

2007 Annual Meeting of Shareholders

MARCH 8, 2007

Disney Speakers:
John Pepper, Jr., Chairman of the Board
Bob Iger, President and Chief Executive Officer
Tom Staggs, Senior Executive Vice-President and Chief Financial Officer
John Lasseter, Chief Creative Officer, Disney and Pixar Animation Studios
Robin Roberts, Co-Anchor, Good Morning America, ABC Network

PRESENTATION

Company Announcer

Ladies and gentlemen, please welcome the Chairman of the Board of The Walt Disney Company, John Pepper Jr.

John Pepper Jr. –*Chairman of the Board, The Walt Disney Company*

Good morning, ladies and gentlemen, and welcome to the 2007 Annual Shareholder Meeting of The Walt Disney Company. We've got important business to do today, but I think you're going to enjoy this thoroughly. I'm awfully glad, we all are, that you're

here and all of us connected with Disney are awfully glad to be here in the city of New Orleans.

This meeting represents a couple of firsts in the 83-year history of our remarkable company. It is the first time that Disney has held its Annual Meeting in the great city of New Orleans. Actually, in a way, this is long overdue, since for 41 years one of the major attractions at Disneyland has been New Orleans Square, so we figured it was about time to repay the favor and come for a visit to the real thing.

This meeting is also the first time that I am privileged to stand before Disney shareholders as your Board Chairman. So I'd like to take this opportunity, if I may, to share a few personal thoughts about the sense of responsibility, and quite frankly, the pride I feel being part of this company's leadership.

During my career, I have served on a number of corporate boards and have been asked to serve on a few others, but have declined. In the case of Disney, I would suspect I joined the board for much the same reason that you're here today -- simply put, there is no other company quite like this one.

It touches the lives of millions of people around the world of all ages and of all cultures -- from Cars to Pirates, to ESPN, to Disneyland, to the Disney Channel to ABC News, the work of this company connects directly with just about everyone, and I think it does so in a consistently positive and meaningful way.

About two months ago, I was in China. I was there to speak at two universities on the subject of leadership. Now, keep in mind that as I was there I had worked at another great company, Procter & Gamble, for almost 40 years.

Well, after I made my presentation, all that seemed to matter to these students was the one year that I had served on the Disney board. Every question I got was about Disney and Mi Lao Shu -- Mi Lao Shu, that's Mickey Mouse in Chinese. And everybody wanted to know how they could get a Disneyland park in Mainland China. If I ever had any doubts about the worldwide impact of this company, they were certainly laid to rest.

On another recent occasion a little later than that one, I spoke to a much different group, a group of Boy Scouts. And here, again, the subject was leadership and I was expecting a room full of high schoolers, but when I arrived, I found that my audience consisted of 12 and 13-year-olds. And as I looked at them, I realized in a second that my carefully prepared notes on the attributes of a true leader were virtually useless, and for a moment I had no idea what to say.

Then I suddenly had the bright idea of asking: "How many of you have seen *Cars*?" Every one of them raised their hands, but it wasn't just that they raised their hands. They spiked them up in the air with incredible enthusiasm. I then asked them which car was your favorite. Mater was the big winner. Sarge also scored pretty high. I have to say that no one picked Sally. My thought was, I guess, I've got to wait until they get a bit older.

Anyway, after this quick automotive discussion, they, I think, thought I was the real deal and as with the students in Beijing, from then on, I had little trouble holding their attention.

I want to make it clear that being a Disney Director is not always so easy. In the 15 months since I joined the board, you probably have no idea how many people have

approached me with their resumes, with their scripts, making it real clear to me that they really are a great budding actor or actress if they could just get a shot at it, or that they've written the next blockbuster movie.

I'm running out of ways to politely explain that this is not a part of my job. What is part of my job is to take very seriously the responsibility to uphold the legacy of this company and all it stands for. As my speaking engagements have made vividly clear, whether it's the Boy Scouts or Beijing University students, people everywhere have a passion for Disney and they set high expectations for everything we do.

I can tell you that all of us on this Board are very aware of these high expectations, and working with our terrific CEO, Bob Iger, we are determined to meet and exceed them.

Indeed, Disney has always been, I think, in the expectations-exceeding business. It has brought the Company to enormous success during the 20th century, and we believe it continues to be the best way to serve the interests of consumers, of guests, and of shareholders all alike in the 21st century.

With that in mind, I would now like to introduce you to the members of your Board of Directors. John Bryson is the Chairman and President and Chief Executive Officer of Edison International, one of the country's major energy providers.

