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 July 3, 2021

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________.

Commission File Number 001-38842

The Walt Disney Company

Delaware	**83-0940635**
State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification

500 South Buena Vista Street
Burbank, California 91521
Address of Principal Executive Offices and Zip Code

(818) 560-1000
Registrant's Telephone Number, Including Area Code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	DIS	New York Stock Exchange

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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 1,817,126,595 shares of common stock outstanding as of August 4, 2021.

PART I. FINANCIAL INFORMATION

Item 1: Financial Statements

THE WALT DISNEY COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited; in millions, except per share data)

	Quarter Ended		Nine Months Ended	
	July 3, 2021	June 27, 2020	**July 3, 2021**	June 27, 2020
Revenues:				
Services	**$ 15,585**	$ 11,235	**$ 44,978**	$ 45,519
Products	**1,437**	544	**3,906**	5,162
Total revenues	**17,022**	11,779	**48,884**	50,681
Costs and expenses:				
Cost of services (exclusive of depreciation and amortization)	**(10,251)**	(7,209)	**(29,921)**	(29,287)
Cost of products (exclusive of depreciation and amortization)	**(982)**	(687)	**(2,869)**	(3,580)
Selling, general, administrative and other	**(3,168)**	(2,455)	**(9,198)**	(9,557)
Depreciation and amortization	**(1,266)**	(1,377)	**(3,836)**	(4,010)
Total costs and expenses	**(15,667)**	(11,728)	**(45,824)**	(46,434)
Restructuring and impairment charges	**(35)**	(5,047)	**(562)**	(5,342)
Other income (expense), net	**(91)**	382	**214**	382
Interest expense, net	**(445)**	(412)	**(1,089)**	(995)
Equity in the income of investees	**211**	186	**648**	545
Income (loss) from continuing operations before income taxes	**995**	(4,840)	**2,271**	(1,163)
Income taxes on continuing operations	**133**	331	**9**	(650)
Net income (loss) from continuing operations	**1,128**	(4,509)	**2,280**	(1,813)
Loss from discontinued operations, net of income tax benefit of $2, $1, $9 and $11, respectively)	**(5)**	(3)	**(28)**	(32)
Net income (loss)	**1,123**	(4,512)	**2,252**	(1,845)
Net income from continuing operations attributable to noncontrolling interests	**(205)**	(209)	**(416)**	(309)
Net income (loss) attributable to The Walt Disney Company (Disney)	**$ 918**	$ (4,721)	**$ 1,836**	$ (2,154)
Earnings (loss) per share attributable to Disney[(1)]:				
Diluted				
Continuing operations	**$ 0.50**	$ (2.61)	**$ 1.02**	$ (1.17)
Discontinued operations	**—**	—	**(0.02)**	(0.02)
	$ 0.50	$ (2.61)	**$ 1.00**	$ (1.19)
Basic				
Continuing operations	**$ 0.51**	$ (2.61)	**$ 1.03**	$ (1.17)
Discontinued operations	**—**	—	**(0.02)**	(0.02)
	$ 0.50	$ (2.61)	**$ 1.01**	$ (1.19)
Weighted average number of common and common equivalent shares outstanding:				
Diluted	**1,830**	1,809	**1,827**	1,807
Basic	**1,818**	1,809	**1,816**	1,807

(1) Total may not equal the sum of the column due to rounding.

See Notes to Condensed Consolidated Financial Statements

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

	Quarter Ended		Nine Months Ended	
	July 3, 2021	June 27, 2020	**July 3, 2021**	June 27, 2020
Net income (loss)	**$ 1,123**	$ (4,512)	**$ 2,252**	$ (1,845)
Other comprehensive income (loss), net of tax:				
Market value adjustments for hedges	**1**	(128)	**(62)**	(106)
Pension and postretirement medical plan adjustments	**169**	97	**510**	277
Foreign currency translation and other	**(65)**	51	**119**	(145)
Other comprehensive income	**105**	20	**567**	26
Comprehensive income (loss)	**1,228**	(4,492)	**2,819**	(1,819)
Net income from continuing operations attributable to noncontrolling interests	**(205)**	(209)	**(416)**	(309)
Other comprehensive income (loss) attributable to noncontrolling interests	**(24)**	—	**(82)**	(26)
Comprehensive income (loss) attributable to Disney	**$ 999**	$ (4,701)	**$ 2,321**	$ (2,154)

See Notes to Condensed Consolidated Financial Statements

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

	July 3, 2021	October 3, 2020
ASSETS		
Current assets		
Cash and cash equivalents	**$ 16,070**	$ 17,914
Receivables, net	**13,355**	12,708
Inventories	**1,344**	1,583
Content advances	**2,367**	2,171
Other current assets	**830**	875
Total current assets	**33,966**	35,251
Produced and licensed content costs	**27,889**	25,022
Investments	**4,045**	3,903
Parks, resorts and other property		
Attractions, buildings and equipment	**64,023**	62,111
Accumulated depreciation	**(37,579)**	(35,517)
	26,444	26,594
Projects in progress	**4,856**	4,449
Land	**1,077**	1,035
	32,377	32,078
Intangible assets, net	**17,601**	19,173
Goodwill	**77,835**	77,689
Other assets	**8,508**	8,433
Total assets	**$ 202,221**	$ 201,549
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and other accrued liabilities	**$ 18,317**	$ 16,801
Current portion of borrowings	**4,728**	5,711
Deferred revenue and other	**4,368**	4,116
Total current liabilities	**27,413**	26,628
Borrowings	**51,110**	52,917
Deferred income taxes	**6,835**	7,288
Other long-term liabilities	**16,249**	17,204
Commitments and contingencies (Note 13)		
Redeemable noncontrolling interests	**9,492**	9,249
Equity		
Preferred stock	**—**	—
Common stock, $0.01 par value, Authorized – 4.6 billion shares, Issued – 1.8 billion shares	**55,174**	54,497
Retained earnings	**40,311**	38,315
Accumulated other comprehensive loss	**(7,837)**	(8,322)
Treasury stock, at cost, 19 million shares	**(907)**	(907)
Total Disney Shareholders' equity	**86,741**	83,583
Noncontrolling interests	**4,381**	4,680
Total equity	**91,122**	88,263
Total liabilities and equity	**$ 202,221**	$ 201,549

See Notes to Condensed Consolidated Financial Statements

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

	Nine Months Ended	
	July 3, 2021	June 27, 2020
OPERATING ACTIVITIES		
Net income (loss) from continuing operations	**$ 2,280**	$ (1,813)
Depreciation and amortization	**3,836**	4,010
Goodwill and intangible asset impairments	**—**	4,953
Net gain on investments	**(325)**	(370)
Deferred income taxes	**(749)**	(548)
Equity in the income of investees	**(648)**	(545)
Cash distributions received from equity investees	**546**	567
Net change in produced and licensed content costs and advances	**(3,192)**	(1,483)
Net change in operating lease right of use assets / liabilities	**127**	16
Equity-based compensation	**428**	388
Other, net	**728**	471
Changes in operating assets and liabilities:		
Receivables	**(301)**	2,100
Inventories	**236**	86
Other assets	**(113)**	8
Accounts payable and other liabilities	**341**	(1,986)
Income taxes	**(260)**	95
Cash provided by operations - continuing operations	**2,934**	5,949
INVESTING ACTIVITIES		
Investments in parks, resorts and other property	**(2,468)**	(3,293)
Other	**383**	(27)
Cash used in investing activities - continuing operations	**(2,085)**	(3,320)
FINANCING ACTIVITIES		
Commercial paper borrowings (payments), net	**(99)**	1,373
Borrowings	**43**	18,030
Reduction of borrowings	**(2,319)**	(2,297)
Dividends	**—**	(1,587)
Proceeds from exercise of stock options	**405**	238
Other	**(801)**	(838)
Cash provided by (used in) financing activities - continuing operations	**(2,771)**	14,919
CASH FLOWS FROM DISCONTINUED OPERATIONS		
Cash provided by (used in) operations - discontinued operations	**(2)**	2
Cash provided by investing activities - discontinued operations	**8**	198
Cash provided by discontinued operations	**6**	200
Impact of exchange rates on cash, cash equivalents and restricted cash	**77**	(49)
Change in cash, cash equivalents and restricted cash	**(1,839)**	17,699
Cash, cash equivalents and restricted cash, beginning of period	**17,954**	5,455
Cash, cash equivalents and restricted cash, end of period	**$ 16,115**	$ 23,154

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							
	Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Disney Equity	Non-controlling Interests[1]	Total Equity
Balance at April 3, 2021	1,817	$ 55,000	$ 39,365	$ (7,918)	$ (907)	$ 85,540	$ 4,246	$ 89,786
Comprehensive income	—	—	918	81	—	999	147	1,146
Equity compensation activity	—	185	—	—	—	185	—	185
Contributions	—	—	—	—	—	—	7	7
Cumulative effect of accounting change	—	—	3	—	—	3	—	3
Distributions and other	—	(11)	25	—	—	14	(19)	(5)
Balance at July 3, 2021	**1,817**	**$ 55,174**	**$ 40,311**	**$ (7,837)**	**$ (907)**	**$ 86,741**	**$ 4,381**	**$ 91,122**
Balance at March 28, 2020	1,806	$ 54,230	$ 43,721	$ (6,637)	$ (907)	$ 90,407	$ 4,470	$ 94,877
Comprehensive income (loss)	—	—	(4,721)	20	—	(4,701)	141	(4,560)
Equity compensation activity	1	156	—	—	—	156	—	156
Distributions and other	—	—	4	—	—	4	(14)	(10)
Balance at June 27, 2020	1,807	$ 54,386	$ 39,004	$ (6,617)	$ (907)	$ 85,866	$ 4,597	$ 90,463

[1] Excludes redeemable noncontrolling interests.

See Notes to Condensed Consolidated Financial Statements

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

	Nine Months Ended							
	Equity Attributable to Disney							
	Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Disney Equity	Non-controlling Interests[1]	Total Equity
Balance at October 3, 2020	1,810	$ 54,497	$ 38,315	$ (8,322)	$ (907)	$ 83,583	$ 4,680	$ 88,263
Comprehensive income	—	—	1,836	485	—	2,321	256	2,577
Equity compensation activity	7	687	—	—	—	687	—	687
Contributions	—	—	—	—	—	—	12	12
Cumulative effect of accounting change	—	—	108	—	—	108	—	108
Distributions and other	—	(10)	52	—	—	42	(567)	(525)
Balance at July 3, 2021	**1,817**	**$ 55,174**	**$ 40,311**	**$ (7,837)**	**$ (907)**	**$ 86,741**	**$ 4,381**	**$ 91,122**
Balance at September 28, 2019	1,802	$ 53,907	$ 42,494	$ (6,617)	$ (907)	$ 88,877	$ 5,012	$ 93,889
Comprehensive income (loss)	—	—	(2,154)	—	—	(2,154)	135	(2,019)
Equity compensation activity	5	470	—	—	—	470	—	470
Dividends	—	9	(1,596)	—	—	(1,587)	—	(1,587)
Contributions	—	—	—	—	—	—	53	53
Adoption of new lease accounting guidance	—	—	197	—	—	197	—	197
Distributions and other	—	—	63	—	—	63	(603)	(540)
Balance at June 27, 2020	1,807	$ 54,386	$ 39,004	$ (6,617)	$ (907)	$ 85,866	$ 4,597	$ 90,463

[1] Excludes redeemable noncontrolling interests.

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 statement of the results for the interim period. Operating results for the nine months ended July 3, 2021 are not necessarily indicative of the results that may be expected for the year ending October 2, 2021.

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. The term "TWDC" is used to refer to the parent company.

These financial statements should be read in conjunction with the Company's 2020 Annual Report on Form 10-K.

The Fox sports media business in Mexico, along with another Fox business divested in fiscal 2020, are presented as discontinued operations in the Condensed Consolidated Statements of Operations. In May 2021, the Company entered into an agreement to sell the Fox sports media business in Mexico for an amount that is not material. The transaction has received regulatory approval from the Instituto Federal de Telecomunicaciones (IFT) and completion of the transaction is subject to customary closing conditions with the buyer. We expect the sale to close by the first quarter of fiscal 2022. At July 3, 2021 and October 3, 2020, the assets and liabilities of the Fox sports media business in Mexico are not material and are included in other assets and other liabilities in the Condensed Consolidated Balance Sheet.

Variable Interest Entities

The Company enters into relationships with or makes investments in 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.

Redeemable Noncontrolling Interests

The Company consolidates the results of certain subsidiaries that are less than 100% owned and for which the noncontrolling interest shareholders have the rights to require the Company to purchase their interests in these subsidiaries. The most significant of these are Hulu LLC (Hulu) and BAMTech LLC (BAMTech).

Hulu provides direct-to-consumer (DTC) streaming services and is owned 67% by the Company and 33% by NBC Universal (NBCU). In May 2019, the Company entered into a put/call agreement with NBCU that provided the Company with full operational control of Hulu. Under the agreement, beginning in January 2024, NBCU has the option to require the Company to purchase NBCU's interest in Hulu and the Company has the option to require NBCU to sell its interest in Hulu to the Company, based on NBCU's equity ownership percentage of the greater of Hulu's then fair value or $27.5 billion.

NBCU's interest will generally not be allocated its portion of Hulu's losses as the redeemable noncontrolling interest is required to be carried at a minimum value. The minimum value is equal to the fair value as of the May 2019 agreement date accreted to the January 2024 estimated redemption value. At July 3, 2021, NBCU's interest in Hulu is recorded in the Company's financial statements at $8.3 billion.

BAMTech provides streaming technology services to third parties and is owned 75% by the Company, 15% by Major League Baseball (MLB) and 10% by the National Hockey League (NHL), both of which have the right to sell their interests to the Company in the future.

MLB has the right to sell its interest to the Company and the Company has the right to buy MLB's interest starting five years from and ending ten years after the Company's September 25, 2017 acquisition date of BAMTech at the greater of fair value or a guaranteed floor value ($563 million accreting at 8% annually for eight years from the date of acquisition). The NHL can sell its interest to the Company in 2021 for $350 million. The Company has the right to acquire the NHL interest in 2021 for $500 million.

The MLB and NHL interests are required to be recorded at a minimum value equal to the greater of (i) their acquisition date fair value adjusted for their share (if any) of earnings, losses, or dividends ("adjusted value") or (ii) an accreted value from the date of the acquisition to the applicable redemption date ("accreted value"). As the accreted value is typically higher than the adjusted value, the MLB and NHL interests are not allocated their portion of BAMTech losses. Therefore, the MLB and NHL interests are accreted to the estimated redemption value as of the earliest redemption date. As of July 3, 2021, the guaranteed floor value for the MLB interest, accreted from the date of acquisition, was $752 million. As of July 3, 2021, the accreted value of the NHL interest was $350 million.

Adjustments to the carrying amount of redeemable noncontrolling interests increase or decrease income available to Company shareholders and are recorded in "Net income from continuing operations attributable to noncontrolling interests" on the Condensed Consolidated Statements of Operations.

On August 3, 2021, the NHL exercised its right to sell its interest to the Company for $350 million. The transaction is expected to close prior to the end of fiscal 2021.

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 the fiscal 2020 financial statements and notes to conform to the fiscal 2021 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.

As of the first quarter of fiscal 2021, we changed the presentation of segment operating results as discussed below and have recast our fiscal 2020 segment operating results to align with the fiscal 2021 presentation.

Media and Entertainment Reorganization

In October 2020, the Company reorganized its media and entertainment operations, which had been previously reported in three segments: Media Networks, Studio Entertainment and Direct-to-Consumer & International. With this reorganization, a single group is responsible for distributing all of the Company's media and entertainment content across all platforms globally. This distribution organization has full accountability for the financial results of the media and entertainment businesses, and content is generally created by three production groups: Studios, General Entertainment and Sports.

As a result of the reorganization, effective at the beginning of the first quarter of fiscal 2021, we began reporting the financial results of the media and entertainment businesses as one segment, Disney Media and Entertainment Distribution (DMED) across three significant lines of business/distribution platforms: Linear Networks, Direct-to-Consumer and Content Sales/Licensing (primarily comprising theatrical, home entertainment and third-party television and subscription video-on-demand "TV/SVOD" distribution globally).

Intersegment Transfer Pricing

Under our previous segment structure, in certain instances production and distribution activities were in different segments. In these situations, for segment financial accounting purposes, the producer segment would recognize revenue based on an intersegment transfer price that included a "mark-up". These transactions were reported "gross" (i.e. the segment producing the content reported revenue and the mark-up from intersegment transactions, and the required eliminations were reported on a separate "Eliminations" line when presenting a summary of our segment results). Under our new segment structure, the operating results of the production and distribution activities are reported in the same segment, and the fully loaded production cost is allocated across the distribution platforms which are utilizing the content.

Elimination of Consumer Products Revenue Share

Under our legacy segment financial reporting, the Studio Entertainment segment received a revenue share related to the consumer products business, which is included in the Disney Parks, Experiences and Products (DPEP) segment. Under the new reporting structure, DMED does not receive a revenue share from DPEP related to the consumer products business.

DESCRIPTION OF BUSINESS

Disney Media and Entertainment Distribution

The DMED segment encompasses the Company's global film and episodic television content production and distribution activities. Content is distributed by a single organization across three significant lines of business: Linear Networks, Direct-to-Consumer and Content Sales/Licensing and is generally created by three production/content licensing groups: Studios, General Entertainment and Sports. The distribution organization has full accountability for the financial results of the entire media and entertainment business.

The operations in our significant lines of business are as follows:

- Linear Networks
  - Domestic Channels: ABC Television Network (ABC) and eight owned ABC television stations (Broadcasting), and Disney, ESPN, Freeform, FX and National Geographic branded domestic television networks (Cable)
  - International Channels: Disney, ESPN, Fox, National Geographic and Star branded television networks outside the U.S.
  - A 50% equity investment in A+E Television Networks (A+E), which operates a variety of cable channels including A&E, HISTORY and Lifetime
- Direct-to-Consumer
  - Disney+, Disney+ Hotstar, ESPN+, Hulu and Star+ DTC streaming services
- Content Sales/Licensing
  - Sales/licensing of film and television content to third-party television and subscription video-on-demand (TV/SVOD) services
  - Theatrical distribution
  - Home entertainment distribution (DVD, Blu-ray and electronic home video licenses)
  - Music distribution
  - Staging and licensing of live entertainment events on Broadway and around the world (Stage Plays)

DMED also includes the following activities that are reported with Content Sales/Licensing:

- Post-production services through Industrial Light & Magic and Skywalker Sound
- A 30% ownership interest in Tata Sky Limited, which operates a direct-to-home satellite distribution platform in India

The significant revenues of DMED are as follows:

- Affiliate fees - Fees charged by our Linear Networks to multi-channel video programming distributors (i.e. cable, satellite, telecommunications and digital over-the-top (e.g. YouTube TV) service providers) (MVPDs) and television stations affiliated with the ABC Network for the right to deliver our programming to their customers
- Advertising - Sales of advertising time/space on our Linear Networks and Direct-to-Consumer
- Subscription fees - Fees charged to customers/subscribers for our DTC services
- TV/SVOD distribution - Licensing fees and other revenue for the right to use our film and television productions and revenue from fees charged to customers to view our sports programming ("pay-per-view") and Premier Access content. TV/SVOD distribution revenue is primarily reported in Content Sales/Licensing, except for pay-per-view and Premier Access revenue, which is reported in Direct-to-Consumer
- Theatrical distribution - Rentals from licensing our film productions to theaters
- Home entertainment - Sale of our film and television content to retailers and distributors in home video formats
- Other content sales/licensing revenue - Revenues from licensing our music, ticket sales from stage play performances and fees from licensing our intellectual properties for use in stage plays
- Other revenue - Fees from sub-licensing of sports programming rights (reported in Linear Networks) and post-production services (reported with Content Sales/Licensing)

The significant expenses of DMED are as follows:

- Operating expenses consist primarily of programming and production costs, technical support costs, operating labor, distribution costs and costs of sales. Operating expenses also includes fees paid to Linear Networks from other DMED businesses for the right to air the Linear Networks feed and other services. Programming and production costs include amortization of acquired licensed programming rights (including sports rights), amortization of capitalized production costs (including participations and residuals) and production costs related to live programming such as news and sports. Programming and production costs are largely incurred across three content creation groups, as follows:
  - Studios - Primarily capitalized production costs related to feature films produced under the Walt Disney Pictures, Twentieth Century Studios, Marvel, Lucasfilm, Pixar and Searchlight Pictures banners
  - General Entertainment - Primarily acquisition of rights to and internal production of episodic television programs and news content. Internal content is generally produced by the following television studios: ABC Signature; 20th Television; Disney Television Animation, FX Productions and various studios for which we commission productions for our branded channels and DTC services
  - Sports - Primarily acquisition of professional and college sports programming rights and related production costs
- Selling, general and administrative costs
- Depreciation and amortization

Disney Parks, Experiences and Products

Significant operations:

- Parks & Experiences:
  - Theme parks and resorts, which include: Walt Disney World Resort in Florida; Disneyland Resort in California; Disneyland Paris; Hong Kong Disneyland Resort; Shanghai Disney Resort. 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, for use on merchandise, published materials and games
  - Sale of branded merchandise through retail, online and wholesale businesses, and development and publishing of books, comic books and magazines

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 and other vacations and sales and rentals of vacation club properties
- Merchandise licensing and retail:
  - Merchandise licensing - Royalties from licensing our intellectual properties for use on consumer goods
  - Retail - Sales of merchandise at The Disney Stores and through branded internet shopping sites, as well as to wholesalers (including books, comic books and magazines)
- Parks licensing and other - Revenues from sponsorships and co-branding opportunities and real estate rent and sales. In addition, we earn royalties on Tokyo Disney Resort revenues

Significant expenses:

- Operating expenses consist primarily of operating labor, costs of goods sold, infrastructure costs, supplies, commissions and entertainment offerings. Infrastructure costs include information systems expense, repairs and maintenance, property taxes, utilities and fuel, retail occupancy costs, insurance and transportation
- 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, net other income, net interest expense, income taxes and noncontrolling interests. Segment operating income includes equity in the income of investees and excludes impairments of certain equity investments and acquisition accounting amortization of TFCF Corporation (TFCF) and Hulu assets (i.e. intangible assets and the fair value step-up for film and television costs) recognized in connection with the TFCF acquisition in fiscal 2019 (TFCF and Hulu acquisition amortization). Corporate and unallocated shared expenses principally consist of corporate functions, executive management and certain unallocated administrative support functions.

Segment operating results include allocations of certain costs, including information technology, pension, legal and other shared services costs, which are allocated based on metrics designed to correlate with consumption.

Impact of COVID-19

Since early 2020, the world has been, and continues to be, impacted by the novel coronavirus (COVID-19) pandemic. COVID-19 and measures to prevent its spread are impacting our segments in a number of ways, most significantly at DPEP where our theme parks and resorts have been closed and cruise ship sailings and guided tours have been suspended. Theme parks and resorts resumed operations, generally at reduced capacity, at various points since May 2020 through June 2021 and we have commenced an ongoing return of cruise ship sailings and guided tours. We have delayed, or in some cases, shortened or canceled, theatrical releases, and stage play performances were suspended beginning in March 2020 with limited stage play operations resuming in the first quarter of fiscal 2021. Theaters have been subject to capacity limitations and shifting government mandates or guidance regarding COVID-19 restrictions. We have experienced significant disruptions in the production and availability of content, including the delay of key live sports programming during fiscal 2020 and fiscal 2021, as well as the suspension of most film and television production in March 2020. Although most film and television production resumed beginning in the fourth quarter of fiscal 2020, we continue to see disruption in production activities depending on local circumstances. Fewer theatrical releases and production delays have limited the availability of film content to be sold in the subsequent home entertainment and TV/ SVOD distribution windows.

The impact of these disruptions and the extent of their adverse impact on our financial and operating results will be dictated by the length of time that such disruptions continue, which will, in turn, depend on the currently unknowable duration and severity of the impacts of COVID-19 and its variants, and among other things, the impact of governmental actions imposed in response to COVID-19 and individuals' and companies' risk tolerance regarding health matters going forward. Most of our businesses have reopened and we have incurred and will continue to incur additional costs to address government regulations and the safety of our employees, talent and guests.

