The Walt Disney Company

Fiscal Year 2015 Annual Financial Report And Shareholder Letter

Note: As you read the financial numbers here, all the amounts are in millions of dollars. Thus, $5,321 would be 5 billion, 321 million dollars

ITEM 1. Business

The Walt Disney Company, together with its subsidiaries, is a diversified worldwide entertainment company with operations in five business segments: Media Networks, Parks and Resorts, Studio Entertainment, Consumer Products and Interactive. In June 2015, the Company announced the combination of its Consumer Products and Interactive segments into a single segment. The Company will begin reporting the financial results of the combined segment in fiscal 2016. For convenience, the terms “Company” and “we” are used to refer collectively to the parent company and the subsidiaries through which our various businesses are actually conducted.

Information on the Company’s revenues, segment operating income and identifiable assets appears in Note 1 to the Consolidated Financial Statements included in Item 8 hereof. The Company employed approximately 185,000 people as of October 3, 2015.

MEDIA NETWORKS

The Media Networks segment includes cable and broadcast television networks, television production operations, television distribution, domestic television stations and radio networks and stations.

The businesses in the Media Networks segment generate revenue from fees charged to cable, satellite and telecommunications service providers (Multi-channel Video Programming Distributors or MVPDs) and television stations affiliated with our domestic broadcast television network for the right to deliver our programs to their customers/subscribers ("affiliate fees"), from the sale to advertisers of time in programs for commercial announcements ("ad sales") and from other sources such as the sale and distribution of television programming ("program sales"). Significant operating expenses include programming and production costs, participations and residuals expense, technical support costs, operating labor and distribution costs.

Cable Networks

Our cable networks include ESPN, the Disney Channels and ABC Family. We also operate the Hungama and UTV/Bindass networks in India. The cable networks group produces its own programs or acquires rights from third parties to air programs on our networks. The Company also has interests in joint ventures that operate cable and broadcast programming services and are accounted for under the equity method of accounting.

Cable networks derive the majority of their revenues from affiliate fees and, for certain networks (primarily ESPN and ABC Family), ad sales. Generally, the Company’s cable networks provide programming and other services under multi-year agreements with MVPDs that include contractually determined fees. The amounts that we can charge to MVPDs for our cable network services are largely dependent on the quality and quantity of programming that we can provide and the competitive market. The ability to sell time for commercial announcements and the rates received are primarily dependent on the size and nature of the audience that the network can deliver to the advertiser as well as overall advertiser demand. We also sell programming developed by our cable networks in television markets worldwide, to subscription video-on-demand (SVOD) services, such as Netflix, Hulu and Amazon, and in electronic and physical (DVD and Blu-ray) formats.

The Company's significant cable networks, along with the estimated number of subscribers as of October 3, 2015 are set forth in the following table:

	Estimated Subscribers (in millions) [(1)]
ESPN (80% owned)	
ESPN	92
ESPN2	92
ESPNU	72
ESPNEWS	70
SEC Network	62
ESPN Classic	25
ESPN channels – International	127
Disney Channels (100% owned)	
Disney Channel – Domestic	95
Disney Channels – International	195
Disney Junior – Domestic	74
Disney Junior – International	130
Disney XD – Domestic	78
Disney XD – International	123
ABC Family (100% owned)	93
A&E Television Networks (A&E) (50% owned)	
A&E	94
HISTORY	95
Lifetime	94
Lifetime Movie Network (LMN)	82
H2	70
FYI	69

(1) Estimated domestic subscriber counts are according to Nielsen Media Research, except for the SEC Network, which is not measured by Nielsen Media Research. For our international channels and the SEC Network, subscriber counts are based on internal management reports.

ESPN

ESPN is a multimedia sports entertainment company that operates eight 24-hour domestic television sports networks: ESPN, ESPN2, ESPNU (a network devoted to college sports), ESPNEWS, SEC Network (a sports programming network dedicated to Southeastern Conference college athletics), ESPN Classic, the regionally focused Longhorn Network (a network dedicated to The University of Texas athletics) and ESPN Deportes (a Spanish language network), which are all simulcast in high definition except ESPN Classic. ESPN programs the sports schedule on the ABC Television Network, which is branded ESPN on ABC. ESPN owns 17 television networks outside of the United States (primarily in Latin America) that allow ESPN to reach sports fans in over 60 countries and territories in four languages. In addition, ESPN holds a 30% equity interest in CTV Specialty Television, Inc., which owns television networks in Canada, including The Sports Network, The Sports Network 2, Le Réseau des Sports (RDS), RDS2, RDS Info, ESPN Classic Canada, the NHL Network and Discovery Canada.

ESPN holds rights for various professional and college sports programming including the National Football League (NFL), college football (including bowl games and the College Football Playoff) and basketball, Major League Baseball (MLB), the National Basketball Association (NBA), the Wimbledon Championships, US Open Tennis, soccer and the Masters golf tournament.

ESPN also operates:

- ESPN.com – which delivers comprehensive sports news, information and video on computers and mobile and other connected devices

- WatchESPN – which delivers live streams of most of ESPN's domestic networks on computers and mobile and other connected devices to authenticated MVPD subscribers. Non-subscribers have limited access to certain content on select Watch platforms
- ESPN3 and SEC Network + – which are ESPN's live multi-screen sports networks that deliver exclusive sports events. ESPN3 and SEC Network + are accessible on WatchESPN
- ESPN Events – which owns and operates a portfolio of collegiate sporting events including bowl games, football pre-game shows and basketball games
- ESPN Radio – which distributes talk and play by play programming and is one of the largest sports radio networks in the U.S. ESPN Radio network programming is carried on more than 500 terrestrial stations including four ESPN owned stations in New York, Los Angeles, Chicago and Dallas and on satellite and internet radio
- ESPN The Magazine – which is a bi-weekly sports magazine
- ESPN Enterprises – which develops branded licensing opportunities
- espnW – which provides an online destination for female sports fans

Disney Channels

The Disney Channels includes over 100 channels available in 34 languages and 163 countries/territories. Branded channels include Disney Channel, Disney Junior, Disney XD, Disney Cinemagic, Disney Cinema and DLife. Disney Channels also operates Radio Disney and provides content through subscription and video-on-demand services and online through our websites: DisneyChannel.com, DisneyXD.com, DisneyJunior.com and RadioDisney.com. Programming for these networks includes internally developed and acquired programming.

WatchDisneyChannel, WatchDisneyJunior and *WatchDisneyXD* deliver live or on-demand channel programming on computers and mobile and other connected devices to authenticated MVPD subscribers. Non-subscribers have limited access to select content on the Watch platforms.

Disney Channel - Disney Channel is a cable network airing original series and movie programming targeted to kids ages 2 to 14. In the U.S., Disney Channel airs 24 hours a day. Disney Channel develops and produces shows for exhibition on its network, including live-action comedy series, animated programming and preschool series as well as original movies. Disney Channel also airs programming and content from Disney's theatrical film and television programming library.

Disney Junior - Disney Junior is a cable network that airs programming targeted to kids ages 2 to 7 and their parents and caregivers, featuring animated and live-action programming that blends Disney's storytelling and characters with learning. In the U.S., Disney Junior airs 24 hours a day. Programming focuses on early math and language skills, healthy eating and social skills. Disney Junior also airs as a programming block on the Disney Channel.

Disney XD - Disney XD is a cable channel airing a mix of live-action and animated original programming targeted to kids ages 6 to 14. In the U.S., Disney XD airs 24 hours a day.

Disney Cinemagic and *Disney Cinema* - Disney Cinemagic and Disney Cinema are premium subscription services available in certain countries in Europe airing a selection of Disney movies, classic and newer Disney cartoons and shorts as well as animated television series.

Radio Disney - Radio Disney is a 24-hour radio network targeted to kids, tweens and families reaching listeners through a national broadcast on Sirius XM, RadioDisney.com, TuneIn, the Radio Disney iOS and Android apps, iTunes Radio Tuner, HD Radio, Aha Radio and Slacker. Radio Disney operates from an owned terrestrial radio station in Los Angeles. Radio Disney is also available throughout Latin America on two owned terrestrial stations and through agreements with third-party radio stations.

