Domestic Cable Networks

Our domestic cable networks produce their own programs and also acquire programming rights from our television and theatrical production operations and third parties. The majority of the domestic cable networks' revenue is derived from affiliate fees and advertising sales. Generally, the Company's cable networks provide programming under multi-year licensing agreements with MVPDs that include contractually specified rates on a per subscriber basis. The amounts that we can charge to MVPDs for our cable network programming is largely dependent on the quality and quantity of programming that we can provide and the competitive market for programming services. The ability to sell advertising time and the rates received are primarily dependent on the size and nature of the audience that the network can deliver to the advertiser as well as overall advertiser demand. We also sell programs developed by our cable networks worldwide to television broadcasters, to subscription video-on-demand (SVOD) services (such as Netflix, Hulu and Amazon) and in home entertainment formats (such as DVD, Blu-ray and electronic home video license). In fiscal 2020, we expect a significant portion of our programs to be licensed to DTCI.

The Company's significant domestic cable channels and the number of subscribers (in millions) as estimated by Nielsen Media Research as of September 2019 (1) (except where noted) are as follows:

	Estimated Subscribers
Disney	
Disney Channel	**86**
Disney Junior	**66**
Disney XD	**68**
ESPN	
ESPN	**83**
ESPN2	**83**
ESPNU	**61**
ESPNEWS	**58**
SEC Network (2)	**59**
Freeform	**85**
FX	
FX	**87**
FXM	**56**
FXX	**84**
National Geographic	
National Geographic	**86**
National Geographic Wild	**59**

(1) Estimates include traditional MVPD and the majority of digital OTT subscriber counts.

(2) Because Nielsen Media Research does not measure this channel, estimated subscribers are according to SNL Kagan as of December 2018.

Disney

Branded television channels include Disney Channel, Disney Junior and Disney XD. Programming for these channels includes internally developed and acquired programming. The Disney branded channels also provide programming for video-on-demand services and through the DisneyNOW App and website, both of which are operated by DTCI.

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

Disney Junior - the domestic Disney Junior channel airs programming 24 hours a day targeted to kids ages 2 to 7 and their parents and caregivers. The channel features animated and live-action programming that blends Disney's storytelling and characters with learning. Disney Junior also airs as a programming block on the Disney Channel.

Disney XD - the domestic Disney XD channel airs programming 24 hours a day to kids ages 6 to 11. The channel features a mix of live-action and animated programming.

ESPN

ESPN is a multimedia sports entertainment company owned 80% by the Company and 20% by Hearst Corporation (Hearst). ESPN operates nine 24-hour domestic television sports channels: ESPN and ESPN2 (both of which are sports channels dedicated to professional and college sports as well as sports news and original programming), ESPNU (which is devoted to college sports), ESPNEWS (which simulcasts weekday ESPN Radio programming, re-airs select ESPN studio shows and airs a variety of other programming), SEC Network (which is dedicated to Southeastern Conference college athletics), ESPN Classic (which airs rebroadcasts of famous sporting events, sports documentaries and sports-themed movies), Longhorn Network (which is dedicated to The University of Texas athletics), ESPN Deportes (which airs professional and college sports, as well as studio shows in Spanish), and ACC Network (which is dedicated to Atlantic Coast Conference college athletics). ESPN programs the sports schedule on the ABC Television Network, which is branded ESPN on ABC.

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

ESPN provides programming for the following, which are operated by DTCI:

- ESPN.com - which delivers sports news, information and video on internet-connected devices, with approximately 20 editions in three languages globally. In the U.S., ESPN.com also features live video streams of ESPN channels to authenticated MVPD subscribers. Non-subscribers have limited access to certain content.
- ESPN App - which delivers scores, news, highlights, short form video, podcasts and live audio, with fourteen editions in three languages globally. In the U.S., the ESPN App also features live video streams of ESPN's linear channels and exclusive events to authenticated MVPD subscribers. Non-subscribers have limited access to certain content. The ESPN App is available for download on various internet-connected devices.
- ESPN+ - which is a multi-sports subscription offering available through ESPN.com and the ESPN App

ESPN also operates the following:

- ESPN Radio – which distributes talk and play-by-play programming in the U.S. ESPN Radio network programming is carried on approximately 400 terrestrial stations, including four ESPN owned stations in New York, Los Angeles, Chicago and Dallas, and on satellite and internet radio
- ESPN owns and operates the following events: ESPYs (annual awards show); X Games (winter and summer action sports competitions); and a portfolio of collegiate sporting events including: bowl games, basketball games, softball games and post-season award shows.

