



Bank of America
Media, Telecommunications and
Entertainment Conference

MARCH 29, 2006

Disney Speaker:

Jim Hunt

*Executive Vice President and Chief Financial Officer,
Walt Disney Parks & Resorts*

PRESENTATION

Doug Shapiro – *Analyst, Bank of America*

I'm going to get started here with the scintillating public disclosure statement. As you're aware, we're required to make a number of conflict of interest and related disclosures in connection with our participation in the conference and the companies that we may discuss. If you want to review those, there are packets in the back of the room, and also there is a PDF available on the Webcast. So, with that dispensed with, next I'm pleased to present Jim Hunt, who is the EVP and CFO of Walt Disney's Parks and Resorts segment. Jim has been the CFO since 2003, and prior to that, he was the CFO of Walt Disney World.

As you know, the parks are really one of the most scrutinized segments within Disney and the trajectory of park margins are hotly debated. So, Jim has a presentation for us that hopefully is going to pull back the curtain a little bit. Then hopefully we're going to have a little bit of time for Q&A after that, so thank you very much, Jim.



Jim Hunt - Executive Vice President, Chief Financial Officer, Walt Disney Parks & Resorts

Thanks very much, Doug. It's good to be here today.

We're going to share some plans and some discussions on our strategies for the Parks and Resorts segment going forward, and that will be the focus of my remarks today -- to give you the longer-term expectations for our parks business overall.

Our March quarter ends this Saturday, so updated stats on our business, including current trends at the theme parks, will be discussed in our Q2 earnings conference call, which will be on May 9th.

Parks and Resorts is an integral part of the Walt Disney Company. And I will tell you in a minute how that translates financially. First, though, it's important to let you know that our destinations around the world provide enormous consumer support for the overall Disney brand. Everything else being equal, visitors to Disney theme parks have a dramatically higher opinion of the Disney brand than do other customers.

Our parks also play what we think is a very important role in cultivating new relationships. Second only to Disney-branded films, the parks are the gateway that most households use to first connect with the Disney brand. Disney theme park visitors, or our guests as we like to call them, spend significantly more on other Disney products, such as consumer products and DVDs, than do non-guests. A specific example of that is our research tells us that if you've been to the parks a few times within the last five years, you are likely to spend three times as much as the average consumer on other Disney products, and we think that's pretty powerful.

We offer consumers a number of different ways to experience Disney. I think most of you know, but just in terms of reflection, we have five destinations around the globe. Two of them here in the United States, one in Paris, one in Tokyo, and as of less than seven months ago, one in Hong Kong. We have 11 theme parks in total. We have more than 33,000 hotel rooms represented by our 31 hotel resorts, and as you might expect, we have everything from luxury resorts such as the Grand Floridian down in Florida and the Hotel MiraCosta in Tokyo, to value-property resorts such as Pop Century in Florida.

We also have a couple of water parks. We have 126 holes of championship golf, a substantial number of retail dining and entertainment venues and a sports complex that is one of the world's premier destinations for both athletes and spectators. We also have seven Disney Vacation Club properties with nearly 100,000 member families. And we have two cruise ships as well.

So it's our worldwide base of highly themed and unique and creative and story-centered assets that really allow us to welcome a growing number of guests each year.

In 2005, for example, our attendance grew in our domestic parks at about 5% against the prior year. That trend continued through the first quarter of 2006, with attendance growing by approximately 9% against the prior year. That's largely on the strength of our 50th Anniversary celebration, particularly at Disneyland. Interestingly, I fully anticipate that we will be welcoming our overall 2 billionth guest through the turnstiles sometime this fiscal year.



We said earlier this month at the Walt Disney Company Annual Meeting that the three pillars of the Company are driving creativity and innovation, applying new technology and expanding our business on a global basis. I'll try to touch on each of these throughout the rest of today's discussion, starting with creating high-quality entertainment, which I think, as everyone knows and appreciates, is the centerpiece of what we do. It's really what's propelled Disney's growth in the past, and we certainly expect it to be a driver of our growth in the future.

