



The *WALT DISNEY* Company[®]

Walt Disney Company
Annual Meeting of Shareholders
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Disney Speakers:

George J. Mitchell

*Chairman of the Board,
The Walt Disney Company*

Bob Iger

*President and Chief Executive Officer,
The Walt Disney Company*

Tom Staggs

*Senior Executive Vice President and
Chief Financial Officer, The Walt Disney Company*

John Lasseter

*Chief Creative Officer, Animation and
Principal Creative Advisor, Imagineering, The Walt Disney Company*



PRESENTATION

George J. Mitchell - Chairman of the Board, The Walt Disney Company

Good morning. Welcome to the 2006 Annual Shareholder Meeting of The Walt Disney Company. This is a very exciting time in the history of this remarkable Company. Today you will hear from President and Chief Executive Officer, Bob Iger, about the broad range of initiatives currently underway, and from the Chief Financial Officer, Tom Staggs, about Disney's recent strong performance.

After Tom speaks I'll return to the podium to conduct the business portion of the meeting. Following that we will entertain questions from you, regarding your Company. The Company's Board of Directors is charged with overseeing the management of the Company in the interests of you, the shareholders. We, on the board, take this responsibility very seriously. Over the past several years we've worked hard and made many changes in order to maintain a "best practices" standard for corporate governance. We're proud of our governance practices, but we recognize that good governance is an ongoing process and that we must continually assess and adapt our guidelines and procedures.

Consistent with that approach, last summer your board became one of the first in the nation to require directors to submit their resignation if their re-election is not supported by a majority of the votes cast. The board currently consists of 13 members, 11 of whom, or 85%, are independent. This includes two new independent directors who joined the board in December. Later this year, when the Pixar acquisition is successfully concluded, we'll be adding an additional member, Apple CEO Steve Jobs, who is one of the most respected and innovative business leaders in the world.

It is now my pleasure to introduce the members of The Walt Disney Company Board of Directors who are here today. It's an impressive collection of diverse leaders, many with a global perspective from the fields of business, education, technology and the media. I'm honored to work with them. I ask the directors to remain seated until after I've completed the introductions, then I'll ask all of them to stand together.

John Bryson is the Chairman, President and Chief Executive Officer of Edison International, one of the company's major energy providers.

John Chen is a true entrepreneur. He serves as Chairman, CEO and President of Sybase and brings great expertise about new technology and business opportunities in Asia.

Judy Estrin is the former Chief Technology Officer of Cisco Systems and currently is Chief Executive Officer of Packet Design, the most recent of several pioneering companies she has formed in the field of high technology.

Bob Iger, of course, is Disney's President and Chief Executive Officer.

Fred Langhammer is the retired CEO of Estee Lauder and continues to serve as Chairman of Global Affairs of the Estee Lauder companies.

Aylwin Lewis is President and Chief Executive Officer of Sears Holding Corporation, the parent company of Sears Roebuck and K-Mart.

Monica Lozano is President and Chief Operating Officer of La Opinion, the largest Spanish language daily newspaper in the United States.

Robert Matschullat is interim CEO and Chairman of the Clorox Company. He previously served as Vice Chairman of the Board and Chief Financial Officer of the Seagram Company and before that was head of worldwide investment banking for Morgan Stanley.



Father Leo O'Donovan is President Emeritus of Georgetown University, where he has also taught as a Professor of Theology.

John Pepper is the former Chief Executive Officer and Board Chairman of Procter and Gamble, having retired in 2003 after serving that outstanding company for 40 years. He is currently Chief Executive Officer of the National Underground Railroad Freedom Center.

Orin Smith is the former President and Chief Executive Officer of Starbucks Corporation, where he helped lead the company through 15 years of phenomenal growth.

Gary Wilson is the Chairman of Northwest Airlines.

Would all of the directors please stand and be recognized? This is a wide-ranging and experienced group of men and women. We bring different backgrounds and perspectives to our deliberations, but we share in common our determination to serve the interests of our shareholders by maintaining Disney as the leader in providing quality entertainment to a world that needs it now more than ever. I would also like to recognize three former directors, Ray Watson, Irwin Russell and Director Emeritus Roy E. Disney. We're pleased to have Roy and his wife Patty here, and I would ask Ray, Irwin, Roy and Patty to please stand and be recognized.

On behalf of the entire board, I thank all of you here today for coming and most important, I thank you for your support of and your faith in this extraordinary company. We're very grateful to you.

Bob Iger - President and Chief Executive Officer, The Walt Disney Company

[Video Plays]

Thank you. That is what Disney is all about - gleaming castles, loveable characters, great television and motion pictures and incredible experiences that create memories that last a lifetime. These timeless, vibrant symbols of creativity and imagination are the reason Disney continues to be the most beloved family entertainment company in the world.

Good morning to all of you. It's a pleasure to be here in Anaheim, especially as we celebrate Disneyland's 50th Anniversary. But first things first, I'd like to start by mentioning a recent acquisition that received a fair amount of attention. I know what you're all thinking, when it comes to classic characters and great story telling, nothing quite compares to.... Oswald the Lucky Rabbit.

After 78 years we had a bit of fun bringing Oswald back to the place where he belongs. While this is a small gesture, it speaks volumes about our commitment to honor, respect and appreciate our past. And don't worry, I promise to spend some time talking about Pixar a little bit later in the presentation.