Freeform

Freeform is a channel targeted to viewers ages 18 to 34. Freeform produces original live-action programming, acquires programming rights from our television and theatrical production businesses and from third parties, and features branded holiday programming events such as "25 Days of Christmas". Freeform content is also available through video-on-demand services and through the Freeform App and website, both of which are operated by DTCI.

FX

Branded television channels include FX, FXM and FXX. Programming for these channels includes internally developed and acquired programming. Internally produced programming for the 2019/2020 season includes two returning and three new one-hour dramas, five returning and three new half-hour comedies, and one returning non-scripted series.

FX - is a general entertainment channel that airs original series, acquired television series and motion picture programming including content from the Company's film and television libraries.

FXM - is a television channel that primarily airs motion pictures from the Company's library or motion pictures acquired from third parties.

FXX - is a general entertainment channel targeted to young adults that airs acquired television series and motion picture programming as well as content from the Company's film and television libraries. The channel also airs original television series.

National Geographic

National Geographic operates branded television channels (National Geographic, Nat Geo Wild and Nat Geo Mundo (collectively the National Geographic Channels)) and publishes the National Geographic magazines. The National Geographic Channels air scripted and documentary programming on such topics as natural history, adventure, science, exploration and culture. National Geographic is owned 73% by the Company and 27% by the National Geographic Society.

Broadcasting

Our broadcasting business includes a domestic broadcast network, television production and distribution operations, and eight owned domestic television stations.

Domestic Broadcast Television Network

The Company operates the ABC Television Network (ABC), which as of September 28, 2019, had affiliation agreements with approximately 240 local television stations reaching almost 100% of U.S. television households. ABC broadcasts programs in the primetime, daytime, late night, news and sports “dayparts”.

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

ABC network programming is available digitally on internet-connected devices to authenticated MVPD subscribers. Non-subscribers have more limited access to on-demand episodes.

ABC provides online access to in-depth worldwide news and certain other programming through various Company operated and third party distribution platforms.

Television Production and Distribution

ABC Studios, Twentieth Century Fox Television (TCFTV) and Fox 21 Television Studios (Fox21) produce the majority of the Company’s general entertainment television programs. Program development is carried out in collaboration with writers, producers and creative teams, with a focus on one-hour dramas and half-hour comedies, primarily for primetime broadcasts.

Primetime programming produced either for our networks or for third-party television networks for the 2019/2020 television season includes:

- ABC Studios - nine returning and five new one-hour dramas, four returning and two new half-hour comedies, and three returning and two new non-scripted series
- TCFTV and Fox21 - thirteen returning and ten new one-hour dramas, ten returning and ten new half-hour comedies, and one new non-scripted series

The Company also produces *Jimmy Kimmel Live* for late night and a variety of primetime specials, as well as syndicated, news and daytime programming.

We distribute the Company’s productions worldwide to television broadcasters and SVOD services and on home entertainment formats. The Company has a significant library of television programming spanning approximately 70 years of production history. Series with over four seasons include approximately 65 one-hour dramas and 40 half-hour comedies.

Domestic Television Stations

The Company owns eight television stations, six of which are located in the top ten television household markets in the U.S. The television stations derive the majority of their revenues from advertising sales. The stations also receive affiliate fees from MVPDs. All of our television stations are affiliated with ABC and collectively reach approximately 20% of the nation’s television households. Generally, each owned station broadcasts three digital channels: the first consists of local, ABC and syndicated programming; the second is the Live Well Network; and the third is the LAFF Network.