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

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

Bob Iger, of course, is our President and Chief Executive Officer.

Steve Jobs is CEO of Apple and the driving force of the development of Pixar, which we are now so pleased is a part of our Company.

Fred Langhammer is retired CEO of Estee Lauder. Fred continues to serve as Chairman of Global Affairs at the Estee Lauder Companies, Inc.

Aylwin Lewis is Chairman and Chief Executive Officer of Sears Holding Corporation, which includes Kmart.

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

Bob Matschullat is a Private Equity Investor and previously served as Vice Chairman of the Board and Chief Financial Officer of the Seagram Company, and prior to that he was Head of Worldwide Investment Banking for Morgan Stanley & Company.

Orin Smith. Orin is the former President and Chief Executive Officer of Starbucks Corporation, where he helped lead that company through what we all know to be years of phenomenal growth.

And, finally, Father Leo O'Donovan. Father Leo is President Emeritus of Georgetown University, where he has also taught as professor of theology. At this meeting, Father Leo is about to become a director Emeritus, since he will be retiring from the Board after 11 years of dedicated and distinguished service. I know I speak for the entire board when I say thank you to you, Leo, for all that you've done for this company.

I would like to ask Leo and indeed all of the members of the board who are with us today if they would stand and be recognized by all of you. Ladies and gentlemen, the board of Directors of The Walt Disney Company. Thank you.

I'm also pleased today to be able to introduce an Emeritus Director whose name you know well and who served on the board for 19 years. I'm referring to Roy Disney. Roy, would you please stand? It's good to have you with us.

Okay, well, you will very shortly hear from Bob Iger, but first we'd like to show you a brief film to give you an idea of what Bob and his outstanding team are achieving in, as I say, the Disney expectations-exceeding department. Let's take a look at it.

[VIDEO PLAYS]

Company Announcer

Ladies and gentlemen, the President and Chief Executive Officer of The Walt Disney Company, Bob Iger.

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

Thank you very much, and good morning, ladies and gentlemen. It certainly is great to be here in New Orleans for our Annual Meeting. For the last decade, our Annual Meeting has moved from city to city, basically giving access to a wide variety of shareholders across the country.

But we came to New Orleans this year because we wanted to give something more than just access. No city in the United States has endured hardships like New Orleans, and we felt it was right for us to come here as a means of providing support to the brave people of this great city.

So here is a look back at Katrina's devastation, the aftermath, and how The Walt Disney Company, its cast members, and employees have joined America in its efforts to rebuild the Gulf Coast.

[VIDEO PLAYS]

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

So please join me in welcoming *Good Morning America* and Pass Christian's own Robin Roberts. Robin.

Robin Roberts – *Co-Anchor, Good Morning America, ABC*

Thank you very much. I think we have some Saints fans who follow the Saints games. Bless you, boys, bless you, boys. Thank you, Bob, for the invitation to be here. It's always great to be back home and to share with you some very exciting news.

There's a wonderful Disney-ESPN initiative that will take place next month, close by in Slidell, Louisiana. George Bodenheimer, who is the Co-Chair of Disney Media Networks and also the President of ESPN and ABC Sports, is going to roll up his sleeves along with 50 members of his executive team, and they're going to go to Slidell and build a brand-new playground and also refurbish basketball courts there at the Slidell Boys & Girls Club. They're going to do that next month.

We have with us two members of our team from the Boys & Girls Club. They're partners that we'd like to recognize for their incredible, incredible community efforts. They're Marla Meaders, Unit Director of the Slidell Boys & Girls Club, and also Bobby Smith, the President and Chief Professional Officer for the Boys & Girls Club of Southeast Louisiana. Stand on up and let us recognize you.

Thanks so much for being here and for your many efforts. And, Marla, thank you for the tee-shirts last time I was here, when you passed them out, they were great. I appreciate that.

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

So, Robin, you've been here a few times since Katrina. This is my first time since Katrina and I've toured around and have interacted with a lot of people, and I'm struck by just how resilient the people of New Orleans and the Gulf Coast are. Have you had a similar reaction?

Robin Roberts – *Co-Anchor, Good Morning America, ABC*

I was just here recently for Mardi Gras, and that was our 10th live broadcast. If you saw the first live broadcast, and I was crying: "Where's my Mama, where's my Mama" the morning after. Since that time, we've been here 10 times for *Good Morning America*, numerous other times with the other platforms that we've have. And what is wonderful in coming back is, just like you said, Bob, whether you've been here once or 100 times, one thing that just resonates with everybody is the resiliency of the people here. I was home in Pass Christian - I was very pressed that you were able to pronounce it correctly, Pass Christian. That's very good. You noticed that…

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

I practiced for two days.