Seven TV - The Company has a 49% interest in Seven TV, which operates an advertising-supported, free-to-air Disney Channel in Russia. In October 2014, regulations were adopted in Russia that prohibit more than 20% foreign ownership of media companies. The regulations become effective in January 2016. The Company is in the process of restructuring its investment in a way that we believe will comply with these regulations. We understand that the Russian government will review the new structure for compliance during calendar year 2016 and, depending on the outcome, we could have an impairment of some or all of our approximately $300 million investment related to the Disney Channel in Russia. The Company's share of the financial results of Seven TV is reported as "Equity in the income of investees" in the Company's Consolidated Statements of Income.

ABC Family

ABC Family, which will be renamed "Freeform" in January 2016, is a domestic cable network targeted to viewers in the 14 to 34 age demographic. ABC Family produces original live-action programming. ABC Family also acquires programming from third parties, airs content from our owned theatrical film library and features branded holiday programming events such as “13 Nights of Halloween” and “25 Days of Christmas”.

WatchABCFamily delivers either live or on-demand channel programing on computers and mobile and other connected devices to authenticated MVPD subscribers. Non-subscribers have limited access to select ABC Family programming.

Hungama

Hungama is a kids general entertainment cable network in India, which features a mix of anime, Hindi-language series and game shows.

UTV/Bindass Networks

UTV and Bindass are cable television networks in India. UTV Action and UTV Movies are movie channels that offer Hollywood movies dubbed in Hindi, Bollywood movies and other local regional language movies dubbed in Hindi. Bindass is a youth entertainment channel and Bindass Play is a music channel.

A&E

A&E Television Networks (A&E) is a joint venture owned 50% by the Company and 50% by the Hearst Corporation. A&E operates a variety of cable networks including:

- A&E – which offers entertainment programming including original reality and scripted series
- HISTORY – which offers original non-fiction series and event-driven specials
- Lifetime – which is devoted to female-focused programming
- LMN – which is a 24-hour movie channel
- H2 – which focuses on the culture and history of countries throughout the world from a local perspective. In November 2015, A&E acquired a 9% ownership interest in Vice Media (Vice) in exchange for a 49.9% interest in H2, which will be rebranded with Vice content. Vice is a media company targeting a millennial audience through edgy news, pop culture content and creative brand integration
- FYI – which offers contemporary lifestyle programming
- Lifetime Real Women – which is a 24-hour cable network with programming focusing on women

Internationally, A&E programming is available in over 150 countries. The Company’s share of A&E’s financial results is reported as “Equity in the income of investees” in the Company’s Consolidated Statements of Income.

Broadcasting

Our broadcasting business includes a domestic broadcast network, television production and distribution operations, and eight owned domestic television stations. The Company also has a 33% interest in Hulu LLC (Hulu), a venture that acquires and produces film and television content and distributes it on the internet, and a 50% effective interest in Fusion Media Networks LLC (Fusion), a news, pop culture and lifestyle television and digital network targeted at millennials.

Domestic Broadcast Television Network

The Company operates the ABC Television Network (ABC), which as of October 3, 2015, had affiliation agreements with 242 local television stations reaching almost 100% of all U.S. television households. ABC broadcasts programs in the following “dayparts”: primetime, daytime, late night, news and sports.

ABC produces its own programs and also acquires programming rights from third parties as well as entities that are owned by or affiliated with the Company. ABC derives the majority of its revenues from ad sales. The ability to sell time for commercial announcements and the rates received are primarily dependent on the size and nature of the audience that the network can deliver to the advertiser as well as overall advertiser demand for time on network broadcasts. ABC also receives fees for its broadcast feed from affiliated television stations.

WatchABC delivers local ABC TV stations’ linear feed, as well as access to on-demand episodes of certain ABC programming on computers and mobile and other connected devices to authenticated MVPD subscribers. Non-subscribers have a more limited access to on-demand episodes.

ABC.com provides online extensions to ABC programming including episodes and clips. ABCNews.com provides in-depth worldwide news coverage online and video-on-demand news reports from ABC News broadcasts. ABC News also has an agreement to provide news content to Yahoo! News.

Television Production

The Company produces the majority of its original live-action television programming under the ABC Studios label. Program development is carried out in collaboration with independent writers, producers and creative teams, with a focus on one-hour dramas and half-hour comedies, primarily for primetime broadcasts. Primetime programming produced either for our networks or for third parties for the 2015/2016 television season includes twelve returning and eight new one-hour dramas and five new and two returning half-hour comedies. Additionally, ABC Studios and Marvel are producing three drama series for Netflix. The Company also produces the late night show, *Jimmy Kimmel Live,* a variety of primetime specials for network television, as well as syndicated, news and daytime programming.

Television Distribution

We distribute the Company's productions in television markets worldwide, to SVOD services, such as Netflix, Hulu and Amazon, and in electronic and physical (DVD and Blu-ray) formats.

Domestic Television Stations

The Company owns eight television stations, six of which are located in the top-ten markets in the U.S. in terms of television households. The television stations derive the majority of their revenues from ad sales. The stations also receive affiliate fees. All of our television stations are affiliated with ABC and collectively reach 23% of the nation's television households. Each owned station broadcasts three digital channels: the first consists of local, ABC and syndicated programming; the second is the Live Well Network; and the third is the LAFF Network.

Details for the stations we own are as follows:

TV Station	Market	Television Market Ranking[1]
WABC	New York, NY	1
KABC	Los Angeles, CA	2
WLS	Chicago, IL	3
WPVI	Philadelphia, PA	4
KGO	San Francisco, CA	6
KTRK	Houston, TX	10
WTVD	Raleigh-Durham, NC	25
KFSN	Fresno, CA	54

(1) Based on Nielsen Media Research, U.S. Television Household Estimates, January 1, 2015

Hulu

Hulu is a joint venture owned one-third each by the Company, Fox Entertainment Group and NBCUniversal. Hulu aggregates acquired television and film entertainment content and original content produced by Hulu for viewing on internet-connected devices. Hulu offers a free service with commercials, a subscription-based service with limited commercials and a subscription-based service with no commercials. The Company's share of Hulu's financial results is reported as "Equity in the income of investees" in the Company's Consolidated Statements of Income.

Fusion

Fusion is a joint venture owned 50% by the Company and 50% by Univision. Fusion operates a television and digital network featuring news, pop culture and lifestyle programming targeted at millennials. The Company's share of Fusion's financial results is reported as "Equity in the income of investees" in the Company's Consolidated Statements of Income.

Competition and Seasonality

The Company's Media Networks businesses compete for viewers primarily with other television and cable networks, independent television stations and other media, such as online video services and video games. With respect to the sale of advertising time, we compete with other television networks and radio stations, independent television stations, MVPDs and other advertising media such as internet delivered content, newspapers, magazines and billboards. Our television and radio stations primarily compete for audiences and advertisers in individual market areas.

television station owners the right to reject or refuse network programming in certain circumstances or to substitute programming that the licensee reasonably believes to be of greater local or national importance.

- *Cable and satellite carriage of broadcast television stations.* With respect to cable systems operating within a television station's Designated Market Area, FCC rules require that every three years each television station elect either "must carry" status, pursuant to which cable operators generally must carry a local television station in the station's market, or "retransmission consent" status, pursuant to which the cable operator must negotiate with the television station to obtain the consent of the television station prior to carrying its signal. Under the Satellite Home Viewer Improvement Act and its successors, including most recently the STELA Reauthorization Act (STELAR), which also requires the "must carry" or "retransmission consent" election, satellite carriers are permitted to retransmit a local television station's signal into its local market with the consent of the local television station. Portions of these satellite laws are set to expire on December 31, 2019.
- *Cable and satellite carriage of programming.* The Communications Act and FCC rules regulate some aspects of negotiations regarding cable and satellite retransmission consent, and some cable and satellite companies have sought regulation of additional aspects of the carriage of programming on cable and satellite systems. New legislation, court action or regulation in this area could have an impact on the Company's operations.