The stations we own are as follows:

TV Station	Market	Television Market Ranking[1]
WABC	New York, NY	1
KABC	Los Angeles, CA	2
WLS	Chicago, IL	3
WPVI	Philadelphia, PA	4
KTRK	Houston, TX	7
KGO	San Francisco, CA	8
WTVD	Raleigh-Durham, NC	25
KFSN	Fresno, CA	54

(1) Based on Nielsen Media Research, U.S. Television Household Estimates, January 1, 2019

Equity Investments

The Company has investments in media businesses that are accounted for under the equity method, and the Company's share of the financial results for these investments is reported as "Equity in the income (loss) of investees, net" in the Company's Consolidated Statements of Income. The Company's significant equity investments reported in the Media Networks segment are as follows:

A+E

A+E is owned 50% by the Company and 50% by Hearst. A+E operates a variety of cable channels:

- A&E – which offers entertainment programming including original reality and scripted series
- HISTORY – which offers original series and event-driven specials
- Lifetime and Lifetime Real Women – which offer female-focused programming
- Lifetime Movie Network (LMN) – which offers female-focused movies
- FYI – which offers contemporary lifestyle programming

A+E also has a 50% ownership interest in Viceland, a channel offering lifestyle-oriented documentaries and reality series aimed at millennial audiences.

A+E programming is available in approximately 200 countries and territories. A+E's networks are distributed internationally under multi-year licensing agreements with MVPDs. A+E programming is also sold to international television broadcasters and SVOD services.

The number of domestic subscribers (in millions) for A+E channels as estimated by Nielsen Media Research as of September 2019[1] is as follows:

	Estimated Subscribers
A&E	85
HISTORY	86
Lifetime	85
LMN	63
FYI	51
Viceland	64

(1) Estimates include traditional MVPD and the majority of digital OTT subscriber counts.

CTV

ESPN holds a 30% equity interest in CTV Specialty Television, Inc., which owns television channels in Canada, including The Sports Networks (TSN) 1-5, Le Réseau des Sports (RDS), RDS2, RDS Info, ESPN Classic Canada, Discovery Canada and Animal Planet Canada.

Competition and Seasonality

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

The Company's Media Networks businesses face competition from other networks for carriage by MVPDs. The Company's contractual agreements with MVPDs are renewed or renegotiated from time to time in the ordinary course of business. Consolidation and other market conditions in the cable, satellite and telecommunication distribution industry and other factors may adversely affect the Company's ability to obtain and maintain contractual terms for the distribution of its various programming services that are as favorable as those currently in place.

The Company's Media Networks businesses also compete with other media and entertainment companies, independent production companies, SVOD providers and direct-to-consumer services for the acquisition of sports rights, talent, show concepts, scripted and other programming, and exhibition outlets.

The Company's internet websites and digital products compete with other websites and entertainment products.

Advertising revenues at Media Networks are subject to seasonal advertising patterns and changes in viewership levels. Revenues are typically somewhat higher during the fall and somewhat lower during the summer months. Affiliate fees are generally collected ratably throughout the year.

Federal Regulation

Television and radio broadcasting are subject to extensive regulation by the Federal Communications Commission (FCC) under federal laws and regulations, including the Communications Act of 1934, as amended. Violation of FCC regulations can result in substantial monetary fines, limited renewals of licenses and, in egregious cases, denial of license renewal or revocation of a license. FCC regulations that affect our Media Networks segment include the following:

- *Licensing of television and radio stations.* Each of the television and radio stations we own must be licensed by the FCC. These licenses are granted for periods of up to eight years, and we must obtain renewal of licenses as they expire in order to continue operating the stations. We (and the acquiring entity in the case of a divestiture) must also obtain FCC approval whenever we seek to have a license transferred in connection with the acquisition or divestiture of a station. The FCC may decline to renew or approve the transfer of a license in certain circumstances and may delay renewals while permitting a licensee to continue operating. Although we have received such renewals and approvals in the past or have been permitted to continue operations when renewal is delayed, there can be no assurance that this will be the case in the future.
- *Television and radio station ownership limits.* The FCC imposes limitations on the number of television stations and radio stations we can own in a specific market, on the combined number of television and radio stations we can own in a single market and on the aggregate percentage of the national audience that can be reached by television stations we own. Currently:
  - FCC regulations may restrict our ability to own more than one television station in a market, depending on the size and nature of the market. We do not own more than one television station in any market.
  - Federal statutes permit our television stations in the aggregate to reach a maximum of 39% of the national audience. Pursuant to the most recent decision by the FCC as to how to calculate compliance with this limit, our eight stations reach approximately 20% of the national audience.
  - FCC regulations in some cases impose restrictions on our ability to acquire additional radio or television stations in the markets in which we own radio stations. We do not believe any such limitations are material to our current operating plans.
- *Dual networks.* FCC rules currently prohibit any of the four major broadcast television networks — ABC, CBS, Fox and NBC — from being under common ownership or control.
- *Regulation of programming.* The FCC regulates broadcast programming by, among other things, banning "indecent" programming, regulating political advertising and imposing commercial time limits during children's programming. Penalties for broadcasting indecent programming can be over $400 thousand per indecent utterance or image per station.

