Disney or any Affiliate;
- (h) the future value of the Shares subject to the Restricted Stock Units is unknown, indeterminable and cannot be predicted with certainty;
- (i) unless otherwise agree with Disney, the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income and value of same, are not granted as consideration for, or in connection with, any service you may provide as a director of any Affiliate;
- (j) no claim or entitlement to compensation or damages shall arise from any forfeiture of the Restricted Stock Units resulting from termination of your employment or service relationship (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or providing services or the terms of your employment or service agreement, if any) and in consideration of the grant of the Restricted Stock Units, you agree not to institute any claim against Disney, the Employer or any Affiliate;
- (k) for purposes of the Restricted Stock Units, your employment or service relationship will be considered terminated as of the date you are no longer actively providing services to Disney, the Employer or any other Affiliate (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or providing services or the terms of your employment or service agreement, if any) and except in the case of death or Disability in accordance with Section 3 hereof and unless otherwise expressly provided in this Award Agreement or determined by Disney, your right to vest in the Restricted Stock Units under the Plan, if any, will terminate effective as of such date and will not be extended by any notice period (e.g., the period of your employment service would not include any contractual notice period or any period of “garden leave” or similar period mandated under employment laws in the jurisdiction where you are employed or providing services or the terms of your employment or service agreement, if any); the Committee shall have the exclusive discretion to determine when you are no longer actively providing services for purposes of your Restricted Stock Unit Award (including whether you may still be considered to be providing services while on a leave of absence);
- (l) the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income and value of same, are not part of normal or expected compensation or salary for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;
- (m) unless otherwise provided in the Plan or by Disney in its discretion, the Restricted Stock Units and the benefits evidenced by this Award Agreement do not create any entitlement to have the Restricted Stock Units or

any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

(n) if you are providing services outside the United States:

- (i) the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income and value of same, are not part of normal or expected compensation or salary for any purpose; and
- (ii) neither Disney, the Employer nor any Affiliate shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the Restricted Stock Units or of any amounts due to you pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any Shares acquired upon settlement.

Section 13. No Advice Regarding Grant. Disney is not providing any tax, legal or financial advice, nor is Disney making any recommendations regarding your participation in the Plan, or your acquisition or sale of the Shares subject to the Restricted Stock Units. You understand and agree that you should consult with your own personal tax, legal and financial advisors regarding participation in the Plan before taking any action related to the Plan.

Section 14. Governing Law and Venue. This Award Agreement shall be construed and enforced in accordance with the internal substantive laws of the State of Delaware, U.S.A., without giving effect to the choice of law principles thereof. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the Restricted Stock Units and this Award Agreement, the parties hereby submit to and consent to the sole and exclusive jurisdiction of the State of California, U.S.A. and agree that such litigation shall be conducted only in the courts of Los Angeles County, California, U.S.A., or the federal courts for the United States for the Central District of California, and no other courts, where this grant is made and/or to be performed.

Section 15. Electronic Delivery and Acceptance. Disney may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by Disney or a third party designated by Disney.

Section 16. Language. You acknowledge that you are sufficiently proficient in English to understand the terms and conditions of this Award Agreement. Furthermore, if you have received this Award Agreement, or any other document related to the Restricted Stock Units and/or the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

Section 17. Severability. The provisions of this Award Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

Section 18. Appendix. The Restricted Stock Units shall be subject to any special provisions set forth in any appendix for your country (the "Appendix"). If you relocate to one of the countries included in the Appendix during the vesting period for the Restricted Stock Units, the special provisions for such country shall apply to you, to the extent Disney determines that the application of such provisions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Award Agreement.

Section 19. Imposition of Other Requirements. Disney reserves the right to impose other requirements on the Restricted Stock Units and the Shares acquired upon vesting/settlement of the Restricted Stock Units, to the extent Disney determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

Section 20. Data Privacy. You explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Award Agreement and any Restricted Stock Unit grant materials by and among, as applicable, Disney, the Employer and any other Affiliates for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that Disney and the Employer may hold certain personal information about you, including, but not limited to, your name, home address, email address and telephone number, date of birth, Social Security Number, social insurance number, passport or other identification number, salary, nationality, job title, any shares or directorships held in Disney, details of all restricted stock units or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in your favor (“Data”), for the exclusive purpose of implementing, administering and managing the Plan.

You understand that Data will be transferred to Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill Lynch”) or such other third party stock plan administrator as may be selected by Disney in the future, which is assisting Disney with the implementation, administration and management of the Plan. You understand that the recipients of Data may be located in the United States or elsewhere, and that the recipient’s country (e.g., the United States) may have different data privacy laws and protections than your country, and that these data privacy laws and protections may not offer the same level of protection for your Data as those of your country. You understand that, if you reside outside the United States, you may request a list with the names and addresses of any potential recipients of Data by contacting your local human resources representative.

You authorize Disney, Merrill Lynch and any other possible recipients that may assist Disney (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use retain and transfer Data, in electronic or other form, for the purpose of implementing, administering and managing your participation in the Plan. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that, if you reside outside the United States, you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your employment status or service with the Employer will not be affected; the only consequence of refusing or withdrawing your consent is that Disney would not be able to grant you Restricted Stock Units or other Awards or administer or maintain such Awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

Section 21. Waiver. You acknowledge that a waiver by Disney of breach of any provision of this Award Agreement shall not operate or be construed as a waiver of any other provision of this Award Agreement, or of any subsequent breach by you or any other Participant.

Section 22. Insider Trading/Market Abuse Laws. You acknowledge that, depending on your or your broker’s country of residence or where the Shares are listed, you may be subject to insider trading restrictions and/or market abuse laws, which may affect your ability to acquire or sell or attempt to sell Shares or rights to Shares (e.g., Restricted Stock Units), either directly or indirectly, or rights linked to the value of Shares under the Plan during such times as you are considered to have “inside information” regarding Disney (as defined by or determined under the laws in the applicable jurisdiction or the laws in your country). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders you placed before you possessed inside information. Furthermore, you could be prohibited from (i) disclosing the inside information to any third party (other than on a “need to know” basis) and (ii) “tipping” third parties or causing them to otherwise to buy or sell securities. Keep in mind third parties include fellow employees. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under Disney’s insider trading policy. You acknowledge that it is your responsibility to comply

with any applicable restrictions, including those imposed under Disney's insider trading policy, and you should consult with your own personal legal and financial advisors on this matter before taking any action related to the Plan.

Section 23. Foreign Asset/Account Reporting Requirements. You acknowledge that there may be certain foreign asset and/or account reporting requirements which may affect your ability to acquire or hold Shares acquired under the Plan or cash received from participating in the Plan (including from any dividends received or sale proceeds arising from the sale of Shares) in a brokerage or bank account outside your country. You understand that you may be required to report such accounts, assets or transactions to the tax or other authorities in your country. You also may be required to repatriate sale proceeds or other funds received as a result of your participation in the Plan to your country through a designated bank or broker and/or within a certain time after receipt. You acknowledge that it is your responsibility to comply with all such requirements, and that you should consult your personal legal and tax advisors, as applicable, to ensure your compliance.

THE WALT DISNEY COMPANY

**Performance-Based
Stock Unit Award
(Section 162(m) Vesting Requirement)**

AWARD AGREEMENT, dated as of **Dated** between The Walt Disney Company, a Delaware corporation (“**Disney**”), and **Participant Name** (the “**Participant**”). This Award is granted on **Grant Date** (the “**Date of Grant**”) by the Compensation Committee of the Disney Board of Directors (the “**Committee**”) pursuant to the terms of the Amended and Restated 2002 Executive Performance Plan (the “**Plan**”), and pursuant to the terms of the 2011 Stock Incentive Plan (the “**Stock Plan**”). The applicable terms of the Plan and the Stock Plan are incorporated herein by reference, including the definitions of terms contained therein.

Section 1. **Stock Unit Award**. Disney hereby grants to the Participant, on the terms and conditions set forth herein, an Award of **####** “**Stock Units**.” The Stock Units are notional units of measurement denominated in Shares of Disney (i.e. one Stock Unit is equivalent in value to one Share, subject to the terms hereof). The Stock Units represent an unfunded, unsecured obligation of Disney. The Stock Units granted by this Award are grouped into subdivisions referred to herein as “**Tranches**,” and each Tranche constitutes one quarter (25%) of the Award. Subject to the terms, conditions and Section 162(m) performance-based vesting requirements set forth herein, one Tranche will vest on each of the first, second, third and fourth anniversary dates, respectively, of the Date of Grant (any such anniversary date being a “**Scheduled Vesting Date**”).