Segment revenues and segment operating income are as follows:

	Quarter Ended		Nine Months Ended	
	July 3, 2021	June 27, 2020	**July 3, 2021**	June 27, 2020
Revenues:				
Disney Media and Entertainment Distribution	**$ 12,681**	$ 10,714	**$ 37,782**	$ 36,376
Disney Parks, Experiences and Products	**4,341**	1,065	**11,102**	14,305
	$ 17,022	$ 11,779	**$ 48,884**	$ 50,681
Segment operating income (loss):				
Disney Media and Entertainment Distribution	**$ 2,026**	$ 2,977	**$ 6,348**	$ 6,102
Disney Parks, Experiences and Products	**356**	(1,878)	**(169)**	1,400
	$ 2,382	$ 1,099	**$ 6,179**	$ 7,502

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

	Quarter Ended		Nine Months Ended	
	July 3, 2021	June 27, 2020	**July 3, 2021**	June 27, 2020
Disney Media and Entertainment Distribution	**$ 220**	$ 199	**$ 681**	$ 583
Disney Parks, Experiences and Products	**(5)**	(6)	**(22)**	(15)
Equity in the income of investees included in segment operating income	**215**	193	**659**	568
Amortization of TFCF intangible assets related to equity investees	**(4)**	(7)	**(11)**	(23)
Equity in the income of investees, net	**$ 211**	$ 186	**$ 648**	$ 545

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

	Quarter Ended		Nine Months Ended	
	July 3, 2021	June 27, 2020	**July 3, 2021**	June 27, 2020
Segment operating income	**$ 2,382**	$ 1,099	**$ 6,179**	$ 7,502
Corporate and unallocated shared expenses	**(212)**	(179)	**(645)**	(604)
Restructuring and impairment charges (see Note 16)	**(35)**	(5,047)	**(562)**	(5,342)
Other income (expense), net (see Note 4)	**(91)**	382	**214**	382
Interest expense, net	**(445)**	(412)	**(1,089)**	(995)
TFCF and Hulu acquisition amortization[1]	**(604)**	(683)	**(1,826)**	(2,106)
Income (loss) from continuing operations before income taxes	**$ 995**	$ (4,840)	**$ 2,271**	$ (1,163)

[1] For the quarter ended July 3, 2021 amortization of intangible assets, step-up of film and television costs and intangibles related to TFCF equity investees were $434 million, $166 million and $4 million, respectively. For the nine months ended July 3, 2021 amortization of intangible assets, step-up of film and television costs and intangibles related to TFCF equity investees were $1,328 million, $487 million and $11 million, respectively. For the quarter ended June 27, 2020 amortization of intangible assets, step-up of film and television costs and intangibles related to TFCF equity investees were $486 million, $190 million, and $7 million, respectively. For the nine months ended June 27, 2020 amortization of intangible assets, step-up of film and television costs and intangibles related to TFCF equity investees were $1,470 million, $613 million and $23 million, respectively.

Goodwill

The changes in the carrying amount of goodwill for the nine months ended July 3, 2021 are as follows:

	Media Networks	Disney Parks, Experiences and Products	Studio Entertainment	Direct-to-Consumer & International	Disney Media and Entertainment Distribution	Total
Balance at October 3, 2020	$ 33,991	$ 5,550	$ 17,795	$ 20,353	$ —	$ 77,689
Segment recast [1]	(33,991)	—	(17,795)	(20,353)	72,139	—
Currency translation adjustments and other, net	—	—	—	—	146	146
Balance at July 3, 2021	**$ —**	**$ 5,550**	**$ —**	**$ —**	**$ 72,285**	**$ 77,835**

[1] Represents the reallocation of goodwill as a result of the Company recasting its segments.

3. *Revenues*

The Company has revenue recognition policies for its various operating segments that are appropriate to the circumstances of each business.

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

	Quarter Ended July 3, 2021			Quarter Ended June 27, 2020		
	Disney Media and Entertainment Distribution	Disney Parks, Experiences and Products	**Consolidated**	Disney Media and Entertainment Distribution	Disney Parks, Experiences and Products	Consolidated
Affiliate fees	$ 4,431	$ —	**$ 4,431**	$ 4,304	$ —	$ 4,304
Advertising	3,163	—	**3,163**	1,901	1	1,902
Subscription fees	3,156	—	**3,156**	2,129	—	2,129
Theme park admissions	—	1,152	**1,152**	—	34	34
Resort and vacations	—	776	**776**	—	80	80
Retail and wholesale sales of merchandise, food and beverage	—	1,262	**1,262**	—	264	264
TV/SVOD distribution licensing	1,230	—	**1,230**	1,513	—	1,513
Theatrical distribution licensing	140	—	**140**	51	—	51
Merchandise licensing	1	789	**790**	8	520	528
Home entertainment	236	—	**236**	470	—	470
Other	324	362	**686**	338	166	504
	$ 12,681	$ 4,341	**$ 17,022**	$ 10,714	$ 1,065	$ 11,779

	Nine Months Ended July 3, 2021			Nine Months Ended June 27, 2020		
	Disney Media and Entertainment Distribution	Disney Parks, Experiences and Products	**Consolidated**	Disney Media and Entertainment Distribution	Disney Parks, Experiences and Products	Consolidated
Affiliate fees	$ 13,427	$ —	**$ 13,427**	$ 13,273	$ —	$ 13,273
Advertising	9,508	2	**9,510**	8,085	4	8,089
Subscription fees	8,702	—	**8,702**	5,251	—	5,251
Theme park admissions	—	2,298	**2,298**	—	3,655	3,655
Resort and vacations	—	1,722	**1,722**	—	3,088	3,088
Retail and wholesale sales of merchandise, food and beverage	—	3,336	**3,336**	—	4,161	4,161
TV/SVOD distribution licensing	4,023	—	**4,023**	4,747	—	4,747
Theatrical distribution licensing	280	—	**280**	2,062	—	2,062
Merchandise licensing	11	2,670	**2,681**	24	2,276	2,300
Home entertainment	755	—	**755**	1,555	—	1,555
Other	1,076	1,074	**2,150**	1,379	1,121	2,500
	$ 37,782	$ 11,102	**$ 48,884**	$ 36,376	$ 14,305	$ 50,681

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

	Quarter Ended July 3, 2021			Quarter Ended June 27, 2020		
	Disney Media and Entertainment Distribution	Disney Parks, Experiences and Products	**Consolidated**	Disney Media and Entertainment Distribution	Disney Parks, Experiences and Products	Consolidated
Americas	$ 10,409	$ 3,295	**$ 13,704**	$ 8,800	$ 585	$ 9,385
Europe	1,209	308	**1,517**	1,134	168	1,302
Asia Pacific	1,063	738	**1,801**	780	312	1,092
Total revenues	$ 12,681	$ 4,341	**$ 17,022**	$ 10,714	$ 1,065	$ 11,779

	Nine Months Ended July 3, 2021			Nine Months Ended June 27, 2020		
	Disney Media and Entertainment Distribution	Disney Parks, Experiences and Products	**Consolidated**	Disney Media and Entertainment Distribution	Disney Parks, Experiences and Products	Consolidated
Americas	$ 30,993	$ 8,165	**$ 39,158**	$ 29,179	$ 11,144	$ 40,323
Europe	3,721	1,062	**4,783**	4,035	1,647	5,682
Asia Pacific	3,068	1,875	**4,943**	3,162	1,514	4,676
Total revenues	$ 37,782	$ 11,102	**$ 48,884**	$ 36,376	$ 14,305	$ 50,681

Revenues recognized in the current and prior-year periods from performance obligations satisfied (or partially satisfied) in previous reporting periods primarily relate to revenues earned on TV/SVOD and theatrical distribution licensee sales on titles made available to the licensee in previous reporting periods. For the quarter ended July 3, 2021, $0.3 billion was recognized related to performance obligations satisfied as of April 3, 2021. For the nine months ended July 3, 2021, $1.0 billion was recognized related to performance obligations satisfied as of October 3, 2020. For the quarter ended June 27, 2020, $0.4 billion was recognized related to performance obligations satisfied as of March 28, 2020. For the nine months ended June 27, 2020, $1.1 billion was recognized related to performance obligations satisfied as of September 28, 2019.

As of July 3, 2021, revenue for unsatisfied performance obligations expected to be recognized in the future is $14 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 $2 billion in the remainder of fiscal 2021, $5 billion in fiscal 2022, $3 billion in fiscal 2023 and $4 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 solely based on the sales of the licensee.

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 is recognized as accounts receivable. Deferred revenues are recognized as (or when) the Company performs under the contract. Contract assets, accounts receivable and deferred revenues from contracts with customers are as follows:

	July 3, 2021	October 3, 2020
Contract assets	**$ 139**	$ 70
Accounts receivable		
Current	**11,315**	11,340
Non-current	**1,493**	1,789
Allowance for credit losses	**(243)**	(460)
Deferred revenues		
Current	**4,062**	3,688
Non-current	**579**	513

Contract assets primarily relate to certain multi-season TV/SVOD licensing contracts. Activity for the current and prior-year quarters related to contract assets was not material. The allowance for credit losses decreased from $460 million at October 3, 2020 to $243 million at July 3, 2021 primarily due to the adoption of new accounting guidance on the measurement of credit losses (see Note 17).

For the quarter and nine months ended July 3, 2021, the Company recognized revenues of $0.4 billion and $2.5 billion, respectively, of previously deferred revenue at October 3, 2020. The deferred revenue balance recognized in the current quarter primarily related to merchandise licensing and content sales, and the deferred revenue balance recognized in the current nine-month period primarily related to DTC services and merchandise licensing. For the quarter and nine months ended June 27, 2020, the Company recognized revenues of $0.3 billion and $3.1 billion, respectively, of previously deferred revenue at September 28, 2019. The deferred revenue balance recognized in the prior-year quarter primarily related to merchandise licensing, and the deferred revenue recognized in the prior-year nine month period primarily related to theme park admissions and vacation packages.

We evaluate our allowance for credit losses and estimate collectability of current and non-current accounts receivable based on historical bad debt experience, our assessment of the financial condition of individual companies with which we do business, current market conditions, and reasonable and supportable forecasts of future economic conditions. In times of economic turmoil, including COVID-19, our estimates and judgments with respect to the collectability of our receivables are subject to greater uncertainty than in more stable periods.

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. These receivables are discounted to present value at contract inception and the related revenues are recognized at the discounted amount.

The balance of film and television program sales receivables recorded in other non-current assets, net of an allowance for credit losses that is not material, was $0.9 billion as of July 3, 2021. The activity in the allowance for credit losses for the quarter and nine-month period ended July 3, 2021 was not material.

The balance of mortgage receivables recorded in other non-current assets, net of an allowance for credit losses that is not material, was $0.7 billion as of July 3, 2021. The activity in the allowance for credit losses for the quarter and nine-month period ended July 3, 2021 was not material.

4. *Other Income (Expense), net*

Other income (expense), net is as follows:

	Quarter Ended		Nine Months Ended	
	July 3, 2021	June 27, 2020	**July 3, 2021**	June 27, 2020
DraftKings gain (loss)	**$ (217)**	$ 382	**$ (98)**	$ 382
fuboTV gain	**—**	—	**186**	—
German FTA gain	**126**	—	**126**	—
Other income (expense), net	**$ (91)**	$ 382	**$ 214**	$ 382

For the quarter and nine-month period ended July 3, 2021, the Company recognized a non-cash loss of $217 million and $98 million, respectively, from the adjustment of its investment in DraftKings, Inc. (DraftKings) to fair value (DraftKings gain (loss)). For the prior-year quarter and nine-month period ended June 27, 2020, the Company recognized a $382 million DraftKings gain.

For the nine-month period ended July 3, 2021, the Company recognized a $186 million gain from the sale of our investment in fuboTV Inc. (fuboTV gain).

For the quarter and nine-month period ended July 3, 2021, the Company recognized a $126 million gain on the sale of its 50% interest in a German free-to-air (FTA) television network (German FTA gain).

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.

	July 3, 2021	October 3, 2020
Cash and cash equivalents	**$ 16,070**	$ 17,914
Restricted cash included in:		
Other current assets	**3**	3
Other assets	**42**	37
Total cash, cash equivalents and restricted cash in the statement of cash flows	**$ 16,115**	$ 17,954

Borrowings

During the nine months ended July 3, 2021, the Company's borrowing activity was as follows:

	October 3, 2020	Borrowings	Payments	Other Activity	**July 3, 2021**
Commercial paper with original maturities greater than three months	$ 2,023	$ 1,558	$ (1,657)	$ (5)	**$ 1,919**
U.S. dollar denominated notes[1]	52,736	—	(2,163)	(101)	**50,472**
Asia Theme Parks borrowings[2]	1,303	35	(84)	97	**1,351**
Foreign currency denominated debt and other[3]	2,566	8	(72)	(406)	**2,096**
	$ 58,628	$ 1,601	$ (3,976)	$ (415)	**$ 55,838**

(1) The other activity is primarily due to the amortization of purchase price adjustments on debt assumed in the TFCF acquisition and debt issuance fees.

(2) The other activity is primarily due to the impact of changes in foreign currency exchange rates.

(3) 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.

At July 3, 2021, the Company's bank facilities, which are with a syndicate of lenders and support our commercial paper borrowings, were as follows:

	Committed Capacity	Capacity Used	Unused Capacity
Facility expiring March 2022	$ 5,250	$ —	$ 5,250
Facility expiring March 2023	4,000	—	4,000
Facility expiring March 2025	3,000	—	3,000
Total	$ 12,250	$ —	$ 12,250

The facilities expiring in March 2023 and March 2025 allow for borrowings at LIBOR-based rates plus a spread depending on the credit default swap spread applicable to the Company's debt, or a fixed spread in the case of the facility expiring in March 2022, subject to a cap and floor that vary with the Company's debt ratings assigned by Moody's Investors Service and Standard and Poor's. The spread above LIBOR can range from 0.18% to 1.63%. The bank facilities specifically exclude certain entities, including the Asia Theme Parks, from any representations, covenants or events of default. The bank facilities contain only one financial covenant, which is interest coverage of three times earnings before interest, taxes, depreciation and amortization, including both intangible amortization and amortization of our film and television production and programming costs. On July 3, 2021 the financial covenant was met by a significant margin. 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 July 3, 2021, the Company has $1.3 billion of outstanding letters of credit, of which none were issued under this facility.

Cruise Ship Credit Facilities

The Company has credit facilities to finance up to 80% of the contract price of three new cruise ships, which are scheduled to be delivered in 2022, 2024 and 2025. Under the facilities, $1.0 billion in financing is available beginning in October 2021, $1.1 billion is available beginning in August 2023 and $1.1 billion is available beginning in August 2024. Each tranche of financing may be utilized for a period of 18 months from the initial availability date. If utilized, the interest rates will be fixed at 3.48%, 3.80% and 3.74%, respectively, and the loan 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 (net of amounts capitalized), interest and investment income, and net periodic pension and postretirement benefit costs (other than service costs) (see Note 9) are reported net in the Condensed Consolidated Statements of Operations and consist of the following:

	Quarter Ended		Nine Months Ended	
	July 3, 2021	June 27, 2020	**July 3, 2021**	June 27, 2020
Interest expense	**$ (404)**	$ (456)	**$ (1,223)**	$ (1,183)
Interest and investment income (loss)	**(9)**	41	**234**	180
Net periodic pension and postretirement benefit costs (other than service costs)	**(32)**	3	**(100)**	8
Interest expense, net	**$ (445)**	$ (412)	**$ (1,089)**	$ (995)

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

6. *International Theme Parks*

The Company has a 48% 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.

The following table summarizes the carrying amounts of the Asia Theme Parks' assets and liabilities included in the Company's Condensed Consolidated Balance Sheet:

	July 3, 2021	October 3, 2020
Cash and cash equivalents	**$ 419**	$ 372
Other current assets	**103**	91
Total current assets	**522**	463
Parks, resorts and other property	**6,788**	6,720
Other assets	**179**	191
Total assets	**$ 7,489**	$ 7,374
Current liabilities	**$ 509**	$ 486
Long-term borrowings	**1,306**	1,213
Other long-term liabilities	**419**	403
Total liabilities	**$ 2,234**	$ 2,102

The following table summarizes the International Theme Parks' revenues and costs and expenses included in the Company's Condensed Consolidated Statements of Operations for the nine months ended July 3, 2021:

Revenues	**$ 1,043**
Costs and expenses	**(1,951)**
Equity in the loss of investees	**(22)**

Asia Theme Parks' royalty and management fees of $90 million for the nine months ended July 3, 2021 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 Statements of Cash Flows for the nine months ended July 3, 2021 were $385 million used in operating activities, $502 million used in investing activities and $37 million used in financing activities.

Hong Kong Disneyland Resort

The Government of the Hong Kong Special Administrative Region (HKSAR) and the Company have a 52% and a 48% equity interest in Hong Kong Disneyland Resort, respectively.

The Company and HKSAR have provided loans to Hong Kong Disneyland Resort with outstanding balances of $149 million and $97 million, respectively. The interest rate on both loans is three month HIBOR plus 2%, and the maturity date is September 2025. 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 ($270 million), which bears interest at a rate of three month HIBOR plus 1.25% and matures in December 2023. The outstanding balance under the line of credit at July 3, 2021 was $89 million.

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 $885 million, bearing interest at rates up to 8% and maturing in 2036, with early repayment permitted. The Company has also provided Shanghai Disney Resort with a 1.0 billion yuan (approximately $0.2 billion) line of credit bearing interest at 8%. As of July 3, 2021, the total amount outstanding under the line of credit was $33 million. These balances are eliminated in consolidation.

Shendi has provided Shanghai Disney Resort with loans totaling 7.8 billion yuan (approximately $1.2 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 $0.2 billion) line of credit bearing interest at 8%. As of July 3, 2021 the total amount outstanding under the line of credit was 0.3 billion yuan (approximately $45 million).

7. *Produced and Acquired/Licensed Content Costs and Advances*

The Company classifies its capitalized produced and acquired/licensed content costs as long-term assets and generally classifies advances for live programming rights made prior to the live event as short-term assets. For purposes of amortization and impairment, the capitalized content costs are classified based on their predominant monetization strategy as follows:

- Individual - lifetime value is predominantly derived from third-party revenues that are directly attributable to the specific film or television title (e.g. theatrical revenues or sales to third-party television programmers)
- Group - lifetime value is predominantly derived from third-party revenues that are attributable only to a bundle of titles (e.g. subscription revenue for a DTC service or affiliate fees for a cable television network)

Total capitalized produced and licensed content by predominant monetization strategy is as follows:

	As of July 3, 2021			As of October 3, 2020		
	Predominantly Monetized Individually	Predominantly Monetized as a Group	**Total**	Predominantly Monetized Individually	Predominantly Monetized as a Group	Total
Produced content						
Theatrical film costs						
Released, less amortization	$ 2,694	$ 2,721	**$ 5,415**	$ 3,000	$ 2,601	$ 5,601
Completed, not released	1,206	53	**1,259**	522	210	732
In-process	3,558	757	**4,315**	3,322	259	3,581
In development or pre-production	296	6	**302**	262	16	278
	$ 7,754	$ 3,537	**11,291**	$ 7,106	$ 3,086	10,192
Television costs						
Released, less amortization	$ 1,811	$ 6,536	**$ 8,347**	$ 2,090	$ 5,584	$ 7,674
Completed, not released	196	902	**1,098**	33	510	543
In-process	121	3,091	**3,212**	263	1,831	2,094
In development or pre-production	—	116	**116**	6	87	93
	$ 2,128	$ 10,645	**12,773**	$ 2,392	$ 8,012	10,404
Licensed content - Television programming rights and advances			**6,192**			6,597
Total produced and licensed content			**$ 30,256**			$ 27,193
Current portion			**$ 2,367**			$ 2,171
Non-current portion			**$ 27,889**			$ 25,022

Amortization of produced and licensed content is as follows:

	Quarter Ended July 3, 2021			Quarter Ended June 27, 2020		
	Predominantly Monetized Individually	Predominantly Monetized as a Group	**Total**	Predominantly Monetized Individually	Predominantly Monetized as a Group	Total
Theatrical film costs	$ 260	$ 247	**$ 507**	$ 333	$ 195	$ 528
Television costs	497	1,144	**1,641**	637	1,049	1,686
Total produced content costs	$ 757	$ 1,391	**2,148**	$ 970	$ 1,244	2,214
Television programming rights and advances			**3,019**			1,263
Total produced and licensed content costs[(1)]			**$ 5,167**			$ 3,477

	Nine Months Ended July 3, 2021			Nine Months Ended June 27, 2020		
	Predominantly Monetized Individually	Predominantly Monetized as a Group	**Total**	Predominantly Monetized Individually	Predominantly Monetized as a Group	Total
Theatrical film costs	$ 909	$ 757	**$ 1,666**	$ 1,358	$ 738	$ 2,096
Television costs	1,218	3,073	**4,291**	2,117	2,916	5,033
Total produced content costs	$ 2,127	$ 3,830	**5,957**	$ 3,475	$ 3,654	7,129
Television programming rights and advances			**9,781**			7,703
Total produced and licensed content costs[(1)]			**$ 15,738**			$ 14,832

(1) Primarily included in “Costs of services” in the Condensed Consolidated Statements of Operations.

8. *Income Taxes*

Interim Period Tax Expense

Because of the uncertainties associated with the impact of COVID-19 on our projections of full-year pre-tax earnings and income tax expense, as well as the projected impact of permanent tax differences and other items that are generally not

proportional to full-year earnings ("Permanent Differences"), our normal approach of using an estimated full-year effective income tax rate to determine interim period tax expense produces an income tax provision for the current year-to-date period that is not meaningful. Accordingly, we calculated year-to-date fiscal 2021 tax expense based on year-to-date earnings before tax and using a blended U.S. Federal and state statutory tax rate of approximately 23%, and adjusted for the estimated impact of Permanent Differences.

Unrecognized Tax Benefits

During the nine months ended July 3, 2021, the Company decreased its gross unrecognized tax benefits by $0.2 billion from $2.7 billion to $2.5 billion (before interest and penalties). In the next twelve months, it is reasonably possible that our unrecognized tax benefits could change due to resolutions of open tax matters, which would reduce our unrecognized tax benefits by $0.4 billion.

9. *Pension and Other Benefit Programs*

The components of net periodic benefit cost are as follows:

	Pension Plans				**Postretirement Medical Plans**			
	Quarter Ended		**Nine Months Ended**		**Quarter Ended**		**Nine Months Ended**	
	July 3, 2021	June 27, 2020	**July 3, 2021**	June 27, 2020	**July 3, 2021**	June 27, 2020	**July 3, 2021**	June 27, 2020
Service costs	**$ 108**	$ 102	**$ 325**	$ 307	**$ 3**	$ 3	**$ 8**	$ 8
Other costs (benefits):								
Interest costs	**114**	133	**343**	399	**12**	14	**35**	42
Expected return on plan assets	**(275)**	(273)	**(824)**	(819)	**(14)**	(14)	**(41)**	(43)
Amortization of previously deferred service costs	**2**	3	**8**	10	**—**	—	**—**	—
Recognized net actuarial loss	**186**	131	**557**	393	**7**	3	**22**	10
Total other costs (benefits)	**27**	(6)	**84**	(17)	**5**	3	**16**	9
Net periodic benefit cost	**$ 135**	$ 96	**$ 409**	$ 290	**$ 8**	$ 6	**$ 24**	$ 17

During the nine months ended July 3, 2021, the Company made $0.6 billion of contributions to its pension and postretirement medical plans. The Company currently does not expect to make any additional material contributions to its pension and postretirement medical plans during the remainder of fiscal 2021. However, final minimum funding requirements for fiscal 2021 will be determined based on a January 1, 2021 funding actuarial valuation, which is expected to be received by the end of the fourth quarter of fiscal 2021.

10. *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		Nine Months Ended	
	July 3, 2021	June 27, 2020	**July 3, 2021**	June 27, 2020
Shares (in millions):				
Weighted average number of common and common equivalent shares outstanding (basic)	**1,818**	1,809	**1,816**	1,807
Weighted average dilutive impact of Awards[1]	**12**	—	**11**	—
Weighted average number of common and common equivalent shares outstanding (diluted)	**1,830**	1,809	**1,827**	1,807
Awards excluded from diluted earnings per share	**3**	24	**5**	21

[1] Amounts exclude all potential common and common equivalent shares for periods when there is a net loss from continuing operations.

11. *Equity*

The Company paid the following dividend in fiscal 2020:

Per Share	Total Paid	Payment Timing	Related to Fiscal Period
$0.88	$1.6 billion	Second Quarter of Fiscal 2020	Second Half 2019

The Company did not pay a dividend with respect to fiscal year 2020 operations and has not declared or paid a dividend with respect to fiscal 2021 operations.