  Federal legislation and FCC rules also limit the amount of commercial matter that may be shown on broadcast or cable channels during programming designed for children 12 years of age and younger. In addition, broadcast channels are generally required to provide an average of three hours per week of programming that has as a “significant purpose” meeting the educational and informational needs of children 16 years of age and younger. FCC rules also give television station owners the right to reject or refuse network programming in certain circumstances or to substitute programming that the licensee reasonably believes to be of greater local or national importance.

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

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

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

PARKS, EXPERIENCES AND PRODUCTS

Significant operations:

- Parks & Experiences:
  - Theme parks and resorts, which include: Walt Disney World Resort in Florida; Disneyland Resort in California; Disneyland Paris; Hong Kong Disneyland Resort (47% ownership interest); and Shanghai Disney Resort (43% ownership interest), all of which are consolidated in our results. Additionally, the Company licenses our intellectual property to a third party to operate Tokyo Disney Resort.
  - Disney Cruise Line, Disney Vacation Club, National Geographic Expeditions (73% ownership interest), Adventures by Disney and Aulani, a Disney Resort & Spa in Hawaii
- Consumer Products:
  - Licensing of our trade names, characters, visual, literary and other intellectual properties to various manufacturers, game developers, publishers and retailers throughout the world
  - Sale of branded merchandise through retail, online and wholesale businesses, and development and publishing of books, comic books and magazines (except National Geographic, which is reported in Media Networks).

Significant revenues:

- Theme park admissions - Sales of tickets for admission to our theme parks
- Parks & Experiences merchandise, food and beverage - Sales of merchandise, food and beverages at our theme parks and resorts and cruise ships
- Resorts and vacations - Sales of room nights at hotels, sales of cruise and other vacations and sales and rentals of vacation club properties
- Merchandise licensing and retail:
  - Merchandise licensing - Royalties from intellectual property licensing
  - Retail - Sales of merchandise at The Disney Stores and through branded internet shopping sites, as well as, to wholesalers
- Parks licensing and other - Revenues from sponsorships and co-branding opportunities and real estate rent and sales. In addition, we earn royalties on Tokyo Disney Resort revenues.

Significant expenses:

- Operating expenses consisting primarily of operating labor, costs of goods sold, infrastructure costs, supplies, commissions and entertainment offerings. Infrastructure costs include information systems expense, repairs and maintenance, utilities and fuel, property taxes, retail occupancy costs, insurance and transportation
- Selling, general and administrative costs
- Depreciation and amortization

Significant capital investments:

- In recent years, over 75% of the Company's capital spend has been at our parks and experiences business, which is principally for theme park and resort expansion, new attractions, cruise ships, capital improvements and systems infrastructure. The various investment plans discussed in the "Parks & Experiences" section are based on management's current expectations. Actual investment may differ.

Parks & Experiences

Walt Disney World Resort

The Walt Disney World Resort is located approximately 20 miles southwest of Orlando, Florida, on approximately 25,000 acres of land. The resort includes theme parks (the Magic Kingdom, Epcot, Disney's Hollywood Studios and Disney's Animal Kingdom); hotels; vacation club properties; a retail, dining and entertainment complex (Disney Springs); a sports complex; conference centers; campgrounds; golf courses; water parks; and other recreational facilities designed to attract visitors for an extended stay.

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

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

Epcot — Epcot consists of two major themed areas: Future World and World Showcase. Future World dramatizes certain historical developments and addresses the challenges facing the world today through pavilions devoted to showcasing science and technology innovations, communication, transportation, use of imagination, nature and food production, the ocean environment and space. World Showcase presents a community of nations focusing on the culture, traditions and accomplishments of people around the world. Countries represented with pavilions include Canada, China, France, Germany, Italy, Japan, Mexico, Morocco, Norway, the United Kingdom and the United States. Both areas feature themed attractions, restaurants and merchandise shops. Epcot also features a nighttime entertainment event. Epcot is undergoing a multi-year transformation, which is scheduled to open in phases beginning in 2020.