The foregoing is a brief summary of certain provisions of the Communications Act, other legislation and specific FCC rules and policies. Reference should be made to the Communications Act, other legislation, FCC rules and public notices and rulings of the FCC for further information concerning the nature and extent of the FCC's regulatory authority.

FCC laws and regulations are subject to change, and the Company generally cannot predict whether new legislation, court action or regulations, or a change in the extent of application or enforcement of current laws and regulations, would have an adverse impact on our operations.

PARKS AND RESORTS

The Company owns and operates the Walt Disney World Resort in Florida; the Disneyland Resort in California; Aulani, a Disney Resort & Spa in Hawaii; the Disney Vacation Club; the Disney Cruise Line; and Adventures by Disney. The Company manages and has effective ownership interests of 81% in Disneyland Paris (see recapitalization discussion below), 47% in Hong Kong Disneyland Resort and 43% in Shanghai Disney Resort, each of which is consolidated in our financial statements. The Company also licenses our intellectual property to a third party for the operations of the Tokyo Disney Resort in Japan. The Company's Walt Disney Imagineering unit designs and develops new theme park concepts and attractions as well as resort properties.

The businesses in the Parks and Resorts segment generate revenues from the sale of admissions to theme parks, sales of food, beverage and merchandise, charges for room nights at hotels, sales of cruise and other vacation packages and sales and rentals of vacation club properties. Significant costs include labor, infrastructure costs, depreciation, costs of merchandise, food and beverage sold, marketing and sales expense and cost of vacation club units. Infrastructure costs include repairs and maintenance, information systems expense, utilities, property taxes, insurance and transportation.

Walt Disney World Resort

The Walt Disney World Resort is located 22 miles southwest of Orlando, Florida, on approximately 25,000 acres of land. The resort includes theme parks (the Magic Kingdom, Epcot, Disney's Hollywood Studios and Disney's Animal Kingdom); hotels; vacation club properties; a retail, dining and entertainment complex; a sports complex; conference centers; campgrounds; golf courses; water parks; and other recreational facilities designed to attract visitors for an extended stay.

The Walt Disney World Resort is marketed through a variety of international, national and local advertising and promotional activities. A number of attractions and restaurants in each of the theme parks are sponsored by other corporations through long-term agreements.

MyMagic+, a program available to all guests at Walt Disney World Resort, is a series of technology-based tools that include: the *My Disney Experience* app and website, which help guests personalize their experience; *MagicBand*, which a guest may use as their admission pass, hotel room key or method of payment; and *FastPass+*, which is a reservation system for attractions and entertainment experiences.

Magic Kingdom — The Magic Kingdom consists of six themed areas: Adventureland, Fantasyland, Frontierland, Liberty Square, Main Street USA and Tomorrowland. Each land provides a unique guest experience featuring themed attractions, live Disney character interactions, restaurants, refreshment areas and merchandise shops. Additionally, there are daily parades and a nighttime fireworks extravaganza, *Wishes.*

Epcot — Epcot consists of two major themed areas: Future World and World Showcase. Future World dramatizes certain historical developments and addresses the challenges facing the world today through pavilions devoted to showcasing science and technology innovations, communication, energy, transportation, use of imagination, nature and food production, the ocean environment and space. World Showcase presents a community of nations focusing on the culture, traditions and accomplishments of people around the world. Countries represented with pavilions include Canada, China, France, Germany, Italy, Japan, Mexico, Morocco, Norway, the United Kingdom and the United States. Both areas feature themed attractions, restaurants and merchandise shops. Epcot also features *Illuminations: Reflections of Earth,* a nighttime entertainment spectacular.

Disney's Hollywood Studios — Disney's Hollywood Studios consists of eight themed areas: Animation Courtyard, Commissary Lane, Echo Lake, Hollywood Boulevard, Mickey Avenue, Pixar Place, Streets of America and Sunset Boulevard. The eight areas provide behind-the-scenes glimpses of Hollywood-style action through various shows and attractions and offer themed food service and merchandise facilities. The park also features *Fantasmic!*, a nighttime entertainment spectacular. In August 2015, the Company announced two new themed lands coming to the park based on the Star Wars and Toy Story franchises.

Disney's Animal Kingdom — Disney's Animal Kingdom consists of a 145-foot tall Tree of Life centerpiece surrounded by six themed areas: Africa, Asia, Dinoland U.S.A., Discovery Island, Oasis and Rafiki's Planet Watch. Each themed area contains attractions, entertainment, restaurants and merchandise shops. The park features more than 300 species of mammals, birds, reptiles and amphibians and 3,000 varieties of vegetation. The Company has a long-term agreement for the exclusive global theme park rights to build AVATAR-themed lands and plans to open Pandora - The World of AVATAR at Disney's Animal Kingdom in 2017.

Hotels and Other Resort Facilities — As of October 3, 2015, the Company owned and operated 18 resort hotels at the Walt Disney World Resort, with a total of approximately 23,000 rooms and 3,000 vacation club units. Resort facilities include 468,000 square feet of conference meeting space and Disney's Fort Wilderness camping and recreational area, which offers approximately 800 campsites.

The Walt Disney World Resort also hosts a 127-acre retail, dining and entertainment complex, Disney Springs (formerly Downtown Disney). Disney Springs is home to Cirque du Soleil, the House of Blues and the World of Disney retail store, which features Disney-branded merchandise. A number of the Disney Springs facilities are operated by third parties that pay rent to the Company. Disney Springs is undergoing an expansion that is expected to be completed in 2016.

Nine independently-operated hotels with approximately 6,000 rooms are situated on property leased from the Company.

ESPN Wide World of Sports Complex is a 230-acre sports center that hosts professional caliber training and competitions, festival and tournament events and interactive sports activities. The complex, which welcomes both amateur and professional athletes, accommodates multiple sporting events, including baseball, basketball, football, soccer, softball, tennis and track and field. Its stadium, which has a seating capacity of approximately 9,500, is the current spring training site for MLB's Atlanta Braves.

Other recreational amenities and activities available at the Walt Disney World Resort include three championship golf courses, miniature golf courses, full-service spas, tennis, sailing, water skiing, swimming, horseback riding and a number of other noncompetitive sports and leisure time activities. The resort also includes two water parks: Disney's Blizzard Beach and Disney's Typhoon Lagoon.

Disneyland Resort

The Company owns 486 acres and has the rights under long-term lease for use of an additional 55 acres of land in Anaheim, California. The Disneyland Resort includes two theme parks (Disneyland and Disney California Adventure), three hotels and Downtown Disney, a retail, dining and entertainment complex.

The Disneyland Resort is marketed as a destination through international, national and local advertising and promotional activities. A number of the attractions and restaurants in the theme parks are sponsored by other corporations through long-term agreements.

Disneyland — Disneyland consists of eight themed areas: Adventureland, Critter Country, Fantasyland, Frontierland, Main Street USA, Mickey's Toontown, New Orleans Square and Tomorrowland. These areas feature themed attractions, shows, restaurants, merchandise shops and refreshment stands. Additionally, Disneyland offers daily parades, a nighttime fireworks extravaganza and a nighttime entertainment spectacular, *Fantasmic!*. In August 2015, the Company announced it will be constructing a new Star Wars-themed land at Disneyland.

Disney California Adventure — Disney California Adventure is adjacent to Disneyland and includes seven themed areas: Buena Vista Street, Cars Land, Grizzly Peak, Hollywood Land, Pacific Wharf, Paradise Pier and "a bug's land". These areas include attractions, shows, restaurants, merchandise shops and refreshment stands. Additionally, Disney California Adventure offers a nighttime water spectacular, *World of Color*.

Hotels and Other Resort Facilities — Disneyland Resort includes three Company-owned and operated hotels with a total of approximately 2,400 rooms, 50 vacation club units and 180,000 square feet of conference meeting space.

Downtown Disney, a themed 15-acre outdoor complex of entertainment, dining and shopping venues, is located adjacent to both Disneyland and Disney California Adventure. A number of the Downtown Disney facilities are operated by third parties that pay rent to the Company.