Robin Roberts – *Co-Anchor, Good Morning America, ABC*

It was worth it, it was worth it. We call it -- it's actually the Pass, and I was home last week to see my Mom, and we drove up. It's been 18 months and there was an outside light on, and we started screaming because we had electricity. We had electricity again.

I have a sister here in New Orleans, had dinner with her last night, and she's moving back into her home and still doesn't have hot water, still doesn't have heat, but is so grateful to be back in her home. It's taking time, but you are seeing progress.

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

This has touched a number of families around the country. My wife's Mom is from New Orleans and her brother and her uncle still live here, and they lost their homes, and her brother has moved back into his. It's pretty amazing to consider what everybody went through and the fact that they're still here and trying to regain some semblance of a normal life, which I know is not easy.

Robin Roberts – *Co-Anchor, Good Morning America, ABC*

It's not easy, but something that you said earlier is so true. You have no idea, your being here, your having the meeting here in New Orleans, the fact that you're going out to the restaurants, you're taking cabs, you're in hotels, you're spending your money, the fact that you're here, that means so much to the people of this region, to let people know that they're back open for business and that you care.

It's amazing the little things that people can do, and what you do as you go back to your respective communities, make sure you talk about this area. The dialogue is so powerful and so helpful, because people who are from here feel that they're being forgotten. Your being here signifies to them that they are not being forgotten by us.

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

Thank you for coming down and joining us.

Robin Roberts – *Co-Anchor, Good Morning America, ABC*

I just wanted to come on home and have some good crawfish. Thank you, Bob.

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

Thank you, Robin.

Robin Roberts – *Co-Anchor, Good Morning America, ABC*

Thank you all very much.

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

So we know that there's still a lot to be done, but New Orleans has certainly come a long way, and it is a privilege to be here. It's also a privilege to serve as your Chief Executive Officer, and I'm particularly delighted to report to you that 2006 was an exceptional year for Disney. And we're also off to a great start in 2007.

Now, we have some new and exciting things to share with you this morning, and to start things off, here is our Chief Financial Officer, Tom Staggs, to take you through the details of our fiscal 2006 performance. Tom.

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

Thank you, Bob. And thanks to all of you for joining us here today. I have to say the hospitality of the people of New Orleans is nothing short of spectacular, and Robin mentioned that we were out going to the restaurants and, believe me, we're out going to restaurants. I'm going to go straight home and have my cholesterol checked.

Throughout Disney's history, the creation of great content has driven strong financial results, and 2006 was certainly no exception. Now, we use three key financial metrics to gauge how well we are translating that creative success into value for our shareholders -- Earnings per Share, Return on Invested Capital and After-Tax Cash Flow.

In fiscal year 2006, we again delivered against all three of these metrics. We achieved 34% growth in Earnings per Share, continuing the positive trend that you've seen over the last several years. We boosted Return on Invested Capital for the fourth year in a row, and we delivered record After-Tax Free Cash Flow of over $4.7 billion.

These strong results reflect broad-based growth in our businesses, as each of our operating segments delivered double-digit increases in operating profits. At our Studios, operating income more than tripled in 2006, driven by the huge successes of *Pirates of the Caribbean*, *Narnia*, and *Cars*. As importantly, we expect each of these properties to have a positive impact on our company well into the future. The success of these titles reinforces our strategy to focus the majority of our film investment on Disney-branded films that can resonate across our many businesses for years to come.

Media Networks was our most profitable segment in 2006, with double-digit growth in revenue and operating income, led by the strength of ESPN and the Disney Channel. On the broadcasting side, ABC's primetime ratings success, with shows like *Grey's Anatomy, Lost, Desperate Housewives*, and *Dancing with the Stars* led to substantial growth in operating income at the Network.

As Bob will discuss, our Media Networks enjoyed great audience loyalty and their powerful branded content offers unique opportunities to expand to new platforms and markets.

Our Theme Parks generated double-digit increases in both revenue and operating income in 2006, providing further evidence of the significant and sustainable competitive advantage we have nurtured and reinforced in this business. Our parks provide a completely immersive Disney experience for our guests, and the parks are among the most important stewards of the Disney brand.

In the Consumer Products, we again delivered strong gains in our merchandise licensing business, led once again by the strength of *Cars* and *Pirates* and, of course, the *Princess* line. At the same time, we continue to invest in Disney Interactive Studios, as we believe video games provide us with an excellent opportunity to establish another vibrant creative engine focused around Disney-branded entertainment, while also generating attractive returns in a growing market.