Disney's Hollywood Studios — Disney's Hollywood Studios consists of eight themed areas: Animation Courtyard, Commissary Lane, Echo Lake, Grand Avenue, Hollywood Boulevard, *Star Wars*: Galaxy's Edge, which opened in August 2019, Sunset Boulevard and Toy Story Land. The areas provide behind-the-scenes glimpses of Hollywood-style action through various shows and attractions and offer themed food service and merchandise facilities. The park also features nighttime entertainment events.

Disney's Animal Kingdom — Disney's Animal Kingdom consists of a 145-foot tall Tree of Life centerpiece surrounded by five themed areas: Africa, Asia, DinoLand USA, Discovery Island and Pandora - The World of Avatar. Each themed area contains attractions, entertainment, restaurants and merchandise shops. The park features more than 300 species of live mammals, birds, reptiles and amphibians and 3,000 varieties of vegetation. Disney's Animal Kingdom also features a nighttime entertainment event.

Hotels, *Vacation Club Properties and Other Resort Facilities* — As of September 28, 2019, the Company owned and operated 18 resort hotels and vacation club facilities at the Walt Disney World Resort, with approximately 24,000 rooms and 3,200 vacation club units. Resort facilities include 500,000 square feet of conference meeting space and Disney's Fort Wilderness camping and recreational area, which offers approximately 800 campsites. The Company is constructing Reflections - A Disney Lakeside Lodge, which is a nature-inspired resort with more than 900 rooms and vacation club units opening in 2022. The Company also announced plans to build the new S*tar Wars:* Galactic Starcruiser hotel at Walt Disney World Resort.

Disney Springs is an approximately 120-acre retail, dining and entertainment complex and consists of four areas: Marketplace, The Landing, Town Center and West Side. The areas are home to more than 150 venues including the 64,000-square-foot World of Disney retail store and NBA Experience. Most of the Disney Springs facilities are operated by third parties that pay rent to the Company.

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

ESPN Wide World of Sports Complex is a 230-acre center that hosts professional caliber training and competitions, festival and tournament events and interactive sports activities. The complex, which welcomes both amateur and professional athletes, accommodates multiple sporting events, including baseball, basketball, football, soccer, softball, tennis and track and field. It also includes a stadium, as well as, two venues, which are designed for cheerleading, dance competitions and other indoor sports.

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

Disneyland Resort

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

The Disneyland Resort is marketed through a variety of international, national and local advertising and promotional activities. A number of the attractions and restaurants in the theme parks are sponsored or operated by other corporations under multi-year agreements.

Disneyland — Disneyland consists of nine themed areas: Adventureland, Critter Country, Fantasyland, Frontierland, Main Street USA, Mickey's Toontown, New Orleans Square, *Star Wars*: Galaxy's Edge, which opened in May 2019, and Tomorrowland. These areas feature themed attractions, shows, restaurants, merchandise shops and refreshment stands. Additionally, there are daily parades and nighttime fireworks and entertainment events.

Disney California Adventure — Disney California Adventure is adjacent to Disneyland and includes seven themed areas: Buena Vista Street, Cars Land, Grizzly Peak, Hollywood Land, Pacific Wharf, Paradise Gardens Park and Pixar Pier. These areas include attractions, shows, restaurants, merchandise shops and refreshment stands. Additionally, Disney California Adventure offers a nighttime entertainment event. The Company is constructing a new themed area, Avengers Campus, that is scheduled to open in 2020.

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

Downtown Disney is a themed 15-acre retail, entertainment and dining complex with approximately 30 venues located adjacent to both Disneyland and Disney California Adventure. Most of the Downtown Disney facilities are operated by third parties that pay rent to the Company.

Aulani, a Disney Resort & Spa

Aulani, a Disney Resort & Spa, is a Company-operated family resort on a 21-acre oceanfront property on Oahu, Hawaii featuring approximately 350 hotel rooms, an 18,000-square-foot spa and 12,000 square feet of conference meeting space. The resort also has approximately 480 vacation club units.