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:

AOCI, before tax	Market Value Adjustments for Hedges	Unrecognized Pension and Postretirement Medical Expense	Foreign Currency Translation and Other	AOCI
Third quarter of fiscal 2021				
Balance at April 3, 2021	$ (283)	$ (8,978)	$ (961)	$ (10,222)
Quarter Ended July 3, 2021:				
Unrealized gains (losses) arising during the period	(1)	29	(52)	(24)
Reclassifications of realized net (gains) losses to net income	4	194	—	198
Balance at July 3, 2021	**$ (280)**	**$ (8,755)**	**$ (1,013)**	**$ (10,048)**
Third quarter of fiscal 2020				
Balance at March 28, 2020	$ 158	$ (7,268)	$ (1,368)	$ (8,478)
Quarter Ended June 27, 2020:				
Unrealized gains (losses) arising during the period	(87)	(6)	23	(70)
Reclassifications of realized net (gains) losses to net income	(78)	132	—	54
Balance at June 27, 2020	$ (7)	$ (7,142)	$ (1,345)	$ (8,494)
Nine months ended fiscal 2021				
Balance at October 3, 2020	$ (191)	$ (9,423)	$ (1,088)	$ (10,702)
Nine Months Ended July 3, 2021:				
Unrealized gains (losses) arising during the period	(55)	86	75	106
Reclassifications of realized net (gains) losses to net income	(34)	582	—	548
Balance at July 3, 2021	**$ (280)**	**$ (8,755)**	**$ (1,013)**	**$ (10,048)**
Nine months ended fiscal 2020				
Balance at September 28, 2019	$ 129	$ (7,502)	$ (1,086)	$ (8,459)
Nine Months Ended June 27, 2020:				
Unrealized gains (losses) arising during the period	44	(49)	(259)	(264)
Reclassifications of realized net (gains) losses to net income	(180)	409	—	229
Balance at June 27, 2020	$ (7)	$ (7,142)	$ (1,345)	$ (8,494)

Tax on AOCI	Market Value Adjustments for Hedges	Unrecognized Pension and Postretirement Medical Expense	Foreign Currency Translation and Other	AOCI
Third quarter of fiscal 2021				
Balance at April 3, 2021	$ 69	$ 2,097	$ 138	$ 2,304
Quarter Ended July 3, 2021:				
Unrealized gains (losses) arising during the period	—	(9)	(37)	(46)
Reclassifications of realized net (gains) losses to net income	(2)	(45)	—	(47)
Balance at July 3, 2021	**$ 67**	**$ 2,043**	**$ 101**	**$ 2,211**
Third quarter of fiscal 2020				
Balance at March 28, 2020	$ (36)	$ 1,702	$ 175	$ 1,841
Quarter Ended June 27, 2020:				
Unrealized gains (losses) arising during the period	19	2	28	49
Reclassifications of realized net (gains) losses to net income	18	(31)	—	(13)
Balance at June 27, 2020	$ 1	$ 1,673	$ 203	$ 1,877
Nine months ended fiscal 2021				
Balance at October 3, 2020	$ 40	$ 2,201	$ 139	$ 2,380
Nine Months Ended July 3, 2021:				
Unrealized gains (losses) arising during the period	22	(23)	(38)	(39)
Reclassifications of realized net (gains) losses to net income	5	(135)	—	(130)
Balance at July 3, 2021	**$ 67**	**$ 2,043**	**$ 101**	**$ 2,211**
Nine months ended fiscal 2020				
Balance at September 28, 2019	$ (29)	$ 1,756	$ 115	$ 1,842
Nine Months Ended June 27, 2020:				
Unrealized gains (losses) arising during the period	(12)	12	88	88
Reclassifications of realized net (gains) losses to net income	42	(95)	—	(53)
Balance at June 27, 2020	$ 1	$ 1,673	$ 203	$ 1,877

AOCI, after tax	Market Value Adjustments for Hedges	Unrecognized Pension and Postretirement Medical Expense	Foreign Currency Translation and Other	AOCI
Third quarter of fiscal 2021				
Balance at April 3, 2021	$ (214)	$ (6,881)	$ (823)	$ (7,918)
Quarter Ended July 3, 2021:				
Unrealized gains (losses) arising during the period	(1)	20	(89)	(70)
Reclassifications of realized net (gains) losses to net income	2	149	—	151
Balance at July 3, 2021	**$ (213)**	**$ (6,712)**	**$ (912)**	**$ (7,837)**
Third quarter of fiscal 2020				
Balance at March 28, 2020	$ 122	$ (5,566)	$ (1,193)	$ (6,637)
Quarter Ended June 27, 2020:				
Unrealized gains (losses) arising during the period	(68)	(4)	51	(21)
Reclassifications of realized net (gains) losses to net income	(60)	101	—	41
Balance at June 27, 2020	$ (6)	$ (5,469)	$ (1,142)	$ (6,617)
Nine months ended fiscal 2021				
Balance at October 3, 2020	$ (151)	$ (7,222)	$ (949)	$ (8,322)
Nine Months Ended July 3, 2021:				
Unrealized gains (losses) arising during the period	(33)	63	37	67
Reclassifications of realized net (gains) losses to net income	(29)	447	—	418
Balance at July 3, 2021	**$ (213)**	**$ (6,712)**	**$ (912)**	**$ (7,837)**
Nine months ended fiscal 2020				
Balance at September 28, 2019	$ 100	$ (5,746)	$ (971)	$ (6,617)
Nine Months Ended June 27, 2020:				
Unrealized gains (losses) arising during the period	32	(37)	(171)	(176)
Reclassifications of realized net (gains) losses to net income	(138)	314	—	176
Balance at June 27, 2020	$ (6)	$ (5,469)	$ (1,142)	$ (6,617)

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

Gain (loss) in net income:	Affected line item in the Condensed Consolidated Statements of Operations:	Quarter Ended				Nine Months Ended			
		July 3, 2021		June 27, 2020		**July 3, 2021**		June 27, 2020	
Market value adjustments, primarily cash flow hedges	Primarily revenue	**$**	**(4)**	$	78	**$**	**34**	$	180
Estimated tax	Income taxes		**2**		(18)		**(5)**		(42)
			(2)		60		**29**		138
Pension and postretirement medical expense	Interest expense, net		**(194)**		(132)		**(582)**		(409)
Estimated tax	Income taxes		**45**		31		**135**		95
			(149)		(101)		**(447)**		(314)
Total reclassifications for the period		**$**	**(151)**	$	(41)	**$**	**(418)**	$	(176)

12. *Equity-Based Compensation*

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

	Quarter Ended				Nine Months Ended			
	July 3, 2021		June 27, 2020		**July 3, 2021**		June 27, 2020	
Stock options	**$**	**24**	$	25	**$**	**72**	$	74
RSUs		**134**		117		**356**		314
Total equity-based compensation expense[1]	**$**	**158**	$	142	**$**	**428**	$	388
Equity-based compensation expense capitalized during the period	**$**	**25**	$	21	**$**	**81**	$	66

[1] Equity-based compensation expense is net of capitalized equity-based compensation and estimated forfeitures and excludes amortization of previously capitalized equity-based compensation costs.

Unrecognized compensation cost related to unvested stock options and RSUs was $142 million and $1,341 million, respectively, as of July 3, 2021.

The weighted average grant date fair values of options granted during the nine months ended July 3, 2021 and June 27, 2020 were $57.06 and $36.20, respectively.

During the nine months ended July 3, 2021, the Company made equity compensation grants consisting of 1.7 million stock options and 6.1 million RSUs.

13. *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 July 3, 2021, the remaining debt service obligation guaranteed by the Company was $226 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.

Multi-year Sports Rights Commitments

In fiscal year 2021, we entered into new multi-year sports rights commitments for approximately $41 billion, which primarily reflects a new agreement with the National Football League and to a lesser extent, the NHL, MLB and various other rights. Payments in fiscal 2021 for these commitments are not significant. Payments in fiscal 2022, fiscal 2023, fiscal 2024 and fiscal 2025 are approximately $3.2 billion, $4.2 billion, $3.8 billion and $3.8 billion, respectively.

14. *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 July 3, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Investments	$ 964	$ —	$ —	$ 964
Derivatives				
Interest rate	—	221	—	221
Foreign exchange	—	621	—	621
Other	—	16	—	16
Liabilities				
Derivatives				
Interest rate	—	(252)	—	(252)
Foreign exchange	—	(597)	—	(597)
Other	—	(1)	—	(1)
Other	—	(372)	—	(372)
Total recorded at fair value	$ 964	$ (364)	$ —	$ 600
Fair value of borrowings	$ —	$ 60,436	$ 1,436	$ 61,872

	Fair Value Measurement at October 3, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Investments	$ —	$ 1,057	$ —	$ 1,057
Derivatives				
Interest rate	—	515	—	515
Foreign exchange	—	505	—	505
Other	—	1	—	1
Liabilities				
Derivatives				
Interest rate	—	(4)	—	(4)
Foreign exchange	—	(549)	—	(549)
Other	—	(22)	—	(22)
Other	—	(294)	—	(294)
Total recorded at fair value	$ —	$ 1,209	$ —	$ 1,209
Fair value of borrowings	$ —	$ 63,370	$ 1,448	$ 64,818

The fair values of Level 2 investments are based on quoted market prices, adjusted for trading restrictions.

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, had an impact on derivative fair value estimates that was not material.

Level 2 other liabilities are primarily arrangements that are valued based on the fair value of underlying investments, which are generally measured using Level 1 and Level 2 fair value techniques.

Level 2 borrowings, which include commercial paper, U.S. dollar denominated 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.

15. *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 July 3, 2021			
	Current Assets	Other Assets	Other Current Liabilities	Other Long-Term Liabilities
Derivatives designated as hedges				
Foreign exchange	$ 147	$ 236	$ (173)	$ (92)
Interest rate	—	221	(252)	—
Other	10	2	—	(1)
Derivatives not designated as hedges				
Foreign exchange	138	100	(165)	(167)
Interest rate	—	—	—	—
Other	4	—	—	—
Gross fair value of derivatives	299	559	(590)	(260)
Counterparty netting	(266)	(358)	439	186
Cash collateral (received) paid	—	(67)	135	72
Net derivative positions	$ 33	$ 134	$ (16)	$ (2)

	As of October 3, 2020			
	Current Assets	Other Assets	Other Current Liabilities	Other Long-Term Liabilities
Derivatives designated as hedges				
Foreign exchange	$ 184	$ 132	$ (77)	$ (273)
Interest rate	—	515	(4)	—
Other	1	—	(15)	(4)
Derivatives not designated as hedges				
Foreign exchange	53	136	(98)	(101)
Interest rate	—	—	—	—
Other	—	—	(3)	—
Gross fair value of derivatives	238	783	(197)	(378)
Counterparty netting	(143)	(378)	184	338
Cash collateral (received) paid	(26)	(142)	—	9
Net derivative positions	$ 69	$ 263	$ (13)	$ (31)

Interest Rate Risk Management

The Company is exposed to the impact of interest rate changes primarily through its borrowing activities. The Company's objective is to mitigate the impact of interest rate changes on earnings and cash flows and on the market value of its borrowings. In accordance with its policy, the Company targets its fixed-rate debt as a percentage of its net debt between a minimum and maximum percentage. The Company 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 July 3, 2021 and October 3, 2020, the total notional amount of the Company's pay-floating interest rate swaps was $15.2 billion and $15.8 billion, respectively.

The following table summarizes fair value hedge adjustments to hedged borrowings:

	Carrying Amount of Hedged Borrowings		Fair Value Adjustments Included in Hedged Borrowings	
	July 3, 2021	October 3, 2020	**July 3, 2021**	October 3, 2020
Borrowings:				
Current	**$ —**	$ 753	**$ —**	$ 4
Long-term	**15,834**	16,229	**(53)**	505
	$ 15,834	$ 16,982	**$ (53)**	$ 509

The following amounts are included in “Interest expense, net” in the Condensed Consolidated Statements of Operations:

	Quarter Ended		**Nine Months Ended**	
	July 3, 2021	June 27, 2020	**July 3, 2021**	June 27, 2020
Gain (loss) on:				
Pay-floating swaps	**$ 165**	$ 63	**$ (559)**	$ 492
Borrowings hedged with pay-floating swaps	**(165)**	(63)	**559**	(492)
Benefit (expense) associated with interest accruals on pay-floating swaps	**36**	11	**107**	(8)

The Company may designate pay-fixed interest rate swaps as cash flow hedges of interest payments on floating-rate borrowings. Pay-fixed interest rate 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 July 3, 2021 or at October 3, 2020, and gains and losses related to pay-fixed interest rate swaps recognized in earnings for the quarter ended July 3, 2021 and June 27, 2020 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.

The Company designates foreign exchange forward and option contracts as cash flow hedges of firmly committed and forecasted foreign currency transactions. As of July 3, 2021 and October 3, 2020, the notional amounts of the Company's net foreign exchange cash flow hedges were $5.4 billion and $4.6 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 losses recorded in AOCI for contracts that will mature in the next twelve months total $28 million. The following table summarizes the effect of foreign exchange cash flow hedges on AOCI:

	Quarter Ended		Nine Months Ended	
	July 3, 2021	June 27, 2020	**July 3, 2021**	June 27, 2020
Gain (loss) recognized in Other Comprehensive Income	**$ (6)**	$ (92)	**$ (65)**	$ 57
Gain (loss) reclassified from AOCI into the Statements of Operations[1]	**(8)**	81	**32**	184

[1] Primarily recorded in revenue.

The Company designates cross currency swaps as fair value hedges of foreign currency denominated borrowings. The impact of the designated exposure is recorded to "Interest expense, net" to offset the foreign currency impact of the foreign currency denominated borrowing. The non-hedged exposure is recorded to AOCI and is amortized over the life of the cross currency swap. As of July 3, 2021 and October 3, 2020, the total notional amounts of the Company's designated cross currency swaps were Canadian $1.3 billion ($1.0 billion) and Canadian $1.3 billion ($1.0 billion), respectively.

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

	Quarter Ended		Nine Months Ended	
	July 3, 2021	June 27, 2020	**July 3, 2021**	June 27, 2020
Gain (loss) on:				
Cross currency swaps	**$ 19**	$ 27	**$ 75**	$ 27
Borrowings hedged with cross currency swaps	**(19)**	(27)	**(75)**	(27)

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 July 3, 2021 and October 3, 2020 were $4.0 billion and $3.5 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 by the corresponding line item in which they are recorded in the Condensed Consolidated Statements of Operations:

	Costs and Expenses		Interest expense, net		Income Tax Expense	
Quarter Ended:	**July 3, 2021**	June 27, 2020	**July 3, 2021**	June 27, 2020	**July 3, 2021**	June 27, 2020
Net gains (losses) on foreign currency denominated assets and liabilities	**$ 16**	$ 80	**$ (19)**	$ (26)	**$ 5**	$ (4)
Net gains (losses) on foreign exchange risk management contracts not designated as hedges	**(42)**	(103)	**20**	25	**—**	8
Net gains (losses)	**$ (26)**	$ (23)	**$ 1**	$ (1)	**$ 5**	$ 4
Nine Months Ended:						
Net gains (losses) on foreign currency denominated assets and liabilities	**$ 77**	$ (92)	**$ (74)**	$ 26	**$ (29)**	$ (11)
Net gains (losses) on foreign exchange risk management contracts not designated as hedges	**(138)**	56	**75**	(27)	**30**	5
Net gains (losses)	**$ (61)**	$ (36)	**$ 1**	$ (1)	**$ 1**	$ (6)

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 July 3, 2021 and October 3, 2020 and related gains or losses recognized in earnings for the quarter and nine months ended July 3, 2021 and June 27, 2020 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 total return 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 amounts of these contracts at July 3, 2021 and October 3, 2020 were $0.3 billion. The related gains or losses recognized in earnings for the quarter and nine months ended July 3, 2021 and June 27, 2020 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 $225 million and $53 million on July 3, 2021 and October 3, 2020, respectively.

16. *Restructuring and Impairment Charges*

Goodwill and intangible asset impairment

For the quarter and nine-month period ended June 27, 2020, the Company recorded an impairment of $1.9 billion for MVPD relationships and an impairment of $3.1 billion for goodwill related to the international channels business. These charges are recorded in "Restructuring and impairment charges" in the Condensed Consolidated Statements of Operations.

TFCF Integration

In fiscal 2019, the Company implemented a restructuring and integration plan as a part of its initiative to realize cost synergies from the acquisition of TFCF. The restructuring plan was substantially complete as of the end of fiscal 2020. We have recorded total restructuring charges of $1.7 billion since the TFCF acquisition, including $1.3 billion related to severance (including employee contract terminations) in connection with the plan and $0.3 billion of equity based compensation costs, primarily for TFCF awards that were accelerated to vest upon the closing of the TFCF acquisition. Charges in fiscal 2021 were not material. For the quarter and nine months ended June 27, 2020, the Company recorded charges of $0.1 billion and $0.4 billion, respectively. These charges are recorded in "Restructuring and impairment charges" in the Condensed Consolidated Statements of Operations. The remaining liability related to the integration plan as of July 3, 2021 is not material.

Other

For the quarter ended July 3, 2021, the Company recognized restructuring and impairment charges of $35 million, primarily for severance at our parks and experiences businesses. For the nine months ended July 3, 2021, the Company recognized restructuring and impairment charges of $0.5 billion, primarily related to the planned closure of an animation studio and a substantial number of our Disney-branded retail stores as well as severance at our parks and experiences businesses. These charges are recorded in "Restructuring and impairment charges" in the Condensed Consolidated Statements of Operations.

17. *New Accounting Pronouncements*

Accounting Pronouncements Adopted in Fiscal 2021

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued new accounting guidance which modifies existing guidance related to the measurement of credit losses on financial instruments, including trade and loan receivables. The new guidance requires the allowance for credit losses to be measured based on expected losses over the life of the asset rather than incurred losses. The Company adopted the new guidance in the first quarter of fiscal 2021 without restating prior periods by recording the impact of adoption as an adjustment to retained earnings at the beginning of fiscal 2021. The adoption did not have a material impact on our financial statements.

Accounting Pronouncements Not Yet Adopted

Facilitation of the Effects of Reference Rate Reform

In March 2020, the FASB issued guidance which provides optional expedients and exceptions for applying current GAAP to contracts, hedging relationships, and other transactions affected by the transition from the use of LIBOR to an alternative reference rate. We are currently evaluating our contracts and hedging relationships that reference LIBOR and the potential effects of adopting this new guidance. The guidance can be adopted immediately and is applicable to contracts entered into before January 1, 2023.

Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued guidance which simplifies the accounting for income taxes. The guidance amends the rules for recognizing deferred taxes for investments, performing intraperiod tax allocations and calculating income taxes in interim periods. It also reduces complexity in certain areas, including the accounting for transactions that result in a step-up in the tax basis of goodwill and allocating taxes to members of a consolidated group. The guidance is effective at the beginning of the Company’s 2022 fiscal year (with early adoption permitted). We currently do not expect the new guidance will have a material impact on our financial statements.

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
- Significant Developments
- Current Quarter Results Compared to Prior-Year Quarter
- Current Period Results Compared to Prior-Year Period
- Seasonality
- Business Segment Results
- Corporate and Unallocated Shared Expenses
- Financial Condition
- Supplemental Guarantor Financial Information
- Commitments and Contingencies
- Other Matters
- Market Risk

CONSOLIDATED RESULTS

	Quarter Ended		% Change	Nine Months Ended		% Change
(in millions, except per share data)	**July 3, 2021**	June 27, 2020	Better (Worse)	**July 3, 2021**	June 27, 2020	Better (Worse)
Revenues:						
Services	**$ 15,585**	$ 11,235	39 %	**$ 44,978**	$ 45,519	(1) %
Products	**1,437**	544	>100 %	**3,906**	5,162	(24) %
Total revenues	**17,022**	11,779	45 %	**48,884**	50,681	(4) %
Costs and expenses:						
Cost of services (exclusive of depreciation and amortization)	**(10,251)**	(7,209)	(42) %	**(29,921)**	(29,287)	(2) %
Cost of products (exclusive of depreciation and amortization)	**(982)**	(687)	(43) %	**(2,869)**	(3,580)	20 %
Selling, general, administrative and other	**(3,168)**	(2,455)	(29) %	**(9,198)**	(9,557)	4 %
Depreciation and amortization	**(1,266)**	(1,377)	8 %	**(3,836)**	(4,010)	4 %
Total costs and expenses	**(15,667)**	(11,728)	(34) %	**(45,824)**	(46,434)	1 %
Restructuring and impairment charges	**(35)**	(5,047)	99 %	**(562)**	(5,342)	89 %
Other income (expense), net	**(91)**	382	nm	**214**	382	(44) %
Interest expense, net	**(445)**	(412)	(8) %	**(1,089)**	(995)	(9) %
Equity in the income of investees	**211**	186	13 %	**648**	545	19 %
Income (loss) from continuing operations before income taxes	**995**	(4,840)	nm	**2,271**	(1,163)	nm
Income taxes on continuing operations	**133**	331	(60) %	**9**	(650)	nm
Net income (loss) from continuing operations	**1,128**	(4,509)	nm	**2,280**	(1,813)	nm
Loss from discontinued operations, net of income tax benefit of $2, $1, $9 and $11, respectively)	**(5)**	(3)	(67) %	**(28)**	(32)	13 %
Net income (loss)	**1,123**	(4,512)	nm	**2,252**	(1,845)	nm
Net income from continuing operations attributable to noncontrolling interests	**(205)**	(209)	2 %	**(416)**	(309)	(35) %
Net income attributable to Disney	**$ 918**	$ (4,721)	nm	**$ 1,836**	$ (2,154)	nm
Diluted earnings per share from continuing operations attributable to Disney	**$ 0.50**	$ (2.61)	nm	**$ 1.02**	$ (1.17)	nm

SIGNIFICANT DEVELOPMENTS

COVID-19 Pandemic

Since early 2020, the world has been, and continues to be, impacted by COVID-19 and its variants. COVID-19 and measures to prevent its spread are impacting our segments in a number of ways, most significantly at the DPEP segment where our theme parks and resorts have been closed and cruise ship sailings and guided tours have been suspended. Theme parks and resorts resumed operations, generally at reduced capacity, at various points since May 2020 through June 2021 and we have commenced an ongoing return of cruise ship sailings and guided tours. We have delayed, or in some cases, shortened or canceled, theatrical releases, and stage play performances were suspended beginning in March 2020 with limited stage play operations resuming in the first quarter of fiscal 2021. Theaters have been subject to capacity limitations and shifting government mandates or guidance regarding COVID-19 restrictions. We have experienced significant disruptions in the production and availability of content, including the delay of key live sports programming during fiscal 2020 and fiscal 2021, as well as the suspension of most film and television production in March 2020. Although most film and television production resumed beginning in the fourth quarter of fiscal 2020, we continue to see disruption of production activities depending on local circumstances. Fewer theatrical releases and production delays have limited the availability of film content to be sold in the subsequent home entertainment and TV/ SVOD distribution windows.

We have taken a number of mitigation efforts in response to the impacts of COVID-19 on our businesses. We significantly increased cash balances through the issuance of senior notes in March and May 2020. The Company did not pay a dividend with respect to fiscal 2020 operations and has not declared or paid a dividend with respect to fiscal 2021 operations; suspended certain capital projects; reduced certain discretionary expenditures (such as spending on marketing); reduced management compensation for several months in fiscal 2020 and temporarily eliminated Board of Director retainers and committee fees in fiscal 2020. In addition, we furloughed over 120,000 of our employees (who continued to receive Company provided medical benefits), most of which have returned from furlough as certain business operations have reopened. At the end of fiscal 2020, the Company announced a workforce reduction plan, which was essentially completed in the first half of fiscal 2021. We may take additional mitigation actions in the future such as raising additional financing; not declaring future dividends; reducing, or not making, certain payments, such as some contributions to our pension and postretirement medical plans; further suspending capital spending; reducing film and television content investments; implementing additional furloughs or reductions in force; or modifying our operating strategies. Some of these measures may have an adverse impact on our businesses.

The most significant impact on operating income since the second quarter of fiscal 2020 from COVID-19 was at the DPEP segment due to revenue lost, and although results have improved in the current quarter compared to the prior-year quarter from reopening our parks and resorts, we continue to be impacted by the suspension of cruise ship sailings (with an ongoing return of cruise ship sailings beginning in July 2021) and reduced operating capacities across most of our DPEP businesses. We estimate segment operating income for the DPEP segment in the current nine-month period declined $1.6 billion compared to the prior-year nine-month period as a result of COVID-19. This impact is net of an estimated $2.2 billion improvement in the current quarter compared to the prior-year quarter. For the current quarter and nine-month period, COVID-19 had a negative impact at our DMED segment compared to the prior-year quarter and nine-month period as higher advertising revenue from the return of live sports programming was more than offset by higher sports programming costs. The impact on DMED's other film and television distribution businesses was less significant as revenue lost from the deferral or cancellation of significant film releases was largely offset by costs avoided due to a reduction in film cost amortization, marketing and distribution costs. The entire current nine-month period for both segments was impacted by COVID-19, while only a portion of the prior-year nine-month period was impacted. The impact of COVID-19 in the current quarter and nine-month period is not necessarily indicative of the impact on future period results.

The impact of these disruptions and the extent of their adverse impact on our financial and operational results will be dictated by the length of time that such disruptions continue, which will, in turn, depend on the currently unknowable duration and severity of the impacts of COVID-19 and its variants, and among other things, the impact and duration of governmental actions imposed in response to COVID-19 and individuals' and companies' risk tolerance regarding health matters going forward.

Most of our businesses have reopened, although some with limited capacity and other restrictions. We have incurred and will continue to incur additional costs to address government regulations and the safety of our employees, talent and guests. For example, as we reopened theme parks and retail stores, we incurred and will continue to incur costs for such things as additional custodial services, personal protection equipment, temperature screenings and testing, sanitizer and cleaning supplies and signage, among other items. As we resume production of film and television content, including live sports events, we anticipate incurring similar costs and productions may take longer to complete. The timing, duration and extent of these costs will depend on the timing and scope of the resumption of our operations. We currently expect these costs will total approximately $1 billion in fiscal 2021. Some of these costs may be capitalized and amortized over future periods. With the unknown duration of

COVID-19, it is not possible to precisely estimate the impact of COVID-19 on our operations in future periods. As our businesses reopen, we are no longer benefiting from certain savings related to the closure of those businesses, such as related furloughs. The reopening or closure of our businesses is dependent on applicable government requirements, which vary by location, and are subject to ongoing changes, which could result from increasing cases of COVID-19 and its variants.

Additionally, see Part II. Other Information, Item 1A. Risk Factors - The adverse impact of COVID-19 on our businesses will continue for an unknown length of time and continues to impact certain of our key sources of revenue.

CURRENT QUARTER RESULTS COMPARED TO PRIOR-YEAR QUARTER

Revenues for the quarter increased 45%, or $5.2 billion, to $17.0 billion; net income attributable to Disney increased $5.6 billion, to $0.9 billion; and diluted earnings per share from continuing operations attributable to Disney (EPS) was $0.50 compared to a loss of $2.61 in the prior-year quarter. The EPS increase for the quarter was due to the comparison to goodwill and intangible asset impairments recognized in the prior-year quarter and higher segment operating income, partially offset by net investment gains in the prior-year quarter compared to net investment losses in the current quarter. Higher segment operating income was due to an increase in operating results at DPEP, partially offset by lower operating results at DMED.