Section 2. **Vesting Requirements**. The vesting of this Award (other than pursuant to accelerated vesting in certain circumstances as provided in Section 3 below or vesting pursuant to Section 6 below) shall be subject to the satisfaction of the conditions set forth in subsections A and B of this Section 2:

A. **Section 162(m) Vesting Requirement**. This Award is subject to performance vesting requirements under this Section 2.A, with respect to all Tranches, based upon the achievement of the Performance Targets applicable to the Performance Periods which are set forth below, subject to certification of achievement of such Performance Targets by the Committee pursuant to Section 4.8 of the Plan. The respective Performance Targets (together with the Business Criteria with respect to such Performance Targets) shall be established by the Committee for each Tranche by no later than 90 days following the beginning of the Performance Period applicable to such Tranche. If the Performance Target for a Tranche is not satisfied, all of the Stock Units comprising such Tranche shall be immediately forfeited. For each of the Tranches of Stock Units granted hereunder the Performance Period shall be the last fiscal year (or a portion thereof) of Disney ending prior to the Scheduled Vesting Date of such Tranche.

B. Service Vesting Requirement. In addition to the performance vesting requirements of subsection A of this Section 2, the right of the Participant to receive payment of any Tranche of this Award shall become vested only if he or she remains continuously employed by Disney or an Affiliate thereof from the date hereof until the Scheduled Vesting Date of such Tranche; provided, however, that, nothing set forth herein shall be deemed to modify, qualify, or otherwise derogate from, the requirement of Section 4.8 of the Plan that the Committee certify in writing (which writing may be the approved minutes of the Committee) that the applicable Performance Targets of Section 2.A above have been satisfied prior to the payment of any amount to the Participant under this Award.

If the service vesting requirements of this Section 2.B are not satisfied for any Tranche or Tranches, the applicable number of Stock Units shall be immediately forfeited and the Participant's rights with respect thereto shall cease.

All Stock Units for which all of the requirements of this Section 2 have been satisfied shall become vested and shall thereafter be payable in accordance with Section 5 hereof.

Section 3. Accelerated Vesting. Notwithstanding the terms and conditions of Section 2 hereof, upon the Participant's death or disability (within the meaning of Section 409A of the Internal Revenue Code), or upon the occurrence of a Triggering Event within the 12-month period following a Change in Control in accordance with Section 11 of the Stock Plan as in effect as of the date of the Triggering Event (provided, in each case, that the Participant is employed by Disney (or an Affiliate) at the time of such death, disability or occurrence of a Triggering Event), this Award shall become fully vested and shall be payable in accordance with Section 5 hereof to the extent that it has not previously been forfeited.

Section 4. Dividend Equivalents. Any dividends paid in cash on Shares of Disney will be credited to the Participant as additional Stock Units as if the Stock Units previously held by the Participant were outstanding Shares, as follows: such credit shall be made in whole and/or fractional Stock Units and shall be based on the fair market value (as defined in the Stock Plan) of the Shares on the date of payment of such dividend. All such additional Stock Units shall be subject to the same vesting requirements applicable to the Stock Units in respect of which they were credited and shall be payable in accordance with Section 5 hereof.

Section 5. Payment of Award. Payment of vested Stock Units shall be made within 30 days following the later of:

- (i) the date as of which all of the applicable vesting requirements under Section 2 hereof shall have been satisfied for the applicable Tranche, or
- (ii) the date of certification of achievement of the applicable Performance Targets by the Committee for the applicable Tranche, as required under Section 2.A hereof,

or within 30 days following acceleration of vesting under Section 3 hereof, if applicable but in no event later than the later of (x) December 31 of the year in which the Scheduled Vesting Date occurs and (y) two and one-half months after the Scheduled Vesting Date occurs. The Stock Units shall be paid in cash or in Shares (or some combination thereof), as determined by the Committee in its discretion at the time of payment, and in either case shall be paid to the Participant after deduction of applicable minimum statutory withholding taxes.

Section 6. Extended Vesting.

(a) In the event that Participant's employment with Disney or an Affiliate thereof terminates for any reason other than death, disability or "cause" (as further provided in the Stock Plan) at a time when (i) the Participant has attained the age of sixty and has completed at least ten consecutive Service Years (as hereinafter defined) and (ii) at least one year has passed since the Date of Grant of this Award, then the remaining then unvested Tranches of this Award shall vest in accordance with the terms and provisions hereof in the same manner as if Participant's employment had continued through the Scheduled Vesting Date, provided that all of the conditions to such vesting (other than the condition set forth in Section 2.B hereof), including without limitation the condition set forth in Section 2.A hereof, have been met; provided, however, that to the extent that the vesting of any Stock Units under this Award is subject to the achievement of performance condition(s) pursuant to Section 2.A hereof (which conditions were imposed under Disney's compensation practices and policies because the Participant was at the time of grant of this Award an executive officer of Disney who could have been a "covered employee" within the meaning of Section 162(m) at the time payment of this Award was expected to be made), and such performance condition(s) relate, in whole or in part, to any performance period continuing after the end of Disney's fiscal year in which the termination of Participant's employment with Disney or an Affiliate thereof occurs, then such performance condition(s) set forth in Section 2.A hereof shall be waived with respect to any such vesting of Stock Units hereunder (and any similar performance conditions set forth in Section 2.A of any other Award of Stock Units granted to the Participant after January 1, 2010 shall also be waived), provided that this proviso shall not be applicable if and to the extent, in the reasonable opinion of tax counsel to Disney, the presence thereof would cause any Stock Units intended to be qualified as other performance based compensation within the meaning of Section 162(m) of the Internal Revenue Code to fail to be so qualified at any time prior to the termination of the Participant's employment with Disney or any Affiliate thereof. For purposes of the foregoing, "Service Year" shall mean any calendar year during which the Participant was continuously employed by Disney or an Affiliate thereof for the entire calendar year. In determining the total number of consecutive Service Years that the Participant has been so employed, the Company shall apply such rules regarding the bridging of service as the Committee may adopt from time to time.

(b) Notwithstanding any other term or provision hereof, if at the time of termination of employment (other than upon the scheduled expiration date of an employment agreement) Participant is employed pursuant to an employment agreement with

Disney or an Affiliate which provides under certain circumstances for the continued vesting of any Stock Units subject to this Award in the event of the termination of such employment agreement prior to its scheduled expiration date (a “**Contractual Extension Provision**”), then, except as otherwise provided in such employment agreement, (i) this Section 6 shall be interpreted and applied in all respects as if Participant had remained continuously employed by Disney or an Affiliate thereof from the Date of Grant of this Award through the scheduled expiration date of such employment agreement and (ii) the date of termination of Participant’s employment for all purposes under this Section 6 shall be deemed to be the scheduled expiration date of such employment agreement.

(c) Solely for purposes of determining whether, and to what extent, the Participant shall have satisfied the service vesting requirement in Section 2.B, the Participant shall be deemed to have continued in employment (without duplication of any service credit afforded with respect to a Contractual Extension Provision) with Disney or an Affiliate during any period for which the Company provides Participant pay in lieu of notice in connection with The Worker Adjustment and Retraining Notification Act, as currently in effect and as the same may be amended from time to time, or any successor statute thereto or any comparable provision of state, local or foreign law applicable to the Participant.

Section 7. Restrictions on Transfer. Neither this Stock Unit Award nor any Stock Units covered hereby may be sold, assigned, transferred, encumbered, hypothecated or pledged by the Participant, other than to Disney as a result of forfeiture of the units as provided herein and as provided in Section 6 of the Plan. The Stock Units constitute Restricted Units as defined in Section 2.2 of the Plan.

Section 8. No Voting Rights. The Stock Units granted pursuant to this Award, whether or not vested, will not confer any voting rights upon the Participant, unless and until the Award is paid in Shares.

Section 9. Award Subject to Plans, Etc. This Stock Unit Award is subject to the terms of the Plan and the Stock Plan, the terms and provisions of which are hereby incorporated by reference. In the event of a conflict or ambiguity between any term or provision contained herein and a term or provision of the Plan or the Stock Plan, the Plan or the Stock Plan (as applicable) will govern and prevail.