It's a privilege to stand before you today as your new CEO. As the 6th person in more than 80 years to fill this role, I'm honored, energized and more than just a little bit optimistic about your company and its future.

This is not just another company. Disney occupies a very special place in the hearts and minds of people around the world and everything we stand for really comes down to one quality inherent in all things Disney, from our theme parks to motion pictures, to television and beyond. And that's the ability to forge common bonds among uncommon people through a universal language of hope, optimism and fantasy that transcends cultures and borders.

That's why creating high quality entertainment is the number one priority at the company today. From the global hit movie *Narnia* to the hit television series *Lost*, to *Mary Poppins* and *Tarzan* on stage, to thrilling sports coverage on ESPN to Disneyland, which I'm proud to say has never looked more beautiful than it does today. I hope you'll use the tickets we gave you this morning to experience it for yourself.

As a result of our creative strength, in fiscal 2005, The Walt Disney Company posted double-digit earnings growth, and given current expectations, we plan to deliver double-digit growth on average through at least 2008. This kind of growth is made possible through the commitment of our 130,000 cast members and employees worldwide who work tirelessly to create special memories and experiences for our guests and customers every day.



Over the past six months, I've met tens of thousands of our cast members around the world, and their talent, enthusiasm and dedication only reinforces my belief that we have the best team anywhere. Together, we continue to push the boundaries of our imaginations with memorable characters and exceptional story telling coupled with the wonders of technological innovation. And we are now reaching more people, more often, in more places around the world.

To build on this, and to ensure our growth over the long-term, we have put in place three strategic priorities across all of our businesses. They are: creativity and innovation, the application of new technology, and expanding the breadth and depth of our businesses on a global basis.

First and foremost, as I mentioned earlier, nothing is more important than creating high quality entertainment. It generates value for our shareholders and connects us to our audiences, our customers, and our guests around the world...and it differentiates us.

In today's world, people are faced with a dizzying array of choices, and thus, it's extremely important to deliver quality entertainment that rises above all else. We must invest appropriately to do so. And we must attract and retain the best creative minds in the world by fostering a rich, supportive and collaborative environment where creativity can thrive. That's what enables us to set attendance records at our parks, or to have films that gross almost \$800 million worldwide, or have the number one sports brand, or to have five of the top 10 shows in primetime network television.

Second, we must use technology to drive growth by taking advantage of the numerous new ways to deliver content to people around the world, and by using it to enrich the consumer experience. Launching television shows on the new iPod platform, making KABC news available in high definition, giving you sports video on ESPN's new mobile phone, or taking you on a thrilling journey into space are just many examples of these.

We are witnessing tremendous expansion in platforms that deliver content to people around the world and consumers are being presented with exciting new ways to consume media in their homes and on the go. In turn, distributors and consumer electronic manufacturers cannot succeed without great content and the world's most in-demand brands. Our investment in quality content and our commitment to move it onto these new platforms is designed to respond to that dynamic and to use it as a significant growth initiative.

Being at the forefront of technological change will allow us to stay connected to our consumers, but it may also necessitate a departure from old rules and practices and the development of new business models. The riskiest thing we can do is to just maintain the status quo. We must experiment strategically and invest wisely. And while we may not always bat 1,000 with new initiatives, they are essential to our company's future growth.

And, we must grow globally. Political, technological, and economic developments around the world are creating great potential for us. And while there are numerous challenges that require patience and good strategic thinking, there are countless opportunities.

Disney is the number one name in family entertainment worldwide and one of the most recognized companies anywhere. This presents us with a competitive edge, which we must take advantage of. The opening of Hong Kong Disneyland and the launch of the Disney Channel in India are just a few of the many examples we have in this direction.

We also extend a consumer-focused approach across all of our businesses. It's critical to stay in touch with today's consumers, who are more sophisticated, tech savvy, and have more authority than ever before over where, when, and how they enjoy their creative content. It's what keeps us ahead of emerging trends. After all, at Disney, it's not about meeting expectations, it's about exceeding them.

We believe a focus on these strategies will create more value for our shareholders, examples of which you're going to see throughout this presentation. They are evident across the Walt Disney Company from our Media Networks and Parks and Resorts to Consumer Products and Studio Entertainment.

So let's start with our Media Networks group. At ABC, quality entertainment has driven a remarkable turn around and great results for the television network in primetime. Take a look.

[Video Plays]



This season, half of the top 10 shows among young adults are on ABC, including such great series as *Lost*, *Desperate Housewives*, *Grey's Anatomy* and *Extreme Makeover: Home Edition*. And *Dancing with the Stars* was another great success for us, captivating audiences of all ages.

The strength of these shows puts ABC in first place among our target audience of young adults, and makes it the number one network among the upscale demographics that advertisers so greatly demand. This compelling content, combined with strong local news programming, has also made 8 of our 10 owned and operated television stations number one in their markets during the February sweep.

High quality programming also drives our expansion onto new platforms and in international markets. *Lost* is currently seen in 193 territories worldwide, *Desperate Housewives* is in 203, *Grey's Anatomy* has debuted in 150 - and, I might add, all 3 shows are setting ratings records in many of these markets. Fans can now also buy ABC content on DVD, iTunes and mobile phones, and this is just the beginning.