Revenues

Service revenues for the quarter increased 39%, or $4.4 billion, to $15.6 billion due to the increased volume at our theme parks and resorts, higher advertising revenue, higher DTC subscription revenue and to a lesser extent, increased merchandise licensing and retail store revenue. Theme parks and resorts and retail stores revenue increased as many locations were closed in the prior-year quarter as a result of COVID-19. These increases were partially offset by a decrease in TV/SVOD distribution revenue due to fewer titles available. Content available for distribution in the TV/SVOD window has been impacted by production delays and fewer theatrical releases since the onset of COVID-19.

Product revenues for the quarter increased $0.9 billion to $1.4 billion due to higher merchandise, food and beverage sales at our theme parks and resorts, partially offset by a decrease in home entertainment volumes.

Costs and expenses

Cost of services for the quarter increased 42%, or $3.0 billion, to $10.3 billion due to higher sports and other programming costs at Linear Networks and DTC and increased volumes at our theme parks and resorts. The increase in sports programming costs was due to current season costs for NBA, MLB and Indian Premier League (IPL) events, which were delayed in the prior-year quarter due to COVID-19. These increases were partially offset by a decrease in production cost amortization and distribution costs at Content Sales/Licensing and Other due to lower TV/SVOD revenues.

Cost of products for the quarter increased 43%, or $0.3 billion, to $1.0 billion due to higher merchandise, food and beverage sales at our theme parks and resorts, partially offset by a decrease in home entertainment volumes.

Selling, general, administrative and other costs increased 29%, or $0.7 billion, to $3.2 billion due to higher marketing costs across many of our businesses.

Depreciation and amortization decreased 8%, or $0.1 billion, to $1.3 billion, driven by lower amortization of intangible assets arising from the acquisition of TFCF and Hulu and lower depreciation at our theme parks and resorts.

Restructuring and impairment charges

Restructuring and impairment charges of $35 million for the current quarter were due to severance costs at the Disney Parks, Experiences and Products segment.

Restructuring and impairment charges of $5,047 million for the prior-year quarter were due to $4,953 million of impairment charges for goodwill and intangible assets and $94 million of restructuring costs. Restructuring costs were primarily for severance and contract termination charges in connection with the acquisition and integration of TFCF.

Other Income (expense), net

In the current quarter, the Company recognized a non-cash loss of $217 million to adjust its investment in DraftKings to fair value and a $126 million gain on the sale of the Company's 50% interest in a German free-to-air television network.

Interest expense, net

Interest expense, net is as follows:

(in millions)	Quarter Ended July 3, 2021	Quarter Ended June 27, 2020	% Change Better (Worse)
Interest expense	**$ (404)**	$ (456)	11 %
Interest income, investment income (loss) and other	**(41)**	44	nm
Interest expense, net	**$ (445)**	$ (412)	(8) %

The decrease in interest expense was due to lower average interest rates and lower average debt balances.

The decrease in interest income, investment income (loss) and other was due to net investment losses in the current quarter compared to net investment gains in the prior-year quarter and higher pension and postretirement benefit costs, other than service cost.

Equity in the income of investees

Equity in the income of investees increased $25 million to $211 million in the current quarter driven by the absence of losses from Endemol Shine, which was sold in July 2020.

Effective Income Tax Rate

	Quarter Ended July 3, 2021	Quarter Ended June 27, 2020	Change Better (Worse)
Income (loss) from continuing operations before income taxes	**$ 995**	$ (4,840)	
Income tax (benefit) on continuing operations	**(133)**	(331)	
Effective income tax rate - continuing operations	**(13.4)%**	6.8%	20.2 ppt

Income tax was a benefit in the current and prior-year quarter. The effective income tax rate in the current quarter included favorable adjustments related to prior years. The effective income tax rate in the prior-year quarter included an unfavorable impact of the goodwill impairment, which was not tax deductible.

Noncontrolling Interests

(in millions)	Quarter Ended July 3, 2021	Quarter Ended June 27, 2020	% Change Better (Worse)
Net income from continuing operations attributable to noncontrolling interests	**$ (205)**	$ (209)	2 %

The decrease in net income from continuing operations attributable to noncontrolling interests was due to lower results at ESPN, largely offset by higher results at Shanghai Disney Resort, lower losses at Hong Kong Disneyland Resort and our DTC sports business, and higher accretion of the fair value of the redeemable noncontrolling interest in BAMTech.

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

Certain Items Impacting Results in the Quarter

Results for the quarter ended July 3, 2021 were impacted by the following:

- TFCF and Hulu acquisition amortization of $604 million
- DraftKings loss of $217 million, partially offset by the German FTA gain of $126 million
- Restructuring and impairment charges of $35 million

Results for the quarter ended June 27, 2020 were impacted by the following:

- Goodwill and intangible asset impairments of $4,953 million and restructuring charges of $94 million
- TFCF and Hulu acquisition amortization of $683 million
- DraftKings gain of $382 million

A summary of the impact of these items on EPS is as follows:

(in millions, except per share data)	Pre-Tax Income (Loss)	Tax Benefit (Expense)[1]	After-Tax Income (Loss)	EPS Favorable (Adverse)[2]
Quarter Ended July 3, 2021:				
TFCF and Hulu acquisition amortization	$ (604)	$ 141	$ (463)	$ (0.25)
DraftKings loss, partially offset by German FTA gain	(91)	22	(69)	(0.04)
Restructuring and impairment charges	(35)	8	(27)	(0.01)
Total	$ (730)	$ 171	$ (559)	$ (0.30)
Quarter Ended June 27, 2020:				
Restructuring and impairment charges	$ (5,047)	$ 408	$ (4,639)	$ (2.56)
TFCF and Hulu acquisition amortization	(683)	159	(524)	(0.28)
DraftKings gain	382	(89)	293	0.16
Total	$ (5,348)	$ 478	$ (4,870)	$ (2.68)

[1] Tax benefit (expense) amounts are determined using the tax rate applicable to the individual item.

[2] EPS is net of noncontrolling interest share, where applicable. Total may not equal the sum of the column due to rounding.

CURRENT NINE-MONTH PERIOD RESULTS COMPARED TO PRIOR-YEAR NINE-MONTH PERIOD

Revenues for the current period decreased $1.8 billion, to $48.9 billion; net income attributable to Disney increased $4.0 billion, to $1.8 billion; and EPS was $1.02 compared to a loss of $1.17 in the prior-year period. The EPS increase was due to the comparison to goodwill and intangible asset impairments recognized in the prior-year period and an income tax benefit in the current period compared to tax expense in the prior-year period, partially offset by lower segment operating results at DPEP.

Revenues

Service revenues for the current period decreased 1%, or $0.5 billion, to $45.0 billion, due to the closure/generally reduced operating capacity across most of our parks and experiences businesses, lower theatrical revenues, a decrease in TV/SVOD distribution revenue and to a lesser extent, lower electronic home entertainment sales volumes. These revenue decreases were driven by the impact of COVID-19. These decreases were partially offset by higher DTC subscription revenue, advertising revenue growth and to a lesser extent, increased merchandise licensing revenue.

Product revenues for the current period decreased 24%, or $1.3 billion, to $3.9 billion, due to lower merchandise, food and beverage sales at our theme parks and resorts and a decrease in home entertainment volumes.

Costs and expenses

Cost of services for the current period increased 2%, or $0.6 billion, to $29.9 billion, due to higher sports programming costs and higher programming, production and technology costs at Disney+ and Hulu. The increase in sports programming costs was due to NBA, IPL and MLB events, many of which were delayed in the prior-year period due to COVID-19. These increases were partially offset by lower volumes at our parks and experiences businesses and a decrease in film and television production cost amortization and distribution costs at Content Sales/Licensing and Other reflecting lower revenues.

Cost of products for the current period decreased 20%, or $0.7 billion, to $2.9 billion, due to lower merchandise, food and beverage sales at our theme parks and resorts and a decrease in home entertainment volumes.

Selling, general, administrative and other costs for the current period decreased 4%, or $0.4 billion, to $9.2 billion, due to lower bad debt expense and a decrease in marketing costs. Lower marketing costs were driven by fewer worldwide theatrical releases, partially offset by an increase in marketing costs at Direct-to-Consumer and to a lesser extent, Linear Networks.

Depreciation and amortization for the current period decreased 4%, or $0.2 billion, to $3.8 billion, due to lower amortization of intangible assets from the acquisition of TFCF and Hulu and lower depreciation at our theme parks and resorts.

Restructuring and impairment charges

Restructuring and impairment charges of $562 million for the current period were due to asset impairments and severance costs primarily related to the planned closure of an animation studio and a substantial number of our Disney-branded retail stores as well as severance at our other businesses.

Restructuring and impairment charges of $5,342 million for the prior-year period were due to impairment charges for goodwill and intangible assets and restructuring costs for severance and contract termination charges in connection with the acquisition and integration of TFCF.

Other Income (expense), net

Other income in the current period includes the fuboTV Gain of $186 million, German FTA gain of $126 million and DraftKings loss of $98 million.

Interest expense, net

Interest expense, net is as follows:

(in millions)	Nine Months Ended July 3, 2021	Nine Months Ended June 27, 2020	% Change Better (Worse)
Interest expense	**$ (1,223)**	$ (1,183)	(3) %
Interest income, investment income and other	**134**	188	(29) %
Interest expense, net	**$ (1,089)**	$ (995)	(9) %

The increase in interest expense in the current period was due to higher average debt balances, partially offset by lower average interest rates.

The decrease in interest income, investment income and other was due to higher pension and postretirement benefits costs, other than service cost, partially offset by higher investment gains.

Equity in the income of investees

Equity in the income of investees increased $103 million to $648 million in the current period driven by higher income from A+E Television Networks.

Effective Income Tax Rate

	Nine Months Ended July 3, 2021	Nine Months Ended June 27, 2020	Change Better (Worse)
Income (loss) from continuing operations before income taxes	**$ 2,271**	$ (1,163)	
Income tax (benefit) expense on continuing operations	**(9)**	$ 650	
Effective income tax rate - continuing operations	**(0.4)%**	(55.9)%	(55.5) ppt

Income tax was a benefit in the current period and expense in the prior-year period. The effective income tax rate in the current period included favorable adjustments related to prior years, partially offset by the impact of foreign income taxable in both the U.S. and foreign jurisdictions. The effective income tax rate in the prior-year period included an unfavorable impact of the goodwill impairment, which was not tax deductible.

Noncontrolling Interests

(in millions)	Nine Months Ended July 3, 2021	Nine Months Ended June 27, 2020	% Change Better (Worse)
Net income from continuing operations attributable to noncontrolling interests	**$ (416)**	$ (309)	(35) %

The increase in net income from continuing operations attributable to noncontrolling interests for the current period was driven by lower losses at Shanghai Disney Resort, our DTC sports business and Hong Kong Disneyland Resort, and higher accretion of the fair value of the redeemable noncontrolling interest in BAMTech. These increases were partially offset by lower results at ESPN.

Certain Items Impacting Results in the Year

Results for the nine months ended July 3, 2021 were impacted by the following:

- TFCF and Hulu acquisition amortization of $1,826 million
- Restructuring and impairment charges of $562 million

- The fuboTV gain of $186 million, German FTA gain of $126 million and DraftKings loss of $98 million

Results for the nine months ended June 27, 2020 were impacted by the following:

- Goodwill and intangible asset impairments of $4,953 million and restructuring charges of $389 million
- TFCF and Hulu acquisition amortization of $2,106 million
- DraftKings gain of $382 million

A summary of the impact of these items on EPS is as follows:

(in millions, except per share data)	Pre-Tax Income (Loss)	Tax Benefit (Expense)[1]	After-Tax Income (Loss)	EPS Favorable (Adverse)[2]
Nine Months Ended July 3, 2021:				
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs[3]	$ (1,826)	$ 425	$ (1,401)	$ (0.74)
Restructuring and impairment charges	(562)	132	(430)	(0.24)
fuboTV and German FTA gains, partially offset by DraftKings loss	214	(49)	165	0.09
Total	$ (2,174)	$ 508	$ (1,666)	$ (0.89)
Nine Months Ended June 27, 2020:				
Restructuring and impairment charges	$ (5,342)	$ 477	$ (4,865)	$ (2.69)
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs[3]	(2,106)	490	(1,616)	(0.86)
DraftKings gain	382	(89)	293	0.16
Total	$ (7,066)	$ 878	$ (6,188)	$ (3.39)

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

(2) EPS is net of noncontrolling interest share, where applicable. Total may not equal the sum of the column due to rounding.

(3) Includes amortization of intangibles related to TFCF equity investees.

SEASONALITY

The Company's businesses are subject to the effects of seasonality. Consequently, the operating results for the nine months ended July 3, 2021 for each business segment, and for the Company as a whole, are not necessarily indicative of results to be expected for the full year.

DMED revenues are subject to seasonal advertising patterns, changes in viewership and subscriber levels, timing and performance of film releases in the theatrical and home entertainment markets, timing of and demand for film and television programs, and the availability of and demand for sports programming. In general, domestic advertising revenues are typically somewhat higher during the fall and somewhat lower during the summer months. In addition, advertising revenues generated from sports programming are impacted by the timing of sports seasons and events, which varies throughout the year or may take place periodically (e.g. biannually, quadrennially). Affiliate revenues vary with the subscriber trends of MVPDs. Theatrical release dates are determined by several factors, including competition and the timing of vacation and holiday periods.

DPEP revenues fluctuate with changes in theme park attendance and resort occupancy resulting from the seasonal nature of vacation travel and leisure activities, which generally results in higher revenues during the Company's first and fourth fiscal quarters. Peak attendance and resort occupancy generally occur during the summer months when school vacations occur and during early winter and spring holiday periods. Consumer products revenue fluctuates with consumer purchasing behavior, which generally results in higher revenues during the Company's first fiscal quarter due to the winter holiday season and in the fourth quarter due to back-to-school. In addition, licensing revenues fluctuate with the timing and performance of our film and television content.

BUSINESS SEGMENT RESULTS

The following table reconciles income from continuing operations before income taxes to total segment operating income:

(in millions)	Quarter Ended July 3, 2021	Quarter Ended June 27, 2020	% Change Better (Worse)	Nine Months Ended July 3, 2021	Nine Months Ended June 27, 2020	% Change Better (Worse)
Income (loss) from continuing operations before income taxes	**$ 995**	$ (4,840)	nm	**$ 2,271**	$ (1,163)	nm
Add (subtract):						
Corporate and unallocated shared expenses	**212**	179	(18) %	**645**	604	(7) %
Restructuring and impairment charges	**35**	5,047	99 %	**562**	5,342	89 %
Other (income) expense, net	**91**	(382)	nm	**(214)**	(382)	(44) %
Interest expense, net	**445**	412	(8) %	**1,089**	995	(9) %
TFCF and Hulu acquisition amortization	**604**	683	12 %	**1,826**	2,106	13 %
Total segment operating income	**$ 2,382**	$ 1,099	>100 %	**$ 6,179**	$ 7,502	(18) %

The following is a summary of segment revenue and operating income:

(in millions)	Quarter Ended July 3, 2021	Quarter Ended June 27, 2020	% Change Better (Worse)	Nine Months Ended July 3, 2021	Nine Months Ended June 27, 2020	% Change Better (Worse)
Revenues:						
Disney Media and Entertainment Distribution	**$ 12,681**	$ 10,714	18 %	**$ 37,782**	$ 36,376	4 %
Disney Parks, Experiences and Products	**4,341**	1,065	>100 %	**11,102**	14,305	(22) %
	$ 17,022	$ 11,779	45 %	**$ 48,884**	$ 50,681	(4) %
Segment operating income:						
Disney Media and Entertainment Distribution	**$ 2,026**	$ 2,977	(32) %	**$ 6,348**	$ 6,102	4 %
Disney Parks, Experiences and Products	**356**	(1,878)	nm	**(169)**	1,400	nm
	$ 2,382	$ 1,099	>100 %	**$ 6,179**	$ 7,502	(18) %

Depreciation expense is as follows:

(in millions)	Quarter Ended July 3, 2021	Quarter Ended June 27, 2020	% Change Better (Worse)	Nine Months Ended July 3, 2021	Nine Months Ended June 27, 2020	% Change Better (Worse)
Disney Media and Entertainment Distribution	**$ 153**	$ 168	9 %	**$ 453**	$ 447	(1) %
Disney Parks, Experiences and Products						
Domestic	**383**	426	10 %	**1,162**	1,232	6 %
International	**178**	176	(1) %	**538**	520	(3) %
Total Disney Parks, Experiences and Products	**561**	602	7 %	**1,700**	1,752	3 %
Corporate	**47**	52	10 %	**139**	129	(8) %
Total depreciation expense	**$ 761**	$ 822	7 %	**$ 2,292**	$ 2,328	2 %

Amortization of intangible assets is as follows:

	Quarter Ended		% Change Better (Worse)	Nine Months Ended		% Change Better (Worse)
(in millions)	**July 3, 2021**	June 27, 2020		**July 3, 2021**	June 27, 2020	
Disney Media and Entertainment Distribution	**$ 44**	$ 42	(5) %	**$ 135**	$ 131	(3) %
Disney Parks, Experiences and Products	**27**	27	— %	**81**	81	— %
TFCF and Hulu	**434**	486	11 %	**1,328**	1,470	10 %
Total amortization of intangible assets	**$ 505**	$ 555	9 %	**$ 1,544**	$ 1,682	8 %

BUSINESS SEGMENT RESULTS - Current Quarter Results Compared to Prior-Year Quarter

Disney Media and Entertainment Distribution

Revenue and operating results for the DMED segment are as follows:

	Quarter Ended		% Change Better (Worse)
(in millions)	**July 3, 2021**	June 27, 2020	
Revenues:			
Linear Networks	**$ 6,956**	$ 6,010	16 %
Direct-to-Consumer	**4,256**	2,712	57 %
Content Sales/Licensing and Other	**1,681**	2,183	(23) %
Elimination of Intrasegment Revenue[1]	**(212)**	(191)	(11) %
	$ 12,681	$ 10,714	18 %
Segment operating income (loss):			
Linear Networks	**$ 2,187**	$ 3,285	(33) %
Direct-to-Consumer	**(293)**	(624)	53 %
Content Sales/Licensing and Other	**132**	316	(58) %
	$ 2,026	$ 2,977	(32) %

[1] Reflects fees received by the Linear Networks from other DMED businesses for the right to air our Linear Networks and related services.

Linear Networks

Operating results for Linear Networks are as follows:

	Quarter Ended		% Change Better (Worse)
(in millions)	**July 3, 2021**	June 27, 2020	
Revenues			
Affiliate fees	**$ 4,643**	$ 4,495	3 %
Advertising	**2,200**	1,335	65 %
Other	**113**	180	(37) %
Total revenues	**6,956**	6,010	16 %
Operating expenses	**(4,091)**	(2,091)	(96) %
Selling, general, administrative and other	**(851)**	(776)	(10) %
Depreciation and amortization	**(42)**	(74)	43 %
Equity in the income of investees	**215**	216	— %
Operating Income	**$ 2,187**	$ 3,285	(33) %

Revenues

Affiliate revenue is as follows:

	Quarter Ended		% Change
(in millions)	**July 3, 2021**	June 27, 2020	Better (Worse)
Domestic Channels	**$ 3,791**	$ 3,646	4 %
International Channels	**852**	849	— %
	$ 4,643	$ 4,495	3 %

The increase in affiliate revenue at the Domestic Channels was due to an increase of 8% from higher contractual rates, partially offset by a decrease of 3% from fewer subscribers.

Affiliate revenue at the International Channels was comparable to the prior-year quarter, as increases of 3% from a favorable foreign exchange impact and 2% from higher contractual rates were offset by a decrease of 3% from fewer subscribers driven by channel closures, primarily in Europe and Asia.

Advertising revenue is as follows:

	Quarter Ended		% Change
(in millions)	**July 3, 2021**	June 27, 2020	Better (Worse)
Cable	**$ 831**	$ 462	80 %
Broadcasting	**877**	720	22 %
Domestic Channels	**1,708**	1,182	45 %
International Channels	**492**	153	>100 %
	$ 2,200	$ 1,335	65 %

The increase in Cable advertising revenue was due to increases of 39% from higher impressions reflecting increases in average viewership and units delivered and 35% from higher rates. The increases in rates and viewership reflected the airing of live sports events in the current quarter compared to the cancellation or delay of live sports events in the prior-year quarter due to COVID-19.

The increase in Broadcasting advertising revenue was due to increases of 15% from a shift in the timing of The Academy Awards at ABC, 14% from the owned television stations and 8% from higher rates at ABC. The increase at the owned television stations was due to higher rates and the timing of The Academy Awards. The Academy Awards aired in the current quarter compared to the second quarter in the prior year. These increases were partially offset by a decrease of 13% from fewer ABC impressions, reflecting lower average viewership.

The increase in the International Channels advertising revenue was due to higher impressions, reflecting an increase in average viewership, and to a lesser extent, higher rates. The increase in average viewership reflected the airing of live sports events in the current quarter, primarily IPL cricket matches. IPL cricket matches generally occur during our third fiscal quarter. As a result of COVID-19, IPL cricket matches for the 2020 season shifted from the third quarter of fiscal 2020 to the fourth quarter of fiscal 2020 and the first quarter of fiscal 2021. Additionally, some of the matches for the 2021 season shifted from the third quarter of fiscal 2021 to the fourth quarter of fiscal 2021 and the first quarter of fiscal 2022.

Other revenue, which decreased $67 million, to $113 million from $180 million, included an unfavorable foreign exchange impact.

Costs and Expenses

Operating expenses primarily consist of programming and production costs, which are as follows:

(in millions)	Quarter Ended July 3, 2021	Quarter Ended June 27, 2020	% Change Better (Worse)
Cable	**$ (2,055)**	$ (770)	>(100) %
Broadcasting	**(798)**	(554)	(44) %
Domestic Channels	**(2,853)**	(1,324)	>(100) %
International Channels	**(845)**	(465)	(82) %
	$ (3,698)	$ (1,789)	>(100) %

The increase in programming and production costs at Cable was due to the airing of live sports events, which were cancelled or delayed in the prior-year quarter, driven by the NBA and MLB.

The increase in programming and production costs at Broadcasting was due to a higher cost mix of ABC programming and the shift in timing of The Academy Awards. The higher cost mix of programming reflected more hours of original scripted programming in the current quarter as well as incremental costs of health and safety measures since the onset of COVID-19.

The increase in programming and production costs at the International Channels was due to the return of live sports events, primarily IPL cricket matches.

Selling, general, administrative and other costs increased $75 million, to $851 million from $776 million due to higher marketing costs, partially offset by lower bad debt expense.

Depreciation and amortization decreased $32 million, to $42 million from $74 million, driven by the transfer of technology assets and related depreciation primarily between Linear Networks and Content Sales/Licensing and Other.

Operating Income from Linear Networks

Operating income from Linear Networks decreased $1,098 million, to $2,187 million from $3,285 million, due to decreases at domestic Cable and to a lesser extent, at Broadcasting and the International Channels.

The following table provides supplemental revenue and operating income detail for Linear Networks:

(in millions)	Quarter Ended July 3, 2021	Quarter Ended June 27, 2020	% Change Better (Worse)
Supplemental revenue detail			
Domestic Channels	**$ 5,561**	$ 4,926	13 %
International Channels	**1,395**	1,084	29 %
	$ 6,956	$ 6,010	16 %
Supplemental operating income detail			
Domestic Channels	**$ 1,803**	$ 2,850	(37) %
International Channels	**169**	219	(23) %
Equity in the income of investees	**215**	216	— %
	$ 2,187	$ 3,285	(33) %

Direct-to-Consumer

Operating results for Direct-to-Consumer are as follows:

	Quarter Ended		% Change Better (Worse)
(in millions)	**July 3, 2021**	June 27, 2020	
Revenues			
Subscription fees	**$ 3,156**	$ 2,129	48 %
Advertising	**909**	509	79 %
TV/SVOD distribution and other	**191**	74	>100 %
Total revenues	**4,256**	2,712	57 %
Operating expenses	**(3,414)**	(2,546)	(34) %
Selling, general, administrative and other	**(1,048)**	(727)	(44) %
Depreciation and amortization	**(87)**	(63)	(38) %
Operating Loss	**$ (293)**	$ (624)	53 %

Revenues

The increase in subscription fees was due to higher subscribers driven by growth at Disney+, Hulu, and to a lesser extent, ESPN+, and higher retail pricing at Hulu and Disney+.

Higher advertising revenue was primarily due to an increase of 63% from higher impressions due to growth at Hulu and to a lesser extent, at Disney+, and an increase of 11% from higher rates due to growth at Hulu.

The increase in TV/SVOD distribution and other revenue was due to Disney+ Premier Access revenue from *Cruella* and *Raya and the Last Dragon* and higher Ultimate Fighting Championship (UFC) pay-per-view fees in the current quarter. The increase in UFC fees reflected the benefit of three events in the current quarter compared to two events in the prior-year quarter.