Aulani, a Disney Resort & Spa

Aulani, a Disney Resort & Spa, is a Company operated family resort on a 21-acre oceanfront property on Oahu, Hawaii featuring 351 hotel rooms, an 18,000-square-foot spa and 12,000 square feet of conference meeting space. The resort also has 481 Disney Vacation Club units.

What do you think might be the implications of (as you see here & below) Disney having parks in Paris, Hong Kong, Shanghai, & Tokyo?

Disneyland Paris

The Company has an 81% effective ownership interest in Disneyland Paris (see recapitalization discussion below), a 5,510-acre development located in Marne-la-Vallée, approximately 20 miles east of Paris, France, which has been developed pursuant to a master agreement with French governmental authorities. The Company manages and has a 77% equity interest in Euro Disney S.C.A., a publicly-traded French entity that is the holding company for Euro Disney Associés S.C.A., the primary operating company of Disneyland Paris. The Company also has a direct 18% ownership interest in Euro Disney Associés S.C.A. Disneyland Paris includes two theme parks (Disneyland Park and Walt Disney Studios Park); seven themed hotels; two convention centers; a shopping, dining and entertainment complex (Disney Village); and a 27-hole golf facility. Of the 5,510 acres comprising the site, approximately half have been developed to date, including the Val d'Europe development discussed below. An indirect, wholly-owned subsidiary of the Company is responsible for managing Disneyland Paris. Euro Disney Associés S.C.A. is required to pay royalties and management fees to the Company based on the operating performance of the resort.

Disneyland Park — Disneyland Park consists of five themed areas: Adventureland, Discoveryland, Fantasyland, Frontierland and Main Street USA. These areas include themed attractions, shows, restaurants, merchandise shops and refreshment stands. Disneyland Park also features a daily parade and a nighttime entertainment spectacular, *Disney Dreams!*.

Walt Disney Studios Park — Walt Disney Studios Park takes guests into the worlds of cinema, animation and television and includes four themed areas: Backlot, Front Lot, Production Courtyard and Toon Studio. These areas each include themed attractions, shows, restaurants, merchandise shops and refreshment stands.

Hotels and Other Facilities — Disneyland Paris operates seven resort hotels, with approximately 5,800 rooms and 210,000 square feet of conference meeting space. In addition, several on-site hotels that are owned and operated by third parties provide approximately 2,300 rooms.

Disney Village is a 500,000-square-foot retail, dining and entertainment complex located between the theme parks and the hotels. A number of the Disney Village facilities are operated by third parties that pay rent to a subsidiary of Euro Disney S.C.A.

Val d'Europe is a planned community near Disneyland Paris that is being developed in phases. Val d'Europe currently includes a regional train station, hotels and a town center consisting of a shopping center as well as office, commercial and residential space. Third parties operate these developments on land leased or purchased from Euro Disney S.C.A. and its subsidiaries.

Euro Disney Associés S.C.A. along with 50% joint venture partner, Pierre & Vacances-Center Parcs, is developing Villages Nature, a European eco-tourism destination adjacent to Disneyland Paris, which is targeted to open in 2017.

Disneyland Paris Recapitalization — In order to improve Disneyland Paris' financial position, during calendar 2015, Euro Disney S.C.A. completed a €1.0 billion recapitalization through a €0.4 billion equity rights offering and the conversion of €0.6 billion of loans from the Company into equity. The recapitalization process was finalized in November 2015, and the Company's effective ownership interest increased from 51% to 81% (See Note 6 to the Consolidated Financial Statements).

As of October 3, 2015, Euro Disney Associés S.C.A. had €1.0 billion in outstanding loans from the Company.

Hong Kong Disneyland Resort

The Company owns a 47% interest in Hong Kong Disneyland Resort through Hongkong International Theme Parks Limited, an entity in which the Government of the Hong Kong Special Administrative Region (HKSAR) owns a 53% majority interest. The resort is located on 310 acres on Lantau Island and is in close proximity to the Hong Kong International Airport. Hong Kong Disneyland Resort includes one theme park and two themed hotels. A separate Hong Kong subsidiary of the Company is responsible for managing Hong Kong Disneyland Resort. The Company is entitled to receive royalties and management fees based on the operating performance of Hong Kong Disneyland Resort.

Hong Kong Disneyland — Hong Kong Disneyland consists of seven themed areas: Adventureland, Fantasyland, Grizzly Gulch, Main Street USA, Mystic Point, Tomorrowland and Toy Story Land. These areas feature themed attractions, shows, restaurants, merchandise shops and refreshment stands. Additionally, there are daily parades and a nighttime fireworks extravaganza, *Disney in the Stars*. A new themed area based on Marvel's Iron Man franchise is under construction and expected to open in late 2016.

Hotels — Hong Kong Disneyland Resort includes two themed hotels with a total of 1,000 rooms. A third hotel with 750 rooms is under construction and expected to open in 2017. (See Note 6 to the Consolidated Financial Statements for more information on hotel financing.)

Shanghai Disney Resort

The Company and Shanghai Shendi (Group) Co., Ltd (Shendi) are constructing a Disney resort (Shanghai Disney Resort) in the Pudong district of Shanghai, which will be located on approximately 1,000 acres and will initially include the Shanghai Disneyland theme park; two themed hotels with a total of 1,220 rooms; a retail, dining and entertainment complex; and an outdoor recreational area. Construction on the project began in April 2011, with the resort opening date planned for spring 2016. The total investment will be funded in accordance with each shareholder's equity ownership percentage, with approximately 67% from equity contributions and 33% from shareholder loans. Shanghai Disney Resort is owned through two joint venture companies, in which Shendi owns 57% and the Company owns 43%. A management company, in which the Company has a 70% interest and Shendi a 30% interest, is responsible for designing, constructing and operating Shanghai Disney Resort. The management company will be entitled to receive management fees based on operating performance of the resort. The Company is also entitled to royalties based on resort revenues.

Tokyo Disney Resort

Tokyo Disney Resort is located on 494 acres of land, six miles east of downtown Tokyo, Japan. The resort includes two theme parks (Tokyo Disneyland and Tokyo DisneySea); three Disney-branded hotels; six independently operated hotels; Ikspiari, a retail, dining and entertainment complex; and Bon Voyage, a Disney-themed merchandise location.

The Company earns royalties on revenues generated by the Tokyo Disney Resort, which is owned and operated by Oriental Land Co., Ltd. (OLC), a Japanese corporation in which the Company has no equity interest.

Tokyo Disneyland — Tokyo Disneyland consists of seven themed areas: Adventureland, Critter Country, Fantasyland, Tomorrowland, Toontown, Westernland and World Bazaar.

Tokyo DisneySea — Tokyo DisneySea, adjacent to Tokyo Disneyland, is divided into seven "ports of call," including American Waterfront, Arabian Coast, Lost River Delta, Mediterranean Harbor, Mermaid Lagoon, Mysterious Island and Port Discovery.

Hotels and Other Resort Facilities — The resort includes three Disney-branded hotels with a total of more than 1,700 rooms and a monorail, which links the theme parks and resort hotels with Ikspiari.

OLC has announced a 10-year investment plan for Tokyo Disney Resort. The plan includes the expansion of Fantasyland at Tokyo Disneyland and the addition of a Scandinavian-themed area at Tokyo DisneySea that will feature *Frozen.* OLC also announced the development of a fourth Disney-branded hotel, Tokyo Disney Celebration Hotel.

Disney Vacation Club

Disney Vacation Club (DVC) offers ownership interests in 13 resort facilities located at the Walt Disney World Resort; Disneyland Resort; Vero Beach, Florida; Hilton Head Island, South Carolina; and Oahu, Hawaii. Available units at each facility are offered for sale under a vacation ownership plan and are operated as hotel rooms when not occupied by vacation club members. The Company's vacation club units consist of a mix of units ranging from deluxe studios to three-bedroom grand villas. Unit counts in this document are presented in terms of two-bedroom equivalents. DVC had 3,807 vacation club units as of October 3, 2015. In September 2015, the Company announced that its next planned vacation project will be at Disney's Wilderness Lodge at the Walt Disney World Resort.