Section 10. Changes in Capitalization. The Stock Units under this Award shall be subject to the provisions of the Stock Plan relating to adjustments for changes in corporate capitalization.

Section 11. Effect of Employment Agreement. If the Participant is employed pursuant to an employment agreement with Disney, any provisions thereof relating to the effect of a termination of the Participant’s employment upon his or her rights with respect to this Award, including, without limitation, any provisions regarding acceleration of vesting and/or payment of this Award in the event of termination of employment, shall be fully applicable and supersede any provisions hereof with respect to the same subject matter.

Section 12. No Right of Employment. Nothing in this Award Agreement shall confer upon the Participant any right to continue as an employee of Disney or an Affiliate nor interfere in any way with the right of Disney or an Affiliate to terminate the Participant's employment at any time or to change the terms and conditions of such employment.

Section 13. Data Privacy. The Participant expressly authorizes and consents to the collection, possession, use, retention and transfer of personal data of the Participant, whether in electronic or other form, by and among Disney, its Affiliates, third-party administrator(s) and other possible recipients, in each case for the exclusive purpose of implementing, administering, facilitating and/or managing the Participant's Awards under, and participation in, the Plan and Stock Plan. Such personal data may include, without limitation, the Participant's name, home address and telephone number, date of birth, Social Security Number, social insurance number or other identification number, salary, nationality, job title and other job-related information, tax information, the number of Disney shares held or sold by the Participant, and the details of all Awards (including any information contained in this Award and all Award-related materials) granted to the Participant, whether exercised, unexercised, vested, unvested, cancelled or outstanding ("**Data**"). The Participant acknowledges, understands and agrees that Data will be transferred to Merrill Lynch, which is assisting Disney with the implementation, administration and management of the Plan and Stock Plan, and/or to such other third-party plan administrator(s) and/or recipients as may be selected by Disney in the future. The Participant understands that one or more of the administrators or recipients of Data may be located in countries other than the country of Participant's current residence, and that such other countries may have data privacy laws and protections different from, and less protective than, the laws and protections of the country of Participant's current residence, the Member States of the European Union or any other country to which the Participant may be at any time relocated.

Section 14. Governing Law. This Award Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, without giving effect to the choice of law principles thereof.

THE WALT DISNEY COMPANY
Schedule of Provisions for
Performance-Based Restricted Stock Unit Award
Pursuant to the 2011 Stock Incentive Plan
(Three-Year Vesting subject to Total Shareholder Return/EPS Growth Tests)

AWARD AGREEMENT, dated as of **Dated** between The Walt Disney Company, a Delaware corporation (“**Disney**”), and **Participant Name** (the “**Participant**”). This Award is granted on **Grant Date** (the “**Date of Grant**”) by the Compensation Committee of the Disney Board of Directors (the “**Committee**”).

Section 1. **Restricted Stock Unit Award.** Disney hereby grants to the Participant, on the terms and conditions set forth herein, an Award of ##### Restricted Stock Units pursuant to the 2011 Stock Incentive Plan (the “**Plan**”). All capitalized terms not defined herein shall have the meaning set forth in the Plan. The Award referred to herein constitutes a “**Stock Unit Award**” under the Plan. The Restricted Stock Units are notional units of measurement denominated in Shares of Disney (i.e. one Restricted Stock Unit is equivalent in value to one Share, subject to the terms hereof). The Restricted Stock Units represent an unfunded, unsecured obligation of Disney.

Section 2. **Vesting Requirements.** The vesting of this Award (other than pursuant to accelerated vesting in certain circumstances as provided in Section 3 below or vesting pursuant to Section 6 below) shall be subject to the satisfaction of the conditions set forth in each of subsections A and B, as applicable, **and**, in each case, subsection C of this Section 2:

- A. **Total Shareholder Return Test.** The vesting of fifty percent of the Stock Units subject to this Award (the “**TSR Target Award Amount**”) shall be conditioned upon the satisfaction of a performance vesting requirement (the “**TSR Performance Requirement**”) based on Total Shareholder Return of Disney as compared to the Total Shareholder Returns of the S&P 500 Companies, in each case, with respect to the three-year period ending on the Determination Date (as each such term is defined below). To satisfy the TSR Performance Requirement, the TSR Percentile (as hereinafter defined) of Disney must equal or exceed the TSR Percentile of 25.00% of the S&P 500 Companies (the “**S&P 25th TSR Percentile**”). If this requirement is met, the number of Stock Units as to which the TSR Performance Requirement shall be satisfied shall be determined as follows:
- i. If the TSR Percentile of Disney is equal to “**S&P 25th TSR Percentile**”, then the number of Stock Units which shall satisfy the TSR Performance Requirement shall be 50% of the TSR Target Award Amount.
 - ii. If the TSR Percentile of Disney equals or exceeds the TSR Percentile of 75.00% of the S&P 500 Companies (the “**S&P 75th TSR Percentile**”), the number of Stock Units which shall satisfy the TSR Performance Requirement shall be 150% of the TSR Target Award Amount.

- iii. If the TSR Percentile of Disney exceeds the S&P 25th TSR Percentile but is less than the S&P 75th TSR Percentile, the percentage of Stock Units as to which the TSR Performance Requirement shall have been satisfied shall be determined by multiplying the TSR Percentile of Disney by two. For example, if the TSR Percentile of Disney is 40.00%, then Stock Units equal to 80% of the TSR Target Award Amount shall have satisfied the TSR Performance Requirement; if the TSR Percentile of Disney is 60.55%, then 121.10% of the TSR Target Award Amount shall have satisfied the TSR Performance Requirement.

For the purposes hereof, the terms set forth below shall have the following meanings:

“Determination Date” shall mean the date which precedes the Scheduled Vesting Date (as hereinafter defined) by one month. For example, for an Award vesting on a January 14 of any specified year, the Determination Date of such Award is December 14 of the prior year.

“Total Shareholder Return” shall mean an amount equal to the average of the total return figures for the three-year periods ending on the twenty (20) trading days referred to below as currently reported under “Comparative Returns” by Bloomberg L.P. (**“Bloomberg”**) (or any other reporting service that the Committee may designate from time to time):

- (i) for Disney (as such total return figures for Disney may be adjusted by the Committee, by no later than the Scheduled Vesting Date, to take into account any factors which the Committee has determined are not properly reflected in such reported figures) or
- (ii) for any other S&P 500 Company,

in each case for the twenty (20) latest trading days up to and (if the Determination Date is a trading day) including the Determination Date.

“TSR Percentile” shall mean the percentile ranking (which shall be carried out to two decimal points) as determined by Disney on the basis of the Total Shareholder Return figures reported by Bloomberg (or any other reporting service that the Committee may designate from time to time) for each of the S&P 500 Companies, including Disney (provided that in the case of Disney adjustments may be made by the Committee with respect to Total Shareholder Return as provided above).

“S&P 500 Companies” shall mean all of the companies which are listed on the Standard & Poor’s 500 Composite Index, including Disney, on the date which is three years and twenty (20) trading days prior to the Determination Date and which remain continuously listed on the Standard & Poor’s 500 Composite Index through and including the Determination Date; provided however, that for the purposes hereof the Standard & Poor’s 500 Composite Index shall be deemed to include companies that were removed therefrom during the measurement period but that

continued during the entire measurement period to have their shares listed on at least one of the NYSE, NASDAQ, American Stock Exchange, Boston Stock Exchange, Chicago Stock Exchange, National Stock Exchange (formerly Cincinnati Stock Exchange), NYSE Arca (formerly known as the Pacific Stock Exchange), Philadelphia Stock Exchange or any other exchange(s) that the Committee may designate from time to time.