The following table presents the number of paid subscribers[(1)] (in millions) for Disney+, ESPN+ and Hulu as of:

	July 3, 2021	June 27, 2020	% Change Better (Worse)
Disney+[(2)]	**116.0**	57.5	>100 %
ESPN+	**14.9**	8.5	75 %
Hulu			
SVOD Only	**39.1**	32.1	22 %
Live TV + SVOD	**3.7**	3.4	9 %
Total Hulu	**42.8**	35.5	21 %

The following table presents the average monthly revenue per paid subscriber[(3)] for the quarter ended:

	July 3, 2021	June 27, 2020	% Change Better (Worse)
Disney+[(2)]	**$ 4.16**	$ 4.62	(10) %
ESPN+	**$ 4.47**	$ 4.18	7 %
Hulu			
SVOD Only	**$ 13.15**	$ 11.39	15 %
Live TV + SVOD	**$ 84.09**	$ 68.11	23 %

(1) A subscriber for which we recognized subscription revenue. A subscriber ceases to be a paid subscriber as of their effective cancellation date or as a result of a failed payment method. A subscription bundle is considered a paid subscriber for each service included in the bundle. Subscribers include those who receive the service through wholesale arrangements in which we receive a fee for the distribution of Disney+ to each subscriber to an existing content distribution tier. When we aggregate the total number of paid subscribers across our DTC services, whether acquired individually, through a wholesale arrangement or via the bundle, we refer to them as paid subscriptions.

(2) Includes Disney+ Hotstar. Disney+ Hotstar launched on April 3, 2020 in India (as a conversion of the preexisting Hotstar service), on September 5, 2020 in Indonesia, on June 1, 2021 in Malaysia, and on June 30, 2021 in Thailand. Disney+ Hotstar average monthly revenue per paid subscriber is significantly lower than the average monthly revenue per paid subscriber for Disney+ in other markets.

(3) Revenue per paid subscriber is calculated based on the average of the monthly average paid subscribers for each month in the period. The monthly average paid subscribers is calculated as the sum of the beginning of the month and end of the month paid subscriber count, divided by two. Disney+ average monthly revenue per paid subscriber is calculated using a daily average of paid subscribers for the period. Revenue includes subscription fees, advertising (excluding revenue earned from selling advertising spots to other Company businesses) and premium and feature add-on revenue but excludes Premier Access and Pay-Per-View revenue. The average revenue per subscriber is net of discounts offered on bundled services. The bundled discount is allocated to each service based on the relative retail price of each service on a standalone basis. In general, wholesale arrangements have a lower average monthly revenue per paid subscriber than subscribers that we acquire directly or through third party platforms like Apple.

The average monthly revenue per paid subscriber for Disney+ decreased from $4.62 to $4.16 due to a higher mix of Disney+ Hotstar subscribers in the current quarter compared to the prior-year quarter, partially offset by a lower mix of wholesale subscribers and increases in retail pricing.

The average monthly revenue per paid subscriber for ESPN+ increased from $4.18 to $4.47 due to an increase in retail pricing and higher per-subscriber advertising revenue, partially offset by a higher mix of subscribers to the bundled offering.

The average monthly revenue per paid subscriber for the Hulu SVOD Only service increased from $11.39 to $13.15 due to higher per-subscriber advertising revenue and a lower mix of wholesale subscribers, partially offset by a higher mix of subscribers to the bundled offering. The average monthly revenue per paid subscriber for the Hulu Live TV + SVOD service increased from $68.11 to $84.09 due to increases in retail pricing, per-subscriber advertising revenue and per-subscriber premium and feature add-on revenue, partially offset by a higher mix of subscribers to the bundled offering.

Costs and Expenses

Operating expenses are as follows:

	Quarter Ended		% Change
(in millions)	**July 3, 2021**	June 27, 2020	Better (Worse)
Programming and production costs	**$ (2,769)**	$ (2,048)	(35) %
Other operating expense	**(645)**	(498)	(30) %
	$ (3,414)	$ (2,546)	(34) %

The increase in programming and production costs was due to higher costs at Disney+, Hulu and to a lesser extent, ESPN+. The increase at Disney+ was driven by ongoing expansion including launches in additional markets. Higher costs at Hulu were due to higher subscriber-based fees for programming the Live television service driven by an increase in the number of subscribers and rate increases. The increase at ESPN+ was primarily due to higher costs for UFC programming rights due to an additional event in the current quarter compared to the prior-year quarter, the return of live sports events and new contracts for soccer programming rights. Other operating expenses, which include technical support and distribution costs, increased primarily due to higher distribution costs at Disney+ driven by subscriber growth.

Selling, general, administrative and other costs increased $321 million, to $1,048 million from $727 million, due to higher marketing costs.

Depreciation and amortization increased $24 million, to $87 million from $63 million, driven by ongoing expansion of Disney+.

Operating Loss from Direct-to-Consumer

The operating loss from Direct-to-Consumer decreased $331 million, to $293 million from $624 million, due to improved results at Hulu, partially offset by a higher loss at Disney+.

Content Sales/Licensing and Other

Operating results for Content Sales/Licensing and Other are as follows:

(in millions)	Quarter Ended July 3, 2021	Quarter Ended June 27, 2020	% Change Better (Worse)
Revenues			
TV/SVOD distribution	**$ 1,012**	$ 1,411	(28) %
Theatrical distribution	**140**	51	>100 %
Home entertainment	**236**	470	(50) %
Other	**293**	251	17 %
Total revenues	**1,681**	2,183	(23) %
Operating expenses	**(1,056)**	(1,459)	28 %
Selling, general, administrative and other	**(430)**	(318)	(35) %
Depreciation and amortization	**(68)**	(73)	7 %
Equity in the income (loss) of investees	**5**	(17)	nm
Operating Income	**$ 132**	$ 316	(58) %

COVID-19

Our Content Sales/Licensing businesses has been impacted by COVID-19 in a number of ways. As a result of theater closures or theaters operating at reduced capacity since approximately March 2020, we have delayed or, in some cases, shortened or canceled, theatrical releases. In the current quarter, *Cruella* was in wide release in theaters globally, while also being made available on Disney+ Premier Access at Direct-to-Consumer. In addition, most of our film and television content production was suspended in March 2020, and although most production activities resumed beginning in the fourth quarter of fiscal 2020, we continue to see disruption of production activities depending on local circumstances. Content available for distribution in the home entertainment and TV/SVOD windows has been impacted by the production delays and fewer theatrical releases since the onset of COVID-19.

Revenues

The decrease in TV/SVOD distribution revenue reflected both lower episodic and film content sales. The decrease in episodic content sales reflected prior-quarter sales of *The Politician* and *The Wilds* and lower sales of *Modern Family, How to Get Away with Murder* and *Lost* in the current quarter. Lower film content sales reflected the impact of COVID-19.

The increase in theatrical distribution revenue was due to the performance of *Cruella* and *Raya and the Last Dragon* in the current quarter compared to no significant worldwide theatrical releases in the prior-year quarter.

The decrease in home entertainment revenue reflected decreases of 41% from lower unit sales of new release and catalog titles and 6% from lower average net effective pricing. New release titles in the current quarter included *Raya and the Last Dragon* and *Soul*, whereas the prior-year quarter included *Star Wars: The Rise of Skywalker*, *Frozen II* and *Onward*. Other titles in release in the prior-year quarter included *Call of the Wild* and *Ford v. Ferrari*. The decrease in average net effective pricing was due to a lower mix of new release titles, which have a higher sales price than catalog titles.

Costs and Expenses

Operating expenses are as follows:

(in millions)	Quarter Ended July 3, 2021	Quarter Ended June 27, 2020	% Change Better (Worse)
Programming and production costs	**$ (861)**	$ (1,295)	34 %
Cost of goods sold and distribution costs	**(195)**	(164)	(19) %
	$ (1,056)	$ (1,459)	28 %

The decrease in programming and production costs was due to lower production cost amortization related to a decrease in TV/SVOD sales and to a lesser extent, lower home entertainment volumes.

The increase in cost of goods sold and distribution costs was due to higher theatrical distribution costs as a result of more releases and higher costs for stage plays, partially offset by lower home entertainment volumes. Stage play performances were suspended in March 2020 with limited operations resuming in the first quarter of fiscal 2021.

Selling, general administrative and other costs increased $112 million, to $430 million from $318 million, primarily due to higher theatrical marketing costs driven by spending on *Cruella* in the current quarter and higher spending on future releases.

Equity in the Income (Loss) of Investees

Income from equity investments increased $22 million, to income of $5 million from a loss of $17 million, driven by the absence of losses from Endemol Shine, which was sold in July 2020.

Operating Income from Content Sales/Licensing and Other

Operating income from Content Sales/Licensing and Other decreased $184 million, to $132 million from $316 million, due to lower home entertainment and theatrical distribution results.

Items Excluded from Segment Operating Income Related to Disney Media and Entertainment Distribution

The following table presents supplemental information for items related to the DMED segment that are excluded from segment operating income:

	Quarter Ended		% Change
(in millions)	**July 3, 2021**	June 27, 2020	Better (Worse)
TFCF and Hulu acquisition amortization[1]	**$ (602)**	$ (681)	12 %
Restructuring and impairment charges[2]	**(1)**	(5,037)	100 %
German FTA gain	**126**	—	nm

[1] In the current quarter, amortization of step-up on film and television costs was $166 million and amortization of intangible assets was $432 million. In the prior-year quarter, amortization of step-up on film and television costs was $190 million and amortization of intangible assets was $484 million.

[2] The prior-year quarter includes $4,953 million of goodwill and intangible asset impairments and $84 million of restructuring costs primarily for severance and contract termination charges in connection with the acquisition and integration of TFCF.

Disney Parks, Experiences and Products

Operating results for the DPEP segment are as follows:

	Quarter Ended		% Change
(in millions)	**July 3, 2021**	June 27, 2020	Better (Worse)
Revenues			
Theme park admissions	**$ 1,152**	$ 34	>100 %
Parks & Experiences merchandise, food and beverage	**914**	63	>100 %
Resorts and vacations	**776**	80	>100 %
Merchandise licensing and retail	**1,137**	721	58 %
Parks licensing and other	**362**	167	>100 %
Total revenues	**4,341**	1,065	>100 %
Operating expenses	**(2,718)**	(1,801)	(51) %
Selling, general, administrative and other	**(674)**	(507)	(33) %
Depreciation and amortization	**(588)**	(629)	7 %
Equity in the loss of investees	**(5)**	(6)	17 %
Operating Income (Loss)	**$ 356**	$ (1,878)	nm

COVID-19

Revenues at DPEP benefited from the comparison to the adverse impact of COVID-19 in the prior-year quarter. Walt Disney World Resort and Shanghai Disney Resort were open for the entire current quarter. In the prior-year quarter, Walt Disney World Resort was closed for the quarter and Shanghai Disney Resort was open for 48 days. Hong Kong Disneyland was open for 72 days in the current quarter and 10 days in the prior-year quarter. Disneyland Resort and Disneyland Paris were open for 65 days and 19 days respectively, during the current quarter, whereas these businesses were closed for all of the prior-year quarter. During the periods our parks and resorts were open, they were generally operating at reduced capacities.

Revenues

The increase in revenues from theme park admissions, merchandise, food and beverage sales and resorts and vacations was due to increased volumes.

Merchandise licensing and retail revenue growth was due to increases of 37% from merchandise licensing and 22% from retail. The revenue growth at merchandise licensing was primarily due to higher revenues from merchandise based on Mickey and Minnie, Star Wars, including *The Mandalorian*, Disney Princesses and Spider-Man. The increase in retail revenues was due to higher sales at our retail stores, most of which were closed in the prior-year quarter due to COVID-19.

The increase in parks licensing and other revenue was primarily due to higher sponsorship revenue as a result of the reopening of our parks and resorts and an increase in Tokyo Disney Resort royalties. Tokyo Disney Resort was open in the current quarter, whereas it was closed for the entire prior-year quarter.

In addition to revenue, costs and operating income, management uses the following key metrics to analyze trends and evaluate the overall performance of our theme parks and resorts, and we believe these metrics are useful to investors in analyzing the business:

	Domestic		International[1]		Total	
	Quarter Ended		Quarter Ended		Quarter Ended	
	Jul 3, 2021	Jun 27, 2020	**Jul 3, 2021**	Jun 27, 2020	**Jul 3, 2021**	Jun 27, 2020
Parks						
Increase (decrease)						
Attendance[2]	**nm**	(100) %	**nm**	(90) %	**nm**	(97) %
Per Capita Guest Spending[3]	**nm**	nm	**13 %**	(12) %	**92 %**	nm
Hotels						
Occupancy[4]	**50 %**	nm	**20 %**	nm	**43 %**	nm
Available Room Nights (in thousands)[5]	**2,589**	nm	**793**	nm	**3,382**	nm
Per Room Guest Spending[6]	**$375**	nm	**$387**	nm	**$376**	nm

(1) Per capita guest spending growth rate is stated on a constant currency basis. Per room guest spending is stated at the average foreign exchange rate for the same period in the prior year.

(2) Attendance is used to analyze volume trends at our theme parks and is based on the number of unique daily entries, i.e. a person visiting multiple theme parks in a single day is counted only once. Our attendance count includes complimentary entries but excludes entries by children under the age of three.

(3) Per capita guest spending is used to analyze guest spending trends and is defined as total revenue from ticket sales and sales of food, beverage and merchandise in our theme parks, divided by total theme park attendance.

(4) Occupancy is used to analyze the usage of available capacity at hotels and is defined as the number of room nights occupied by guests as a percentage of available hotel room nights.

(5) Available hotel room nights are defined as the total number of room nights that are available at our hotels and at Disney Vacation Club (DVC) properties located at our theme parks and resorts that are not utilized by DVC members. Available hotel room nights include rooms temporarily taken out of service.

(6) Per room guest spending is used to analyze guest spending at our hotels and is defined as total revenue from room rentals and sales of food, beverage and merchandise at our hotels, divided by total occupied hotel room nights.

Costs and Expenses

Operating expenses are as follows:

(in millions)	Quarter Ended July 3, 2021	Quarter Ended June 27, 2020	% Change Better (Worse)
Operating labor	**$ (1,220)**	$ (644)	(89) %
Infrastructure costs	**(584)**	(562)	(4) %
Cost of goods sold and distribution costs	**(486)**	(238)	>(100) %
Other operating expense	**(428)**	(357)	(20) %
	$ (2,718)	$ (1,801)	(51) %

The increases in operating labor and cost of goods sold and distribution costs were due to higher volumes. Infrastructure costs were higher primarily due to increases in volumes and higher technology spending, partially offset by the comparison to the write-down of assets at our retail stores in the prior-year quarter. Other operating expenses increased due to higher volumes and an adverse foreign exchange impact, partially offset by the comparison to prior-year charges for capital project abandonments.

Selling, general, administrative and other costs increased $167 million, to $674 million from $507 million, due to higher marketing spend as a result of reopening our parks and resorts.

Depreciation and amortization decreased $41 million from $629 million to $588 million, due to lower depreciation at our theme parks and resorts.

Segment Operating Income (Loss)

Segment operating income increased from a loss of $1.9 billion to a profit of $0.4 billion due to increases at our domestic parks and resorts, consumer products and international parks and resorts businesses.

The following table presents supplemental revenue and operating income (loss) detail for the DPEP segment:

(in millions)	Quarter Ended July 3, 2021	Quarter Ended June 27, 2020	% Change Better (Worse)
Supplemental revenue detail			
Parks & Experiences			
Domestic	**$ 2,656**	$ 213	>100 %
International	**526**	116	>100 %
Consumer Products	**1,159**	736	57 %
	$ 4,341	$ 1,065	>100 %
Supplemental operating income (loss) detail			
Parks & Experiences			
Domestic	**$ 2**	$ (1,584)	nm
International	**(210)**	(438)	52 %
Consumer Products	**564**	144	>100 %
	$ 356	$ (1,878)	nm

Items Excluded from Segment Operating Income Related to Disney Parks, Experiences and Products

The following table presents supplemental information for items related to the DPEP segment that are excluded from segment operating income:

(in millions)	Quarter Ended July 3, 2021	Quarter Ended June 27, 2020	% Change Better (Worse)
Restructuring and impairment charges[1]	**$ (35)**	$ (1)	>(100) %
TFCF and Hulu acquisition amortization	**(2)**	(2)	— %

[1] The current quarter includes severance costs related to workforce reductions.

BUSINESS SEGMENT RESULTS - Current Period Results Compared to the Prior-Year Period

Disney Media and Entertainment Distribution

Revenue and operating results for the DMED segment are as follows:

(in millions)	Nine Months Ended July 3, 2021	Nine Months Ended June 27, 2020	% Change Better (Worse)
Revenues:			
Linear Networks	**$ 21,395**	$ 20,571	4 %
Direct-to-Consumer	**11,759**	7,252	62 %
Content Sales/Licensing and Other	**5,299**	9,104	(42) %
Elimination of Intrasegment Revenue[1]	**(671)**	(551)	(22) %
	$ 37,782	$ 36,376	4 %
Segment operating income (loss):			
Linear Networks	**$ 6,765**	$ 7,574	(11) %
Direct-to-Consumer	**(1,049)**	(2,539)	59 %
Content Sales/Licensing and Other	**632**	1,067	(41) %
	$ 6,348	$ 6,102	4 %

[1] Reflects fees received by the Linear Networks from other DMED businesses for the right to air our Linear Networks and related services.

Linear Networks

Operating results for Linear Networks are as follows:

(in millions)	Nine Months Ended July 3, 2021	Nine Months Ended June 27, 2020	% Change Better (Worse)
Revenues			
Affiliate fees	**$ 14,098**	$ 13,824	2 %
Advertising	**6,850**	6,237	10 %
Other	**447**	510	(12) %
Total revenues	**21,395**	20,571	4 %
Operating expenses	**(12,703)**	(10,825)	(17) %
Selling, general, administrative and other	**(2,465)**	(2,582)	5 %
Depreciation and amortization	**(131)**	(197)	34 %
Equity in the income of investees	**669**	607	10 %
Operating Income	**$ 6,765**	$ 7,574	(11) %

Revenues

Affiliate revenue is as follows:

(in millions)	Nine Months Ended July 3, 2021	Nine Months Ended June 27, 2020	% Change Better (Worse)
Domestic Channels	**$ 11,491**	$ 11,041	4 %
International Channels	**2,607**	2,783	(6) %
	$ 14,098	$ 13,824	2 %

The increase in affiliate revenue at the Domestic Channels was due to an increase of 8% from higher contractual rates, partially offset by a decrease of 4% from fewer subscribers.

The decrease in affiliate revenue at the International Channels was due to decreases of 4% from fewer subscribers driven by channel closures, primarily in Europe and Asia, 1% from lower contractual rates and 1% from an unfavorable foreign exchange impact.

Advertising revenue is as follows:

(in millions)	Nine Months Ended July 3, 2021	Nine Months Ended June 27, 2020	% Change Better (Worse)
Cable	**$ 2,759**	$ 2,689	3 %
Broadcasting	**2,583**	2,572	— %
Domestic Channels	**5,342**	5,261	2 %
International Channels	**1,508**	976	55 %
	$ 6,850	$ 6,237	10 %

The increase in Cable advertising revenue was primarily due to an increase of 10% from higher rates, partially offset by a decrease of 8% from fewer impressions. The decrease in impressions reflected lower average viewership, partially offset by higher units delivered.

Broadcasting advertising revenue was comparable to the prior-year period as increases of 6% from higher rates at ABC and 5% from the owned television stations were offset by a decrease of 11% from fewer ABC impressions. The decrease in impressions reflected lower average viewership, partially offset by higher units delivered. The increase at the owned television stations was due to higher political advertising and higher rates.

The increase in International Channels advertising revenue was due to increases of 45% from higher impressions, reflecting an increase in average viewership, 7% from higher rates and 5% from a favorable foreign exchange impact. The increase in viewership reflected the airing of live sports events in the current period that were not aired in the prior-year period, primarily IPL cricket matches.

Other revenue decreased $63 million, to $447 million from $510 million, primarily due to an unfavorable foreign exchange impact.

Costs and Expenses

Operating expenses primarily consist of programming and production costs, which are as follows:

(in millions)	Nine Months Ended July 3, 2021	Nine Months Ended June 27, 2020	% Change Better (Worse)
Cable	**$ (6,974)**	$ (5,762)	(21) %
Broadcasting	**(2,203)**	(2,112)	(4) %
Domestic Channels	**(9,177)**	(7,874)	(17) %
International Channels	**(2,366)**	(1,837)	(29) %
	$ (11,543)	(9,711)	(19) %

The increase in programming and production costs at Cable was driven by the timing of live sports events. As a result of COVID-19, events have been delayed since March 2020. The most significant impacts were due to the shifts of the 2020 NBA and MLB seasons and the 2020 Masters tournament.

The increase in programming and production costs at Broadcasting was driven by incremental costs of health and safety measures.

The increase in programming and production costs at the International Channels was due to the timing of live sports events driven by the shift of IPL cricket matches into the current period from fiscal 2020.

Selling, general, administrative and other costs decreased $117 million, to $2,465 million from $2,582 million, due to lower bad debt expense.

Depreciation and amortization decreased $66 million, to $131 million from $197 million, driven by the transfer of technology assets and related depreciation primarily between Linear Networks and Content Sales/Licensing and Other.

Equity in the Income of Investees

Income from equity investees increased $62 million, to $669 million from $607 million, due to higher income from A+E Television Networks driven by higher program sales and lower programming costs, partially offset by lower advertising revenue.

Operating Income from Linear Networks

Operating income from Linear Networks decreased $809 million, to $6,765 million from $7,574 million, due to a decrease at Cable, partially offset by higher income from our equity investees.

The following table provides supplemental revenue and operating income detail for Linear Networks:

(in millions)	Nine Months Ended July 3, 2021	Nine Months Ended June 27, 2020	% Change Better (Worse)
Supplemental revenue detail			
Domestic Channels	**$ 17,049**	$ 16,557	3 %
International Channels	**4,346**	4,014	8 %
	$ 21,395	$ 20,571	4 %
Supplemental operating income detail			
Domestic Channels	**$ 5,204**	$ 6,087	(15) %
International Channels	**892**	880	1 %
Equity in the income of investees	**669**	607	10 %
	$ 6,765	$ 7,574	(11) %

Direct-to-Consumer

Operating results for Direct-to-Consumer are as follows:

(in millions)	Nine Months Ended July 3, 2021	Nine Months Ended June 27, 2020	% Change Better (Worse)
Revenues			
Subscription fees	**$ 8,702**	$ 5,251	66 %
Advertising	**2,508**	1,666	51 %
TV/SVOD distribution and other	**549**	335	64 %
Total revenues	**11,759**	7,252	62 %
Operating expenses	**(9,549)**	(7,354)	(30) %
Selling, general, administrative and other	**(3,028)**	(2,253)	(34) %
Depreciation and amortization	**(231)**	(183)	(26) %
Equity in the loss of investees	**—**	(1)	100 %
Operating Loss	**$ (1,049)**	$ (2,539)	59 %

Revenues

The increase in subscription fees was due to higher subscribers driven by growth at Disney+, Hulu and to a lesser extent, ESPN+, and higher retail pricing at Hulu and Disney+.

Higher advertising revenue reflected increases of 47% from higher impressions due to growth at Hulu and to a lesser extent, Disney+ Hotstar and 3% from higher rates due to an increase at Hulu.

The increase in TV/SVOD distribution and other revenue was due to Disney+ Premier Access revenues from *Raya and the Last Dragon* and *Cruella* and higher UFC pay-per-view fees. The increase in UFC fees reflected the benefit of ten events in the current period compared to eight in the prior-year period, higher pricing and an increase in average buys per event.

The following table presents the average monthly revenue per paid subscriber for the nine-month period ended (see additional discussion of metrics under the quarterly analysis of Business Segment Results):

	July 3, 2021	June 27, 2020	% Change Better (Worse)
Disney+	**$ 4.08**	$ 5.03	(19) %
ESPN+	**$ 4.50**	$ 4.26	6 %
Hulu			
SVOD Only	**$ 12.90**	$ 12.14	6 %
Live TV + SVOD	**$ 80.14**	$ 65.19	23 %

The average monthly revenue per paid subscriber for Disney+ decreased from $5.03 to $4.08 due to a higher mix of Disney+ Hotstar subscribers in the current period compared to the prior-year period, partially offset by a lower mix of wholesale subscribers and higher retail pricing.

The average monthly revenue per paid subscriber for ESPN+ increased from $4.26 to $4.50 due to higher retail pricing and increased per-subscriber advertising revenue, partially offset by a higher mix of subscribers to the bundled offering.

The average monthly revenue per paid subscriber for the Hulu SVOD Only service increased from $12.14 to $12.90 due to higher per-subscriber advertising revenue, a lower mix of wholesale subscribers, and an increase in per-subscriber premium add-on revenue. The average monthly revenue per paid subscriber for the Hulu Live TV + SVOD service increased from $65.19 to $80.14 due to an increase in retail pricing and higher per-subscriber advertising revenue.

Costs and Expenses

Operating expenses are as follows:

	Nine Months Ended		% Change Better (Worse)
(in millions)	**July 3, 2021**	June 27, 2020	
Programming and production costs	**$ (7,734)**	$ (5,932)	(30) %
Other operating expense	**(1,815)**	(1,422)	(28) %
	$ (9,549)	$ (7,354)	(30) %

The increase in programming and production costs was due to higher costs at Disney+, Hulu and to a lesser extent, ESPN+. The increase at Disney+ was driven by ongoing expansion including launches in additional markets. Higher costs at Hulu were due to higher subscriber-based fees for programming the Live television service driven by an increase in the number of subscribers and rate increases. The increase at ESPN+ was driven by higher costs for UFC programming rights due to two additional events in the current period compared to the prior-year period and new contracts for soccer programming and college sports rights. Other operating expenses, which include technical support and distribution costs, increased due to higher distribution costs at Disney+ due to ongoing expansion including launches in additional markets.