Disney Cruise Line

Disney Cruise Line (DCL) is a four-ship vacation cruise line, which operates out of ports in North America and Europe. The *Disney Magic* and the *Disney Wonder* are 85,000-ton 877-stateroom ships, and the *Disney Dream* and the *Disney Fantasy* are 130,000-ton 1,250-stateroom ships. DCL caters to families, children, teenagers and adults, with distinctly-themed areas and activities for each group. Many cruise vacations include a visit to Disney's Castaway Cay, a 1,000-acre private Bahamian island.

Adventures by Disney

Adventures by Disney offers all-inclusive guided vacation tour packages predominantly at non-Disney sites around the world. The Company offered 29 different tour packages during 2015.

Walt Disney Imagineering

Walt Disney Imagineering provides master planning, real estate development, attraction, entertainment and show design, engineering support, production support, project management and other development services, including research and development for the Company's Parks and Resorts operations.

Competition and Seasonality

The Company's theme parks and resorts as well as Disney Cruise Line and Disney Vacation Club compete with other forms of entertainment, lodging, tourism and recreational activities. The profitability of the leisure-time industry may be influenced by various factors that are not directly controllable, such as economic conditions including business cycle and exchange rate fluctuations, travel industry trends, amount of available leisure time, oil and transportation prices, weather patterns and natural disasters.

All of the theme parks and the associated resort facilities are operated on a year-round basis. Typically, the theme parks and resorts business experiences fluctuations in theme park attendance and resort occupancy resulting from the seasonal nature of vacation travel and local entertainment excursions. Peak attendance and resort occupancy generally occur during the summer months when school vacations occur and during early-winter and spring-holiday periods.

STUDIO ENTERTAINMENT

The Studio Entertainment segment produces and acquires live-action and animated motion pictures, direct-to-video content, musical recordings and live stage plays.

The businesses in the Studio Entertainment segment generate revenue from the distribution of films in the theatrical, home entertainment and television markets, stage play ticket sales, the distribution of recorded music and licensing revenues from live entertainment events. Significant operating expenses include film cost amortization, which consists of production cost and participations and residuals expense amortization, distribution expenses and costs of sales.

The Company distributes films primarily under the Walt Disney Pictures, Pixar, Marvel, Lucasfilm and Touchstone banners. The Company produces and distributes Indian movies through its UTV banner.

In August 2009, the Company entered into an agreement with DreamWorks Studios (DreamWorks) to distribute live-action motion pictures produced by DreamWorks for seven years under the Touchstone Pictures banner for which the Company receives a distribution fee. As of October 3, 2015, the Company has distributed eleven DreamWorks films. As part of the agreement, the Company provided loans to DreamWorks, which as of October 3, 2015 totaled $159 million. There is an additional $90 million available to DreamWorks.

Prior to the Company's acquisition of Marvel, Marvel had licensed the rights to third-party studios to produce and distribute feature films based on certain Marvel properties including Spider-Man, The Fantastic Four and X-Men. Under the licensing arrangements, the third-party studios incur the costs to produce and distribute the films and the Company retains the merchandise licensing rights. Under the licensing arrangement for Spider-Man, the Company pays the third-party studio a licensing fee based on each film's box office receipts, subject to specified limits. Under the licensing arrangements for The

Fantastic Four and X-Men, the third-party studio pays the Company a licensing fee, and the third-party studio receives a share of the Company's merchandise revenue on these properties. The Company distributes all Marvel-produced films with the exception of *The Incredible Hulk*, which is distributed by a third-party studio.

Prior to the Company's acquisition of Lucasfilm, Lucasfilm produced six Star Wars films (Episodes 1 through 6). Lucasfilm retained the rights to consumer products related to all of those films and the rights related to television and electronic distribution formats for all of those films, with the exception of the rights for Episode 4, which are owned by a third-party studio. All of the films are distributed by a third-party studio in the theatrical and home entertainment markets. The theatrical and home entertainment distribution rights for these films revert back to Lucasfilm in May 2020 with the exception of Episode 4, for which these distribution rights are retained in perpetuity by the third-party studio.

Lucasfilm also includes Industrial Light & Magic and Skywalker Sound, which provide visual and audio effects and other post-production services to the Company and third-party producers.

Theatrical Market

We produce and distribute both live-action films and full-length animated films. In the domestic theatrical market, we generally distribute and market our filmed products directly. In most major international markets, we distribute our filmed products directly while in other markets our films are distributed by independent distribution companies or joint ventures. During fiscal 2016, we expect to distribute ten of our own produced feature films and three DreamWorks feature films domestically. Cumulatively through October 3, 2015 the Company has released domestically approximately 1,000 full-length live-action features and 100 full-length animated features.

The Company incurs significant marketing and advertising costs before and throughout the theatrical release of a film in an effort to generate public awareness of the film, to increase the public's intent to view the film and to help generate consumer interest in the subsequent home entertainment and other ancillary markets. These costs are expensed as incurred. Therefore, we typically incur losses on a film in the theatrical markets, including in periods prior to the theatrical release of the film.

Home Entertainment Market

In the domestic market, we distribute home entertainment releases directly under each of our motion picture banners. In international markets, we distribute home entertainment releases under each of our motion picture banners both directly and through independent distribution companies. In addition, we acquire and produce original content for direct-to-video release.

Domestic and international home entertainment distribution typically starts three to six months after the theatrical release in each market. Home entertainment releases may be distributed in both physical (DVD and Blu-ray) and electronic formats. Electronic formats may be released one to four weeks ahead of physical release. Titles are generally sold to retailers, such as Wal-Mart and Best Buy and physical rental channels, such as Netflix. However, distribution in the rental channels may be delayed up to 28 days after the start of home entertainment distribution.

As of October 3, 2015, we had approximately 1,400 active produced and acquired titles, including 1,000 live-action titles and 400 animated titles, in the domestic home entertainment marketplace and approximately 2,500 active produced and acquired titles, including 1,900 live-action titles and 600 animated titles, in the international marketplace.

Television Market

Pay-Per-View (PPV)/Video-on-Demand (VOD) — Concurrently with physical home entertainment distribution, we license titles to PPV/VOD service providers for electronic delivery to consumers for a specified rental period.

Pay Television (Pay 1) — There are generally three pay television windows. The first window is generally eighteen months in duration and follows the PPV/VOD window. The Company has licensed exclusive domestic pay television rights to substantially all films released theatrically through calendar year 2015 under the Walt Disney Pictures, Pixar and Touchstone Pictures banners, along with films released under the Marvel banner starting with *Iron Man 3* to the Starz pay television service. DreamWorks titles distributed by the Company are licensed to Showtime under a separate agreement.

Free Television (Free 1) — The Pay 1 window is followed by a television window that may last up to 84 months. Motion pictures are usually sold in the Free 1 window to major broadcast networks, including ABC, and basic cable services.

Pay Television 2 (Pay 2) and Free Television 2 (Free 2) — In the U.S., Free 1 is generally followed by a twelve-month Pay 2 window under our license arrangements with Starz and Showtime, and then by a Free 2 window that generally lasts up to 84 months. Packages of the Company's feature films have been licensed for broadcast under multi-year agreements within the

Free 2 window. The Free 2 window is a syndication window where films are licensed to basic cable networks, subscription video on demand (SVOD) services and to third-party television station groups.

Pay Television 3 (Pay 3) and Free Television 3 (Free 3) — In the U.S., Free 2 is generally followed by a seven-month Pay 3 window under our license arrangements with Starz and Showtime, and then by a Free 3 window. Packages of the Company's feature films have been licensed for broadcast under multi-year agreements within the Free 3 window. The Free 3 window is a syndication window where films are licensed to basic cable networks and SVOD services.

Following the conclusion of Starz's exclusive domestic Pay 1, Pay 2 and Pay 3 television rights for films released theatrically through the end of calendar year 2015, Netflix will have exclusive domestic pay television rights for the Pay 1 and Pay 2 windows for films released theatrically through calendar year 2018.