B. EPS Growth Test. The vesting of the remaining fifty percent of the Stock Units subject to this Award (the “**EPS Target Award Amount**”) shall be conditioned upon the satisfaction of a performance vesting requirement (the “**EPS Growth Performance Requirement**”) based upon the Disney Adjusted EPS Growth Rate with respect to the Disney EPS Growth Performance Period as compared to the EPS Growth Rates of the Eligible S&P 500 Companies with respect to the S&P 500 EPS Growth Performance Period for each such company (as each such term is defined below). To satisfy the EPS Growth Performance Requirement, the Committee must determine that the Disney Adjusted EPS Growth Rate with respect to the Disney EPS Growth Performance Period equals or exceeds the EPS Growth Rate of 25% of the Eligible S&P 500 Companies over the applicable S&P 500 EPS Growth Performance Periods (the “**S&P 25th EPS Percentile**”). If this requirement is met, the number of Stock Units as to which the EPS Growth Performance Requirement shall be satisfied shall be determined as follows:

- i. If the Disney Adjusted EPS Growth Rate equals the S&P 25th EPS Percentile, then the number of Stock Units which shall satisfy the EPS Growth Performance Requirement shall be 50% of the EPS Target Award Amount.
- ii. If the Disney Adjusted EPS Growth Rate equals or exceeds the EPS Growth Rate of 75% of the Eligible S&P 500 Companies over the applicable S&P 500 EPS Growth Performance Periods (the “**S&P 75th EPS Percentile**”), the number of Stock Units which shall satisfy the EPS Growth Performance Requirement shall be 150% of the EPS Target Award Amount.
- iii. If the Disney Adjusted EPS Growth Rate exceeds the S&P 25th EPS Percentile but is less than the S&P 75th EPS Percentile, the percentage of Stock Units as to which the EPS Growth Requirement shall have been satisfied shall be determined by multiplying ($\underline{x}$) the actual comparative percentile (which shall be carried out to two decimal points) the Committee determines has been achieved based on the Disney Adjusted EPS Growth Rate by ($\underline{y}$) two. For example, if the Disney performance ranks at the 40.00%, then Stock Units equal to 80% of the EPS Target Award Amount shall have satisfied the EPS Growth Performance Requirement; if the Disney performance achieved the 60.55%, then 121.10% of the EPS Target Award Amount shall have satisfied the EPS Growth Performance Requirement.

For the purposes hereof, the terms set forth below shall have the following meanings:

“Disney Adjusted EPS Growth Rate” shall mean the compound, average annual growth rate of the Disney Adjusted EPS (as defined below) for the twelve (12) fiscal quarters of Disney ended immediately prior to the Determination Date for which financial results have been filed with the Securities and Exchange Commission on a Form 10-Q or Form 10-K (the **“Disney EPS Growth Performance Period”**). For the avoidance of doubt, the Disney Adjusted EPS Growth Rate shall be calculated using the Disney Adjusted EPS for the four fiscal quarters prior to the Disney EPS Growth Performance Period as the starting Disney Adjusted EPS and comparing such starting Disney Adjusted EPS to the average annual Disney Adjusted EPS for the Disney EPS Growth Performance Period.

“Disney Adjusted EPS” for the relevant period shall mean the EPS of Disney, after such adjustments thereto as the Committee deems appropriate in its sole discretion (i) to exclude the effect of extraordinary, unusual and/or nonrecurring items and (ii) to reflect such other factors as the Committee deems appropriate to fairly reflect earnings per share growth.

“Eligible S&P 500 Companies” means the S&P 500 Companies excluding Disney and the Negative EPS Companies.

“EPS Growth Rate” shall mean the compound, average annual growth rate of EPS (as defined below) for the twelve (12) most recent fiscal quarters ended immediately prior to the Determination Date (the **“S&P 500 EPS Growth Performance Period”**) as determined on the basis of EPS reported on or prior to the Determination Date by Bloomberg (or any other reporting service that the Committee may designate from time to time) for any of the S&P 500 Companies other than (i) Disney and (ii) the Negative EPS Companies (the EPS for any such four quarters being referred to herein as the **“Starting EPS”**). For the avoidance of doubt, the EPS Growth Rate of any S&P 500 Company shall be calculated on the basis of the EPS for such Company over the four fiscal quarters ended immediately prior to the S&P 500 EPS Growth Performance Period as compared to its average annual EPS for the S&P 500 EPS Growth Performance Period for such company.

“EPS” for the relevant period shall mean the diluted earnings per share from continuing operations for any company for a specified period as reported by Bloomberg (or any other reporting service that the Committee may designate from time to time).

“Negative EPS Companies” any S&P 500 Company with aggregate negative EPS (as reported by Bloomberg or any other reporting service that the Committee may designate from time to time) for the four fiscal quarters ended immediately prior to the S&P 500 EPS Growth Performance Period (unless otherwise provided by the Committee on a case by case basis at the time of the award).

- C. **Service Vesting Requirement.** In addition to whichever of the performance vesting requirements of subsection A or B of this Section 2 is applicable to a stated portion of the Stock Units subject to this Award, the right of the Participant to receive payment of this Award shall become vested only if he or she remains continuously employed by Disney or an Affiliate from the date hereof until the Scheduled Vesting Date.

If the service vesting requirements of this Section 2.C are not satisfied, all of the Stock Units subject to this Award shall be immediately forfeited and the Participant's rights with respect thereto shall cease.

All Stock Units for which all of the requirements of this Section 2 have been satisfied shall become vested and shall thereafter be payable in accordance with Section 5 hereof. Subject to the terms, conditions and performance-based vesting requirements set forth herein, the Stock Units subject to this Award will vest on the third anniversary date of the Date of Grant (the "**Scheduled Vesting Date**").

Section 3. **Accelerated Vesting.** Notwithstanding the terms and conditions of Section 2 hereof, upon the Participant's death or disability (within the meaning of Section 409A of the Internal Revenue Code), or upon the occurrence of a Triggering Event within the 12-month period following a Change in Control (in accordance with Section 11 of the Plan as in effect as of the date of the Triggering Event), in any case, prior to the Scheduled Vesting Date, the provisions of this Section 3 shall apply to determine the extent to which the Participant's Restricted Stock Units that have not previously been forfeited shall become vested. If such death, disability or Triggering Event occurs while the Participant is employed by Disney (or an affiliate) and

- A. prior to the Determination Date, this Award shall become fully vested (provided that, for this purpose, the performance conditions applicable under subsection A or B of Section 2 shall in each case be deemed to have been satisfied at the 50th percentile of comparative performance), or
- B. after the Determination Date but before the Scheduled Vesting Date, then the number of Restricted Stock Units which shall become vested shall be determined on the same basis as if the Participant had been continuously employed by Disney (or an Affiliate) until the Scheduled Vesting Date.

Any Restricted Stock Units that become vested pursuant to this Section 3 shall be payable in accordance with Section 5 hereof.

Section 4. **Dividend Equivalents.** Any dividends paid in cash on Shares of Disney will be credited to the Participant as additional Restricted Stock Units as if the Restricted Stock Units previously held by the Participant were outstanding Shares, as follows: such credit shall be made in whole Restricted Stock Units only (rounded downward to the nearest whole unit) and shall be based on the fair market value (as defined in the Plan) of the Shares on the date of payment of such dividend. All such additional Restricted Stock Units shall be subject to the same vesting requirements applicable to the Restricted Stock Units in respect of which they were credited and shall be payable in accordance with Section 5 hereof.

Section 5. **Payment of Award**. Payment of vested Restricted Stock Units shall be made within 30 days following the applicable date under Section 2 hereof as of which the vesting requirements under Section 2 hereof shall have been satisfied with respect to any tranche, as applicable (or within 30 days following acceleration of vesting under Section 3 hereof, if applicable). The Restricted Stock Units shall be paid in cash or in Shares (or some combination thereof), as determined by the Committee in its discretion at the time of payment, and in either case shall be paid to the Participant after deduction of applicable withholding taxes in the amount determined by the Committee. If the Participant is a U.S. taxpayer, Disney will withhold all U.S. federal and state taxes as required by law at the then-current rate for supplemental wage income as applicable. If the Participant is resident in a foreign country, the Participant shall be responsible for the payment of any applicable local country taxes, including, without limitation, income taxes, social security taxes, and fringe benefit taxes, and Disney will either withhold such taxes as required by local law, or, alternatively, Participant will be required to pay such taxes directly or, where permitted by local law with respect to fringe benefit taxes, to reimburse Disney or the affiliated entity by whom you are employed for such taxes paid by Disney or such affiliated entity.

Section 6. **Extended Vesting**.

(a) In the event that Participant's employment with Disney or an Affiliate thereof terminates for any reason other than death, disability or "cause" (as further provided in the Plan) at a time when (i) the Participant has attained the age of sixty and has completed at least ten consecutive Service Years (as hereinafter defined) and (ii) at least one year has passed since the Date of Grant of this Award, then the remaining then unvested tranche(s) of this Award shall vest in accordance with the terms and provisions hereof in the same manner as if Participant's employment had continued through the scheduled vesting date(s) of such tranche(s). For purposes of the foregoing, "Service Year" shall mean any full 12-month period during which the Participant was continuously employed by Disney or an affiliate thereof. In determining the total number of consecutive Service Years that the Participant has been so employed, Disney shall apply such rules regarding the bridging of service as the Committee may adopt from time to time.