Selling, general, administrative and other costs increased $775 million, to $3,028 million from $2,253 million, primarily due to higher marketing costs at Disney+ driven by launches in additional markets.

Depreciation and amortization increased $48 million, to $231 million from $183 million, due to ongoing expansion of Disney+.

Operating Loss from Direct-to-Consumer

The operating loss from Direct-to-Consumer decreased $1,490 million, to $1,049 million from $2,539 million, due to improved results at Hulu and to a lesser extent, ESPN+.

Content Sales/Licensing and Other

Operating results for Content Sales/Licensing and Other are as follows:

(in millions)	Nine Months Ended July 3, 2021	Nine Months Ended June 27, 2020	% Change Better (Worse)
Revenues			
TV/SVOD distribution	**$ 3,378**	$ 4,374	(23) %
Theatrical distribution	**280**	2,062	(86) %
Home entertainment	**755**	1,555	(51) %
Other	**886**	1,113	(20) %
Total revenues	**5,299**	9,104	(42) %
Operating expenses	**(3,266)**	(5,567)	41 %
Selling, general, administrative and other	**(1,187)**	(2,249)	47 %
Depreciation and amortization	**(226)**	(198)	(14) %
Equity in the income (loss) of investees	**12**	(23)	nm
Operating Income	**$ 632**	$ 1,067	(41) %

Revenues

The decrease in TV/SVOD distribution revenue reflected both lower episodic and film content sales. The decrease in episodic content sales was primarily due to prior-year sales of *Ratched*, *The Politician*, *Tales from the Loop* and *The Wilds* and lower sales of *Homeland* and *American Horror Story* in the current period, partially offset by higher sales of *How I Met Your Mother*. Lower film content sales reflected less content available due to the impact of COVID-19.

The decrease in theatrical distribution revenue was due to the impact of COVID-19. The current period included *Raya and the Last Dragon* and *Soul*, whereas the prior-year period included *Frozen II*, *Star Wars: The Rise of Skywalker*, *Maleficent: Mistress of Evil* and *Ford v. Ferrari*.

The decrease in home entertainment revenue reflected decreases of 43% due to lower unit sales of new release and catalog titles and 7% from lower average net effective pricing. New release titles in the current period included *Mulan, Raya and the Last Dragon* and *Soul*, whereas the prior-year period included *Frozen II*, *Star Wars: The Rise of Skywalker* and *The Lion King.* Other titles in release in the prior-year quarter included *Toy Story 4* and *Maleficent: Mistress of Evil*. The decrease in average net effective pricing was due to a lower mix of new release titles, which have a higher sales price than catalog titles.

The decrease in other revenue was due to lower revenue from stage plays reflecting the impact of COVID-19, partially offset by an increase in revenue from Lucasfilm's special effects business due to more projects. As a result of COVID-19, stage play performances were suspended in March 2020 with limited operations resuming in the first quarter of fiscal 2021.

Costs and Expenses

Operating expenses are as follows:

(in millions)	Nine Months Ended July 3, 2021	Nine Months Ended June 27, 2020	% Change Better (Worse)
Programming and production costs	**$ (2,653)**	$ (4,601)	42 %
Cost of goods sold and distribution costs	**(613)**	(966)	37 %
	$ (3,266)	$ (5,567)	41 %

The decrease in programming and production costs was due to lower production cost amortization driven by a decline in revenues and lower film and television cost impairments.

The decrease in cost of goods sold and distribution costs was due to lower costs for stage plays as a result of a limited number of performances in the current period, lower home entertainment volumes and a decrease in theatrical distribution costs due to fewer theatrical releases, partially offset by more projects at Lucasfilm's special effects business.

Selling, general, administrative and other costs decreased $1,062 million, to $1,187 million from $2,249 million, due to lower theatrical, home entertainment and stage plays marketing costs and to a lesser extent, a decrease in bad debt expense.

Depreciation and amortization increased $28 million, to $226 million from $198 million, driven by the transfer of technology assets and related depreciation primarily between Linear Networks and Content Sales/Licensing and Other.

Equity in the Income (Loss) of Investees

Income from equity investments increased $35 million, to income of $12 million from a loss of $23 million. The prior-year period included losses from Endemol Shine, which was sold in July 2020.

Operating Income from Content Sales/Licensing and Other

Operating income from Content Sales/Licensing and Other decreased $435 million, to $632 million from $1,067 million, due to lower theatrical distribution and home entertainment results, partially offset by lower film and television cost impairments.

Items Excluded from Segment Operating Income Related to Disney Media and Entertainment Distribution

The following table presents supplemental information for items related to the DMED segment that are excluded from segment operating income:

	Nine Months Ended		% Change
(in millions)	**July 3, 2021**	June 27, 2020	Better (Worse)
TFCF and Hulu acquisition amortization[1]	**$ (1,820)**	$ (2,100)	13 %
Restructuring and impairment charges[2]	**(305)**	(5,288)	94 %
German FTA gain	**126**	—	nm

[1] In the current period, amortization of step-up on film and television costs was $487 million and amortization of intangible assets was $1,322 million. In the prior-year period, amortization of step-up on film and television costs was $613 million and amortization of intangible assets was $1,464 million.

[2] The current period includes asset impairments and severance costs related to the closure of an animation studio. The prior-year period includes goodwill and intangible asset impairments and severance and contract termination charges in connection with the acquisition and integration of TFCF.

Disney Parks, Experiences and Products

Operating results for the DPEP segment are as follows:

	Nine Months Ended		% Change
(in millions)	**July 3, 2021**	June 27, 2020	Better (Worse)
Revenues			
Theme park admissions	**$ 2,298**	$ 3,655	(37) %
Parks & Experiences merchandise, food and beverage	**2,025**	3,030	(33) %
Resorts and vacations	**1,722**	3,088	(44) %
Merchandise licensing and retail	**3,980**	3,407	17 %
Parks licensing and other	**1,077**	1,125	(4) %
Total revenues	**11,102**	14,305	(22) %
Operating expenses	**(7,456)**	(9,059)	18 %
Selling, general, administrative and other	**(2,012)**	(1,998)	(1) %
Depreciation and amortization	**(1,781)**	(1,833)	3 %
Equity in the loss of investees	**(22)**	(15)	(47) %
Operating Income (Loss)	**$ (169)**	$ 1,400	nm

COVID-19

Revenues at the DPEP segment were adversely impacted by COVID-19 as a result of the closure/generally reduced operating capacity across our theme parks and resorts. Disneyland Resort was open for 65 days in the current period and our cruise business was suspended for the entire current period, whereas these businesses closed in mid-March of the prior-year period. In the current period, Disneyland Paris was open for 45 days and Hong Kong Disneyland Resort was open for 147 days compared to 167 days and 129 days, respectively in the prior-year period. Walt Disney World Resort, Shanghai Disney Resort and Tokyo Disney Resort were open during the entire current period, although our parks and resorts were generally operating at reduced capacities. In the prior-year period, Walt Disney World Resort closed in mid-March, Shanghai Disney Resort closed in late January and reopened in mid-May and Tokyo Disney Resort closed in late February. We estimate that the adverse impact of COVID-19 compared to the prior-year period was a decrease in segment operating income of approximately $1.6 billion, which is net of cost reductions from initiatives to mitigate the impacts of COVID-19.

Revenues

The decrease in revenues from theme park admissions, merchandise, food and beverage sales, and resorts and vacations was due to the closures/reduced operating capacities at our parks and resorts as well as the suspension of cruise ship sailings.

Merchandise licensing and retail revenue growth was due to increases of 12% from merchandise licensing and 5% from retail. The growth at merchandise licensing was driven by higher revenues from merchandise based on Mickey and Minnie, Star Wars, including *The Mandalorian*, Spider-Man and Disney Princesses, partially offset by a decrease in revenues from merchandise based on Frozen. The increase in retail revenues was primarily due to higher online sales.

The decrease in parks licensing and other revenue was primarily due to a decrease in royalties from Tokyo Disney Resort as a result of the resort operating at reduced capacities.

In addition to revenue, costs and operating income, management uses the following key metrics to analyze trends and evaluate the overall performance of our theme parks and resorts, and we believe these metrics are useful to investors in analyzing the business (see additional discussion of metrics under the quarterly analysis of Business Segment Results):

	Domestic		International		Total	
	Nine Months Ended		Nine Months Ended		Nine Months Ended	
	July 3, 2021	June 27, 2020	**July 3, 2021**	June 27, 2020	**July 3, 2021**	June 27, 2020
Parks						
Increase (decrease)						
Attendance	**(46) %**	(35) %	**(21) %**	(51) %	**(40) %**	(40) %
Per Capita Guest Spending	**13 %**	9 %	**(3) %**	(3) %	**6 %**	9 %
Hotels						
Occupancy	**37 %**	53 %	**14 %**	41 %	**32 %**	51 %
Available Room Nights (in thousands)	**7,882**	8,127	**2,378**	2,388	**10,260**	10,515
Per Room Guest Spending	**$361**	$373	**$370**	$306	**$362**	$361

Costs and Expenses

Operating expenses are as follows:

(in millions)	**Nine Months Ended July 3, 2021**	Nine Months Ended June 27, 2020	% Change Better (Worse)
Operating labor	**$ (3,262)**	$ (3,897)	16 %
Infrastructure costs	**(1,649)**	(1,821)	9 %
Cost of goods sold and distribution costs	**(1,494)**	(1,767)	15 %
Other operating expense	**(1,051)**	(1,574)	33 %
	$ (7,456)	$ (9,059)	18 %

The decreases in operating labor and cost of goods sold and distribution costs were due to lower volumes. The decrease in infrastructure costs was due to lower volumes and the prior-year write-down of assets at our retail stores. Other operating expenses decreased due to lower volumes and the comparison to prior-year charges for capital project abandonments.

Selling, general, administrative and other costs increased $14 million, to $2,012 million from $1,998 million, due to higher compensation costs, partially offset by lower marking cost.

Depreciation and amortization decreased $52 million from $1,833 million to $1,781 million, due to lower depreciation at our theme parks and resorts.

Segment Operating Income (Loss)

Segment operating income decreased from a profit of $1.4 billion to a loss of $0.2 billion due to a decrease at our parks and experiences businesses, partially offset by an increase at our consumer products business.

The following table presents supplemental revenue and operating income (loss) detail for the DPEP segment:

(in millions)	Nine Months Ended July 3, 2021	Nine Months Ended June 27, 2020	% Change Better (Worse)
Supplemental revenue detail			
Parks & Experiences			
Domestic	**$ 5,880**	$ 9,291	(37) %
International	**1,166**	1,546	(25) %
Consumer Products	**4,056**	3,468	17 %
	$ 11,102	$ 14,305	(22) %
Supplemental operating income (loss) detail			
Parks & Experiences			
Domestic	**$ (1,383)**	$ 649	nm
International	**(852)**	(730)	(17) %
Consumer Products	**2,066**	1,481	40 %
	$ (169)	$ 1,400	nm

Items Excluded from Segment Operating Income Related to Disney Parks, Experiences and Products

The following table presents supplemental information for items related to the DPEP segment that are excluded from segment operating income:

(in millions)	Nine Months Ended July 3, 2021	Nine Months Ended June 27, 2020	% Change Better (Worse)
Restructuring and impairment charges[1]	**$ (252)**	$ (9)	>(100) %
TFCF and Hulu acquisition amortization	**(6)**	(6)	— %

[1] The current period includes asset impairments and severance costs related to the planned closure of a substantial number of our Disney-branded retail stores and severance costs related to other workforce reductions.

CORPORATE AND UNALLOCATED SHARED EXPENSES

(in millions)	Quarter Ended July 3, 2021	Quarter Ended June 27, 2020	% Change Better (Worse)	Nine Months Ended July 3, 2021	Nine Months Ended June 27, 2020	% Change Better (Worse)
Corporate and unallocated shared expenses	**$ (212)**	$ (179)	(18) %	**$ (645)**	$ (604)	(7) %

Corporate and unallocated shared expenses increased $33 million from $179 million to $212 million for the quarter and $41 million from $604 million to $645 million for the nine-month period. The increase in the quarter was primarily due to higher compensation costs. The increase in the nine-month period was primarily due to higher compensation costs, partially offset by cost savings initiatives and timing of allocations to operating segments.

FINANCIAL CONDITION

The change in cash and cash equivalents is as follows:

	Nine Months Ended		% Change
(in millions)	**July 3, 2021**	June 27, 2020	Better (Worse)
Cash provided by operations - continuing operations	**$ 2,934**	$ 5,949	(51) %
Cash used in investing activities - continuing operations	**(2,085)**	(3,320)	37 %
Cash provided by (used in) financing activities - continuing operations	**(2,771)**	14,919	nm
Cash provided by (used in) operations - discontinued operations	**(2)**	2	nm
Cash provided by investing activities - discontinued operations	**8**	198	(96) %
Impact of exchange rates on cash, cash equivalents and restricted cash	**77**	(49)	nm
Change in cash, cash equivalents and restricted cash	**$ (1,839)**	$ 17,699	nm

Operating Activities

Cash provided by continuing operating activities decreased 51% to $2.9 billion for the current nine-month period compared to $5.9 billion in the prior-year nine-month period. The decrease in cash provided by operations was due to lower operating cash flow at DMED and to a lesser extent, DPEP. The decrease in operating cash flow at DMED was due to higher spending on film and television productions and to a lesser extent, lower operating cash receipts. The decrease in operating cash receipts was due to lower collections of receivables. The decrease in operating cash flow at DPEP was due to lower operating cash receipts driven by lower revenue, partially offset by a decrease in operating cash disbursements. The decrease in operating cash receipts and operating cash disbursements reflected lower volumes as a result of closures due to COVID-19.

Produced and licensed programming costs

The DMED segment incurs costs to produce and license feature film and television content. Film and television production costs include all internally produced content such as live-action and animated feature films, television series, television specials and theatrical stage plays. Programming costs include film or television content rights licensed from third parties for use on the Company’s Linear Networks and DTC services. Programming assets are generally recorded when the programming becomes available to us with a corresponding increase in programming liabilities.

The Company's film and television production and programming activity for the nine months ended July 3, 2021 and June 27, 2020 are as follows:

	Nine Months Ended	
(in millions)	**July 3, 2021**	June 27, 2020
Beginning balances:		
Produced and licensed programming assets	**$ 27,193**	$ 27,407
Programming liabilities	**(4,099)**	(4,061)
	23,094	23,346
Spending:		
Programming licenses and rights	**9,692**	9,700
Produced film and television content	**9,238**	6,615
	18,930	16,315
Amortization:		
Programming licenses and rights	**(9,781)**	(7,703)
Produced film and television content	**(5,957)**	(7,129)
	(15,738)	(14,832)
Change in internally produced and licensed content costs	**3,192**	1,483
Other non-cash activity	**179**	258
Ending balances:		
Produced and licensed programming assets	**30,256**	28,695
Programming liabilities	**(3,791)**	(3,608)
	$ 26,465	$ 25,087

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 nine months ended July 3, 2021 and June 27, 2020 are as follows:

(in millions)	**July 3, 2021**	June 27, 2020
Disney Media and Entertainment Distribution	**$ 582**	$ 565
Disney Parks, Experiences and Products		
Domestic	**1,121**	1,857
International	**502**	625
Total Disney Parks, Experiences and Products	**1,623**	2,482
Corporate	**263**	246
	$ 2,468	$ 3,293

Capital expenditures at the DMED segment primarily reflect investments in technology and in facilities and equipment for expanding and upgrading broadcast centers, production facilities and television station facilities.

Capital expenditures for the DPEP segment are principally for theme park and resort expansion, new attractions, cruise ships, capital improvements and technology. The decrease in the current period compared to the prior-year period was primarily due to the temporary suspension of certain capital projects as a result of COVID-19.

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

The Company currently expects its fiscal 2021 capital expenditures will be approximately $0.2 billion less than fiscal 2020 capital expenditures of $4.0 billion due to lower investments at our domestic parks and resorts, in part reflecting a reduction in spending in response to COVID-19, partially offset by increased spending for facilities at Corporate and technology for our DTC services.

Other investing activities in the current nine-month period are due to sales of investments.

Financing Activities

Cash used in financing activities was $2.8 billion in the current nine-month period compared to cash provided by financing activities of $14.9 billion in the prior-year nine-month period. In the current nine-month period, the Company had a decrease in net borrowings of $2.4 billion compared to an increase in net borrowings of $17.1 billion in the prior-year nine-month period. Additionally, the prior-year nine-month period included a dividend payment of $1.6 billion compared to no dividend payments in the current nine-month period (see Note 11 to the Condensed Consolidated Financial Statements for a summary of the Company’s dividend payments). The Company does not intend to provide statements about its intentions to pay future dividends until such time as a dividend is declared.

See Note 5 to the Condensed Consolidated Financial Statements for a summary of the Company’s borrowing activities during the nine months ended July 3, 2021 and information regarding the Company’s bank facilities. The Company may use operating cash flows, commercial paper borrowings up to the amount of its unused $12.25 billion bank facilities maturing in March 2022, March 2023 and March 2025, and incremental term debt issuances to retire or refinance other borrowings before or as they come due.

The Company’s operating cash flow and access to the capital markets can be impacted by factors outside of its control, including COVID-19, which has had an adverse impact on the Company’s operating cash flows. We have taken a number of measures to mitigate the impact on the Company’s financial position. We have significantly increased the Company’s cash balances through the issuance of senior notes in March and May 2020. See Significant Developments for the impact COVID-19 has had on our operations and mitigating measures we have taken.

We believe that the Company’s financial condition remains strong and that its cash balances, other liquid assets, operating cash flows, access to debt and equity capital markets and borrowing capacity under current bank facilities, taken together, provide adequate resources to fund ongoing operating requirements and upcoming debt maturities as well as future capital expenditures related to the expansion of existing businesses and development of new projects, although certain of these activities were scaled back or suspended in light of COVID-19. Depending on the unknowable duration and severity of the future impacts of COVID-19 and its variants, the Company may take additional mitigating actions in the future such as continuing to not declare dividends (which the Company did not pay a dividend with respect to fiscal 2020 operations and has not declared or paid a dividend with respect to fiscal 2021 operations); reducing or not making certain payments, such as some contributions to our pension and postretirement medical plans; raising additional financing; further suspending capital spending; reducing film and television content investments; or implementing additional furloughs or reductions in force. The impacts on our operating cash flows are subject to uncertainty and may require us to rely more heavily on external funding sources, such as debt and other types of financing.

The Company’s borrowing costs can also 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 leverage and interest coverage ratios. As of July 3, 2021, 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 BBB+ and A-2, respectively, and Fitch’s long- and short-term debt ratings for the Company were A- and F2, respectively. The Company’s bank facilities contain only one financial covenant, relating to interest coverage, which the Company met on July 3, 2021, 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.

SUPPLEMENTAL GUARANTOR FINANCIAL INFORMATION

On March 20, 2019 as part of the acquisition of TFCF, The Walt Disney Company (“TWDC”) became the ultimate parent of TWDC Enterprises 18 Corp. (formerly known as The Walt Disney Company) (“Legacy Disney”). Legacy Disney and TWDC are collectively referred to as “Obligor Group”, and individually, as a “Guarantor”. Concurrent with the close of the TFCF acquisition, $16.8 billion of TFCF’s assumed public debt (which then constituted 96% of such debt) was exchanged for senior notes of TWDC (the “exchange notes”) issued pursuant to an exemption from registration under the Securities Act of 1933, as amended (the “Securities Act”), pursuant to an Indenture, dated as of March 20, 2019, between TWDC, Legacy Disney, as guarantor, and Citibank, N.A., as trustee (the “TWDC Indenture”) and guaranteed by Legacy Disney. On November 26, 2019, $14.0 billion of the outstanding exchange notes were exchanged for new senior notes of TWDC registered under the Securities Act, issued pursuant to the TWDC Indenture and guaranteed by Legacy Disney. In addition, contemporaneously with the closing of the March 20, 2019 exchange offer, TWDC entered into a guarantee of the registered debt securities issued by Legacy Disney under the Indenture dated as of September 24, 2001 between Legacy Disney and Wells Fargo Bank, National Association, as trustee (the “2001 Trustee”) (as amended by the first supplemental indenture among Legacy Disney, as issuer, TWDC, as guarantor, and the 2001 Trustee, as trustee).

Other subsidiaries of the Company do not guarantee the registered debt securities of either TWDC or Legacy Disney (such subsidiaries are referred to as the "non-Guarantors"). The par value and carrying value of total outstanding and guaranteed registered debt securities of the Obligor Group at July 3, 2021 was as follows:

	TWDC		Legacy Disney	
(in millions)	Par Value	Carrying Value	Par Value	Carrying Value
Registered debt with unconditional guarantee	$ 37,866	$ 39,754	$ 11,364	$ 11,461

The guarantees by TWDC and Legacy Disney are full and unconditional and cover all payment obligations arising under the guaranteed registered debt securities. The guarantees may be released and discharged upon (i) as a general matter, the indebtedness for borrowed money of the consolidated subsidiaries of TWDC in aggregate constituting no more than 10% of all consolidated indebtedness for borrowed money of TWDC and its subsidiaries (subject to certain exclusions), (ii) upon the sale, transfer or disposition of all or substantially all of the equity interests or all or substantially all, or substantially as an entirety, the assets of Legacy Disney to a third party, and (iii) other customary events constituting a discharge of a guarantor's obligations. In addition, in the case of Legacy Disney's guarantee of registered debt securities issued by TWDC, Legacy Disney may be released and discharged from its guarantee at any time Legacy Disney is not a borrower, issuer or guarantor under certain material bank facilities or any debt securities.

Operations are conducted almost entirely through the Company's subsidiaries. Accordingly, the Obligor Group's cash flow and ability to service its debt, including the public debt, are dependent upon the earnings of the Company's subsidiaries and the distribution of those earnings to the Obligor Group, whether by dividends, loans or otherwise. Holders of the guaranteed registered debt securities have a direct claim only against the Obligor Group.

Set forth below are summarized financial information for the Obligor Group on a combined basis after elimination of (i) intercompany transactions and balances between TWDC and Legacy Disney and (ii) equity in the earnings from and investments in any subsidiary that is a non-Guarantor. This summarized financial information has been prepared and presented pursuant to the Securities and Exchange Commission Regulation S-X Rule 13-01, "Financial Disclosures about Guarantors and Issuers of Guaranteed Securities" and is not intended to present the financial position or results of operations of the Obligor Group in accordance with U.S. GAAP.

Results of operations (in millions)	Nine Months Ended July 3, 2021:
Revenues	$ —
Costs and expenses	—
Net income (loss) from continuing operations	(1,506)
Net income (loss)	(1,506)
Net income (loss) attributable to TWDC shareholders	(1,506)

Balance Sheet (in millions)	July 3, 2021	October 3, 2020
Current assets	$ 9,790	$ 12,899
Noncurrent assets	1,808	2,076
Current liabilities	5,830	6,155
Noncurrent liabilities (excluding intercompany to non-Guarantors)	55,473	57,809
Intercompany payables to non-Guarantors	146,413	146,748

COMMITMENTS AND CONTINGENCIES

Legal Matters

As disclosed in Note 13 to the Condensed Consolidated Financial Statements, the Company has exposure for certain legal matters.

Guarantees

As disclosed in Note 13 to the Condensed Consolidated Financial Statements, the Company has exposure to certain guarantees.

Tax Matters

As disclosed in Note 10 to the Consolidated Financial Statements in the 2020 Annual Report on Form 10-K, the Company has exposure for certain tax matters.

Contractual Commitments

See Note 15 to the Consolidated Financial Statements in the 2020 Annual Report on Form 10-K and Note 13 to the Condensed Consolidated Financial Statements in this Form 10-Q 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 2020 Annual Report on Form 10-K.

Produced and Acquired/Licensed Content Costs

We amortize and test for impairment capitalized film and television production costs based on whether the content is predominantly monetized individually or as a group. See Note 7 to the Condensed Consolidated Financial Statements for further discussion.

Production costs that are classified as individual are amortized based upon the ratio of the current period's revenues to the estimated remaining total revenues (Ultimate Revenues).

With respect to produced films intended for theatrical release, the most sensitive factor affecting our estimate of Ultimate Revenues is theatrical performance. Revenues derived from other markets subsequent to the theatrical release are generally highly correlated with 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.

With respect to capitalized television production costs that are classified as individual, the most sensitive factors affecting estimates of Ultimate Revenues are program ratings of the content on our licensees' platforms. Program ratings, which are an indication of market acceptance, directly affect the program's ability to generate advertising and subscriber revenues and are correlated with the license fees we can charge for the content in subsequent windows and for subsequent seasons.

Ultimate Revenues are reassessed each reporting period and the impact of any changes on amortization of production cost is accounted for as if the change occurred at the beginning of the current fiscal year. If our estimate of Ultimate Revenues decreases, amortization of costs may be accelerated or result in an impairment. Conversely, if our estimate of Ultimate Revenues increases, cost amortization may be slowed.