Our performance in 2006 set a high bar, but it also gave us a great foundation from which to grow. As Bob said, we're off to a strong start in that regard in fiscal 2007, as our earnings in the first quarter of this year were up over 40%, led by significant gains at the Studios and Media Networks.

In fact, in Q1, the Studios delivered the highest quarterly profit in our company's history, driven in large measure by the home video releases of *Pirates* and *Cars*. I mentioned that along with earnings growth, we manage our Company to deliver strong cash flow and capital returns.

As a result, we've shown considerable growth in our free cash flow. Therefore, one of our most important jobs is to determine how to allocate our capital and manage our assets to position Disney for long-term success.

We will continue to direct resources primarily toward branded entertainment content and experiences, both in the U.S. and around the world. At the same time, we seek to maximize the value of our assets for our shareholders. The sales last quarter of our stakes in Us Weekly and E! Entertainment, and the pending ABC Radio transaction reflect that commitment.

In 2007, we plan to increase our capital spending with expenditures in the Parks and for digital initiatives, primarily at Media Networks. We recently announced that we intend to launch two new Disney cruise ships, although we'll make the bulk of this investment very close to the completion of the ships in 2011 and 2012.

Our existing cruise ships provide a double-digit return on investment and we expect our expanded fleet to generate similar returns. In addition, we'll continue to invest in cable and television programming in order to bolster our leadership position there and in video games, as I mentioned earlier.

Even as we invest in initiatives to deliver future growth and value, our strong cash flow allows us to continue to return capital to our shareholders. Over roughly the last 2.5 years, we have repurchased approximately $12 billion worth of our stock, while at the same time reducing our debt and strengthening our balance sheet. This total includes approximately $2.5 billion in share repurchases so far in the 2007 fiscal year.

Of course, Disney also has a long history of paying dividends to shareholders. This year's $0.31 dividend represents Disney's 51st consecutive year of dividend payments, and we target modest, sustainable dividend increases into the future.

I'm also pleased to note that your company's strong performance has translated to increases in the stock price. We've outpaced the broader market over the last several years now, and in fiscal 2006, Disney's total return to shareholders was 29.5%, well over twice the average return on the S&P 500 market.

To create value for shareholders, a company must possess, extend and leverage a set of competitive strengths. For Disney, these are our key brands, the quality of our content, our unique library, our powerful character franchises, and our ability to leverage creative successes across a broad array of businesses, markets and delivery platforms.

Our focus on strengthening Disney's competitive advantages in our various businesses has resulted in the strong earnings growth, cash flow and improving returns you've seen us deliver for four straight years now. But we're by no means complacent. We're as focused as ever on continuing to deliver quality products to our guests and consumers and the strong results that come with that success.

So, with that, let me turn the floor back over to Bob Iger to talk to you a little bit more about the creative products and initiatives we have underway. Bob.

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

Thank you very much, Tom. The financial picture that Tom presented is the result of great creative success, which is the very essence of The Walt Disney Company. Disney occupies a special place in the hearts and minds of people everywhere. They trust us to delight and entertain them in new and magical ways, whether through hit movies, thrilling sports on ESPN, compelling TV shows, great new attractions and experiences at our Theme Parks and Resorts.

Disney is a collection of vibrant creative engines that we manage consistently in an integrated way. This combination of assets and management philosophy gives us a unique competitive advantage that separates us from all the other entertainment companies and gives us extraordinary opportunities to grow and to build real shareholder value for years to come.

Our primary goal is to create high-quality entertainment for people around the world and at a time when consumers have more choices than ever, they have come to believe in the Disney name and the quality and integrity of its people and products. They expect nothing less.

Maintaining that privileged position is a tall order, but one we accept with genuine enthusiasm. I see my role as nurturing a culture that builds on Disney's great heritage of high-quality entertainment, technological innovation and being in tune with the consumer. The success of our company is made possible through the commitment of 130,000 cast members and employees worldwide, who work tirelessly to create special memories and experiences for our guests and consumers every day.

In the last year, we have made tremendous strides in implementing our three core strategic priorities, the creation of high-quality content, the use of technology that enhances that content and expand consumer access to it, and of course the growth of our presence in promising international markets.

These priorities have been applied across our three distinctive businesses, Disney, ABC and ESPN. Now, first and foremost, there's nothing more important to me and to the company than creating high-quality, compelling entertainment. It's what connects us to

our audiences and our guests and it's the reason Disney is the number one name in family entertainment worldwide.