(b) Notwithstanding any other term or provision hereof, if at the time of termination of employment (other than upon the scheduled expiration date of an employment agreement) Participant is employed pursuant to an employment agreement with Disney or an Affiliate which provides under certain circumstances for the continued vesting of any Stock Units subject to this Award in the event of the termination of such employment agreement prior to its scheduled expiration date (a "Contractual Extension Provision"), then, except as otherwise provided in such employment agreement, (i) this Section 6 shall be interpreted and applied in all respects as if Participant had remained continuously employed by Disney or an Affiliate thereof from the Date of Grant of this Award through the scheduled expiration date of such employment agreement and (ii) the date of termination of Participant's employment for all purposes under this Section 6 shall be deemed to be the scheduled expiration date of such employment agreement.

(c) Solely for purposes of determining whether, and to what extent, the Participant shall have satisfied the service vesting requirement in Section 2.C, the Participant shall be deemed to have continued in employment (without duplication of any service credit afforded with respect to a Contractual Extension Provision) with Disney or an Affiliate during any period for which the Company

provides Participant pay in lieu of notice in connection with The Worker Adjustment and Retraining Notification Act, as currently in effect and as the same may be amended from time to time, or any successor statute thereto or any comparable provision of state, local or foreign law applicable to the Participant.

Section 7. **Restrictions on Transfer.** Neither this Award nor any Restricted Stock Units covered hereby may be sold, assigned, transferred, encumbered, hypothecated or pledged by the Participant, other than to Disney as a result of forfeiture of the Restricted Stock Units as provided herein.

Section 8. **No Voting Rights.** The Restricted Stock Units granted pursuant to this Award, whether or not vested, will not confer any voting rights upon the Participant, unless and until the Award is paid in Shares.

Section 9. **Award Subject to Plan.** This Restricted Stock Unit Award is subject to the terms of the Plan, the terms and provisions of which are hereby incorporated by reference. In the event of a conflict or ambiguity between any term or provision contained herein and a term or provision of the Plan, the Plan will govern and prevail.

Section 10. **Changes in Capitalization.** The Restricted Stock Units under this Award shall be subject to the provisions of the Plan relating to adjustments for changes in corporate capitalization.

Section 11. **No Right of Employment.** Nothing in this Award Agreement shall confer upon the Participant any right to continue as an employee of Disney or an Affiliate nor interfere in any way with the right of Disney or an Affiliate to terminate the Participant's employment at any time or to change the terms and conditions of such employment.

Section 12. **Data Privacy.** The Participant expressly authorizes and consents to the collection, possession, use, retention and transfer of personal data of the Participant, whether in electronic or other form, by and among Disney, its Affiliates, third-party administrator(s) and other possible recipients, in each case for the exclusive purpose of implementing, administering, facilitating and/or managing the Participant's Awards under, and participation in, the Plan. Such personal data may include, without limitation, the Participant's name, home address and telephone number, date of birth, Social Security Number, social insurance number or other identification number, salary, nationality, job title and other job-related information, tax information, the number of Disney shares held or sold by the Participant, and the details of all Awards (including any information contained in this Award and all Award-related materials) granted to the Participant, whether exercised, unexercised, vested, unvested, cancelled or outstanding ("**Data**"). The Participant acknowledges, understands and agrees that Data will be transferred to Merrill Lynch, which is assisting Disney with the implementation, administration and management of the Plan, and/or to such other third-party plan administrator(s) and/or recipients as may be selected by Disney in the future. The Participant understands that one or more of the administrators or recipients of Data may be located in countries other than the country of Participant's current residence, and that such other countries may have data privacy laws and protections different from, and less protective than, the laws and protections of the country of Participant's current residence, the Member States of the European Union or any other country to which the Participant may be at any time relocated.

Section 13. **Governing Law.** This Award Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, without giving effect to the choice of law principles thereof.

Note: Restricted Stock Units are granted and vested in the United States. You are responsible for any applicable taxes whether you are in the United States or any other country. At the time of vesting, Disney will withhold any minimum statutory local or U.S. taxes, as applicable.

THE WALT DISNEY COMPANY

**Performance-Based Stock Unit Award
(Three-Year Vesting subject to Total Shareholder Return Test /EPS Growth
Test/Section 162(m) Vesting Requirements)**

AWARD AGREEMENT, dated as of **Dated** between The Walt Disney Company, a Delaware corporation (“**Disney**”), and **Participant Name** (the “**Participant**”). This Award is granted on **Grant Date** (the “**Date of Grant**”) by the Compensation Committee of the Disney Board of Directors (the “**Committee**”) pursuant to the terms of the Amended and Restated 2002 Executive Performance Plan (the “**Plan**”), and pursuant to the terms of the 2011 Stock Incentive Plan (the “**Stock Plan**”). The applicable terms of the Plan and the Stock Plan are incorporated herein by reference, including the definitions of terms contained therein.

Section 1. **Stock Unit Award**. Disney hereby grants to the Participant, on the terms and conditions set forth herein, an Award for a target number of Stock Units of ##### (such target number of Stock Units, together with such number of additional whole or fractional Stock Unit(s), if any, as may from time to time be credited with respect thereto (as dividend equivalents) pursuant to Section 4 hereof, being referred to herein as the “**Target Award Amount**”). The number of Stock Units which may be awarded hereunder is dependent upon the satisfaction of the conditions set forth herein and may range from no Stock Units to 150% of the Target Award Amount. The Stock Units are notional units of measurement denominated in Shares of Disney (i.e., one Stock Unit is equivalent in value to one Share, subject to the terms hereof). The Stock Units represent an unfunded, unsecured obligation of Disney.

Section 2. **Vesting Requirements**. The vesting of this Award (other than pursuant to accelerated vesting in certain circumstances as provided in Section 3 below or vesting pursuant to Section 6 below) shall be subject to the satisfaction of the conditions set forth in each of subsections A and B, as applicable, **and**, in each case, subsections C and D of this Section 2:

- A. **Total Shareholder Return Test**. The vesting of fifty percent of the Target Award Amount (the “**TSR Target Award Amount**”) shall be conditioned upon the satisfaction of a performance vesting requirement (the “**TSR Performance Requirement**”) based on Total Shareholder Return of Disney as compared to the Total Shareholder Returns of the S&P 500 Companies, in each case, with respect to the three-year period ending on the Determination Date (as each such term is defined below). To satisfy the TSR Performance Requirement, the TSR Percentile (as hereinafter defined) of Disney must equal or exceed the TSR Percentile of 25.00% of the S&P 500 Companies (the “**S&P 25th TSR Percentile**”). If this requirement is met, the number of Stock Units as to which the TSR Performance Requirement shall be satisfied shall be determined as follows:

- i. If the TSR Percentile of Disney is equal to “**S&P 25th TSR Percentile**”, then the number of Stock Units which shall satisfy the TSR Performance Requirement shall be 50% of the TSR Target Award Amount.

- ii. If the TSR Percentile of Disney equals or exceeds the TSR Percentile of 75.00% of the S&P 500 Companies (the “**S&P 75th TSR Percentile**”), the number of Stock Units which shall satisfy the TSR Performance Requirement shall be 150% of the TSR Target Award Amount.
- iii. If the TSR Percentile of Disney exceeds the S&P 25th TSR Percentile but is less than the S&P 75th TSR Percentile, the percentage of Stock Units as to which the TSR Performance Requirement shall have been satisfied shall be determined by multiplying the TSR Percentile of Disney by two. For example, if the TSR Percentile of Disney is 40.00%, then Stock Units equal to 80% of the TSR Target Award Amount shall have satisfied the TSR Performance Requirement; if the TSR Percentile of Disney is 60.55%, then 121.10% of the TSR Target Award Amount shall have satisfied the TSR Performance Requirement.

For the purposes hereof, the terms set forth below shall have the following meanings:

“**Determination Date**” shall mean the date which precedes the Scheduled Vesting Date (as hereinafter defined) by one month. For example, for an Award vesting on a January 14 of any specified year, the Determination Date of such Award is December 14 of the prior year.