The Apple iPod deal was a testament to the quality of our television shows as well as our commitment to responding and adapting to consumer trends. We were first on this platform because we have the shows people want to watch, whether on TVs, on laptops and on iPods. And the results have been impressive with nearly 4 million program purchases since this iPod launched in the fall.

At ABC we're also extending our powerful franchises to reach audiences in new, more convenient ways while diversifying our revenue streams. SOAPnet, now in its sixth year, is a great success story that continues to deliver strong financial results and viewer satisfaction among its core audience of soap fans. With a combination of ABC's leading soaps, plus *Days of Our Lives*, SOAPnet is now the single destination for the country's top rated daytime dramas reaching 48 million subscribers.

And over the past two years, ABC Family's ratings have increased 68% among its target audience of young adults due to the strength of the network's original and acquired programming.

Today, people demand news as it unfolds. With great shows like *Good Morning America*, *20/20* and *World News Tonight*, ABC news has extended its award winning news coverage with ABC News Now. This 24/7 subscription service brings our News division's exceptional talent and journalistic integrity via broadband and digital cable to consumers nationwide.

With more traffic, ad revenue and commerce shifting to the Internet, we are aggressively developing rich media destinations that offer far more immersive and multi-dimensional experiences with Disney, ABC, and ESPN. We believe our ability to aggregate content and experiences around these powerful brands will increase traffic and deepen our relationship with customers.

Through these online destinations, consumers will watch our programming, shop for our products, participate in robust online communities, and much more...all based on their personal interests in our broad array of creative assets. The power of our traditional television networks, with their ability to reach large audiences and create valuable content, will be complimented by these enhanced services that offer our consumers greater convenience, customization and functionality.

And now, I'm going to give you an early, first look.

In just a few months, on ABC.com, you'll be able to watch your favorite episode of *Lost* or one you missed the night before. You can watch it on-demand with the ability to freeze-frame, fast forward or rewind. Or you can create an exclusive screening room for you and your friends to watch together as a community, even if it's from multiple locations.

And, we've created a flexible business model to best serve the preferences of our viewers. So, you can choose between watching it for free on ABC.com with interactive advertising, or you can purchase episodes that are advertiser-free, thereby diversifying and expanding our revenue sources. Much like our strategy for ABC.com, the new Disney Online destination will offer rich selections of engaging content, family focused community features, as well as an easy to use online shopping environment.

I brought along a prototype to give you a sense of our new direction. While some of these features are available today, this enhanced Disney Online destination will offer a consumer experience that is faster, more convenient and more compelling. Users will be able to watch Disney Channel's hit movie *High School Musical* and every family member will enjoy our new immersive *Pirates of the Caribbean* multi-player game.



Customers will be able to tailor their online experience to their specific needs, from vacation planning to shopping to next generation digital entertainment and more - with the ability to share their interests with other users.

At ESPN, we cater to sports fans and their insatiable appetites for highlights, stats, scores and sports news. I know, because I'm one of them.

[Video Plays]

It's no wonder 94 million Americans turn to ESPN every week. And there's no question that ESPN continues to set the worldwide standard in sports programming and continues to build on that reputation.

As you just saw, ESPN has become much more than a single-screen experience. ESPN scored a major coup by acquiring NASCAR rights, in addition to the NFL, Major League Baseball, the NBA, and World Cup Soccer. And the longest running primetime series in television history, Monday Night Football, will continue its 36-year legacy on ESPN this fall.

As we expand ESPN.com to the multidimensional sports entertainment network of the future, you can expect that each time you enter its environment, it will be personalized to reflect your interests and your favorite teams. Our goal at ESPN.com is to make it the interactive center of the sports fan's universe. So right now, the ESPN team is building futures that will allow you to customize your own homepage, and communicate with other fans who have the same interests as you do.

The one thing sports fans definitely have in common is a passion for their favorite teams and their favorite players. Now, ESPN has come up with a way to keep them connected wherever they go, 24/7 with Mobile ESPN. I'm sure most of you own a cell phone. Some may be personalized with screen savers or favorite ring tones, but how many of you can actually get up to the minute video highlights from live games on your cell phone?

By sheer coincidence, I have my ESPN phone with me right now, so let's do a quick demo. I am a big New York Knicks fan, which has not been very easy this year, so instead let's look at the Lakers. Since the screen that I'm holding is a little bit small, you'll be able to see it from your seats on the big screen behind me.

By clicking on your favorite team's icon, which I've got personalized on my ESPN phone, you can follow all the action through ESPN's Gamecast, or in my case, catch highlights of the game you missed. For instance, last Saturday I missed the Lakers' match-up with the Detroit Pistons. By clicking on the Lakers' icon here on my screen, Mobile ESPN automatically brings me to this game. What you are now seeing is the final score of the game with the Lakers on top, 105 to 94, which is quite an upset. You can also see on the leader board that Kobe Bryant led the game with 40 points.

Since I missed the game, I would like to see a little bit of the action.

[Video Plays]

Pretty cool. Mobile ESPN may not slice and dice your vegetables or help you catch large mouth bass or give you buns of steel but it's available at a 10% discount out there in the tent as you leave the Pond.