Collaboration and a consistent strategic vision across all of our lines of business can have an amazing impact when we have great creative property to work with, such as our newest franchise, *High School Musical*. What began as a Disney Channel Original Movie has turned into a phenomenal success for Walt Disney Records, for Radio Disney, Disney Consumer Products and for our Parks and Resorts.

High School Musical - the Concert, stood out across America. More than 1,000 theatrical productions are now underway and DVDs and CDs have been big sellers in markets as diverse as Argentina, India and Great Britain. *High School Musical 2* is currently in production for the Disney Channel and a studio feature film will come to a theater near you in 2008.

Another sensational franchise is *Pirates*. It has evolved from a theme park attraction into two films that are among the top-gross global box office hits of all time. *Pirates* books have topped the bestseller lists. *Pirates* products have been flying off the shelves, and we're about to unveil a fantastic, multi-player *Pirates* game on Disney.com that will allow players to battle alongside Jack Sparrow and his crew.

The highly anticipated *Pirates 3* will premiere in May and we are confident it will be one of the summer's hottest tickets. As great as 2006 was, the rapid growth of digital media and distribution is opening up major new opportunities for Disney. Consumers trust brand recognition and a reputation for consistent quality and there are huge advantages in this crowded digital world, but that's only part of it.

To make the most of technology, we've listened carefully to consumers and acted decisively in response. We're committed to delivering our great movies, TV shows and games in the most convenient and timely way possible to every screen within reach and at a price that makes it a genuine value.

We were the first company to put our TV shows and our movies on iTunes and we've entered into groundbreaking video-on-demand agreements with Comcast in the United States and with a half-dozen other operators around the world., And we provide ABC, ESPN and Disney Channel content to millions of wireless and broadband customers in North America, Asia and Europe.

No initiative, though, has been more exciting to me over the last year than the launch of the all-new Disney.com, which is the digital doorway to all of the wonderful things that Disney offers.

More and more people are going online today looking to be entertained, and that's exactly what we're offering, a vibrant, rich online experience filled with compelling characters and immersive worlds for both children and adults.

The site has a very robust video player at its core and it's designed for the multi-tasker in all of us, especially the younger ones. And if you haven't tried it yet, I urge you to do so. It's a lot of fun and it says so much about the exciting places we're taking The Walt Disney Company. On Disney.com, families can book vacations at our Parks and Resorts, tweens can win tickets to a special *Hannah Montana* concert, and kids can get acquainted with our new interactive game, *Spectrobes*, which will soon be launched on the Nintendo DS platform.

They'll also be able to personalize and experience virtual worlds centered on our beloved Disney characters, and the new Disney.com has been incredibly successful. Even though the new Disney.com has been up for less than a month, we're already seeing some very positive results in terms of audience reaction. Guests are spending much more time on Disney.com now that it has become a much richer entertainment experience.

We're also very excited about what's happening at our parks and resorts. *The Year of a Million Dreams* is off to a great start. Several new attractions, including Nemo and Friends at Walt Disney World and the *Finding Nemo Submarine* voyage at Disneyland are opening up.

And we're also thrilled with our plans to expand the Disney Cruise Line, as Tom mentioned. We plan to build two more ships, more than doubling the capacity of what's become a very successful business and a very important global ambassador for Disney all around the world.

Another great ambassador is our Disney Channel, which has turned into a global kids TV powerhouse that now reaches 500 million homes in 27 different countries. It's become a very important creative engine as well, producing outstanding shows and movies in the U.S. and in markets around the world.

We've also had great results at our Media Networks. ABC Primetime is number one with upscale audiences, attracted by great shows like *Grey's Anatomy*, *Desperate Housewives*, and our new hit shows, *Ugly Betty* and *Brothers and Sisters*.

We're also very excited about ABC.com, which hosts an ad-supported broadband player that streams full episodes of ABC shows the day after they air on TV. To date more than 55 million episodes have been streamed.

We're convinced that making great content available on multiple platforms will enable us to increase the size of our audience, which in turn will help us to continue to grow our businesses.

ESPN has certainly pioneered the use of digital platforms, captivating consumers and making its great content available more widely in markets all around the world. Our most recent research results suggest that about 120 million people interact with ESPN on a weekly basis. Now, that total rivals the number of weekly users on the Internet in the U.S.

ESPN's preeminent collection of rights from the NFL to Major League Baseball, from the NBA to NASCAR, has made ESPN truly the worldwide leader in sports programming.

Now, finally, let me talk about the movies. We have an exciting slate of movies coming up, from *Meet the Robinsons*, which opens later this month, to the third *Pirates*, which I mentioned earlier, to Disney-Pixar's *Ratatouille*, which comes out in June.