“**Total Shareholder Return**” shall mean an amount equal to the average of the total return figures for the three-year periods ending on the twenty (20) trading days referred to below as currently reported under “Comparative Returns” by Bloomberg L.P. (“**Bloomberg**”) (or any other reporting service that the Committee may designate from time to time):

- (i) for Disney (as such total return figures for Disney may be adjusted by the Committee, by no later than the Scheduled Vesting Date, to take into account any factors which the Committee has determined are not properly reflected in such reported figures) or
- (ii) for any other S&P 500 Company,

in each case reported for the twenty (20) latest trading days up to and (if the Determination Date is a trading day) including the Determination Date. In determining Total Shareholder Return, the total return figures for each of Disney and each other S&P 500 Company for such respective three year periods shall be compared to the relative values reported for each such company for the twenty (20) days commencing with the day that is three years and twenty (20) trading days prior to the Determination Date.

“**TSR Percentile**” shall mean the percentile ranking (which shall be carried out to two decimal points) as determined by Disney on the basis of the Total Shareholder Return figures reported by Bloomberg (or any other reporting service that the Committee may designate from time to time) for each of the S&P 500 Companies,

including Disney (provided that in the case of Disney adjustments may be made by the Committee with respect to Total Shareholder Return as provided above).

“**S&P 500 Companies**” shall mean all of the companies which are listed on the Standard & Poor’s 500 Composite Index, including Disney, on the date which is three years and twenty (20) trading days prior to the Determination Date and which remain continuously listed on the Standard & Poor’s 500 Composite Index through and including the Determination Date; provided however, that for the purposes hereof the Standard & Poor’s 500 Composite Index shall be deemed to include companies that were removed therefrom during the measurement period but that continued during the entire measurement period to have their shares listed on at least one of the NYSE, NASDAQ, American Stock Exchange, Boston Stock Exchange, Chicago Stock Exchange, National Stock Exchange (formerly Cincinnati Stock Exchange), NYSE Arca (formerly known as the Pacific Stock Exchange), Philadelphia Stock Exchange or any other exchange(s) that the Committee may designate from time to time.

B. EPS Growth Test. The vesting of the remaining fifty percent of the Target Award Amount (the “**EPS Target Award Amount**”) shall be conditioned upon the satisfaction of a performance vesting requirement (the “**EPS Growth Performance Requirement**”) based upon the Disney Adjusted EPS Growth Rate with respect to the Disney EPS Growth Performance Period as compared to the EPS Growth Rates of the Eligible S&P 500 Companies with respect to the S&P 500 EPS Growth Performance Period for each such company (as each such term is defined below). To satisfy the EPS Growth Performance Requirement, the Committee must determine that the Disney Adjusted EPS Growth Rate with respect to the Disney EPS Growth Performance Period equals or exceeds the EPS Growth Rate of 25% of the Eligible S&P 500 Companies over the applicable S&P 500 EPS Growth Performance Periods (the “**S&P 25th EPS Percentile**”). If this requirement is met, the number of Stock Units as to which the EPS Growth Performance Requirement shall be satisfied shall be determined as follows:

- i. If the Disney Adjusted EPS Growth Rate equals the S&P 25th EPS Percentile, then the number of Stock Units which shall satisfy the EPS Growth Performance Requirement shall be 50% of the EPS Target Award Amount.
- ii. If the Disney Adjusted EPS Growth Rate equals or exceeds the EPS Growth Rate of 75% of the Eligible S&P 500 Companies over the applicable S&P 500 EPS Growth Performance Periods (the “**S&P 75th EPS Percentile**”), the number of Stock Units which shall satisfy the EPS Growth Performance Requirement shall be 150% of the EPS Target Award Amount.
- iii. If the Disney Adjusted EPS Growth Rate exceeds the S&P 25th EPS Percentile but is less than the S&P 75th EPS Percentile, the percentage of Stock Units as to which the EPS Growth Requirement shall have been satisfied shall be determined by multiplying (x) the actual comparative

percentile (which shall be carried out to two decimal points) the Committee determines has been achieved based on the Disney Adjusted EPS Growth Rate by (y) two. For example, if the Disney performance ranks at the 40.00%, then Stock Units equal to 80% of the EPS Target Award Amount shall have satisfied the EPS Growth Performance Requirement; if the Disney performance achieved the 60.55%, then 121.10% of the EPS Target Award Amount shall have satisfied the EPS Growth Performance Requirement.

For the purposes hereof, the terms set forth below shall have the following meanings:

“Disney Adjusted EPS Growth Rate” shall mean the compound, average annual growth rate of the Disney Adjusted EPS (as defined below) for the twelve (12) fiscal quarters of Disney ended immediately prior to the Determination Date for which financial results have been filed with the Securities and Exchange Commission on a Form 10-Q or Form 10-K (the **“Disney EPS Growth Performance Period”**). For the avoidance of doubt, the Disney Adjusted EPS Growth Rate shall be calculated using the Disney Adjusted EPS for the four fiscal quarters prior to the Disney EPS Growth Performance Period as the starting Disney Adjusted EPS and comparing such starting Disney Adjusted EPS to the average annual Disney Adjusted EPS for the Disney EPS Growth Performance Period.

“Disney Adjusted EPS” for the relevant period shall mean the EPS of Disney, after such adjustments thereto as the Committee deems appropriate in its sole discretion (i) to exclude the effect of extraordinary, unusual and/or nonrecurring items and (ii) to reflect such other factors as the Committee deems appropriate to fairly reflect earnings per share growth.

“Eligible S&P 500 Companies” means the S&P 500 Companies excluding Disney and the Negative EPS Companies.

“EPS Growth Rate” shall mean the compound, average annual growth rate of EPS (as defined below) for the twelve (12) most recent fiscal quarters ended immediately prior to the Determination Date (the **“S&P 500 EPS Growth Performance Period”**) as determined on the basis of EPS reported on or prior to the Determination Date by Bloomberg (or any other reporting service that the Committee may designate from time to time) for any of the S&P 500 Companies other than (i) Disney and (ii) the Negative EPS Companies (the EPS for any such four quarters being referred to herein as the **“Starting EPS”**). For the avoidance of doubt, the EPS Growth Rate of any S&P 500 Company shall be calculated on the basis of the EPS for such Company over the four fiscal quarters ended immediately prior to the S&P 500 EPS Growth Performance Period as compared to its average annual EPS for the S&P 500 EPS Growth Performance Period for such company.

“**EPS**” for the relevant period shall mean the diluted earnings per share from continuing operations for any company for a specified period as reported by Bloomberg (or any other reporting service that the Committee may designate from time to time).

“**Negative EPS Companies**” any S&P 500 Company with aggregate negative EPS (as reported by Bloomberg or any other reporting service that the Committee may designate from time to time) for the four fiscal quarters ended immediately prior to the S&P 500 EPS Growth Performance Period (unless otherwise provided by the Committee on a case by case basis at the time of the award).

- C. **Section 162(m) Vesting Requirement.** This Award shall also be subject to additional performance vesting requirements under this Section 2.C with respect to all Stock Units subject to this Award, based upon the achievement of the Performance Target applicable to the 162(m) Performance Period set forth below, and subject to certification of achievement of such Performance Target by the Committee pursuant to Section 4.8 of the Plan. The Performance Target (together with the Business Criteria with respect to such Performance Target) shall be established by the Committee by no later than 90 days following the beginning of the Performance Period applicable to this Award. If the Performance Target is not satisfied, all of the Stock Units subject to this Award shall be immediately forfeited. For purposes of this Section 2.C, the “**162(m) Performance Period**” shall be the last fiscal year of Disney to be completed prior to the Scheduled Vesting Date.
- D **Service Vesting Requirement.** In addition to subsection C and whichever of the performance vesting requirements of subsection A or B of this Section 2 is applicable to a stated portion of the Stock Units subject to this Award, the right of the Participant to receive payment of this Award shall become vested only if he or she remains continuously employed by Disney or an Affiliate from the date hereof until the Scheduled Vesting Date.

If the service vesting requirements of this Section 2.C are not satisfied, all of the Stock Units subject to this Award shall be immediately forfeited and the Participant’s rights with respect thereto shall cease.

All Stock Units for which all of the requirements of this Section 2 have been satisfied shall become vested and shall thereafter be payable in accordance with Section 5 hereof. Subject to the terms, conditions and performance-based vesting requirements set forth herein, the Stock Units subject to this Award will vest on the third anniversary date of the Date of Grant (the “**Scheduled Vesting Date**”).