Mobile ESPN is another great example of how we're serving our fans, expanding our business and strengthening ESPN's position as the worldwide leader in sports entertainment.

We're also creating Disney Mobile, which is specifically tailored to families. We know parents are on the lookout for products they trust and that kids will find exciting and fun. This new cellular business launches this summer and features fantastic Disney content, all of which you'll learn more about when we officially announce Disney Mobile's products and services next month.

When it comes to building outstanding Disney franchises, the Disney Channel Worldwide is a powerful creative engine. Now available to over 160 million subscribers in more than 100 countries, Disney Channel comprises one of the most successful portfolios of children's television anywhere and is a leading source of entertainment for kids and tweens.



By virtue of its global reach, and impressive audience loyalty, Disney Channel is a valuable daily ambassador for the Disney brand worldwide. Hits like *That's so Raven*, *the Suite Life with Zack and Cody* and *Kim Possible* are connecting with children everywhere and creating tremendous opportunities for us well beyond the TV screen. Video games, DVDs, MP3 players, and a popular line of apparel make *Raven* one of the many successful franchise stories at Disney.

In January, the Disney Channel debuted the original movie *High School Musical*, which became the highest rated telecast in its history. And before the movie premiered, the soundtrack was already number one on iTunes and Amazon.com. By the end of February, it was the number one album in the country, topping the Billboard 200 chart. Just last week, the soundtrack went Platinum. And it's still a top seller. Take a look.

[Video Plays]

With *High School Musical*, we created an absolute sensation, the success of which is being enjoyed across a number of our businesses.

Between Disney Channel, Walt Disney Records, Radio Disney and Disney.com, we were able to reach our core audiences across all platforms, resulting in a phenomenon that is a true franchise for the company, and development has already begun on a sequel.

At Playhouse Disney, our newest series, *Little Einsteins*, is popular among the preschool set with its great entertainment and learning environment that kids respond to and parents trust.

Little Einsteins is a great example of how we're building on the success of our Baby Einstein franchise. When we purchased Baby Einstein five years ago, it generated just \$25 million at retail, and today we're at \$200 million. And we continue to expand our offerings and global presence.

The preschool market is huge with consumers spending north of \$14 billion every year on character-based products, and the success of *Little Einsteins* presents another opportunity for us to grow in this space.

One of our most successful businesses continues to be the Disney Princess franchise, which ranges from dolls and DVDs to video games, a popular magazine and the top selling Disney Princess TV at Target stores. In fiscal 2005 the franchise generated \$3 billion in global retail sales, and we expect that number to continue to grow, especially if each of you joins us for the debut of the new Disney on Ice Princess Show, which opens here at the pond next week.

Another business in which we are extending our key company-wide franchises and building new ones is in video games. Last quarter, we saw strong results with our new *Narnia* game, which shipped 2.5 million units worldwide. We also recently launched the sequel to our successful *Kingdom Hearts* game in Japan, where it sold a million copies in the first 3 days of release. And we are incredibly optimistic about its launch in the U.S. later this month. Look for more investment in this direction to build our share in the growing worldwide gaming market.

Turning to parks and resorts, 50 years ago, Walt Disney redefined family entertainment when he created Disneyland, a kingdom where guests could experience the magic and wonder of his characters and stories first hand. Today, Walt's realms of adventure, fantasy and tomorrow span the globe and are, indeed, the source of special memories for over a billion people who have entered our gates over the last 50 years.

At our parks, we're always investing in imagination, which is why our guests visit again and again, generation after generation. And today in the midst of Disneyland's global 50th anniversary celebration, guests young and young at heart have visited our parks in record numbers to celebrate this milestone. In fact, this year, I'm pleased to report that we expect Disneyland to entertain more people than in any other year in its five decade history. Now, with a little help from Tinkerbell and our Disney ambassadors, let's find out what's going on at our Disney destinations around the world.

[Video Plays]

We're especially proud of our newest park, our first in China. Hong Kong Disneyland - a breathtaking achievement and a unique addition to our Parks and Resorts destinations worldwide. Families from Hong Kong, Mainland China, and throughout Asia have visited the park and given us extremely positive feedback, proving that Disney creativity really does cross borders and cultures.



With the opening of Hong Kong Disneyland, we have established an important cornerstone from which to build our company in the world's most populous nation.

In addition to Hong Kong Disneyland, the Disney Studios will debut the *Lion King* stage play in Shanghai this July, and Consumer Products has opened 2,600 Disney corner merchandise locations across the mainland, with plans to add 60% more by year end. Disney characters, games and ringtones are now available on China Mobile. We're working on our first Disney feature film co-production in China, *the Secret of the Magic Gourd*. And two days ago, *the Chronicles of Narnia: The Lion, the Witch and the Wardrobe* opened in China to huge success; in fact, it was our biggest opening day there ever.

A major focus at our studio is making great live action Disney films like *Narnia*, *National Treasure* and *Eight Below*. And we've got a lot to be excited about. We're working on a sequel to *National Treasure*, and we're already in production on our first sequel to *Narnia - Prince Caspian* - which is scheduled for a holiday 2007 release. And this Christmas Tim Allen will be back in *Santa Clause 3*. Tim's actually been spending a lot of time in the studio this year, and his newest movie *The Shaggy Dog* opens in theaters starting today.