Disneyland Paris

Disneyland Paris is located on a 5,510-acre development in Marne-la-Vallée, approximately 20 miles east of Paris, France. The land is being developed pursuant to a master agreement with French governmental authorities. Disneyland Paris includes two theme parks (Disneyland Park and Walt Disney Studios Park); seven themed resort hotels; two convention centers; a shopping, dining and entertainment complex (Disney Village); and a 27-hole golf facility. Of the 5,510 acres comprising the site, approximately half have been developed to date, including a planned community (Val d'Europe) and an eco-tourism destination (Villages Nature).

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

Walt Disney Studios Park — Walt Disney Studios Park includes four themed areas: Backlot, Front Lot, Production Courtyard and Toon Studio. These areas each include themed attractions, shows, restaurants, merchandise shops and refreshment stands. The Company has announced plans for a multi-year expansion of Walt Disney Studios Park that will roll out in phases beginning in 2021 and add three new themed areas based on Marvel, Frozen and Star Wars.

Hotels and Other Facilities — Disneyland Paris operates seven resort hotels, with approximately 5,800 rooms and 210,000 square feet of conference meeting space. In addition, eight on-site hotels that are owned and operated by third parties provide approximately 2,575 rooms.

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

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

Villages Nature is a European eco-tourism resort that consists of recreational facilities, restaurants and 900 vacation units. The resort is a 50% joint venture between Disneyland Paris and Pierre & Vacances-Center Parcs, who manages the venture.

Hong Kong Disneyland Resort

The Company owns a 47% interest in Hong Kong Disneyland Resort and the Government of the Hong Kong Special Administrative Region (HKSAR) owns a 53% interest. The resort is located on 310 acres on Lantau Island and is in close proximity to the Hong Kong International Airport and the Hong Kong-Zhuhai-Macau Bridge. Hong Kong Disneyland Resort includes one theme park and three themed resort hotels. A separate Hong Kong subsidiary of the Company is responsible for managing Hong Kong Disneyland Resort. The Company is entitled to receive royalties and management fees based on the operating performance of Hong Kong Disneyland Resort.

Hong Kong Disneyland — Hong Kong Disneyland consists of seven themed areas: Adventureland, Fantasyland, Grizzly Gulch, Main Street USA, Mystic Point, Tomorrowland and Toy Story Land. These areas feature themed attractions, shows, restaurants, merchandise shops and refreshment stands. Additionally, there are daily parades and a nighttime entertainment event. The park is in the midst of a multi-year expansion project that will add a number of new guest offerings and transform the Sleeping Beauty Castle.

Hotels — Hong Kong Disneyland Resort includes three themed hotels with a total of 1,750 rooms and approximately 16,000 square feet of conference meeting space.

Shanghai Disney Resort

The Company owns a 43% interest in Shanghai Disney Resort, and Shanghai Shendi (Group) Co., Ltd (Shendi) owns a 57% interest. The resort is located in the Pudong district of Shanghai on approximately 1,000 acres of land, which includes the Shanghai Disneyland theme park; two themed resort hotels; a retail, dining and entertainment complex (Disneytown); and an outdoor recreation area. A management company, in which the Company has a 70% interest and Shendi has a 30% interest, is responsible for operating the resort and receives a management fee based on the operating performance of Shanghai Disney Resort. The Company is also entitled to royalties based on the resort's revenues.

Shanghai Disneyland — Shanghai Disneyland consists of seven themed areas: Adventure Isle, Fantasyland, Gardens of Imagination, Mickey Avenue, Tomorrowland, Toy Story Land and Treasure Cove. These areas feature themed attractions, shows, restaurants, merchandise shops and refreshment stands. Additionally, there are daily parades and a nighttime fireworks event. In January 2019, the Company announced plans to build an eighth themed area based on the animated film *Zootopia*.

Hotels and Other Facilities - Shanghai Disneyland Resort includes two themed hotels with a total of 1,220 rooms. Disneytown is an 11-acre outdoor complex of dining, shopping and entertainment venues located adjacent to Shanghai Disneyland. Most Disneytown facilities are operated by third parties that pay rent to Shanghai Disney Resort.