International Television — The Company also licenses its films outside of the U.S. The typical windowing sequence is consistent with the domestic cycle such that titles premiere on television in PPV/VOD and then air in pay TV before airing in free TV. Windowing strategies are developed in response to local market practices and conditions, and the exact sequence and length of each window can vary country by country.

Disney Music Group

The Disney Music Group (DMG) commissions new music for the Company's motion pictures and television programs. DMG also licenses the songs and recording copyrights to others for printed music, records, audio-visual devices, public performances and digital distribution. DMG includes Walt Disney Records, Hollywood Records, Disney Music Publishing and Buena Vista Concerts.

Walt Disney Records and Hollywood Records develop, produce, market and distribute recorded music in the U.S. and license our music properties throughout the rest of the world. Walt Disney Records categories include infant, children's read-along, teen, all-family and soundtracks from film and television properties distributed by Walt Disney Pictures and Disney Channel. Hollywood Records develops musical talent and produces and markets their recordings across a spectrum of music genres.

Disney Music Publishing is responsible for the worldwide management, protection and licensing of the Disney song catalog, which includes the copyrights of thousands of musical compositions derived from the Company's motion picture, television and theme park properties as well as musical compositions written by songwriters under exclusive contract.

Buena Vista Concerts produces live musical concerts with the Company's intellectual property and artists signed to the Disney Music Group record labels.

Disney Theatrical Group

Disney Theatrical Group develops, produces and licenses live entertainment events on Broadway and around the world, including *The Lion King*, *Aladdin, Newsies, Mary Poppins* (a co-production with Cameron Mackintosh Ltd), *Beauty and the Beast,* Elton John & Tim Rice's *Aida*, *TARZAN*®, *The Little Mermaid* and more.

Disney Theatrical Group also licenses the Company's intellectual property to Feld Entertainment, the producer of *Disney On Ice* and *Disney Live!*.

Competition and Seasonality

The Studio Entertainment businesses compete with all forms of entertainment. A significant number of companies produce and/or distribute theatrical and television films, exploit products in the home entertainment market, provide pay television programming services, produce music and sponsor live theater. We also compete to obtain creative and performing talents, story properties, advertiser support and broadcast rights that are essential to the success of our Studio Entertainment businesses.

The success of Studio Entertainment operations is heavily dependent upon public taste and preferences. In addition, Studio Entertainment operating results fluctuate due to the timing and performance of releases in the theatrical, home entertainment and television markets. Release dates are determined by several factors, including competition and the timing of vacation and holiday periods.

CONSUMER PRODUCTS

The Consumer Products segment engages with licensees, publishers and retailers throughout the world to design, develop, publish, promote and sell a wide variety of products based on the Company's intellectual property through its Merchandise Licensing, Publishing and Retail businesses. In addition to using the Company's film and television properties, Consumer Products also develops its own intellectual property, which can be used across the Company's businesses.

The Consumer Products segment generates revenue from:

- licensing characters from our film, television and other properties to third parties for use on consumer merchandise
- publishing children's books and magazines and comic books
- selling merchandise through our retail stores, internet shopping sites and wholesale business; and
- charging tuition at our English language learning centers in China

Significant costs include costs of goods sold and distribution expenses, operating labor and retail occupancy costs.

In June 2015, the Company announced the combination of its Consumer Products and Interactive segments into a single segment. The Company will begin reporting the financial results of the combined segment in fiscal 2016.

Merchandise Licensing

Look closely at each of the major properties listed below that are licensed for sale by other companies.

The Company's merchandise licensing operations cover a diverse range of product categories, the most significant of which are: toys, apparel, home décor and furnishings, accessories, stationery, health and beauty, food, footwear and consumer electronics. The Company licenses characters from its film, television and other properties for use on third-party products in these categories and earns royalties, which are usually based on a fixed percentage of the wholesale or retail selling price of the products. Some of the major properties licensed by the Company include: *Frozen;* Mickey and Minnie; Marvel properties such as The Avengers and Spider-Man; Star Wars; Disney Channel properties including *Mickey Mouse Club House*, *Sofia the First* and *Doc McStuffins*; Disney Princess; Cars; Winnie the Pooh; and Disney Classics. The Company also provides input on the design of individual products and creates exclusive themed and seasonal promotional campaigns for retailers based on the Company's characters, movies and TV shows.

Publishing

Disney Publishing Worldwide (DPW) creates, distributes, licenses and publishes children's books, magazine and learning products in print and digital formats, and storytelling apps in multiple countries and languages based on the Company's branded franchises. DPW also operates Disney English, which develops and delivers an English language learning curriculum for Chinese children using Disney content in 29 learning centers in nine cities across China.

Marvel Publishing creates and publishes comic books, and graphic novel collections of comic books, principally in North America in print and digital formats. Marvel Publishing also licenses the right to publish translated versions of these comic books, principally in Europe and Latin America.

Retail

Disney-, Marvel Comics- and Lucasfilm-themes products. Implications?

The Company markets Disney-, Marvel- and Lucasfilm-themed products through retail stores operated under the Disney Store name and through internet sites in North America (DisneyStore.com and MarvelStore.com), Western Europe and Japan. The stores, which are generally located in leading shopping malls and other retail complexes, carry a wide variety of Disney merchandise and promote other businesses of the Company. The Company currently owns and operates 220 stores in North America, 74 stores in Europe, 47 stores in Japan and 1 in China. The Company also offers retailers merchandise that it designs and develops under wholesale arrangements.

Competition and Seasonality

The Company's merchandise licensing, publishing and retail businesses compete with other licensors, publishers and retailers of character, brand and celebrity names. Operating results for the licensing and retail businesses are influenced by seasonal consumer purchasing behavior, consumer preferences, levels of marketing and promotion and by the timing and performance of theatrical releases and cable programming broadcasts.

INTERACTIVE

The Interactive segment creates and delivers branded entertainment and lifestyle content across interactive media platforms. Interactive's primary operations include the production and global distribution of multi-platform games, the licensing of content for games and mobile devices, website management and design for other Company businesses and the development of branded online services.

The Interactive segment also manages Maker Studios, Inc. (Maker), a leading network of online video content. Maker results are allocated primarily to the Media Networks and Studio Entertainment segments.

The Interactive segment generates revenue from:

- selling of multi-platform games to retailers and distributors, the collection of fees through micro transactions in the games, and subscriptions
- licensing content to third-party game publishers and for mobile devices; and
- online advertising and sponsorships

Significant costs include cost of goods sold, product development, marketing expenses and distribution expenses.

In June 2015, the Company announced the combination of its Consumer Products and Interactive segments into a single segment. The Company will begin reporting the financial results of the combined segment in fiscal 2016.

Games

Interactive develops console, mobile and virtual world games, which are marketed and distributed on a worldwide basis. *Disney Infinity* features a game world based on Company properties that combines physical toys and story-driven gameplay. Mobile games are distributed on smartphones and tablets. *Disney's Club Penguin* is an online virtual world game that contains a range of games and activities. Certain properties are also licensed to third-party video game publishers.

Other Content

Interactive licenses Disney properties and content to mobile phone carriers in Japan. In addition, Interactive develops, publishes and distributes interactive family content through a portfolio of platforms including Disney.com, Disney on YouTube and Babble.com and develop and publish apps for moms and families.

Competition and Seasonality

The Company's game business competes primarily with other publishers of game software and other types of home entertainment. The Company's online sites and products compete with a wide variety of other online sites and products. Operating results for the game business fluctuate due to the performance and timing of game releases, which are determined by several factors including theatrical releases and cable programming broadcasts, competition and the timing of holiday periods. Revenues from certain of the Company's online and mobile operations are subject to similar seasonal trends.

INTELLECTUAL PROPERTY PROTECTION

The Company's businesses throughout the world are affected by its ability to exploit and protect against infringement of its intellectual property, including trademarks, trade names, copyrights, patents and trade secrets. Important intellectual property includes rights in the content of motion pictures, television programs, electronic games, sound recordings, character likenesses, theme park attractions, books and magazines. Risks related to the protection and exploitation of intellectual property rights are set forth in Item 1A – Risk Factors.