Our two big holiday films are *Enchanted*, which is a modern-day fairytale set in New York City and *National Treasure: Book of Secrets*, which is the sequel to our 2004 blockbuster hit.

But perhaps the most important step we've taken to ignite creativity at Disney was our acquisition of Pixar last year. John Lasseter, Ed Catmull and their team fit perfectly with

Disney's unparalleled heritage of creative excellence, endless imagination and technological innovation. For over 80 years, Disney has created extraordinary worlds, compelling characters and rewarding experiences for audiences everywhere.

And so now to show you how we're building on this great tradition, I'd like to welcome the Chief Creative Officer of Disney and Pixar Animation Studios, John Lasseter. John.

John Lasseter – *Chief Creative Officer, Disney and Pixar Animation Studios*

Thanks, Bob. I am so excited to be here in New Orleans. It's my favorite city in the world and it's so exciting - the hospitality and everything is fantastic. We're thrilled to be here. And, thanks, Bob, because, I tell you, I love being a part of this company, and thank you for being shareholders of this company.

The future of this company is so fantastic, we're really excited. I'm not more excited about anything that's going on than what's going on in Animation. Animation is what started this company. It still is at the heart of this company. It powers everything that this company has from Theme Parks and Consumer Products, Publishing, video games to Disney Online. It always starts with a great movie, and that's the thing that I've always believed in. If you could tell a fantastic story that really entertains people of all ages, then that's a pretty good business plan. Quality is always the best business plan.

And so I'm so excited to be here and leading both the Pixar Animation Studios, but also the Walt Disney Animation Studios, which is kind of like coming back home for me, because, you see, I started as a Disney Animator and I was trained by the great Disney artists, so it feels great to be home.

Last year, when it was announced that the companies were merging, we - Ed Catmull and I - the next day went to the Walt Disney Animation Studios and we walked in and we met all the Directors that were there to hear their stories.

Now, you see, we've always said Pixar is a director-driven studio. And what I mean by that is not that Directors are some sort of dictator or something, but it's about the stories that come from the heart and soul of each Director, like *Toy Story* came from my heart, *Cars* came from my heart, my family.

So I met these Directors and I heard their stories, and I tell you, we were so excited about the level of creativity that these Directors have, none more than a young Director named Steve Anderson. Steve Anderson started telling me the story of the movie that he was directing, called *Meet the Robinsons,* which comes out at the end of this month.

He started telling me the story, and it's a story about Lewis, a little boy that was given up for adoption by his mother. And he spent his whole young life looking back and trying to say: "Why did Mom give me up for adoption?" There's got to be a reason. And by focusing so much on the past, it actually takes him to the future where Lewis sees the future, and there in the future he meets this amazing collection of characters that turn out, in fact, to be his future family.

So through this story he in fact learns not to look backwards, but actually to look forward. And as Steve Anderson, the Director, told me the story, he didn't mention that in fact it's his story, because, you see, he was adopted. He was given up for adoption when he was an infant, and was adopted by his family. And he learned to look forward in his life.

And it brought tears to my eyes. So we helped Steve, just kind of gave this movie back to him and say, Steve, tell your story, and he has. This movie is not only emotional, funny, but it's also beautiful, and I want to show you a clip from *Meet the Robinsons*, to show you how beautiful it is. This is a scene where a boy named Wilbur is trying to convince Lewis that he is in fact from the future. Let's take a look.

[VIDEO PLAYS]

John Lasseter – *Chief Creative Officer, Disney and Pixar Animation Studios*

Those look great. I'm so excited about this film. Not only is it, like I said, beautiful and funny, but it actually really touches your heart. It's great.

Next up from Pixar Animation Studios is *Ratatouille*, which comes out at the end of June. It is being written and directed by Brad Bird. Brad Bird wrote and directed *The Incredibles*, and this is quite a story. This is a story about a rat named Remy, who loves food. I mean, he *loves* good food. He actually loves cooking, and his dream is to be the Chef at Paris's finest restaurant.

Now, this story is about following one's passion against all odds, and I'll tell you what odds, because a rat to a kitchen is death to that kitchen, and a kitchen to a rat is death to the rat. Those are pretty big odds.

But he finds an accomplice in a kitchen boy named Linguini, and together - because he gets underneath his chef's hat and he helps him cook - together, they become the finest Chef in Paris, France.

Now, when we start every Pixar film, one of the things I always love to do is match the subject matter of our films to the medium of computer animation, but inevitably there is something that is required by the story that, technically, we don't know how to do.