Produced content costs that are part of a group and acquired/licensed content costs are amortized based on projected usage typically resulting in an accelerated or straight-line amortization pattern. The determination of projected usage requires judgment and is reviewed periodically for changes. If projected usage changes we may need to accelerate or slow the recognition of amortization expense.

The amortization of multi-year sports rights is based on our projections of revenues over the contract period, which include advertising revenue and an allocation of affiliate revenue (relative value). 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 estimated relative values by year were to change significantly, amortization of our sports rights costs may be accelerated or slowed.

Revenue Recognition

The Company has revenue recognition policies for its operating segments that are appropriate to the circumstances of each business. Refer to Note 2 to the Consolidated Financial Statements in the 2020 Annual Report on Form 10-K for our revenue recognition policies.

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. See Note 11 to the Consolidated Financial

Statements in the 2020 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 and postretirement medical 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 plan assets will increase pension and postretirement medical 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.

The impairment test for goodwill requires judgment related to the identification of reporting units, the assignment of assets and liabilities to reporting units including goodwill, and the determination of fair value of the reporting units. To determine the fair value of our reporting units, we apply what we believe to be the most appropriate valuation methodology for each of our reporting units. We generally use a present value technique (discounted cash flows) corroborated by market multiples when available and as appropriate. The discounted cash flow analyses are sensitive to our estimates of future revenue growth and margins for these businesses. 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.

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 Company's 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 the estimated undiscounted future 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 generally 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. If the carrying value of an asset group exceeds the estimated undiscounted future cash flows, an impairment is measured as the difference between the fair value of the asset group and the carrying value of the asset group. 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 asset groups, estimates of future cash flows and the discount rate used to determine fair values.

The Company has investments in equity securities. For equity securities that do not have a readily determinable fair value, we consider forecasted financial performance of the investee companies, as well as volatility inherent in the external markets for these investments. If these forecasts are not met, impairment charges may be recorded.

Allowance for Credit Losses

We evaluate our allowance for credit losses and estimate collectability of accounts receivable based on historical bad debt experience, our assessment of the financial condition of individual companies with which we do business, current market conditions, and reasonable and supportable forecasts of future economic conditions. In times of economic turmoil, including COVID-19, 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. See Note 3 to the Condensed Consolidated Financial Statements for additional discussion.

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 are also involved in other contingent matters for which we accrue 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 13 to the Condensed Consolidated Financial Statements for more detailed information on litigation exposure.

Income Tax

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.

Impacts of COVID-19 on Accounting Policies and Estimates

In light of the currently unknown ultimate duration of COVID-19, we face a greater degree of uncertainty than normal in making the judgments and estimates needed to apply our significant accounting policies and may make changes to these estimates and judgments over time. This could result in meaningful impacts to our financial statements in future periods. A more detailed discussion of the impact of COVID-19 on the Accounting Policies and Estimates follows.

Produced and Acquired/Licensed Content Costs

Certain of our completed or in progress film and television productions have had their initial release dates delayed. The duration of the delay, market conditions when we release the content, or a change in our release strategy (e.g. bypassing certain distribution windows) could have an impact on Ultimate Revenues, which may accelerate amortization or result in an impairment of capitalized film and television production costs.

Given the ongoing uncertainty around live sports events continuing uninterrupted, the amount and timing of revenues derived from the broadcast of these events may differ from the projections of revenues that support our amortization pattern of the rights costs we pay for these events. Such changes in revenues could result in an acceleration or slowing of the amortization of our sports rights costs.

Revenue Recognition

Certain of our affiliate contracts contain commitments with respect to the content to be aired on our television networks (e.g. live sports or original content). If there are delays or cancellations of live sports events or disruptions to film and television content production activities, we may need to assess the impact on our contractual obligations and adjust the revenue that we recognize related to these contracts.

Goodwill, Other Intangible Assets, Long-Lived Assets and Investments

Given the ongoing impacts of COVID-19 across our businesses, the projected cash flows that we use to assess the fair value of our businesses and assets for purposes of impairment testing are subject to greater uncertainty than normal. If in the future we reduce our cash flow projections, we may need to impair some of these assets.

Income Tax (See Note 8 to the Condensed Consolidated Financial Statements)

The determination of interim period tax provisions generally requires the use of a forecasted full-year effective tax rate, which in turn requires a full year forecast of earnings before tax and tax expense. Given the uncertainties created by COVID-19, these forecasts are subject to greater than normal variability, which could lead to volatility in our reported quarterly effective tax rates.

Risk Management Contracts

The Company employs a variety of financial instruments (derivatives) including interest rate and cross-currency swap agreements and forward and option contracts to manage its exposure to fluctuations in interest rates, foreign currency exchange rates and commodity prices.

As a result of the impact of COVID-19 on our businesses, our projected cash flows or projected usage of commodities are subject to a greater degree of uncertainty, which may cause us to recognize gains or losses on hedging instruments in different periods than the hedged transaction.

New Accounting Pronouncements

See Note 17 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. 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.

Our objectives in managing exposures to market-based fluctuations in certain retirement liabilities are to use total return swap contracts to reduce the volatility of earnings arising from changes in these retirement liabilities. The amounts hedged using total return swap contracts are based on estimated liability balances.

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 15 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 July 3, 2021, 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.

Changes in Internal Controls – There have been no changes in our internal control over financial reporting during the third quarter of fiscal 2021 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 13 to the Condensed Consolidated Financial Statements, the Company is engaged in certain legal matters, and the disclosure set forth in Note 13 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. Such statements may, for example, express expectations, projections, estimates or future impacts; actions that we may take (or not take); or other statements that are not historical in nature. 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, asset acquisitions or dispositions or changes to businesses), as well as from developments beyond the Company's control, including: global pandemics and health concerns; changes in domestic and global economic conditions; competitive conditions and consumer preferences; adverse weather conditions or natural disasters; international, political or military developments; and technological developments. Such developments may affect (or further affect, as applicable) entertainment, travel and leisure businesses generally and may, among other things, affect (or further affect, as applicable) the performance of the Company's performance of some or all Company businesses either directly or through their impact on those who distribute our products, the industries in which the Company operates and the Company's expenses.

In addition to the factors affecting specific business operations identified in connection with the description of these operations and the financial results of these operations elsewhere in our filings with the SEC, the most significant factors affecting our business include the following, as well as the additional risk factors discussed in our 2020 Annual Report on Form 10-K under Item 1A, "Risk Factors":

BUSINESS, ECONOMIC, MARKET and OPERATING CONDITION RISKS

The adverse impact of COVID-19 on our businesses will continue for an unknown length of time and may continue to impact certain of our key sources of revenue.

Since early 2020, the world has been, and continues to be, impacted by COVID-19 and its variants. COVID-19 and measures to prevent its spread are impacting our segments in a number of ways, most significantly at the DPEP segment where our theme parks and resorts have been closed and cruise ship sailings and guided tours have been suspended. Theme parks and resorts resumed operations, generally at reduced capacity, at various points since May 2020 through June 2021 and we have commenced an ongoing return of cruise ship sailings and guided tours. We have delayed, or in some cases, shortened or canceled, theatrical releases, and stage play performances were suspended beginning in March 2020 with limited stage play operations resuming in the first quarter of fiscal 2021. Theaters have been subject to capacity limitations and shifting government mandates or guidance regarding COVID-19 restrictions. We have experienced significant disruptions in the production and availability of content. Although most film and television production resumed beginning in the fourth quarter of fiscal 2020, we continue to see disruption in production activities depending on local circumstances. Fewer theatrical releases and production delays have limited the availability of film content to be sold in the subsequent home entertainment and TV/ SVOD distribution windows. Many of our businesses have been closed, suspended or restricted consistent with government mandates or guidance. We have continued to pay for certain sports rights, including for certain events that have been deferred or canceled. The impacts to our content have resulted in decreased viewership and advertising revenues and demands for affiliate fee reductions related to certain of our television networks. In the third quarter, the 2021 IPL cricket season was postponed and is scheduled to resume in the fourth quarter of fiscal 2021. Continued or increased unavailability of sports content is likely to exacerbate the impacts to our content. Other of our offerings will be exposed to additional financial impacts in the event of future significant unavailability of content. COVID-19 impacts could also hasten the erosion of historical sources of revenue at our Linear Networks businesses. We have experienced reduced numbers of reservations at our hotels and cruises. We granted rent waivers to some of our tenants, and they have not paid rent while certain of our facilities have been closed. We have experienced increased returns and refunds and customer requests for payment deferrals. Collectively, our impacted businesses have historically been the source of the majority of our revenue. Many of our businesses that are open are operating subject to restrictions and increased expenses. These and other impacts of COVID-19 on our businesses will continue for an unknown length of time. COVID-19 impacts that have subsided may again impact our businesses in the future and new impacts may emerge from COVID-19 developments or other pandemics. For example, some of our parks closed due to government mandates or guidance following their initial reopening.

Consumers may change their behavior and consumption patterns in response to the prolonged suspension of certain of our businesses, such as subscription to pay television packages (which experienced accelerated decline during some periods after the onset of COVID-19) or theater-going to watch movies. Certain of our customers, including individuals as well as businesses such as theatrical distributors, affiliates, licensees of rights to use our programming and intellectual property, advertisers and others, have been negatively impacted by the economic downturn caused by COVID-19, which may result in decreased purchases of our goods and services even after certain operations resume. Some industries in which our customers operate, such as theatrical distribution, retail and travel, could experience contraction, which could impact the profitability of our businesses going forward. Additionally, we have incurred and will continue to incur incremental costs to implement health and safety measures, reopen our parks and restart our halted projects and operations. As we have resumed production of content, including live sports events, we have incurred costs to implement health and safety measures and productions will generally take longer to complete.

Our mitigation efforts in response to the impacts of COVID-19 on our businesses have had, or may have, negative impacts. The Company (or our Board of Directors, as applicable) issued senior notes in March and May 2020, entered into an additional $5.0 billion credit facility in April 2020 (which has now been terminated), did not pay a dividend with respect to fiscal 2020 operations and has not declared or paid with respect to fiscal 2021 operations; suspended certain capital projects; temporarily reduced certain discretionary expenditures (such as spending on marketing); temporarily reduced management compensation; temporarily eliminated Board of Director retainers and committee fees; furloughed over half of our employees (a small portion of whom remain furloughed and continue to receive Company provided medical benefits); and reduced our employee population. Such mitigation measures have resulted in the delay or suspension of certain projects in which we have invested, particularly at our parks and resorts and studio operations. We may take additional mitigation actions in the future such as raising additional financing; not declaring future dividends; reducing, or not making, certain payments, such as some contributions to our pension and postretirement medical plans; further suspending capital spending; reducing film and television content investments; implementing additional furloughs or reductions in force or modifying our operating strategy. These and other of our mitigating actions may have an adverse impact on our businesses. Additionally, there are limitations on our ability to mitigate the adverse financial impact of COVID-19, including the fixed costs of our theme park business and the impact COVID-19 may have on capital markets and our cost of borrowing. Further, the benefit of certain mitigation efforts will not continue to be available going forward. For example, as our employees are returning from furlough, the cost reductions of the related furloughs are no longer available and we are incurring expenses to recall and hire employees.

Even our operations that were not suspended or that have resumed continue to be adversely impacted by government mandated restrictions (such as density limitations and travel restrictions and requirements); measures we voluntarily implement; measures we are contractually obligated to implement; the distancing practices and health concerns of consumers, talent and production workers; and logistical limitations. Upon reopening our parks and resorts businesses we have seen certain instances of lower demand. Geographic variation in government requirements and ongoing changes to restrictions have disrupted and could further disrupt our businesses, including our production operations. Our operations could be suspended, re-suspended or subjected to new or reinstated limitations by government action or otherwise in the future as a result of developments related to COVID-19, such as the current expansion of the delta variant or other variants. For example, both Hong Kong Disneyland Resort and Disneyland Paris have reopened and closed multiple times since the onset of COVID-19. Some of our employees who returned to work were later refurloughed. Our operations could be further negatively impacted and our reputation could be negatively impacted by a significant COVID-19 outbreak impacting our employees, customers or others interacting with our businesses, including our supply chain.

In fiscal year 2020, we operated at a net loss. We have impaired goodwill and intangible assets at our International Channels businesses and written down the value of certain of our retail store assets. Certain of our other assets could also become impaired, including further impairments of goodwill and intangible assets; we have increased, and may further increase, allowances for credit losses; and there may be changes in judgments in determining the fair-value of assets; and estimates related to variable consideration may change due to increased returns, reduced usage of our products or services and decreased royalties. Our leverage ratios have increased and are expected to remain elevated at least in the near term as a result of COVID-19's impact on our financial performance, which caused certain of the credit rating agencies to downgrade their assessment of our credit ratings and could result in future downgrades. Our debt ratings may be further downgraded as a result of the COVID-19 impact, which may negatively impact our cost of borrowing. Due to reduced operating cash flow, we may utilize cash balances and/or future financings to fund a portion of our operations and investments in our businesses. Financial risks may be exacerbated by a number of factors, including the timing of customer deposit refunds and liquidity issues among our key customers, particularly advertisers, television affiliates, theatrical exhibitors and distributors, and licensees. These factors have impacted timely payments by such customers to the Company. Additionally, loss of or delay in the collection of receivables as a result of contractual performance short falls, meeting our contractual payment obligations, and investments we need to make in our business may result in increased financial risk. The Company has $12.8 billion in trade accounts receivable outstanding at July 3, 2021, with an allowance for credit losses of $0.2 billion. Our estimates and judgments with respect to the

collectability of our receivables are subject to greater uncertainty due to the impacts of COVID-19. Economic or political conditions in a country outside the U.S. as a result of COVID-19 could also reduce our ability to hedge exposure to currency fluctuations in the country or our ability to repatriate revenue from the country.

The impacts of COVID-19 to our business have generally amplified, or reduced our ability to mitigate, the other risks discussed in our filings with the SEC and our remediation efforts may not be successful.

COVID-19 also makes it more challenging for management to estimate future performance of our businesses. COVID-19 has already adversely impacted our businesses and net cash flow, and we expect the ultimate magnitude of these disruptions on our financial and operational results will be dictated by the length of time that such disruptions continue which will, in turn, depend on the currently unknowable duration and severity of the impacts of COVID-19, and among other things, the impact and duration of governmental actions imposed in response to COVID-19 and individuals' and companies' risk tolerance regarding health matters going forward. Where actual performance in our international markets significantly underperforms management's forecasts, the Company has had, and could have further, foreign currency hedge gains/losses which are not offset by the realization of exposures, resulting in excess hedge gains or losses. While we cannot be certain as to the duration of the impacts of COVID-19, we expect impacts of COVID-19 to affect our financial results at least through fiscal 2021.

Misalignment with public and consumer tastes and preferences for entertainment and consumer products could negatively impact demand for our entertainment offerings and products and adversely affect the profitability of any of our businesses.

Our businesses create entertainment, travel and consumer products whose success depends substantially on consumer tastes and preferences that change in often unpredictable ways. The success of our businesses depends on our ability to consistently create content, which may be distributed among other ways through broadcast, cable, internet or cellular technology, theme park attractions, hotels and other resort facilities and travel experiences and consumer products that meet the changing preferences of the broad consumer market and respond to competition from an expanding array of choices facilitated by technological developments in the delivery of content. The success of our theme parks, resorts, cruise ships and experiences, as well as our theatrical releases, depends on demand for public or out-of-home entertainment experiences. COVID-19 may impact consumer tastes and preferences. Many of our businesses increasingly depend on acceptance of our offerings and products by consumers outside the U.S., and their success therefore depends on our ability to successfully predict and adapt to changing consumer tastes and preferences outside as well as inside the U.S. Moreover, we must often invest substantial amounts in content production and acquisition, acquisition of sports rights, theme park attractions, cruise ships or hotels and other facilities or customer facing platforms before we know the extent to which these products will earn consumer acceptance. The impacts of COVID-19 are inhibiting and delaying our ability to earn returns on some of these and other investments. If our entertainment offerings and products, including our content offerings, modified as a result of COVID-19, as well as our methods to make our offerings and products available to consumers, do not achieve sufficient consumer acceptance, our revenue from advertising sales (which are based in part on ratings for the programs in which advertisements air), affiliate fees, subscription fees, theatrical film receipts, the license of rights to other distributors, theme park admissions, hotel room charges and merchandise, food and beverage sales, sales of licensed consumer products or from sales of our other consumer products and services, may decline, decline further or fail to grow to the extent we anticipate when making investment decisions and thereby further adversely affect the profitability of one or more of our businesses.

The success of our businesses is highly dependent on the existence and maintenance of intellectual property rights in the entertainment products and services we create.

The value to us of our intellectual property rights is dependent on the scope and duration of our rights as defined by applicable laws in the U.S. and abroad and the manner in which those laws are construed. If those laws are drafted or interpreted in ways that limit the extent or duration of our rights, or if existing laws are changed, our ability to generate revenue from our intellectual property may decrease, or the cost of obtaining and maintaining rights may increase.

The unauthorized use of our intellectual property may increase the cost of protecting rights in our intellectual property or reduce our revenues. The convergence of computing, communication and entertainment devices, increased broadband internet speed and penetration, increased availability and speed of mobile data transmission and increasingly sophisticated attempts to obtain unauthorized access to data systems have made the unauthorized digital copying and distribution of our films, television productions and other creative works easier and faster and protection and enforcement of intellectual property rights more challenging. The unauthorized distribution and access to entertainment content generally continues to be a significant challenge for intellectual property rights holders. Inadequate laws or weak enforcement mechanisms to protect entertainment industry intellectual property in one country can adversely affect the results of the Company's operations worldwide, despite the Company's efforts to protect its intellectual property rights. COVID-19 and distribution innovation in response to COVID-19 has increased opportunities to access content in unauthorized ways. Additionally, negative economic conditions coupled with a shift in government priorities could lead to less enforcement. These developments require us to devote substantial resources to

protecting our intellectual property against unlicensed use and present the risk of increased losses of revenue as a result of unlicensed distribution of our content and other commercial misuses of our intellectual property.

With respect to intellectual property developed by the Company and rights acquired by the Company from others, the Company is subject to the risk of challenges to our copyright, trademark and patent rights by third parties. Successful challenges to our rights in intellectual property may result in increased costs for obtaining rights or the loss of the opportunity to earn revenue from or utilize the intellectual property that is the subject of challenged rights. From time to time, the Company has been notified that it may be infringing certain intellectual property rights of third parties. Technological changes in industries in which the Company operates and extensive patent coverage in those areas may increase the risk of such claims being brought and prevailing.

A variety of uncontrollable events may reduce demand for or consumption of our products and services, impair our ability to provide our products and services or increase the cost or reduce the profitability of providing our products and services.

Demand for and consumption of our products and services, particularly our theme parks and resorts, is highly dependent on the general environment for travel and tourism. The environment for travel and tourism, as well as demand for and consumption of other entertainment products, can be significantly adversely affected in the U.S., globally or in specific regions as a result of a variety of factors beyond our control, including: health concerns (including as it has been by COVID-19 and could be by future pandemics); adverse weather conditions arising from short-term weather patterns or long-term change, catastrophic events or natural disasters (such as excessive heat or rain, hurricanes, typhoons, floods, tsunamis and earthquakes); international, political or military developments; and terrorist attacks. These events and others, such as fluctuations in travel and energy costs and computer virus attacks, intrusions or other widespread computing or telecommunications failures, may also damage our ability to provide our products and services or to obtain insurance coverage with respect to some of these events. An incident that affected our property directly would have a direct impact on our ability to provide goods and services and could have an extended effect of discouraging consumers from attending our facilities. Moreover, the costs of protecting against such incidents, including the costs of protecting against the spread of COVID-19, reduces the profitability of our operations.

For example, COVID-19 and measures to prevent the spread of COVID-19 are currently impairing our ability to provide our products and services and reducing consumption of those products and services. Further, prior to COVID-19, events in Hong Kong impacted profitability of our Hong Kong operations and may continue to do so, and past hurricanes have impacted the profitability of Walt Disney World Resort in Florida and future hurricanes may also do so.

The negative economic consequences of COVID-19 may be particularly challenging in markets where individuals and local businesses have limited access to government supported “safety nets,” which could lead to political instability and unrest, and further depress demand for our products and services over a longer timeframe.

In addition, we derive affiliate fees and royalties from the distribution of our programming, sales of our licensed goods and services by third parties, and the management of businesses operated under brands licensed from the Company, and we are therefore dependent on the successes of those third parties for that portion of our revenue. A wide variety of factors could influence the success of those third parties and if negative factors significantly impacted a sufficient number of those third parties, the profitability of one or more of our businesses could be adversely affected. Impacts of COVID-19 on third parties’ liquidity have impacted timely payments by such third parties to the Company.

We obtain insurance against the risk of losses relating to some of these events, generally including physical damage to our property and resulting business interruption, certain injuries occurring on our property and some liabilities for alleged breach of legal responsibilities. When insurance is obtained it is subject to deductibles, exclusions, terms, conditions and limits of liability. The types and levels of coverage we obtain vary from time to time depending on our view of the likelihood of specific types and levels of loss in relation to the cost of obtaining coverage for such types and levels of loss and we may experience material losses not covered by our insurance. For example, some losses related to impacts of COVID-19 will not be covered by insurance available to us, some coverage has been contested by an insurer and other coverage may be contested by insurers.

Changes in our business strategy or restructuring of our businesses may increase our costs or otherwise affect the profitability of our businesses or the value of our assets.

As changes in our business environment occur we have adjusted, and may further adjust our business strategies to meet these changes and we may otherwise decide to further restructure our operations or particular businesses or assets. For example, in October 2020 we announced a reorganization of our media and entertainment businesses to accelerate our DTC strategies, and in March 2021 we announced the closure of a substantial number of our Disney-branded retail stores. Our new organization and strategies may not produce the anticipated benefits, such as supporting our growth strategies and enhancing shareholder value. Our new organization and strategies could be less successful than our previous organizational structure and strategies. In addition, external events including changing technology, changing consumer purchasing patterns, acceptance of our theatrical and other content offerings and changes in macroeconomic conditions may impair the value of our assets. When these changes

or events occur, we may incur costs to change our business strategy and may need to write-down the value of assets. For example, current conditions, including COVID-19 and our business decisions, have reduced the value of some of our assets. We have impaired goodwill and intangible assets at our International Channels businesses and impaired the value of certain of our retail store assets. We may write-down other assets as our strategy evolves to account for the current business environment. We also make investments in existing or new businesses, including investments in international expansion of our business and in new business lines. In recent years, such investments have included expansion and renovation of certain of our theme parks, expansion of our fleet of cruise ships, the acquisition of TFCF and investments related to DTC offerings. Some of these investments may have returns that are negative or low, the ultimate business prospects of the businesses related to these investments may be uncertain, these investments may impact the profitability of our other businesses, and these risks are exacerbated by COVID-19. In any of these events, our costs may increase, we may have significant charges associated with the write-down of assets or returns on new investments may be lower than prior to the change in strategy or restructuring. Even if our strategies are effective in the long term, growth of our new offerings is unlikely to be even quarter over quarter and we may not expand into new markets as or when anticipated.

Increased competitive pressures may reduce our revenues or increase our costs.

We face substantial competition in each of our businesses from alternative providers of the products and services we offer and from other forms of entertainment, lodging, tourism and recreational activities. This includes, among other types, competition for human resources, content and other resources we require in operating our business. For example:

- Our programming and production operations compete to obtain creative, performing and business talent, sports and other programming, story properties, advertiser support and market share with other studio operators, television networks, SVOD providers and other new sources of broadband delivered content.
- Our television networks and stations and DTC offerings compete for the sale of advertising time with other television and SVOD services, as well as with newspapers, magazines, billboards and radio stations. In addition, we increasingly face competition for advertising sales from internet and mobile delivered content, which offer advertising delivery technologies that are more targeted than can be achieved through traditional means.
- Our television networks compete for carriage of their programming with other programming providers.
- Our theme parks and resorts compete for guests with all other forms of entertainment, lodging, tourism and recreation activities.
- Our content sales/licensing operations compete for customers with all other forms of entertainment.
- Our consumer products business competes with other licensors and creators of intellectual property.
- Our DTC businesses compete for customers with competitors' DTC offerings, all other forms of media and all other forms of entertainment, as well as for technology, creative, performing and business talent and for content. Competition in each of these areas may increase as a result of technological developments and changes in market structure, including consolidation of suppliers of resources and distribution channels. Increased competition may divert consumers from our creative or other products, or to other products or other forms of entertainment, which could reduce our revenue or increase our marketing costs.

Competition for the acquisition of resources can increase the cost of producing our products and services, deprive us of talent necessary to produce high quality creative material or increase the cost of compensation for our employees. Such competition may also reduce, or limit growth in, prices for our products and services, including advertising rates and subscription fees at our media networks, parks and resorts admissions and room rates, prices for consumer products from which we derive license revenues, and fees for our DTC offerings.

Changes in regulations applicable to our businesses may impair the profitability of our businesses.

Our broadcast networks and television stations are highly regulated, and each of our other businesses is subject to a variety of U.S. and overseas regulations. Some of these regulations include:

- U.S. FCC regulation of our television and radio networks, our national programming networks and our owned television stations.
- Federal, state and foreign privacy and data protection laws and regulations.
- Regulation of the safety and supply chain of consumer products and theme park operations, including potential regulation regarding the sourcing, importation and the sale of goods.
- Environmental protection regulations.
- Imposition by foreign countries of trade restrictions, restrictions on the manner in which content is currently licensed and distributed, ownership restrictions, currency exchange controls or film or television content requirements, investment obligations or quotas.
- Domestic and international labor laws, tax laws or currency controls.