Our ability to deliver memorable entertainment experiences is significant, and it's a sustainable competitive advantage. If you take a look at the top parks around the world and the top 10 in particular, it's not surprising, at least to us, that eight of them are Disney. Our ability to take attractions and entertainment to the next level and create compelling and memorable stories for our guests to explore is, once again, the hallmark of our business.

Take *Expedition Everest*, for example. For those of you who don't know, *Expedition Everest* officially opens next week at Disney's Animal Kingdom down in Florida. Now, this attraction tells the story of the Legend of the Yeti, who guards the route to Mount Everest high in the Himalayas. To bring this story to life, we've developed not only a great and unique roller coaster attraction, but also, as a central figure of the story, a mammoth-sized audio-animatronic Yeti, the abominable snowman. Now, this figure has the potential instantaneous thrust of a 747 400 airliner, all in the name of advancing the thrill elements of the story. We think it is a significant product differentiator.

But aside from product differentiation, the powerful Yeti adds to the storytelling and to the guest experience in a major way. Importantly, this translates into greater intent to return, and greater intent to recommend, which then translates into future visitation from guests and subsequently to revenue growth. I brought a quick teaser to take a look at.

(Video plays)

Now, besides developing and creating our own inventions and our own attractions to tell those stories, we'd like to continue telling stories that have been told by other Disney businesses, ultimately generating franchises of our own while capitalizing on existing and new ones. Everybody in the world talks about synergy. It's probably a very overused word, but we think we are experts at synergy, and I will take just a minute to tell you how and why.

Let's use a Pixar character for example, which came up several times during the last presentation. We've taken Buzz Lightyear, and that franchise, from enormous success on the big screen, and then to his further success on the small screen on DVDs and videos, and gone a step further to create an interactive attraction that, after it opens in Paris next week, will be at each of our resorts around the world. Buzz Lightyear translates well into a game-scoring based ride that we think really hits the sweet spot of kids and families and gamers of all ages. The attraction's interactivity makes it enormously repeatable. In fact, a majority of guests surveyed tell us that they rode or plan to ride Buzz multiple times during their stay.

I will move away from that and give you another example other than Pixar. Creativity in this arena flows both ways. Parks is the inspiration for high-quality entertainment as well, produced by other Walt Disney Company operations. Take *Pirates of the Caribbean*. Now, for 36 years, that was simply a popular attraction at our theme parks. Today, *Pirates* is also one of the Disney Studios' biggest franchises to date, generating in excess of \$650 million at the box office, while also selling more than 35 million video units. As you know, Walt Disney Studios has two more *Pirates* adventures in the works, both of which are significant Company franchises.



Now, to show you the true power of synergy - while the theme park attraction inspired the movie, the movie is now inspiring the theme park attraction. *Pirates of the Caribbean* at both Walt Disney World and Disneyland are currently under construction and will reopen this summer enhanced with new characters from this new film franchise, including obviously Captain Jack Sparrow, and other new features and surprises for our guests.

You know, upgrading an existing attraction like this to give it new story components is not only a great creative endeavor for us, it's also a cost-effective way to give people a reason to come back to the park and experience a beloved attraction again.

So, how does this creativity and synergy translate to our financial results? First of all, we're very focused on growing our revenue and operating income, as Doug said, increasing our margins, our free cash flows and return on invested capital. In particular, as many of you probably already know, restoring our non-consolidated margins to the 20%-plus range in the next several years is a key priority of ours. Providing progress updates on this margin goal on an apples-to-apples basis has become a bit murky, a bit complicated given that we are now required to consolidate our partially-owned parks in both Paris and Hong Kong, and we've begun expensing employee stock options.

That said, since the post-2001 recession and geopolitical period, we've used a combination of both revenue management and cost management and productivity to grow our margins. We are continuing to make steady progress towards this goal. On this basis, margins for 2005 were 17.3%, up 220 basis points from the 15.1% we saw in 2004. We remain confident in our ability to meet this goal. Assuming continued strength in the travel and leisure markets, we plan to grow domestic volumes at about 2% to 3% per year, increased pricing at a rate that approximates inflation or maybe slightly above, and continue to expand our flanker businesses. At the same time, we will remain, as we have been, very focused on cost management and productivity.