[Video Plays]

Two years ago, *Pirates of the Caribbean* brought in more than \$650 million at the global box office. It was an absolute sensation. This summer *Pirates* is back, and so are Johnny Depp, Orlando Bloom and Keira Knightley.

[Video Plays]

Now that was exciting. And we've got another *Pirates* sequel coming in 2007, plus a great toy line, a new Disney online multiplayer game, and the new *Pirates* enhancements at Disneyland and Disney World, which you saw earlier.

At Disney today, we have blockbuster live action films; a top television network; the leading sports home for sports fans everywhere; and millions of people visiting our parks every year. But to truly live up to our legacy, animation must also be great. We must create animated films that raise the standard of the art and become true classics for countless generations.

Walt Disney was found of saying, "it all started with a mouse" or maybe it was a rabbit. But what he really meant was it all started with animation. For this company, and for our shareholders, there is nothing like a great Disney animated feature. It's our biggest wave maker and its ripple effects can be profound...they can be felt across all of our businesses. Animation is not just our legacy, it is vital to this company and its future.

When you look at *Snow White* or *Lion King* or *Toy Story*, they're not just movies. They're timeless stories with enduring characters in magical worlds and they reach far beyond the movie theater. They become Broadway musicals, theme park attractions and much more. In effect, they become part of our culture and that's why they create so much value.

Just consider a classic like *Cinderella*. She's as vibrant and meaningful today as she was 55 years ago. When we released the DVD recently, we sold nearly 9 million copies. At Walt Disney World, breakfast with Cinderella is one of the most sought after experiences. And at Halloween, thousands of little girls dress up and live their dream of becoming our princess. There's no question great animation is as timeless an art form as it is a business.

[Video Plays]

To build upon the legacy of Walt Disney and to achieve the full potential of the company that bears his name, we have made animation our top priority. And we affirmed our commitment to the art of Disney animation with our decision to acquire Pixar Animation Studios.

We all know this acquisition comes with award-winning, extraordinary stories, and characters and technology. But it also comes with considerable talent. The creativity and innovation of the Pixar team is outstanding, and leading this team are three of the most gifted creative talents in animation.

Ed Catmull, who will be our new animation president, is renowned for his technical mastery and exceptional leadership.



John Lasseter will be our Chief Creative Officer at Animation and Principal Creative Advisor at Imagineering. John's amazing ability to tell great stories and create unforgettable characters and believable worlds is evidenced in each one of the films he's made.

And, as we all know, Steve Jobs is a true leader and visionary, who will contribute his expertise as a member of our Board.

Here to tell you all about the exciting future of animation at Disney is a man who has a great love and passion for this art, but also a great love and passion for the Walt Disney Company. Ladies and gentlemen, John Lasseter.

John Lasseter - *Chief Creative Officer at Animation and Principal Creative Advisor at Imagineering, The Walt Disney Company*

Thank you. Thank you. For the Disney shareholders meeting, my wife said that I have to dress up, so I wore black tennis shoes. And I put a jacket on. This is as dressed as I get.

I can't tell you how exciting it is to be here. Not here at the Pond, but to be here at Disney. As you know, maybe you don't know, I was born in Whittier, California, about a half an hour from here. All I ever wanted to be was an animator. All I ever wanted to do was work for Walt Disney.

I discovered that when you really love cartoons but you're in high school, and you're supposed to be cool and you would run home, before the Disney Channel, before video cassettes, and you had to run home for 4:30, Bugs and his buddies on KTTV Channel 11 to catch it, even in high school. That was me. Then when I was in high school, I read the book, *The Art of Animation* by Bob Thomas, and it dawned on me: people make money doing cartoons. That's what I wanted to be. So I went to Cal Arts, in fact I got a scholarship from the Disney foundation, and while I was there, I worked at Disneyland as a ride operator on the Jungle Cruise.

I worked at Disney after I graduated from college in 1979, and then I saw something that I felt was amazing, the very first bit of 3D computer animation ever done, and I knew that Walt would have loved this. Walt always strived to get more dimension in his animation. I thought, this is amazing.

So, I followed my dream to work with, who I think is one of the most amazing people I've ever known in my life, Ed Catmull, up at Lucas Film Computer division. And in 1986 Steve Jobs bought us from Lucas Films and we formed Pixar. And for the first 10 years we lost a lot of Steve's money. A lot of Steve's money, but he believed in us. He believed in what we were doing. Pixar is its people. An amazing group of people that Ed and I and Steve have been fortunate to lead for all these years. And all of us believe in one simple thing. Quality is a great business plan. Period!

We always believed that, no matter what we did, made a feature film, a DVD, a lunchbox, a T-shirt... we should make it the best quality it can be. An animated film can entertain someone from the moment the lights dim in the theater to the moment they turn back on. From every minute you're deeply entertained. That's why we do what we do - we believe in that. That's what I love to do, I love to entertain people thoroughly.

When Bob Iger came to the three of us and said they were interested in acquiring Pixar, I was worried because we have built this incredibly wonderful culture at Pixar about creativity, and about quality and everyone there, 850 of us, believe in that single thing. I was worried, until I got to know Bob Iger. Ladies and gentlemen, you are led by a great man. He is amazing. And that's why we're here. That's why Pixar joined up with Disney and that's why Ed and I are so proud to lead Disney feature animation into the future. I promise you we will make films that will entertain you from the moment the lights dim to the moment they come up. I give you my word on that.