Changes in any of these regulations or regulator activities in any of these areas, or others, may require us to spend additional amounts to comply with the regulations, or may restrict our ability to offer products and services in ways that are profitable. For example, in January 2019 India implemented regulation and tariffs impacting certain bundling of channels; U.S. agencies have enhanced trade restrictions and in August 2021 potential U.S. legislation was pending prohibiting importation of goods from certain regions; and in many countries/regions around the world (including but not limited to the EU) regulators are requiring us to broadcast on our linear (or display on our DTC services) programming produced in specific countries as well as invest specified amounts of our revenues in local content productions.

Public health and other regional, national, state and local regulations and policies are impacting our ability to operate our businesses at all or in accordance with historic practice. In addition to the government requirements that have closed or impacted most of our businesses as a result of COVID-19, government requirements may continue to be extended and new government requirements may be imposed.

Damage to our reputation or brands may negatively impact our Company across businesses and regions.

Our reputation and globally recognizable brands are integral to the success of our businesses. Because our brands engage consumers across our businesses, damage to our reputation or brands in one business may have an impact on our other businesses. Because some of our brands are globally recognized, brand damage may not be locally contained. Maintenance of the reputation of our Company and brands depends on many factors including the quality of our offerings, maintenance of trust with our customers and our ability to successfully innovate. Significant negative claims or publicity regarding the Company or its operations, products, management, employees, practices, business partners, business decisions, social responsibility and culture may damage our brands or reputation, even if such claims are untrue. Damage to our reputation or brands could impact our sales, business opportunities, profitability, recruiting and valuation of our securities.

The seasonality of certain of our businesses and timing of certain of our product offerings could exacerbate negative impacts on our operations.

Each of our businesses is normally subject to seasonal variations and variations in connection with the timing of our product offerings, including as follows:

- Revenues in our DPEP segment 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 quarters. Peak attendance and resort occupancy generally occur during the summer months when school vacations occur and during early winter and spring holiday periods. Our parks, resorts and experiences are or may be operating at diminished capacity or have been or may be closed during these periods as a result of COVID-19. In addition, licensing revenues fluctuate with the timing and performance of our theatrical releases and cable programming broadcasts, many of which have been delayed, canceled or modified.
- Revenues from television networks and stations are subject to seasonal advertising patterns and changes in viewership levels. In general, advertising revenues are somewhat higher during the fall and somewhat lower during the summer months.
- Revenues from content sales/licensing fluctuate due to the timing of content releases across various distribution markets. Release dates and methods are determined by a number of factors, including, among others, competition, the timing of vacation and holiday periods and impacts of COVID-19 to various distribution markets.
- DTC revenues fluctuate based on changes in the number of subscribers and subscriber fee or revenue mix; viewership levels on our digital platforms; and the demand for sports and film and television 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, content production schedules and league shut downs.

Accordingly, negative impacts on our business occurring during a time of typical high seasonal demand could have a disproportionate effect on the results of that business for the year. Examples include the ongoing impact of COVID-19 on various high seasons or hurricane damage to our parks during the summer travel season.

Sustained increases in costs of pension and postretirement medical and other employee health and welfare benefits may reduce our profitability.

With approximately 180,000 employees at July 3, 2021, our profitability is substantially affected by costs of pension and current and postretirement medical benefits. We may experience significant increases in these costs as a result of macroeconomic factors, which are beyond our control, including increases in the cost of health care. Impacts of COVID-19 may lead to an increase in the cost of medical insurance and expenses. In addition, changes in investment returns and discount rates used to calculate pension and postretirement medical expense and related assets and liabilities can be volatile and may have an unfavorable impact on our costs in some years. Our pension and postretirement medical plans were remeasured at the

end of fiscal 2020 and the underfunded status and fiscal 2021 costs increased. These macroeconomic factors as well as a decline in the fair value of pension and postretirement medical plan assets may put upward pressure on the cost of providing pension and postretirement medical benefits and may increase future funding requirements. There can be no assurance that we will succeed in limiting cost increases, and continued upward pressure could reduce the profitability of our businesses.

The alteration or discontinuation of LIBOR may adversely affect our borrowing costs.

Certain of our interest rate derivatives and a portion of our indebtedness bear interest at variable interest rates, primarily based on LIBOR, which may be subject to regulatory guidance and/or reform that could cause interest rates under our current or future debt agreements to perform differently than in the past or cause other unanticipated consequences. In July 2017, the Chief Executive of the U.K. Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that the FCA will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021. However, on November 30, 2020, ICE Benchmark Administration ("IBA"), indicated that it would consult on its intention to cease publication of most USD LIBOR tenors beyond June 30, 2023. On March 5, 2021, IBA confirmed it would cease publication of Overnight, 1, 3, 6 and 12 Month USD LIBOR settings immediately following the LIBOR publication on June 30, 2023. IBA also intends to cease publishing 1 Week and 2 Month USD LIBOR settings immediately following the LIBOR publication on December 31, 2021. The Alternative Reference Rates Committee (ARCC), which was convened by the Federal Reserve Board and the New York Fed, has identified the Secured Oversight Financing Rate (SOFR) as the recommended risk-free alternative rate for USD LIBOR. The extended cessation date for most USD LIBOR tenors will allow for more time for existing legacy USD LIBOR contracts to mature and provide additional time to continue to prepare for the transition from LIBOR. At this time, it is not possible to predict the effect any discontinuance, modification or other reforms to LIBOR, or the establishment of alternative reference rates such as SOFR, or any other reference rate, will have on the Company. However, if LIBOR ceases to exist or if the methods of calculating LIBOR change from their current form, the Company's borrowing costs may be adversely affected.

TFCF ACQUISITION RISKS

Our consolidated indebtedness increased substantially following completion of the TFCF acquisition and further increased as a result of the impacts of COVID-19. This increased level of indebtedness could adversely affect us, including by decreasing our business flexibility.

Our consolidated indebtedness and cash and cash equivalents as of September 29, 2018 were approximately $20.9 billion and $4.2 billion, respectively. With the completion of the TFCF acquisition, our consolidated indebtedness and cash and cash equivalents as of September 28, 2019 were approximately $47.0 billion and $5.4 billion, respectively. As of July 3, 2021, our consolidated indebtedness and cash and cash equivalents were approximately $55.8 billion and $16.1 billion, respectively. The increased indebtedness could have the effect of, among other things, reducing our financial flexibility and reducing our flexibility to respond to changing business and economic conditions, such as those presented by COVID-19, among others. Increased levels of indebtedness could also reduce funds available for capital expenditures, share repurchases and dividends, and other activities and may create competitive disadvantages for us relative to other companies with lower debt levels. Our leverage ratios have increased and are expected to remain elevated at least in the near term as the result of COVID-19's impact on financial performance, which caused certain of the credit ratings agencies to downgrade their assessment of our credit ratings and could result in future downgrades. As of July 2, 2021, 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 BBB+ and A-2, respectively, and Fitch's long- and short-term debt ratings for the Company were A- and F2, respectively.

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 July 3, 2021:

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]
April 4, 2021 - April 30, 2021	17,873	$ 187.26	—	na
May 1, 2021 - May 31, 2021	19,292	172.93	—	na
June 1, 2021 - July 3, 2021	19,511	175.91	—	na
Total	56,676	178.47	—	na

(1) 56,676 shares were purchased on the open market to provide shares to participants in the Walt Disney Investment Plan. These purchases were not made pursuant to a publicly announced repurchase plan or program.

(2) Not applicable as the Company no longer has a stock repurchase plan or program.

ITEM 5. Other Items

None.

ITEM 6. Exhibits

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
10.1	Employment Agreement, dated as of July 1, 2021 between the Company and Paul Richardson †	Filed herewith
22	List of Guarantor Subsidiaries	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 July 3, 2021 formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Condensed Consolidated Statements of Operations, (ii) the Condensed Consolidated Statements of Comprehensive Income (Loss), (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Cash Flows, (v) the Condensed Consolidated Statements of Equity and (vi) related notes	Filed herewith
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)	Filed herewith

* 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.

† Management Contract or compensatory plan or arrangement.

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

August 12, 2021
Burbank, California

Exhibit 10.1

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, dated as of July 1, 2021, by and between The Walt Disney Company, a Delaware corporation (the "***Company***"), and Paul J. Richardson ("***Executive***").

W I T N E S S E T H:

WHEREAS, the Company and Executive wish to enter into an agreement (this "***Agreement***") to provide for Executive's 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 July 1, 2021, and ending on June 30, 2024 (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 Human Resources 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 Human Resources Officer, as the Company reasonably may assign. 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 Affiliated 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 and the Employee Policy Manual, nothing herein shall preclude Executive from (i) engaging in charitable activities and community affairs, and (ii) managing Executive's personal investments, 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 hereunder. 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 B, 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 July 1 2021, Executive shall receive an annual base salary of $750,000. 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 $750,000. Notwithstanding any other provision of this Agreement or any other Company document reflecting Executive's Base Salary (as defined below), the Company may reduce Executive's Base Salary by any amount up to 50% of Executive's then-current Base Salary for any period of time up to a consecutive or cumulative maximum period of six months if during such applicable period Company has instituted a Company-wide salary reduction program broadly applicable to employees at a comparable level to Executive.

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 comparable 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 most senior executive officers of the Company, 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 one hundred fifty percent (150%) 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 of Directors of the Company responsible for administering such Annual Plan, which, as to Company performance objectives, shall be substantially the same as the objectives established under the Annual Plan for the other most

senior executive officers of the Company, though individual performance criteria may differ to reflect differences in responsibilities. Any bonus payable pursuant to this Paragraph 3(b) shall be paid at the same time as annual bonuses are generally payable to the most senior executive 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 most senior 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 (which value shall be as determined in accordance with the policies and practices generally applicable to the Company's executive officers) of 350% of Executive's Base Salary as expected to be in effect at the end of such fiscal year; it being understood that the form of the award shall be determined by the Compensation Committee and such form shall be subject to the terms of the applicable plan or plans of the Company. 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. The Company shall cause Disney to provide Executive with an indemnification agreement substantially in the form attached hereto as Exhibit A (the "***Indemnification Agreement***"), which agreement shall be signed and delivered to Executive upon execution of this Agreement by the parties hereto.

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 B.

"***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 C 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 June 30, 2024.

“***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 based on Executive’s (i) conviction of embezzlement, fraud, or other conduct which would constitute a felony; (ii) willful unauthorized disclosure of confidential information; (iii) failure, neglect of, or refusal to substantially perform the duties of the Executive’s employment; or (iv) any other act or omission which is a significant breach of the Company’s policies or which is significantly injurious to the financial condition or business reputation of the Company or any Affiliate thereof, 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 and 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 opportunity to earn an annual incentive bonus in accordance with any Annual Plan generally applicable to comparable senior executives of the Company as provided in Paragraph 3(b) or the loss of entitlement to participate in equity-based long-term incentive plan(s) generally made available to comparable senior 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 Human Resources 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 Human Resources 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 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 superceded 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. Further, to the extent Executive notifies the Company of intent to terminate employment for Good Reason based on (v) above (the relocation of Executive's principal office to a location that is more than 50 miles outside of the greater Los Angeles area), and such relocation is to another location within the United States, then Executive shall not be entitled to the Conditional Benefits but, instead, shall be entitled to (a) the Unconditional Entitlements and (b) a payment equal to Executive's base salary from the Termination Date through the Scheduled Expiration Date or one year of base salary, whichever is greater. Such payment shall be made six months and one day following the Termination Date on the condition that Executive has signed and returned to the Company the Release attached as Exhibit C.

"*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 D, 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 one-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 the 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.

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 Affiliated 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 Delaware, (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 (together with a confirming email sent to the Company officers set forth below), 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

and

The Walt Disney Company
500 South Buena Vista Street
Burbank, California 91521
Attention: Senior Executive Vice President,
General Counsel and Secretary

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.

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(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

THE WALT DISNEY COMPANY

Dated: June 30, 2021 By: /s/ Alan N. Braverman
Alan N. Braverman

Dated: June 30, 2021 By: /s/ Paul J. Richardson
Paul J. Richardson

Exhibit A

INDEMNIFICATION AGREEMENT

AGREEMENT, dated as of July 1, 2021, between The Walt Disney Company, a Delaware corporation (the "Company") and Paul J. Richardson (the "Indemnitee").

WHEREAS, it is essential to the Company to retain and attract as directors and officers for itself and its subsidiaries the most capable persons available;

WHEREAS, Indemnitee is Senior Executive Vice President and Chief Human Resources Officer of the Company;

WHEREAS, in recognition of Indemnitee's need for substantial protection against personal liability in order to enhance Indemnitee's continued service in the position(s) referred to above, the Company wishes to provide in this Agreement for the indemnification of and the advancing of expenses to Indemnitee to the full extent (whether partial or complete) permitted by law and as set forth in this Agreement, and, to the extent insurance is maintained, for the continued coverage of Indemnitee under the Company's directors' and officers' liability insurance policies;

NOW, THEREFORE, in consideration of the premises and of Indemnitee's continuing to serve, at the Company's request, in the position(s) referred to above, and intending to be legally bound hereby, the parties hereto agree as follows:

1. *Certain Definitions*.

(a) A "Change in Control" shall be deemed to have occurred if (i) any "person" (as such term is used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 25% or more of the total voting power represented by the Company's then outstanding Voting Securities, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors of the Company or nomination for election by the Company's stockholders was approved by a vote of at least twothirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into Voting Securities of the surviving entity) at least 75% of the total voting power of such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the

Company (in one transaction or a series of transactions) of all or substantially all the Company's assets.

(b) "Claim" shall mean any threatened, pending or completed action, suit, proceeding or alternate dispute resolution mechanism, or any inquiry, hearing or investigation, whether conducted by the Company or any other party, that Indemnitee in good faith believes might lead to the institution of any such action, suit, proceeding or alternate dispute resolution mechanism, whether civil, criminal, administrative, investigative or other.

(c) "Expenses" shall include attorneys' fees and all other costs, travel expenses, fees of experts, transcript costs, filing fees, witness fees, telephone charges, postage, delivery service fees, expenses and obligations of any nature whatsoever paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in any Claim relating to any Indemnifiable Event.

(d) "Indemnifiable Event" shall mean any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, agent or fiduciary of the Company or one of its subsidiaries, or is or was serving at the request of the Company or one of its subsidiaries as a director, officer, employee, trustee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, or by reason of anything done or not done by Indemnitee in any such capacity.

(g) "Independent Legal Counsel" shall mean an attorney, selected in accordance with the provisions of Section 3 hereof, who shall not have otherwise performed services for the Company or Indemnitee within the last five years (other than in connection with seeking indemnification under this Agreement). Notwithstanding the foregoing, the term "Independent Legal Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine such Indemnitee's right to indemnification under this Agreement, nor shall Independent Legal Counsel be any person who has been sanctioned or censured for ethical violations of applicable standards of professional conduct.

(e) A "Potential Change in Control" shall be deemed to have occurred if (i) the Company enters into an agreement or arrangement, the consummation of which would result in the occurrence of a Change in Control; (ii) any person (including the Company) publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control; or (iii) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

(f) "*Reviewing Party*" shall mean any appropriate person or body consisting of a member or members of the Board of Directors of the Company or any other person or body appointed by the Board who is not a party to the particular Claim for which Indemnitee is seeking indemnification, or Independent Legal Counsel.

(g) "Voting Securities" shall mean any securities of an entity which vote generally in the election of directors.

2. *Basic Indemnification Arrangement*.

(a) In the event Indemnitee was, is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify Indemnitee to the fullest extent permitted by law as soon as practicable but in any event no later than thirty days after written demand is presented to the Company, against any and all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid in settlement) of such Claim and any federal, state, local or foreign taxes imposed on the Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement (including the creation of the trust referred to in Section 4 hereof). If so requested by Indemnitee, the Company shall advance (within two business days of such request) any and all expenses to Indemnitee (an "Expense Advance"). Notwithstanding anything in this Agreement to the contrary and except as provided in Section 5 and the proviso in the first sentence of Section 2(b) hereof, prior to a Change in Control Indemnitee shall not be entitled to indemnification pursuant to this Agreement in connection with any Claim initiated by Indemnitee against the Company or any director or officer of the Company unless the Company has joined in or consented to the initiation of such Claim.

(b) Notwithstanding the foregoing, (i) the obligations of the Company under Section 2(a) hereof shall be subject to the condition that the Reviewing Party shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 3 hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an Expense Advance pursuant to Section 2(a) hereof shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that Indemnitee would not be permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for an Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). Indemnitee's obligation to reimburse the Company for Expense Advances shall be unsecured and no interest shall be charged thereon. If there has not been a Change in Control, the Reviewing Party shall be selected by the Board of Directors of the Company, and if there has been such a Change in Control, (other than a Change in Control which has been approved by a majority of the Board of Directors of the Company who were

directors immediately prior to such Change in Control) the Reviewing Party shall be the Independent Legal Counsel referred to in Section 3 hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation in any court in the States of California or Delaware having subject matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, or the legal or factual bases therefor and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

3. *Change in Control*. The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Board of Directors of the Company who were directors immediately prior to such Change in Control) then Independent Legal Counsel shall be selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld) and such Independent Legal Counsel shall determine whether the officer or director is entitled to indemnity payments and Expense Advances under this Agreement or any other agreement or Certificate of Incorporation or Bylaws of the Company now or hereafter in effect relating to Claims for Indemnifiable Events. Such Independent Legal Counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent the Indemnitee will be permitted to be indemnified. The Company agrees to pay the reasonable fees of the Independent Legal Counsel and to indemnify fully such Independent Legal Counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or the engagement of Independent Legal Counsel pursuant hereto.

4. *Establishment of Trust*. In the event of a Potential Change in Control, the Company shall, upon written request by Indemnitee, create a trust for the benefit of Indemnitee and from time to time upon written request of Indemnitee shall fund such trust in an amount sufficient to satisfy any and all Expenses reasonably anticipated at the time of each such request to be incurred in connection with investigating, preparing for and defending any Claim relating to an Indemnifiable Event, and any and all judgments, fines, penalties and settlement amounts of any and all Claims relating to an Indemnifiable Event from time to time actually paid or claimed, reasonably anticipated or proposed to be paid. The amount or amounts to be deposited in the trust pursuant to the foregoing funding obligation shall be determined by the Reviewing Party, in any case in which the Independent Legal Counsel referred to above is involved. The terms of the trust shall provide that upon a Change in Control (i) the trust shall not be revoked or the principal thereof invaded, without the written consent of Indemnitee, (ii) the trustee shall advance, within two business days of a request by Indemnitee, any and all Expenses to Indemnitee (and Indemnitee hereby agrees to reimburse the trust under the circumstances under which Indemnitee would be required to reimburse the Company under Section 2(b) hereof), (iii) the trust shall continue to be funded by the Company in accordance with the funding obligation set forth above, (iv) the trustee shall promptly pay to Indemnitee all amounts for which Indemnitee shall be entitled to indemnification pursuant to this Agreement or

otherwise, and (v) all unexpended funds in such trust shall revert to the Company upon a final determination by the Reviewing Party or a court of competent jurisdiction, as the case may be, that Indemnitee has been fully indemnified under the terms of this Agreement. The trustee shall be chosen by Indemnitee. Nothing in this Section 4 shall relieve the Company of any of its obligations under this Agreement. All income earned on the assets held in the trust shall be reported as income by the Company for federal, state, local and foreign tax purposes.

5. *Indemnification for Additional Expenses*. The Company shall indemnify Indemnitee against any and all expenses (including attorneys' fees) and, if requested by Indemnitee, shall (within two business days of such request) advance such expenses to Indemnitee, which are incurred by Indemnitee in connection with any claim asserted against or in connection with any action brought by Indemnitee for (i) indemnification or advance payment of Expenses by the Company under this Agreement or any other agreement or certificate of incorporation or by-laws of the Company now or hereafter in effect relating to Claims for Indemnifiable Events and/or (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be.

6. *Partial Indemnity, Etc*. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties and amounts paid in settlement of a Claim but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified against all Expenses incurred in connection therewith. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

7. *No Presumption*. For purposes of this Agreement, the termination of any claim, action, suit or proceeding, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law.

8. *Non-exclusivity, Etc*. The rights of Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under the certificate of incorporation or by-laws of the Company or one of its subsidiaries or the Delaware General Corporation Law or otherwise. To the extent that a change in the Delaware General Corporation Law (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded currently under the certificate of incorporation and by-laws of the Company and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

9. *No Construction as Employment Agreement*. Nothing contained in this Indemnity Agreement shall be construed as giving Indemnitee any right to be retained in the employ of the Company or any of its subsidiaries, it being understood, for the avoidance of doubt that the foregoing does not limit or otherwise affect the validity of any employment agreement or the enforceability thereof in accordance with its terms.

10. *Liability Insurance*. To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any director or officer of the Company.

11. *Period of Limitations*. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company or any affiliate of the Company against Indemnitee, Indemnitee's spouse, heirs, executors, administrators or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company or its affiliate shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action such shorter period shall govern.

12. *Amendments, Etc*. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

13. *Subrogation*. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

14. *No Duplication of Payments*. The Company shall not be liable under this Agreement to make any payment in connection with any claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, certificate of incorporation or by-laws of the Company or otherwise) of the amounts otherwise indemnifiable hereunder.

15. *Binding Effect, Etc*. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise to all, substantially all, or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This

Agreement shall continue in effect regardless of whether Indemnitee continues to serve as an officer and/or director of any affiliate of Company or of any other enterprise at the Company's request.

16. *Severability*. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of this Agreement containing any provision held to be invalid, void or otherwise unenforceable, that is not itself invalid, void or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

17. *Governing Law*. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts of laws.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of July 1, 2021.

THE WALT DISNEY COMPANY

By: ______________________________

--EXHIBIT; NOT FOR EXECUTION--

____

Paul J. Richardson

Exhibit B

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (hereinafter referred to as "**Agreement**") is made and entered into by and between Paul J. Richardson (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 July 1, 2021 (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 Employment Period 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:

Exhibit C

GENERAL RELEASE

WHEREAS, Paul J. Richardson (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 July 1, 2021 (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, (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 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 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 Affiliated 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 Disney'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 "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 THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

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 the 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 General Counsel, 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--

____
Paul J. Richardson

Date: ____________________

THE WALT DISNEY COMPANY

By: ____________________

Title: ____________________

Date: ____________________

Exhibit D

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.

Employee Signature ______________________________

Employee Name (Print) ______________________________

Date (MM/DD/YY) ______________________________

Exhibit 22

List of Guarantor Subsidiaries

TWDC Enterprises 18 Corp ("Legacy Disney") is a subsidiary of The Walt Disney Company ("TWDC") and, as of July 3, 2021, a guarantor of TWDC's registered debt securities. Legacy Disney is also an issuer of registered debt securities, which is guaranteed by TWDC. At July 3, 2021, the registered debt securities were as follows:

CUSIPs for TWDC Registered Debt Securities Guaranteed by Legacy Disney

254687FG6 / 254687FH4 / 254687FJ0 / 254687FK7 / 254687FL5 / 254687FM3 / 254687FN1 / 254687FP6 / 254687FQ4 / 254687FR2 / 254687FS0 / 254687CM6 / 254687CP9 / 254687CR5 / 254687CT1 / 254687CV6 / 254687CX2 / 254687CZ7 / 254687DB9 / 254687DD5 / 254687DF0 / 254687DH6 / 254687DK9 / 254687DM5 / 254687DP8 / 254687DR4 / 254687DT0 / 254687DV5 / 254687DX1 / 254687DZ6 / 254687EB8 / 254687ED4 / 254687EF9 / 254687EH5 / 254687EK8 / 254687EM4 / 254687EP7 / 254687ER3 / 254687ET9 / 254687EV4 / 254687EX0 / 254687EZ5 / 254687FB7 / 254687FD3 / 254687FF8 / 254687FU5 / 254687FV3 / 254687FW1 / 254687FX9 / 254687FY7 / 254687FZ4 / 254687GA8

CUSIPs for Legacy Disney Registered Debt Securities Guaranteed by TWDC

25468PCN4 / 25468PCT1 / 25468PDQ6 / 25468PDS2 / 25468PCW4 / 254687CD6 / 25468PDF0 / 25468PDK9 / 25468PDM5 / 25468PDV5 / 25468PBW5 / 25468PCP9 / 25468PCR5 / 25468PCX2 / 25468PDB9 / 25468PDN3

Exhibit 31(a)

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

I, Robert A. Chapek, 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: August 12, 2021

By: /s/ ROBERT A. CHAPEK

Robert A. Chapek
Chief Executive Officer

Exhibit 31(b)

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

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

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

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

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

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

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

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

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

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

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

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

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

Date: August 12, 2021

By: /s/ CHRISTINE M. MCCARTHY

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

Exhibit 32(a)

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

In connection with the Quarterly Report of The Walt Disney Company (the "Company") on Form 10-Q for the fiscal quarter ended July 3, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert A. Chapek, 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. CHAPEK
Robert A. Chapek
Chief Executive Officer
August 12, 2021

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

Exhibit 32(b)

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

In connection with the Quarterly Report of The Walt Disney Company (the "Company") on Form 10-Q for the fiscal quarter ended July 3, 2021 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
August 12, 2021

* 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.