Section 3. **Accelerated Vesting.** Notwithstanding the terms and conditions of Section 2 hereof, upon the Participant’s death or disability (within the meaning of Section 409A of the Internal Revenue Code), or upon the occurrence of a Triggering Event within the 12-month period following a Change in Control in accordance with Section 11 of the Stock Plan as in effect as of the date of the Triggering Event (any of the foregoing being an “**Accelerating Event**”) (provided, in each case, that the Participant is employed

by Disney (or an Affiliate) at the time of such Accelerating Event), this Award shall become fully vested with respect to the Target Award Amount of Stock Units; provided, however, that notwithstanding the foregoing, if such Accelerating Event shall have occurred after the Determination Date but before the Scheduled Vesting Date, then the number of Stock Units which shall become fully vested shall be determined on the same basis as if the Participant had been continuously employed by Disney (or an Affiliate) until the Scheduled Vesting Date and shall be payable in accordance with Section 5 hereof to the extent that it has not previously been forfeited.

Section 4. **Dividend Equivalents.** Any dividends paid in cash on Shares of Disney will be credited to the Participant with respect to the Target Award Amount of Stock Units as additional Stock Units as if the Stock Units previously held by the Participant were outstanding Shares, as follows: such credit shall be made in whole and/or fractional Stock Units on the Target Award Amount as in effect at the time of such crediting and shall be based on the fair market value (as defined in the Stock Plan) of the Shares on the date of payment of such dividend. All such additional Stock Units shall be subject to the same vesting requirements applicable to the Stock Units in respect of which they were credited and shall be payable in accordance with Section 5 hereof.

Section 5. **Payment of Award.** Payment of any vested portion of the TSR Target Award Amount or the EPS Target Award Amount shall be made within 30 days following the later of:

- (i) the date as of which all of the vesting requirements under Section 2 applicable to the TSR Target Award Amount or the EPS Target Award Amount, as applicable, shall have been satisfied, or
- (ii) the date of certification of achievement of the Performance Target by the Committee, as required under Section 2.A or 2.B and Section 2.C hereof,

(or within 30 days following acceleration of vesting under Section 3 hereof, if applicable) but in no event later than the later of (x) December 31 of the year in which the Scheduled Vesting Date occurs and (y) two and one-half months after the Scheduled Vesting Date occurs. The Stock Units shall be paid in cash or in Shares (or some combination thereof), as determined by the Committee in its discretion at the time of payment, and in either case shall be paid to the Participant after deduction of applicable minimum statutory withholding taxes.

Section 6. **Extended Vesting.**

(a) In the event that Participant's employment with Disney or an Affiliate thereof terminates for any reason other than death, disability or "cause" (as further provided in the Plan) at a time when (i) the Participant has attained the age of sixty and has completed at least ten consecutive Service Years (as hereinafter defined) and (ii) at least one year has passed since the Date of Grant of this Award, then the remaining then unvested tranche(s) of this Award shall vest in accordance with the terms and provisions hereof in the same manner as if Participant's employment had continued through the Scheduled Vesting Date, provided that all of the conditions to such vesting (other than the condition set forth in Section 2.D hereof), including without limitation the conditions set forth in Section 2.A or 2.B, as applicable, and Section 2.C hereof, have been met. For purposes of the foregoing, "Service Year" shall mean any full 12-month period during which the Participant was continuously employed by Disney or an affiliate thereof. In determining the total number of

consecutive Service Years that the Participant has been so employed, Disney shall apply such rules regarding the bridging of service as the Committee may adopt from time to time.

(b) Notwithstanding any other term or provision hereof, if at the time of termination of employment (other than upon the scheduled expiration date of an employment agreement) Participant is employed pursuant to an employment agreement with Disney or an Affiliate which provides under certain circumstances for the continued vesting of any Stock Units subject to this Award in the event of the termination of such employment agreement prior to its scheduled expiration date (a "Contractual Extension Provision"), then, except as otherwise provided in such employment agreement, (i) this Section 6 shall be interpreted and applied in all respects as if Participant had remained continuously employed by Disney or an Affiliate thereof from the Date of Grant of this Award through the scheduled expiration date of such employment agreement and (ii) the date of termination of Participant's employment for all purposes under this Section 6 shall be deemed to be the scheduled expiration date of such employment agreement.

(c) Solely for purposes of determining whether, and to what extent, the Participant shall have satisfied the service vesting requirement in Section 2.D, the Participant shall be deemed to have continued in employment (without duplication of any service credit afforded with respect to a Contractual Extension Provision) with Disney or an Affiliate during any period for which the Company provides Participant pay in lieu of notice in connection with The Worker Adjustment and Retraining Notification Act, as currently in effect and as the same may be amended from time to time, or any successor statute thereto or any comparable provision of state, local or foreign law applicable to the Participant.

Section 7. **Restrictions on Transfer.** Neither this Award nor any Stock Units covered hereby may be sold, assigned, transferred, encumbered, hypothecated or pledged by the Participant, other than to Disney as a result of forfeiture of the Stock Units as provided herein and as provided in Section 6 of the Plan. The Stock Units constitute Restricted Units as defined in Section 2.2 of the Plan.

Section 8. **No Voting Rights.** The Stock Units granted pursuant to this Award, whether or not vested, will not confer any voting rights upon the Participant, unless and until the Award is paid in Shares.

Section 9. **Award Subject to Plan.** This Restricted Stock Unit Award is subject to the terms of the Plan and the Stock Plan, the terms and provisions of which are hereby incorporated by reference. In the event of a conflict or ambiguity between any term or provision contained herein and a term or provision of the Plan or the Stock Plan, the Plan or the Stock Plan, as applicable, will govern and prevail.

Section 10. **Changes in Capitalization.** The Stock Units under this Award shall be subject to the provisions of the Plan relating to adjustments for changes in corporate capitalization.

Section 11. **No Right of Employment.** Nothing in this Award Agreement shall confer upon the Participant any right to continue as an employee of Disney or an Affiliate nor interfere in any way with the right of Disney or an Affiliate to terminate the Participant's employment at any time or to change the terms and conditions of such employment.

Section 12. **Effect of Employment Agreement.** If the Participant is employed pursuant to an employment agreement with Disney, any provisions thereof relating to the effect of a termination of

the Participant's employment upon his or her rights with respect to this Award, including, without limitation, any provisions regarding acceleration of vesting and/or payment of this Award in the event of termination of employment, shall be fully applicable and supersede any provisions hereof with respect to the same subject matter.

Section 13. **Data Privacy.** The Participant expressly authorizes and consents to the collection, possession, use, retention and transfer of personal data of the Participant, whether in electronic or other form, by and among Disney, its Affiliates, third-party administrator(s) and other possible recipients, in each case for the exclusive purpose of implementing, administering, facilitating and/or managing the Participant's Awards under, and participation in, the Plan and the Stock Plan. Such personal data may include, without limitation, the Participant's name, home address and telephone number, date of birth, Social Security Number, social insurance number or other identification number, salary, nationality, job title and other job-related information, tax information, the number of Disney shares held or sold by the Participant, and the details of all Awards (including any information contained in this Award and all Award-related materials) granted to the Participant, whether exercised, unexercised, vested, unvested, cancelled or outstanding ("**Data**"). The Participant acknowledges, understands and agrees that Data will be transferred to Merrill Lynch, which is assisting Disney with the implementation, administration and management of the Plan and the Stock Plan, and/or to such other third-party plan administrator(s) and/or recipients as may be selected by Disney in the future. The Participant understands that one or more of the administrators or recipients of Data may be located in countries other than the country of Participant's current residence, and that such other countries may have data privacy laws and protections different from, and less protective than, the laws and protections of the country of Participant's current residence, the Member States of the European Union or any other country to which the Participant may be at any time relocated.

Section 14. **Governing Law.** This Award Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, without giving effect to the choice of law principles thereof.

THE WALT DISNEY COMPANY

Non-Qualified Stock Option Award Agreement

This AWARD AGREEMENT (the “Agreement”) is between you, **Participant Name**, and The Walt Disney Company (“Disney”), in connection with the Non-Qualified Stock Option Award (the “Option”) granted to you on **Grant Date**, by the Compensation Committee of the Board of Directors of Disney pursuant to the terms of the 2011 Stock Incentive Plan (the “Plan”), the applicable terms and conditions of which are incorporated herein by reference and made a part of this Agreement.