Let me talk in a couple more specifics about how we drive the top line, the key drivers of which are attendance and occupancy, ticket pricing, guest spending, and added products and services. We have a program called Magic Your Way, which gives our guests the option of buying exactly the ticket that their families want from one day to ten days, with or without all of the bells and whistles that we are offering from things like park-hopping to water park access to non-expiration and dining options, and all of those things that we offer. It's really a way of letting our guests customize and personalize their vacations and letting them choose those that best suit their needs and desires, which helps us to continue a personal conversation with consumers.

Now, we are obviously not the only company that operates under such a principle. We all know the stories of product personalization from Starbucks' personalized lattes, to iPods where you can select from literally millions and millions of songs to build your own playlist, and to cell phone users who can customize their ring tones with virtually any song that reflects their identity. They annoy us when we're in a restaurant or on the train, but it reflects their identity nonetheless. Today, the market really just demands choice, and by providing choice and customization, we are not only providing our guests with what they want, but importantly creating valuable resort differentiators.

Now, specifically, to differentiate our Florida resort product from the competition, guests who stay on a Disney property can take advantage of two programs that we rolled out in 2005, the first of which is called Disney's Magical Express. With Magical Express, a guest's vacation begins the moment they land at Orlando International Airport. Having checked their bags at



their hometown airport, the family can completely bypass baggage claim, get on a state-of-the-art motor coach and go right to Walt Disney World, and their bags will magically appear in their room upon check-in. At the other end of their vacation, we also offer the convenience of allowing them to check into their return flight and check their bags, therefore avoiding the long airport check-in lines. Now, Disney's Magical Express is transporting about an average of 10,000 guests each day with about two-thirds of guests coming into Orlando International Airport availing themselves of this service.

The second program is what we call Extra Magic Hours. We certainly recognize that during a vacation on our property that families may want to take a break from park activities during the day. The kids may want a midday swim at the pool or maybe the family just wants to take a nap. So each day, as a part of Extra Magic Hours, one of the Disney theme parks opens an hour early, or stays open an additional three hours after regular closing time for on-property guests and only for on-property guests to enjoy. This initiative is very, very popular as well. About 40% of our guests are participating in at least one morning or evening. Importantly for our business, stated intent to return to a Disney resort is higher among guests who attended an Extra Magic Hour. Of course, we couldn't offer these programs seamlessly if we didn't operate both the parks and resort hotels. It's our collection of these resort assets that really helps us to deliver these types of product offerings and the related results. These initiatives are good for us; they're good for the guests; they help us both financially and from a quality perspective and importantly, they've allowed us to do turn services into new product offerings for our guests.

Through Magic Your Way, we can also provide a family of four the ability to stay in a standard room at a valued Disney resort for six nights and seven days with theme park tickets for each of those days for an affordable price of just under \$1500. That's a family of four for a full week-long vacation. So this program provides viable options for families who have more of a value perspective in selecting their vacation and yet allows us to broaden our reach into new sets of potential guests.

Now, when guests stay on our property and in our hotels, we capture a much larger portion of their total vacation dollars than when they stay off-property. To provide some perspective, once again, our research tells us that the Walt Disney World guest who stays at our hotels visits our parks on average approximately two more days than guests who stay off-property. And guests who stay at our hotels spend, on average, over 60% more of their food and beverage and merchandise dollars with us than those who don't stay on-property. If they stay on property and use our free Disney transportation systems, that figure climbs even higher.

So I think you can see that having guests on-property for their vacations can drive significant incremental revenue for us. We believe that Magic Your Way is a significant strategic pricing and service initiative for us, as well as for our guests.