AVAILABLE INFORMATION

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available without charge on our website, www.disney.com/investors, as soon as reasonably practicable after they are filed electronically with the Securities and Exchange Commission (SEC). We are providing the address to our internet site solely for the information of investors. We do not intend the address to be an active link or to otherwise incorporate the contents of the website into this report.

CONSOLIDATED STATEMENTS OF INCOME
(in millions, except per share data)

	2015	2014	2013
Revenues:			
Services	**$ 43,894**	$ 40,246	$ 37,280
Products	**8,571**	8,567	7,761
Total revenues	**52,465**	48,813	45,041
Costs and expenses:			
Cost of services (exclusive of depreciation and amortization)	**(23,191)**	(21,356)	(20,090)
Cost of products (exclusive of depreciation and amortization)	**(5,173)**	(5,064)	(4,944)
Selling, general, administrative and other	**(8,523)**	(8,565)	(8,365)
Depreciation and amortization	**(2,354)**	(2,288)	(2,192)
Total costs and expenses	**(39,241)**	(37,273)	(35,591)
Restructuring and impairment charges	**(53)**	(140)	(214)
Other expense, net	**—**	(31)	(69)
Interest income/(expense), net	**(117)**	23	(235)
Equity in the income of investees	**814**	854	688
Income before income taxes	**13,868**	12,246	9,620
Income taxes	**(5,016)**	(4,242)	(2,984)
Net income	**8,852**	8,004	6,636
Less: Net income attributable to noncontrolling interests	**(470)**	(503)	(500)
Net income attributable to The Walt Disney Company (Disney)	**$ 8,382**	$ 7,501	$ 6,136
"net income" = the company's profit	= 16% net profit on sales	= 15.3% profit	= 13.6% profit
Earnings per share attributable to Disney:			
Diluted	**$ 4.90**	$ 4.26	$ 3.38
Basic	**$ 4.95**	$ 4.31	$ 3.42
Weighted average number of common and common equivalent shares outstanding:			
Diluted	**1,709**	1,759	1,813
Basic	**1,694**	1,740	1,792
Dividends declared per share	**$ 1.81**	$ 0.86	$ 0.75

See Notes to Consolidated Financial Statements

1 *Description of the Business and Segment Information*

The Walt Disney Company, together with the subsidiaries through which businesses are conducted (the Company), is a diversified worldwide entertainment company with operations in the following business segments: Media Networks, Parks and Resorts, Studio Entertainment, Consumer Products and Interactive.

DESCRIPTION OF THE BUSINESS

Media Networks

The Company operates cable programming services including the ESPN, Disney Channels, ABC Family and UTV/Bindass networks, broadcast businesses, which include the ABC TV Network and eight owned television stations, radio businesses consisting of the ESPN Radio Network, including 4 owned ESPN radio stations, and the Radio Disney Network, which operates from an owned radio station in Los Angeles. The ABC TV and ESPN Radio Networks have affiliated stations providing coverage to consumers throughout the U.S. The Company also produces original live-action and animated television programming, which may be sold in network, first-run syndication and other television markets worldwide, through online services and on DVD and Blu-ray formats. The Company has interests in media businesses that are accounted for under the equity method including A&E Television Networks LLC (A&E), Seven TV, CTV Specialty Television, Inc., Hulu LLC and Fusion Media Networks LLC. Our Media Networks business also operates branded internet sites.

Parks and Resorts

The Company owns and operates the Walt Disney World Resort in Florida and the Disneyland Resort in California. The Walt Disney World Resort includes four theme parks (the Magic Kingdom, Epcot, Disney's Hollywood Studios and Disney's Animal Kingdom); 18 resort hotels; a retail, dining and entertainment complex; a sports complex; conference centers; campgrounds; water parks; and other recreational facilities. The Disneyland Resort includes two theme parks (Disneyland and Disney California Adventure), three resort hotels and a retail, dining and entertainment complex. Internationally, the Company manages and has an 81% (85% as of October 3, 2015) effective ownership interest in Disneyland Paris (see Disneyland Paris recapitalization in Note 6), which includes two theme parks (Disneyland Park and Walt Disney Studios Park); seven themed hotels; two convention centers; a shopping, dining and entertainment complex; and a 27-hole golf facility. The Company manages and has a 47% ownership interest in Hong Kong Disneyland Resort (HKDL), which includes one theme park and two resort hotels. The Company has a 43% ownership interest in Shanghai Disney Resort, which is currently under construction, and a 70% ownership interest in the management company of Shanghai Disney Resort. The Company also earns royalties on revenues generated by the Tokyo Disneyland Resort, which includes two theme parks (Tokyo Disneyland and Tokyo DisneySea) and three Disney-branded hotels, and is owned and operated by an unrelated Japanese corporation. The Company manages and markets vacation club ownership interests through the Disney Vacation Club; operates the Disney Cruise Line; the Adventures by Disney guided group vacations business; and Aulani, a hotel and vacation club resort in Hawaii. The Company's Walt Disney Imagineering unit designs and develops theme park concepts and attractions as well as resort properties.

Studio Entertainment

The Company produces and acquires live-action and animated motion pictures for worldwide distribution to the theatrical, home entertainment and television markets. The Company distributes these products through its own distribution and marketing companies in the U.S. and both directly and through independent companies and joint ventures in foreign markets primarily under the Walt Disney Pictures, Pixar, Marvel, Lucasfilm, Touchstone and UTV banners. We distribute certain motion pictures for DreamWorks Studios under our Touchstone Pictures banner. The Company also produces stage plays and musical recordings, licenses and produces live entertainment events and provides visual and audio effects and other post-production services.

Consumer Products

The Company licenses its trade names, characters and visual and literary properties to various retailers and publishers throughout the world. The Company also engages in retail, online and wholesale distribution of products through The Disney Store, DisneyStore.com and MarvelStore.com. We operate The Disney Store in North America, Europe and Japan. The Company publishes entertainment and educational books and magazines and comic books for children and families and operates English language learning centers in China.

Interactive

The Company creates and distributes branded entertainment and lifestyle content for interactive media platforms. The primary operations include the production and distribution of multi-platform games, the licensing of our properties for games and mobile devices, and the development of branded online services.

In June 2015, the Company announced the combination of its Consumer Products and Interactive segments into a single segment. The Company will begin reporting the financial results of the combined segment in fiscal 2016.

SEGMENT INFORMATION

The operating segments reported below are the segments of the Company for which separate financial information is available and for which segment results are evaluated regularly by the Chief Executive Officer in deciding how to allocate resources and in assessing performance.

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

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

	2015	2014	2013
Media Networks			
Cable Networks	**$ 896**	$ 895	$ 788
Broadcasting	**(82)**	(39)	(46)
Parks and Resorts	**—**	(2)	—
Equity in the income of investees included in segment operating income	**$ 814**	$ 854	$ 742

In fiscal 2013, the Company recorded a $55 million charge for our share of expense related to an equity redemption at Hulu LLC (Hulu Equity Redemption). This charge is recorded in Equity in the income of investees in the Consolidated Statement of Income but has been excluded from segment operating income. See Note 3 for further discussion of the transaction.

The following segment 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. These allocations are agreed-upon amounts between the businesses and may differ from amounts that would be negotiated in arm’s length transactions. In addition, all significant intersegment transactions have been eliminated except that Studio Entertainment revenues and operating income include an allocation of Consumer Products and Interactive revenues, which is meant to reflect royalties on revenue generated by Consumer Products and Interactive on merchandise based on intellectual property from certain Studio Entertainment films.