And you know, what we found at Disney feature animation is the most amazing group of talented artists that have wanted to make amazing motion pictures for a long time and we're going to work with them and it's going to be phenomenal and I'm so excited. We're bringing back some amazing people that have left and we're making Disney the place you have to work at again.

And, I get to help design theme park attractions!

I never understood why you wouldn't start designing a ride when you start coming up with an idea for an animated film. So when a film comes out, a few months later a ride can open. It is because we believe that you can make great stories, with great characters that live beyond the boundary of the film, so that people want to be with those characters for the rest of their lives and experience it



again and again and again. I promise you, not only are we going to make great motion pictures, we're going to make theme park rides that as soon as you get off that ride, you want to get back in that line no matter how long it is, to ride that ride again. I promise you that. I'm so excited.

I get to direct movies too, and my new movie, which I'm very proud of, is *Cars*. I have worked on this movie since December of 1999, when I finished directing *Toy Story 2*. My father was a parts manager of a Chevrolet dealership in Whittier California all my life and I have loved cars. My mother was a high school arts teacher at Bell Gardens High School for 38 years, and so this is a very personal story for me because it's putting my two loves together. And so I've brought you some special things. First, I would like to show you our latest teaser/trailer. It's premiering here today for you.

[Video Plays]

Thank you. *Cars* is a very personal story for me. I worked non-stop directing *Toy Story*, *A Bug's Life*, *Toy Story 2*, and during that time I actually had 4 of my 5 sons. Towards the end of *Toy Story 2* my wife said John - she was very supportive of me and my career in Pixar, but she said, one day you're going to wake up and your kids are going to have gone off to college and you will have missed it. I realized she was right.

I took the summer off that year. We bought an old used motor home, we put our feet in the Pacific Ocean, then we turned and headed east. We had two months, just the family. It was amazing. I changed. I came back and said that's what I want that movie to be about, what I learned that summer. This story is a very special one to me. It's about a character named Lightning McQueen, voiced by Owen Wilson, this unbelievable rookie racecar in a world where there are no humans, just cars, and in this world, race cars are athletes. He's driven to be the fastest, the quickest, to get there and -- on his way to the final race of the season, through his selfishness he gets lost and stuck in an old Route 66 town that the interstate and the modern world has bypassed long ago. It's inhabited by nothing but old cars from the 50s and 60s.

The one commodity they have a lot of is time, and he thinks he's stuck in hell but he learns a lot about life. There he meets an old '51 Hudson Hornet, called Doc Hudson, he's the town doctor and the town judge, they all have 2 jobs in the town, voiced by Paul Newman. And he falls in love with a Porsche 911, voiced by Bonnie Hunt. He meets a character that he could never possibly be friends with - you see he only likes to hang out with new cars. This beat up, rusty tow truck named Mater. As he says - he's like Mater? Yes, it's like Tamater without the Ta. And he is voiced by probably the greatest living American actor today, Larry the Cable Guy.

I brought with me something special for just you. No one has seen this outside of Pixar, it's a clip from - it's not a trailer, it's a full clip from our movie. In this scene, Lightning McQueen - they don't know who he is, here's this guy, comes through town, he wrecks their main road, their livelihood and he's just been sentenced. Doc Hudson sentences him to community service, you've gotta fix what you broke before you can leave. So fixing the road to Lightning McQueen, a prima donna, he has to pull this disgusting, smelly, tar covered, road paving machine they lovingly call Bessie. And to fix the road and he is working really, really hard.

Mater, who is hanging out with him the whole time because he's the new person to talk to, is given the job to watch him so he doesn't escape one evening. So instead of just watching him, Mater takes him to do his absolute favorite pastime.

[Video Plays]

Thank you. Thank you so much for having me here, I'm so proud to be a part of this Company again. And this is a great guy. Thank you, Bob.

Bob Iger - President and Chief Executive Officer, The Walt Disney Company

Hold on John, not so fast. I think you're holding back. I think you've got a little bit more.

John Lasseter - Chief Creative Officer at Animation and Principal Creative Advisor at Imagineering, The Walt Disney Company

Oh, that's right. I've got one more thing. How would you like to see what Pixar's doing next after *Cars*?



This is the world premiere of our trailer for our new movie. I'd just like to show it to you.

[Video Plays]

Ratatouille is our eighth motion picture at Pixar. It will come out in the summer of 2007. It's creatively led by Brad Bird, the director of *The Incredibles*, and we're very, very excited about it. Trust me you have never seen anything like this. Anyway, I'm so glad to be here. Thank you Bob, for having me.

Bob Iger - President and Chief Executive Officer, The Walt Disney Company

Thanks, John. I know all of you join me in welcoming John and Ed Catmull, who's also with us today, as well as the entire Pixar team to the company.

We're incredibly optimistic about what the future holds. When you think of Disney, the first thing that comes to mind is magic, magic rooted in quality and creativity, with a vision that honors the past and embraces the great opportunities the future holds.

This is an exciting time for the Walt Disney Company, for me, personally, and for our outstanding, talented management team and world class cast.

First, I'd like our management team to stand. Please hold your applause.