Now, in order to continue broadening future guest appeal, a lodging product that we will soon be introducing at Walt Disney World is the Walt Disney World family suites. These are two bedroom/two bath value-priced units to accommodate larger parties and offer conveniences such as kitchenette facilities and extra storage space. Later this year, we will begin testing the guest suites concept at our All-Star music resort, using this as a pilot program to determine and evaluate future rollouts. Our room rates for these types of suites are approximately \$160, which is about \$5 more than two standard All-Star music rooms.



Now, in addition to our new attraction offerings, our service offerings and customizable pricing, a compelling reason to visit a Disney theme park right now is the Happiest Celebration on Earth, which commemorates 50 years of Disney's theme parks. Let's take a quick look.

(Video plays)

As we saw in the last half of 2005 and clearly continuing into the first quarter of 2006, when you combine the unprecedented scale of this celebration, which has strengthened our relationships with millions of guests around the world, with the continuing optimism of travel and tourism markets, you have a recipe for higher volumes at our parks. Of course, the attractions which they view during this celebration will be available for guests to enjoy not only during 2005 and 2006 but for many years to come. We certainly recognize the strength of global, overarching themes and the related marketing opportunities that they present, and anticipate that they will help drive attendance once the 50th celebration has concluded.

Let's turn for just a minute to the Disney Cruise Line, which allows our guests a different way to explore the world while enjoying the Disney experiences that they do expect. As you may have read last week, we announced that one of our two ships, the Disney Magic, will offer Mediterranean cruises beginning in May of 2007. Now, while the Disney Magic generally sails to the Caribbean, it traveled last summer into the West to do Mexican Riviera cruises as part of our 50th celebration. Our new European itinerary is an adventure for this crew ship and for our guests. On May 12th of 2007, in response to a significant number of guests who said they wanted a hassle-free high-quality way to explore the Mediterranean and do a Mediterranean cruise, the Disney Magic will begin its journey east, first with a 14-day transatlantic trip from Port Canaveral, Florida to Barcelona, Spain. Upon arriving in Barcelona, the Disney Magic will offer guests eight cruises that are a duration of either 10 or 11 nights each with ports of call in cities such as Palermo, Naples, Marseilles, and others. This is particularly exciting for us because it not only expands our itinerary offerings but also continues to show the expansion of our business on a global basis.

Now, I've given you a couple of ideas and initiatives designed to grow the top line, but we are also very focused on factors that impact our margins from the cost side. I'd like to share some insights on just a few of our cost-management and productivity areas with you now - labor and benefits practices, our sourcing and standardization of our practices globally - and give you what I hope will be some concrete examples where we can have a significant impact in these areas and others. As you can well imagine, seemingly small initiatives can produce fairly big results, given the scale of our business. Now, while we've already achieved significant savings, we expect to continue to achieve further savings going forward.

Let's begin by discussing our cost situation with regard to cast members, who are a key part of Disney's key competitive advantage while labor also represents one of the biggest components of our cost base. The Parks and Resorts segment comprises over 70% of the Walt Disney Company workforce. Our mission is clearly to deliver memorable and magical experiences, and our cast members are a very key component of delivering this Disney difference. The challenge, which we accept, is to balance this great cast experience leading to outstanding guest service with an acceptable employment cost equation. Now, one practice is to maintain a mix of full and part-time cast members, which gives us staffing flexibility during periods of variable demand, thereby helping to optimize our cost structure. We adjust our mix of full and part-time hours and moving forward, expect to increase our part-time labor. While I'm only talking about several percentage points of shift here, the results are expected to be significant.



In the much talked about and challenging benefits arena, we are also focused, as I think is virtually every other American company, and we are making progress. For instance, on prescription drug coverage, which is a significant driver of overall health benefits, we are using a combination of purchasing initiatives, generic drug utilization, mail-order usage and other changes to help us to both provide good benefits and have them at a more affordable cost. Collectively, these and the rest of our labor and benefits initiatives are expected to be significant contributors of cost productivity over the next several years.

In terms of sourcing initiatives, we continue to explore opportunities for standardization, where we can realize both volume-related savings as well as new direct sourcing where we believe that's feasible. Additionally, we are identifying savings by leveraging technology, by automating vendor-related processes and logistics.