This Option gives you the opportunity to purchase **#####** shares of Common Stock of The Walt Disney Company at an exercise price of **\$Option Price** per share. The exercise price is the average of the highest and the lowest market prices for the Common Stock on the above grant date as determined pursuant to the Plan.

This Option may not be exercised before **First Vest Date**. On or after that date, subject to your continued employment by Disney or an affiliated company (as described further below) and to the other provisions of the Plan, you may exercise the Option with respect to the number of shares set forth opposite the first date below. As the subsequent dates set forth below occur, you may exercise as to the number of shares set forth opposite those dates:

Vest Date 1; Exercise Qty 1 Shares

Vest Date 2; Exercise Qty 2 Shares

Vest Date 3; Exercise Qty 3 Shares

Vest Date 4; Exercise Qty 4 Shares

Provided your employment continues, the term of this Option is ten years from the grant date and, therefore, expires on **[insert tenth anniversary date of grant date]**. If your employment should cease prior to the date on which your grant expires, your right to vest and exercise under the Option will be subject to early termination as provided in Sections 6.5, 12 and 13.2 of the

Plan. Except under certain circumstances specified in such Sections, you will generally have the right of continued vesting and exercisability for three months following the date of termination of your employment (such period as it may hereinafter be extended in certain circumstances as provided below being the “Extended Vesting and Exercisability Period”), and any shares that vest during the Extended Vesting and Exercisability Period will be exercisable during such period (or, under certain circumstances, for such longer period as may be provided by the Plan).

You may exercise this Option as to all or part of the number of shares covered by the Option which are then vested by paying the aggregate exercise price and applicable withholding taxes on the gross gain. You will be provided with additional information at the time of exercise about the methods available for exercising your Option and paying your withholding taxes, in accordance with the methods of exercising options permitted under Section 6.6 of the Plan. You are urged to seek advice from your tax accountant or attorney when making decisions regarding the exercise of this Option. This Option may not be transferred or assigned.

Notwithstanding any other term or provision hereof, you agree by acceptance of this Option that, except for certain shares (the “Tax-Available Shares”) that may be sold to pay taxes up to the Maximum Tax Liability (as defined below) upon an exercise of a portion of, or all of, this Option, you will hold, for not less than twelve months from the date of exercise of this Option, shares representing no less than ~~seventy-five percent (75%)~~**one hundred percent (100%)** of the shares acquired by you (other than Tax-Available Shares) upon such exercise; provided, however, that the foregoing obligation to hold such shares (and any similar obligation in any non-qualified stock option award previously granted to you) shall not be applicable at any time when you are already holding shares of Common Stock of Disney (including any outstanding restricted stock units (with or without performance-based vesting conditions) awarded to you by with a value equal to at least ~~three~~**five** times your base salary as in effect at such time (the “Disney Stock Ownership Requirement”). For purposes hereof the term “Maximum Tax Liability” shall mean the amount calculated by multiplying total income recognized, as reported by Disney for Federal income tax purposes, upon an exercise of this Option, by a percentage determined as follows:

$$FR + SR (100-FR) + MR$$

where:

FR = the highest Federal income tax rate in effect at time of exercise of the Option;

SR = the highest state income tax rate, if any, in effect at the time of exercise of the Option in the state where your principal Disney office is located; and

MR = the Medicare tax rate in effect at time of exercise of the Option.

The number of whole shares acquired upon any exercise of the Options that may be sold to discharge the Maximum Tax Liability shall be determined by dividing the Maximum Tax Liability by the fair market value (as defined in Section 2 of the Plan) of one share of Disney common stock on the date of exercise of the Option and disregarding any fractional amount resulting from such calculation.

For the purposes hereof, your commitment to hold the percentage of shares referred to above for not less than twelve months unless you are already in compliance with the Disney Stock Ownership Requirement shall constitute an undertaking by you not to sell, transfer, pledge, encumber, assign or otherwise dispose of, except for certain transfers to “family members” and certain others permitted with the prior approval of the Committee pursuant to Section 6.7 of the Plan, any of such shares during such period.

If you are employed pursuant to an employment agreement with Disney, any provisions thereof relating to the effect of a termination of your employment upon your rights with respect to this Option, including, without limitation, any provision regarding acceleration of this Option, shall be fully applicable and shall supersede the provisions hereof relating to the same subject matter, but in no event shall the restriction on sale of shares acquired upon the exercise of this Option referred herein apply after any termination of your employment with Disney.

In the event that your employment with Disney or an Affiliate thereof terminates for any reason other than death, disability, or “cause” (as further provided in the Plan) at a time when (i) you have attained the age of sixty and have completed at least ten consecutive Service Years (as hereinafter defined) and (ii) at least one year has passed since the Grant Date of this Option, then notwithstanding any other term or provision hereof, the Extended Vesting and Exercisability Period shall continue until the earlier of five years from the date of termination of your employment or the expiration date of this Option as provided above; provided, however, that in the event of your death during such period, all remaining unvested Tranches of this Option shall vest immediately upon such event and thereafter all remaining unexercised Tranches (or portions thereof) of this Option shall be exercisable until the earlier of the expiration of 18 months from date of death or the expiration date of this Option. For purposes of the foregoing, “**Service Year**” shall mean any calendar year during which you have been continuously employed by Disney or an Affiliate thereof for the entire calendar year. In determining the total number of consecutive Service Years that you have been so employed, the Company shall apply such rules regarding the bridging of service as the Committee may adopt from time to time.

Notwithstanding any other term or provision hereof, if you are employed pursuant to an employment agreement with Disney or an Affiliate which provides under certain circumstances for the continued vesting and/or exercisability of this Option in the event of the termination of such employment agreement prior to its scheduled expiration date (a “**Contractual Extension Provision**”), then, except as otherwise expressly provided in such employment agreement, (i) this Option shall be interpreted and applied in all respects to have the same effect as if you had remained continuously employed by Disney or an Affiliate thereof from the Grant Date of this Option through the scheduled expiration date of such employment agreement and (ii) the date of termination of your employment for all purposes hereunder shall be deemed to be the scheduled expiration date of such employment agreement.

Solely for purposes of (i) determining whether, and to what extent, the Participant shall have become eligible to exercise all or any portion of this Option and (ii) determining the period during which any vested portion of this Option remains exercisable following termination of the Participant’s employment, the Participant shall be deemed to have continued in employment

(without duplication of any service credit afforded with respect to a Contractual Extension Provision, as defined below) with Disney or an Affiliate during any period for which the Company provides Participant pay in lieu of notice in connection with The Worker Adjustment and Retraining Notification Act, as currently in effect and as the same may be amended from time to time, or any successor statute thereto or any comparable provision of state, local or foreign law applicable to the Participant.

You expressly authorize and consent to the collection, possession, use, retention and transfer of your personal data, whether in electronic or other form, by and among Disney, its Affiliates, third-party administrator(s) and other possible recipients, in each case for the exclusive purpose of implementing, administering, facilitating and/or managing your Awards under, and participation in, the Plan. Such personal data may include, without limitation, your name, home address and telephone number, date of birth, Social Security Number, social insurance number or other identification number, salary, nationality, job title and other job-related information, tax information, the number of Disney shares held or sold by you, and the details of all Awards (including any information contained in this Award and all Award-related materials) granted to you, whether exercised, unexercised, vested, unvested, cancelled or outstanding (“**Data**”). You acknowledge, understand and agree that Data will be transferred to Merrill Lynch, which is assisting Disney with the implementation, administration and management of the Plan, and/or to such other third-party plan administrator(s) and/or recipients as may be selected by Disney in the future. You understand that one or more of the administrators or recipients of Data may be located in countries other than the country of your current residence, and that such other countries may have data privacy laws and protections different from, and less protective than, the laws and protections of the country of your current residence, the Member States of the European Union or any other country to which you may be at any time relocated.

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

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

1. I have reviewed this quarterly report on Form 10-Q of the Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 5, 2019

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

1. I have reviewed this quarterly report on Form 10-Q of the Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 5, 2019

By:

/s/ CHRISTINE M. MCCARTHY

Christine M. McCarthy

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 December 29, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert A. Iger, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ ROBERT A. IGER
Robert A. Iger
Chairman and Chief Executive Officer
February 5, 2019

* 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 December 29, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Christine M. McCarthy, Senior Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ CHRISTINE M. MCCARTHY
Christine M. McCarthy
Senior Executive Vice President and Chief Financial Officer
February 5, 2019

* 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.