George Bodenheimer leading ESPN and ABC Sports

Chairman of the Walt Disney Studios, Dick Cook

Walter Liss who runs ABC owned television stations

Andy Mooney leading Consumer Products

The head of our Parks and Resorts, Jay Rasulo

Anne Sweeney, our head of Disney/ABC Media Networks

Steve Wadsworth, managing our Internet Group

Andy Bird, Head of Walt Disney International

Our Chief Counsel, Alan Braverman

Zenia Mucha our Head of Corporate Communications

Preston Padden leading our government relation's effort

And our Chief Financial Officer, Tom Staggs

Now, I'd like to recognize our outstanding team of Disney Cast Members and employees who bring it all together every day. I know there are a lot of them in the room, so if you could turn the lights up in the house. Would everyone who is a Disney cast member please stand up? These are the men and women who really make the magic happen and I thank all of them. We believe that a commitment to quality and creativity in its highest form, using technology to its fullest, crossing international borders and keeping consumers top of mind is the best way to manage and grow our businesses and deliver strong and consistent returns for you, our shareholders.



On behalf of the entire team, we appreciate and value the trust and confidence you have placed in us. And we are all very excited about what the future holds and where our imaginations are going to take us. Thank you all very much.

I'd like to bring up Tom Staggs, who will report on your company's strong financial performance.

Tom Staggs - Chief Financial Officer, The Walt Disney Company

Thank you, Bob. Hello, and thanks to all of you for joining us today. Earlier this week, in my son Tyler's kindergarten class, the kids were asked if they were given three wishes, what would they be. One of Tyler's wishes, in addition to never, ever hearing the words "no more candy" again, was to own Disneyland. When he told me that, I mentioned to him that I was speaking today to Disney's shareholders, the people who together actually do own Disneyland. To which he said, "Wow, that's cool. Tell them I say 'hi'". So, hello also from my son.

The tough part about following the boss, and not to mention John Lasseter, is that they get to show all the great creative product. Fortunately, as a result of that wonderful creativity, we have a very strong financial story to share as well. But before I get too deep into that story, I'd like to set the stage a bit.

As many of you realize, a company's success is based on a combination of factors. One factor is having an attractive market in which to operate. The good news is that the market for entertainment products and services is a great one that promises to grow on a global basis.

A second critical factor for a company is having a competitive advantage in its market, such as having a proprietary process or technology, or a strong brand name. Such an advantage is what allows a company to compete successfully and create value for its shareholders over time.

Bob has just discussed the strength of our brands and entertainment franchises, our dedication to creative excellence and our ability to extend our success across our existing businesses and emerging opportunities. These are all fundamental sources of competitive advantage for your company. At Disney, brand strength, creativity and innovation have always been the principal drivers of financial success and shareholder value and we expect that to be the case going forward.

A third factor for long-term success is having the financial strength and flexibility to effectively capitalize on marketplace opportunities and pursue new growth initiatives. And so, I'm pleased to report that your company enjoys an extremely strong financial position as well.

In assessing our financial performance, there are three principal measures that we track. As you'd expect, one of them is earnings growth. But there are two other critical building blocks in the creation of shareholder value, namely free cash flow and long-term return on invested capital.

We performed well against all of these metrics again this past year.

In fiscal 2005, we delivered double-digit growth in our earnings per share, continuing the positive trends of the past several years. At the same time, we achieved near-record free cash flow and we improved our return on invested capital for the third year in a row.

Media Networks again stood out as the largest driver of our Company's results last year, as consumers and distributors around the world continue to seek out Disney's high quality, branded programming.

In our cable group, ESPN and Disney Channel maintain top positions in their respective categories of sports and family entertainment, powering significant profit growth for the year. These results are all the more gratifying because our team delivered this strong performance even as we continued to invest substantially in new programming and new businesses.

On the broadcasting side, we're extremely pleased with ABC's resurgence. Fueled by the success of the hit shows Bob discussed earlier, ABC's financial results have improved dramatically. Our talented Touchstone Television team produces most of our successful ABC shows, which means we will capture significant upside as we sell these programs into syndication and offer them



on other platforms like DVD and iTunes. In fact, based on current ratings and marketplace trends, our slate of Touchstone-produced shows should ultimately contribute over \$1 billion in operating income to the company.

Of course, the place where we've invested capital most heavily over the past 10 years has been in our Parks and Resorts. This investment has enhanced Disney's leadership position and competitive advantage in this industry and is beginning to pay off in our financial results as well. Our growth in attendance, hotel occupancies and guest spending at our parks and resorts in 2005 demonstrates that the appeal of these treasured entertainment assets is as strong as ever. This growth also resulted in solid gains in both revenue and operating profit for the segment.

At the same time, our Studio results for 2005 were less satisfying. Several factors impacted our performance here, including disappointing box office results for a number of films, weaker-than-expected sales for our home video product, and a generally challenging theatrical and home video marketplace.

The film business by its nature is hit driven. Our studio team is focusing their efforts and our investment in those areas where we believe we have the greatest potential for success both creatively and financially. That means producing more of our films under the Walt Disney Pictures banner in order to capitalize on the advantage that the Disney name gives us at the box office. Indeed, moviegoers have particular affinity for two film brands. One of them, of course, is Disney. The other is Pixar.