Finally, while we certainly recognize that there are differences in our resorts throughout the world, the key drivers of our guest experiences are similar, and so we are exploring ways in which to standardize our processes on a global basis.

You know, in the past, our resorts have operated essentially as freestanding businesses. That may have made sense considering that Disneyland opened in 1955 and Walt Disney World in 1971, but today, advances in information and communications technology, coupled with the universal appeal of a Disney vacation, presents us, we think, with additional opportunities to streamline our operations and find new efficiencies. More broadly, whether it's sourcing and procurement, marketing, advertising, sales, information technology, finance and human resources, we are closely managing the gamut of costs for our ongoing productivity and efficiencies.

Now, in addition to our top line growth and our operating costs, we will continue to prudently monitor our capital spend and expect to drive over \$1 billion of annual free cash flow after making such investments.

As you know, 1996 to 2001 was a very high capital expenditure period for the parks and resorts business. During this period, we expanded the capacity of our business by adding new parks, resort hotels and retail districts at each of our resorts to create multi-day vacation destinations at all of our locations. During that time, we also launched the Disney Cruise Line. Given that these assets are now in the ground and on the water, our current capital strategy is to maintain these existing assets and to selectively create new ones, recognizing that there are more stories for us to tell and that our guest repeat visitation is enhanced when we do so.

The shift in allocation of our domestic capital expenditures has allowed us to significantly reduce our overall capital commitment, continue to increase return on invested capital, and to drive free cash flow. We fully intend to keep domestic parks and resorts capex at meaningfully below \$1 billion in the foreseeable future, as we have stated previously. Now, I should be careful to note here that the reduction in capex does not imply a reduction in maintenance capital spending and will in no way compromise the quality of our guest service, the integrity of our products, or our ability to attract visitors. A significant portion of our capital spend as well as a portion of our operating expenditures will continue to be devoted to giving our parks and resorts that sparkle quality that our guests certainly expect and that our revenue models demand.

So that's a quick overview of the domestic business. Internationally, we've also invested additional capital, yet in some alternative structures where we've been able to significantly reduce our commitment by leveraging the brand, as well as the interest that others have in associating with us to enhance their popularity as important tourism destinations. I think this can



clearly be seen in Hong Kong Disneyland, which I'm pleased to report is now up and running, having opened both on time and under budget. In Hong Kong, we invested \$314 million of the \$3.5 billion of both debt and equity while retaining a 43% equity interest in the business. In addition, we also have royalty and management-fee earnings, which we earn off the top line. I should note, too, that future capital expenses at the park are expected to be fully funded by Hong Kong Disneyland.

Now, going forward, as we continue to explore other growth alternatives, I expect you'll see us continue to employ more and new creative models such as these. We are also focusing our capital investment on technology that delivers new, immersive experiences for our guest. Whether that be in the form of *Turtle Talk with Crush*, which is an incredibly interactive live experience that now allows guests for the very first time to have a real-time conversation with a favorite animated character; whether it's the reprogramming capability of our major E-ticket attractions such as *Tower of Terror* or *Soarin' over California*, allowing us to create new profiles and new stories -- again, providing guests an opportunity to return to visit -- or our virtual Magic Kingdom, our new interactive, massively multiplayer experience which enhances the reach and relevance of our parks to the important teen and tween audiences, and extends guests' theme park experience by allowing them to interact in an online version of a Disney park. These types of initiatives require relatively low capital investments but can have an excellent impact on our guest experience and on enticing visitation to our parks.

Beyond these forms of capital, it's also important to recognize that our business also benefits from investing in what we might call high-capital velocity assets such as the Disney Vacation Club. As I stated, we have seven Disney Vacation Club properties; five of them are located at Walt Disney World, all of which are sold out, except for our newest property, which is Saratoga Springs Resort, which is still being built and is selling very rapidly. As just one example of this, we expect our total investment in all three phases of Saratoga Springs to be returned to us before the first building in the third phase is completed.