What each segment of the Disney Company produced in revenue

	2015	2014	2013
Revenues			
Media Networks	**$ 23,264**	$ 21,152	$ 20,356
Parks and Resorts	**16,162**	15,099	14,087
Studio Entertainment			
Third parties	**6,838**	6,988	5,721
Intersegment	**528**	290	258
	7,366	7,278	5,979
Consumer Products			
Third parties	**5,027**	4,274	3,811
Intersegment	**(528)**	(289)	(256)
	4,499	3,985	3,555
Interactive			
Third parties	**1,174**	1,300	1,066
Intersegment	**—**	(1)	(2)
	1,174	1,299	1,064
Total consolidated revenues	**$ 52,465**	$ 48,813	$ 45,041
Segment operating income (loss)			
Media Networks	**$ 7,793**	$ 7,321	$ 6,818
Parks and Resorts	**3,031**	2,663	2,220
Studio Entertainment	**1,973**	1,549	661
Consumer Products	**1,752**	1,356	1,112
Interactive	**132**	116	(87)
Total segment operating income	**$ 14,681**	$ 13,005	$ 10,724
Reconciliation of segment operating income to income before income taxes			
Segment operating income	**$ 14,681**	$ 13,005	$ 10,724
Corporate and unallocated shared expenses	**(643)**	(611)	(531)
Restructuring and impairment charges	**(53)**	(140)	(214)
Other expense, net	**—**	(31)	(69)
Interest income/(expense), net	**(117)**	23	(235)
Hulu Equity Redemption charge	**—**	—	(55)
Income before income taxes	**$ 13,868**	$ 12,246	$ 9,620
Capital expenditures			
Media Networks			
Cable Networks	**$ 127**	$ 172	$ 176
Broadcasting	**71**	88	87
Parks and Resorts			
Domestic	**1,457**	1,184	1,140
International	**2,147**	1,504	970
Studio Entertainment	**107**	63	78
Consumer Products	**76**	43	45
Interactive	**11**	5	13
Corporate	**269**	252	287
Total capital expenditures	**$ 4,265**	$ 3,311	$ 2,796

	2015	2014	2013
Depreciation expense			
Media Networks	**$ 245**	$ 238	$ 238
Parks and Resorts			
Domestic	**1,169**	1,117	1,041
International	**345**	353	327
Studio Entertainment	**55**	48	54
Consumer Products	**57**	59	57
Interactive	**12**	10	20
Corporate	**249**	239	220
Total depreciation expense	**$ 2,132**	$ 2,064	$ 1,957
Amortization of intangible assets			
Media Networks	**$ 21**	$ 12	$ 13
Parks and Resorts	**3**	2	2
Studio Entertainment	**84**	88	107
Consumer Products	**102**	109	89
Interactive	**12**	13	24
Corporate	**—**	—	—
Total amortization of intangible assets	**$ 222**	$ 224	$ 235
Identifiable assets(1)			
Media Networks	**$ 30,638**	$ 29,566	
Parks and Resorts	**25,510**	23,297	
Studio Entertainment	**15,334**	15,162	
Consumer Products	**7,591**	7,526	
Interactive	**2,087**	2,199	
Corporate(2)	**7,022**	6,391	
Total consolidated assets	**$ 88,182**	$ 84,141	
Supplemental revenue data			
Affiliate Fees	**$ 12,029**	$ 10,632	$ 10,018
Advertising	**8,499**	8,094	8,006
Retail merchandise, food and beverage	**5,986**	5,598	5,185
Theme park admissions	**5,483**	5,114	4,704
Revenues			
United States and Canada	**$ 40,320**	$ 36,769	$ 34,021
Europe	**6,507**	6,505	6,181
Asia Pacific	**3,958**	3,930	3,333
Latin America and Other	**1,680**	1,609	1,506
	$ 52,465	$ 48,813	$ 45,041
Segment operating income			
United States and Canada	**$ 10,820**	$ 9,594	$ 7,871
Europe	**1,964**	1,581	1,361
Asia Pacific	**1,365**	1,342	1,016
Latin America and Other	**532**	488	476
	$ 14,681	$ 13,005	$ 10,724

	2015	2014
Long-lived assets [3]		
United States and Canada	**$ 53,976**	$ 52,909
Europe	**8,254**	8,733
Asia Pacific	**6,817**	5,084
Latin America and Other	**182**	217
	$ 69,229	$ 66,943

(1) Identifiable assets include amounts associated with equity method investments, goodwill and intangible assets. Equity method investments by segment are as follows:

	2015	2014
Media Networks	**$ 2,454**	$ 2,321
Parks and Resorts	**9**	28
Studio Entertainment	**2**	2
Consumer Products	**1**	1
Interactive	**—**	—
Corporate	**17**	124
	$ 2,483	$ 2,476

Goodwill and intangible assets by segment are as follows:

	2015	2014
Media Networks	**$ 18,186**	$ 18,270
Parks and Resorts	**376**	379
Studio Entertainment	**8,538**	8,679
Consumer Products	**6,118**	6,187
Interactive	**1,650**	1,670
Corporate	**130**	130
	$ 34,998	$ 35,315

(2) Primarily fixed assets, cash and cash equivalents, deferred tax assets and investments

(3) Long-lived assets are total assets less the following: current assets, long-term receivables, deferred taxes, financial investments and derivatives

2 *Summary of Significant Accounting Policies*

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of The Walt Disney Company and its majority-owned and controlled subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

The Company enters into relationships or investments with other entities that may be a variable interest entity (VIE). A VIE is consolidated in the financial statements if the Company has the power to direct activities that most significantly impact the economic performance of the VIE and has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE (as defined by ASC 810-10-25-38). Disneyland Paris, HKDL and Shanghai Disney Resort (collectively the International Theme Parks) are VIEs. Company subsidiaries (the Management Companies) have management agreements with the International Theme Parks, which provide the Management Companies, subject to certain protective rights of joint venture partners, with the ability to direct the day-to-day operating activities and the development of business strategies that we believe most significantly impact the economic performance of the International Theme Parks. In addition, the Management Companies receive management fees under these arrangements that we believe could be significant to the International Theme Parks. Therefore, the Company has consolidated the International Theme Parks in its financial statements.

BOARD OF DIRECTORS

Susan E. Arnold
Operating Executive
The Carlyle Group

John S. Chen
Executive Chair and Chief Executive Officer
Blackberry, Ltd.

Jack Dorsey
Chief Executive Officer
Twitter, Inc. and
Chief Executive Officer
Square, Inc.

Robert A. Iger
Chairman and Chief Executive Officer
The Walt Disney Company

Maria Elena Lagomasino
Chief Executive Officer and Managing Partner
WE Family Offices

Fred H. Langhammer
Chairman, Global Affairs
The Estée Lauder Companies Inc.

Aylwin B. Lewis
Chairman, President and Chief Executive Officer
Potbelly Sandwich Works

Monica C. Lozano
Chairman
U.S. Hispanic Media, Inc.

Robert W. Matschullat
Former Vice Chairman and Chief Financial Officer
The Seagram Company Ltd.

Mark G. Parker
President and Chief Executive Officer
NIKE, Inc.

Sheryl K. Sandberg
Chief Operating Officer
Facebook, Inc.

Orin C. Smith
Former President and Chief Executive Officer
Starbucks Corporation

SENIOR CORPORATE OFFICERS

Robert A. Iger
Chairman and Chief Executive Officer

Thomas O. Staggs
Chief Operating Officer

Alan N. Braverman
Senior Executive Vice President,
General Counsel and Secretary

Kevin A. Mayer
Senior Executive Vice President and
Chief Strategy Officer

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

Zenia B. Mucha
Executive Vice President and
Chief Communications Officer

Jayne Parker
Executive Vice President and
Chief Human Resources Officer

Brent A. Woodford
Executive Vice President
Controllership, Financial Planning & Tax

PRINCIPAL BUSINESSES

Andy Bird
Chairman
Walt Disney International

Bob Chapek
Chairman
Walt Disney Parks & Resorts

Leslie A. Ferraro
Co-Chair
Disney Consumer Products and
Interactive Media
President
Disney Consumer Products

Alan Horn
Chairman
The Walt Disney Studios

James A. Pitaro
Co-Chair
Disney Consumer Products and
Interactive Media
President
Disney Interactive

Ben Sherwood
Co-Chairman
Disney Media Networks
President
Disney/ABC Television Group

John D. Skipper
Co-Chairman
Disney Media Networks
President
ESPN, Inc.

STOCK EXCHANGE

Disney common stock is listed for trading on the New York Stock Exchange under the ticker symbol DIS.

REGISTRAR AND TRANSFER AGENT

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

DIRECT REGISTRATION SERVICES

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