And when we started studying the rat characters and his brother, Remy and his family, we started realizing that there was something missing in our medium of computer animation that hand-drawn animation has had for a long time. There is a technique, a principle of animation called "squash and stretch." You may have heard about this.

This is something that the animators at the Walt Disney Studios kind of invented and created years ago. When you watch *Snow White and the Seven Dwarves*, and you see Grumpy and Dopey and how wonderfully "squishy" they are, but they always maintain volume, that's "squash and stretch." It's at the fundamental of hand-drawn animation, but it's really hard to do with computer animation, because computer animation likes to make things that look rigid.

So the technical artists at Pixar have worked really hard and they've solved that problem. When you see the characters in *Ratatouille*, it's unlike any computer animation you've ever seen because of the "squash and stretch" that they're so appealing. They're great.

But the one thing about this movie, when we started working on it, that we did not anticipate was how difficult it would be in computer animation to make food look delicious. Typically, computer animation always likes to make things look kind of plastic, so we had to do research. I believe in doing research for every one of our films, so we had to go to Paris and we had to eat in all the finest restaurants, of course, just to see how the food looked.

It was a very difficult job, but someone had to do it to make the movie good. So we did, and of course we came back and the technical artists have done an amazing job and, trust me, *Ratatouille* is the most delicious looking movie you have ever seen.

We are going to show you a nice long clip, straight out of the movie, later in the presentation. The movie comes out on June 29th and we're very excited.

Evelyn Davis
I am Evelyn Y. Davis, and I'd like to know - when will we proceed with the business part of this meeting?

John Lasseter – *Chief Creative Officer, Disney and Pixar Animation Studios*

Who wants to see killer animation? All right. The next…

Evelyn Davis
I would like to proceed with the business part of this meeting.

John Pepper Jr. –*Chairman of the Board, The Walt Disney Company*
We will proceed with the business part of the meeting shortly. Thank you for your patience.

John Lasseter – *Chief Creative Officer, Disney and Pixar Animation Studios*

There we go. Now I would like to give you some glimpses of the future animated films that we have going on at both Walt Disney Animation Studios and Pixar Animation Studios. None of these films are in production or in development, so I'm going to be

showing you a lot of pre-production art, which I love to see, because it gives you an idea of what these films are going to look like.

The next movie that we have coming from Pixar Animation Studios is being written and directed by the guy who brought you *Finding Nemo*, the Writer and Director of *Finding Nemo*, Andrew Stanton. Now, Andrew is taking off his wetsuit and putting on a spacesuit and taking you into space for a film called *WALL-E*.

WALL-E is a story about the last little robot on Earth, and I guarantee you this is the most charming character we have ever created. This is set about 700 years in the future, when Earth is covered with trash. Humanity has evacuated Earth and left legions of these robots to clean up the Earth. Well, the cleanup process fails, all the robots broke down except *WALL-E*, who has continued working. But this story is not a science fiction story alone. This is a love story so full of heart, so full of humor and so full of emotion, it's amazing.

But it also has the most incredible vision of the future, like you've never seen before. As with all Pixar films, we have a great story and an amazing world which is also filled with the most memorable characters you've ever seen - this ragtag group of defective robots that help *WALL-E* on his quest. They are so funny and so fun. This is a fantastic film. If you liked *Finding Nemo*, you're going to love *WALL-E*, and we're very excited about this.

The next movie from the Walt Disney Animation Studios is *American Dog*. *American Dog* is being directed by a very talented young Director, Chris Williams, and the story is about a dog named Bolt. Bolt, you see, is owned by a little girl whose father is a

scientist. The scientist has empowered Bolt with incredible superpowers to protect the little girl against all these bad guys, and they have adventure after adventure.

But his world is not real, it's a TV show. Bolt is an actor on the longest-running hit TV show, for 10 seasons this show has been number one. And yet this is all Bolt has known, and he doesn't realize that this world is just a TV show. He believes it's real.

One fateful day, thinking he's chasing a bad guy, Bolt falls into a box and accidentally gets shipped to New York City. He comes out of the box and thinks he still has super powers, but of course, this is the real world and nothing works out the way he expects. So one day he realizes that he is just an actor on a TV show, and that in fact his entire life has been fake. It crushes him, but he picks himself up and actually learns the life of being a real dog. It's an incredibly heartwarming story.

One of the things that we have been saying is that computer animation has hard edges to it. I said: "Is there any way that we can get the look of computer animation to look a little bit more like the painted backgrounds we've seen at The Walt Disney Animation Studios? The artists and the technicians have done this. These are some tests that we've done on the backgrounds to show you.