Another reason we like this business so well is that Disney Vacation Club members have a high Disney affinity. Members tend to visit Walt Disney World more than once per year and have a relatively longer length of stay. Besides that - and this is again important - they make up to a 50-year commitment to vacation with us.

Finally, away from our parks and resorts themselves, I want to tell you about a way of entertaining our guests and bringing them back for more. This past summer, we began quietly testing Adventures by Disney, a story-based group-guided vacation experience, and our tests were in Hawaii and Yellowstone. Of course, they were not only group vacation experiences but they were topped off with the signature Disney touch and uncompromising attention to detail. Based on the very successful preview period of Adventures by Disney in 2005, we are continuing our pilots in 2006, having added four additional destinations: the UK, Italy and Paris, Costa Rica, and the Canadian Rockies. Adventures by Disney leverages the brand and our expertise in offering quality travel experiences, while requiring far less capital than our more traditional offerings.

Our enthusiasm for the parks and resorts entertainment offerings in all of their forms, both three-dimensional and interactive, is enormous, as hopefully has been conveyed today. Parks and Resorts plays a key role in the Walt Disney Company's overall focus on storytelling by delivering highly immersive and creative experiences that also provide consumer support to the Disney Brand on a worldwide basis. Our own results are also significant as we represent approximately a quarter of the Company's operating income. At the same time, we do remain



very focused, vigilantly focused on our operating metrics and our longer-term results. Ultimately, we believe it's the combination of our distinctive and immersive experiences with operational excellence that all boils down to what I would say is a very un-Wall Street non-business term, and that's 'magic'. That's what our guests expect from us, and that's what we expect to continue to deliver. We do believe that this entertainment magic will continue to drive the reality of financial success for us for years to come.

Thanks very much. I'm happy to take any questions that you might have.

(APPLAUSE)

Q & A

Doug Shapiro – *Analyst, Bank of America*

In the past, Jay Rasulo has shown a chart that shows that exclusive of opening new gates, that the attendance tends to be relatively stagnant within a cycle. What gives you the confidence that you can put together 2% to 3% volume growth? Then as part of that, is there any risk that you've pulled forward some of the demand from the 50th celebration?

Jim Hunt - *Executive Vice President, Chief Financial Officer, Walt Disney Parks & Resorts*

Yes, the 50th is a tremendous celebration for us. I think, as we follow up with the 50th on what will come next, and we do have plans on what will come next, that will really be the determinant. And it is really important, again, that we are giving our consumers and guests a real reason to come and vacation with us. That's not a concern I have currently. As I said, it will really lead from the 50th into the next overarching theme that we describe.

I think I continue to have confidence because, as I hope you can see from the things that we're doing, we are finding new and unique and creative ways to have people continue to come back; whether it's reaching out to new markets in something like a \$1,500 week-long family of four vacation, markets that perhaps thought, historically, that they really couldn't vacation with us, now have a reason to do so.

I think, as we continue to grow the Disney Vacation Club business, which we are, that that gives us opportunities for additional visitation to our parks, and of course, the other flanker businesses that we've talked about.

So I think it's a combination of all those things -- turning services into products, our pricing strategies and products that we continue to add.

Doug Shapiro – *Analyst, Bank of America*

To drill down on the margins, because you were pretty explicit here in terms of what your goals are, if you went back and looked at the operating leverage in the business the last time you got



towards peak attendance -- whatever, '99, 2000 -- you had, I think, something like \$0.30 on the dollar of incremental revenue fall to the bottom line. And then last year, it's something maybe around half of that. So again, I think you've been quite explicit with your targets but maybe you could just talk philosophically about what you think is different in terms of leveraging the business then versus now.

Jim Hunt - *Executive Vice President, Chief Financial Officer, Walt Disney Parks & Resorts*

Well, keep in mind, we are not all the way back, and we're making good progress toward our goal, and really do expect to be there.