At Consumer Products, we continued to deliver growth and merchandise licensing, buoyed by the success of characters like Mickey and Pooh, and new product lines like Disney Princess. In 2005, these gains were offset by our increased investment at Buena Vista Games. Our video game spending will put pressure on near term results, but this is an investment we are happy to make because we believe this business provides us with an excellent opportunity to further leverage our characters, stories and creative strengths in an attractive and growing market.

We're just one quarter into our 2006 fiscal year, but results thus far give us good reason for continued optimism. Earnings were up double-digits, and we again delivered strong cash flows and improved returns on capital. Our performance in Q1 was driven by the growth in advertising sales and ratings across our media networks, and by our theme parks where we saw record holiday attendance, led by the tremendous success of the 50th Anniversary celebration, especially right here at Disneyland.

Bob highlighted the fact that we expect strong results to continue, but it bears repeating. Barring a downturn in the economic environment, we expect to deliver double-digit growth in earnings again in 2006, and we are targeting double-digit average growth through at least 2008.

As you've probably noticed, we've also seen recent strength in Disney's stock price. So far in fiscal 2006, Disney's total return to shareholders is 18%, more than four times the return on the broader market during that same period.

Of course, one of our most important jobs is to allocate capital and manage our asset base in order to position Disney for long-term success. Our recent efforts in this regard are evidenced by two major strategic initiatives. The first is our agreement to purchase Pixar.

The combination of Pixar and Disney animation represents a fundamental investment in Disney's creative vibrancy and future. We expect the transaction will dampen earnings per share for the next couple of years. However, we believe that the combination will add to our earnings after that. And it will extend our ability to develop the kind of beloved properties that truly set Disney apart, while adding value across virtually all of our businesses.

Since the required period for the U.S. anti-trust review has now expired, Pixar will likely be in the position to send proxies to their shareholders in the next several weeks, which would enable us to complete the transaction by late April or May.

The second recent initiative is the merger of our ABC Radio assets with Citadel Broadcasting.

In our radio business, we have an excellent set of assets and an outstanding management team. However, we are convinced that we will deliver greater value to our shareholders from these assets by combining them with Citadel, thereby creating an industry-leading broadcasting company, owned and operated separately from Disney.



ABC Radio and Pixar are obviously unrelated transactions, but they demonstrate our commitment to allocate capital toward endeavors that can enhance our competitive advantage and overall value of our business for the long-term.

I mentioned the importance of cash flow earlier and this is an area that we have given significant attention. Over the last several years, our free cash flow has improved dramatically. In 2005, we generated over \$3 billion in free cash flow, representing one of our strongest cash flow years ever. Our substantial free cash flow has allowed us to significantly reduce debt and further strengthen our balance sheet. From our peak level at the beginning of fiscal 2002, through the end of this past quarter, we've reduced our net borrowings by over \$6 billion.

Our financial position today is excellent and it allows us to invest for the future, even as we return value to our shareholders through dividends and share repurchase. In 2005, we increased the dividend by more than 12%, to \$0.27 per share, which means that our dividend is up by almost 30% in total over the last two years.

We have also actively repurchased Disney shares. From August 2004 through December of 2005, we devoted nearly \$4 billion to repurchase over 150 million shares of Disney stock. We currently intend to repurchase in excess of \$5 billion worth of Disney shares over the next 12 months and our goal is to repurchase as many shares as we are issuing in the Pixar transaction by the end of 2007.

We are pleased with the recent results. At the same time, we are by no means complacent and are more focused than ever on building on this recent success in order to deliver further value for you. Our job as stewards of your company is to continue to make good on Disney's fundamental promise to deliver creative excellence.

In a world where we can reach consumers in more ways than ever with entertainment experiences and products, the possibilities for Disney creativity are greater than ever. By setting the bar high for creative quality and innovation, we will continue to make Disney the place to be for consumers around the world and our investors as well.

Thank you very much.

Forward-Looking Statements:

Certain statements in this press release may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are made on the basis of the views and assumptions of the management of The Walt Disney Company and Pixar regarding future events and business performance as of the time the statements are made and they do not undertake any obligation to update these statements. Actual results may differ materially from those expressed or implied. Such differences may result from legal or regulatory proceedings or other factors that affect the timing or ability to complete the transactions contemplated herein, actions taken by either of the companies, including restructuring or strategic initiatives (including capital investments or asset acquisitions or dispositions), as well as from developments beyond the companies' control, including: adverse weather conditions or natural disasters; health concerns; international, political or military developments; technological developments; and changes in domestic and global economic conditions, competitive conditions and consumer preferences. Such developments may affect assumptions regarding the operations of the businesses of The Walt Disney Company and Pixar separately or as combined entities including, among other things, the timing of the transaction, the performance of the companies' theatrical and home entertainment releases, expenses of providing medical and pension benefits, and demand for products and performance of some or all company businesses either directly or through their impact on those who distribute our products. Additional factors that may affect results are set forth in the Annual Report on Form 10-K of The Walt Disney Company for the year ended October 1, 2005 under the heading "Item 1A – Risk Factors" and in Form 10-K of Pixar for the year ended December 31, 2005 under the heading "Item 1A – Risk Factors". Reconciliations of non-GAAP financial measures to equivalent GAAP financial measures are available on Disney's Investor Relations website.