This is incredible. This is computer animation, but it looks unlike any computer animation that's ever been done. This is going to be the look of *American Dog*. It's going to be the most beautiful, soft, painterly quality, but the world is believable and the characters are great, and the story is great. We're really excited about Chris Williams and his film, *American Dog*.

Now, there's one other film that I'm probably most proud to stand here and tell you that we're in production on. From Pixar Animation Studios, we are finally in production on *Toy Story 3*. Yes. [Applause] I'm applauding too, because I've been looking forward to this for a long time.

We have gotten together the creative team that made *Toy Story* and *Toy Story 2* and written a great story. It's being directed by Leon Rich, who co-directed *Toy Story 2* with me, and the screenplay is based on our story.

The screenplay is being written by Michael Arndt, who just won an Academy Award for *Little Miss Sunshine*. He's come together with our team and is fantastic. And what *Toy Story* movie would be without Tom Hanks and Tim Allen? They are returning to do the voices of Woody the Cowboy and Buzz Lightyear, and we are very excited about this, it will be coming out in 2010. We're working hard on it right now, we're so excited about that.

So now, like I promised, I am going to show you a wonderful 12-minute clip of *Ratatouille*. I'm very proud of this film. To set this up, the scene takes place in the movie when Remy has made it to Paris. His dream is to work in the best restaurant in Paris, Gusteau's. Chef Gusteau is his idol, and although Chef Gusteau has passed away, he keeps reappearing to Remy as a figment of his imagination. So we catch up to them on top of the skylight, looking into Gusteau's kitchen, with Remy and the figment of Gusteau.

[VIDEO PLAYS]

John Lasseter – *Chief Creative Officer, Disney and Pixar Animation Studios*

Thank you. We're so excited about *Ratatouille*. I love animation.

We're here to make a big announcement, I'm very excited about this. At the Walt Disney Animation Studios, I'm proud to announce we've started production on a movie.

We are going back to hand-drawn animation - go ahead, clap. I'm clapping, too. I love animation. We're also going back to classic Disney fairytale, but this one is an American fairytale. It is called *The Frog Princess*.

The Frog Princess is being written and directed by John Musker and Ron Clements, who did *The Little Mermaid* and *Aladdin*, among other great movies. And it's a fantastic, fantastic story, and I'm really proud to say *The Frog Princess* takes place entirely in New Orleans.

The movie is completely set in New Orleans, with the fabulous French Quarter, the beautiful Garden District, the mystic bayou, the mighty Mississippi. It's full of what this city has that's so wonderful that I love so much. It's got the jazz, the Mardi Gras; it's got the voodoo spells. In fact, it even has a soulful, singing alligator, and it's great.

The main character of the story, our hero, is named Maddy. And I am very, very proud to announce that she is the very first African American Disney princess. We're really proud and excited about this. This is a fantastic story, this movie is going to be classic Disney, yet you've never seen one like it before.

And what would a classic Disney animated fairytale be without music? This is a musical, ladies and gentlemen, from beginning to end. The music is being written by Randy Newman, who as you know, ,spent his childhood here in New Orleans, growing to love and be inspired by the music of New Orleans. He's already written a number of the songs, and I cannot wait for you to hear these songs.

In fact, you don't have to wait, because I'm proud to introduce my good friend Randy Newman and New Orleans' own, the *Dirty Dozen Brass Band*, to sing you one of the main songs from *The Frog Princess*, ladies and gentlemen.

[MUSICAL PERFORMANCE]

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

Randy Newman. [APPLAUSE]

Randy has done a lot of great work for our animated films over the years and it is great to have him back. And John Lasseter, your enthusiasm, your passion for your craft is palpable and infectious and we're glad to have you back, too.

So thank you, and thanks for indulging us a bit on that presentation. It is perhaps our most important business and we thought it was important for us to show you some of the new and exciting stuff that we've got coming up.

And now I'd like to ask John Pepper to come back to begin the business portion of the meeting. John.

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- 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 travel and leisure businesses generally and may, among other things, affect:

- the performance of the Company's theatrical and home entertainment releases;
- the advertising market for broadcast and cable television programming;
- expenses of providing medical and pension benefits;
- demand for our products; and
- performance of some or all company businesses either directly or through their impact on those who distribute our products.

Additional factors are set forth in the Company's Annual Report on Form 10-K for the year ended September 30, 2006 and in subsequent reports on Form 10-Q under Item 1A, "Risk Factors".

Reconciliations of non-GAAP financial measures to equivalent GAAP financial measures are available on Disney's Investor Relations website.