You know, I think the premise is different. I think the world has changed. From 2000 to 2005 and even into 2006 we've experienced some of the highest increase in healthcare costs that anybody has ever seen. I think you see it almost daily on the front page of papers. It's not a problem of Disney; it's a problem that I think every American company is certainly experiencing. And I think you see other matters like that. So, at this particular time, it's a very tough comparison to make between what we're seeing in the 2005-2006 time frame and what we saw post-2001.

But again, I am very confident with all of the pieces that we have moving in the right direction. Again, as we've said before, given a relatively healthy ongoing travel and tourism market, that's important to us, that we will be there and be able to make the goals that we've set out.

Unidentified Audience Participant

What has changed at the parks since Iger has taken over, or has anything changed substantially in terms of direction?

Jim Hunt - *Executive Vice President, Chief Financial Officer, Walt Disney Parks & Resorts*

I think what Bob has done is to clearly articulate the three key goals of the Company -- that being creativity, the use of technology to enhance and advance our creativity and our global expansion. So I don't think those are things that really occur overnight. Bob has always been very, very involved with the theme parks. He travels to all of our parks around the world. So, I think it's a focus on what it is that's important to the Disney Company because, as I pointed out at the beginning of my remarks, what we do in the parks and resorts business and what the Disney Company does is good for all of us from a synergistic perspective. So I don't want to say it's business as usual, because that would be understating it. But I think it's continuing to tell great stories and to have guests come back and tell great stories, keeping an eye on the longer-term metrics, the financial metrics, because we really do believe that great creative content and good stories that keep families coming back will lead to those returns, and those greater long-term financial metrics.

Yes, sir?



Unidentified Audience Participant

Three questions. One, with the merger likely to take place soon with Pixar, what effect is that likely to have on either the development or the structure of new attractions at the parks?

Jim Hunt - *Executive Vice President, Chief Financial Officer, Walt Disney Parks & Resorts*

Well, I think, as you know, since we've been in business with Pixar, pre-merger, we've been utilizing their characters, utilizing their stories, as I pointed out. The one example, Buzz Lightyear, is tremendous. We have a tremendous asset base in our Walt Disney Imagineering folks that are really always looking to use those stories in new ways. You know that we're going to open a Nemo Sub ride in Disneyland in the coming year, so I think that we make all of the efforts to exploit the characters in the stories that are being told. John Lasseter is going to be the Principal Creative Adviser, and I think there's a closer symbiosis, if you will, between Walt Disney Imagineering, therefore, and what Pixar is doing that I think we will see going forward.

Also I think, post-merger, it may be a little easier for us to market characters and stories more specifically than perhaps it was under a different relationship.

Doug Shapiro – *Analyst, Bank of America*

I think this might be the last one, as time is going to run out. So you have to choose one of your last two.

Unidentified Audience Participant

You've got a lot of assets in Disney World; you've got 33,000 hotel rooms and you've got all of this land. Can you sort of tell us whether you need all of that and/or whether you can continue to operate it and whether it should or might be operated or structured differently in the future?

Jim Hunt - *Executive Vice President, Chief Financial Officer, Walt Disney Parks & Resorts*

You know, one of the things I think I said during the prepared remarks, is that the ability to operate seamlessly between our parks and resorts business really, really works for us. We have other operations that are on our properties, the Swan and Dolphin for example. They don't produce the same way that our owned and operated properties do. So I think that's one thing.

The second thing is -- so that's sort of a friction piece I would say, that without our ability to have both of those, there would be an added friction. I think there would be a significant tax charge, given the basis in those assets, but you know, we still look at things that are interesting to us and we do look at them from time to time. We do keep an eye on or study our land and our land assets and determine what we will do with them going forward.



I mentioned Disney Vacation Club as being important to us, and I think we have plenty of land left to continue to develop Disney Vacation Club, which is an important asset for us.

Doug Shapiro – *Analyst, Bank of America*

Great. Thank you very much.

Jim Hunt - *Executive Vice President, Chief Financial Officer, Walt Disney Parks & Resorts*

Thanks very much.

(APPLAUSE)

###

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.