Tokyo Disney Resort

Tokyo Disney Resort is located on 494 acres of land, six miles east of downtown Tokyo, Japan. The Company earns royalties on revenues generated by the Tokyo Disney Resort, which is owned and operated by Oriental Land Co., Ltd. (OLC), a third-party Japanese corporation. The resort includes two theme parks (Tokyo Disneyland and Tokyo DisneySea, which are both undergoing expansion); four Disney-branded hotels; six other hotels (operated by third parties other than OLC); a retail, dining and entertainment complex (Ikspiari); and Bon Voyage, a Disney-themed merchandise location.

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

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

Hotels and Other Resort Facilities — Tokyo Disney Resort includes four Disney-branded hotels with a total of more than 2,400 rooms and a monorail, which links the theme parks and resort hotels with Ikspiari. OLC is currently constructing a 475-room Disney-branded hotel at Tokyo DisneySea, and a 600-room Toy Story themed hotel opening in 2021.

Disney Vacation Club

DVC offers ownership interests in 15 resort facilities located at the Walt Disney World Resort; Disneyland Resort; Aulani; Vero Beach, Florida; and Hilton Head Island, South Carolina. Available units are offered for sale under a vacation ownership plan and are operated as hotel rooms when not occupied by vacation club members. The Company's vacation club units range from deluxe studios to three-bedroom grand villas. Unit counts in this document are presented in terms of two-bedroom equivalents. DVC had approximately 4,000 vacation club units as of September 28, 2019 and is scheduled to open an additional 300 units at Disney's Riviera Resort at Walt Disney World Resort in December 2019. The Company has also announced plans to build Reflections - A Disney Lakeside Lodge, which will include vacation club units.

Disney Cruise Line

Disney Cruise Line is a four-ship vacation cruise line, which operates out of ports in North America and Europe. The *Disney Magic* and the *Disney Wonder* are approximately 85,000-ton 875-stateroom ships, and the *Disney Dream* and the *Disney Fantasy* are approximately 130,000-ton 1,250-stateroom ships. The ships cater to families, children, teenagers and adults, with distinctly-themed areas and activities for each group. Many cruise vacations include a visit to Disney's Castaway Cay, a 1,000-acre private Bahamian island.

The Company is expanding its cruise business by adding three new ships. The first ship, the *Disney Wish*, is scheduled for delivery in late 2021 and is expected to set sail beginning in January 2022. The other two ships are scheduled to be delivered in calendar 2022 and 2023. Each new ship can be powered by liquefied natural gas and will be approximately 140,000 tons with 1,250 staterooms.

In fiscal 2019, the Company finalized an agreement with the Government of The Bahamas to create and manage a destination at Lighthouse Point on the island of Eleuthera, which is scheduled to open in late 2022 or 2023.

Adventures by Disney

Adventures by Disney offers guided tour packages predominantly at non-Disney sites around the world. Adventures by Disney offered approximately 40 different tour packages during 2019.

National Geographic Expeditions

National Geographic Expeditions offers guided tour packages around the world that explore cultures, landscapes and history. National Geographic offered approximately 2,500 different tour packages during 2019 (including the period prior to the Company's acquisition of TFCF).

Walt Disney Imagineering

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

Consumer Products

Licensing

The Company's merchandise licensing operations cover a diverse range of product categories, the most significant of which are: toys, apparel, home décor and furnishings, accessories, health and beauty, food, stationery, footwear and consumer electronics. The Company licenses characters from its film, television and other properties for use on third-party products in these categories and earns royalties, which are usually based on a fixed percentage of the wholesale or retail selling price of the products. Some of the major properties licensed by the Company include: Mickey and Minnie, Star Wars, Avengers, Frozen, Disney Princess, Toy Story, Spider-Man, Disney Channel characters, Cars, Winnie the Pooh and Disney Classics.

Retail

The Company sells Disney-, Marvel-, Pixar- and Lucasfilm-branded products through retail stores operated under The Disney Store name and through internet sites in North America, Western Europe, Japan and China. The stores are generally located in leading shopping malls and other retail complexes. The Company owns and operates approximately 200 stores in North America, approximately 60 permanent stores and 20 pop-up stores in Europe, approximately 50 stores in Japan and two stores in China. Internet sites are branded shopDisney and shopMarvel in the United States, shopDisney in Europe and store.Disney in Japan.

The Company creates, distributes and publishes a variety of products in multiple countries and languages based on the Company's branded franchises. The products include children's books, comic books, digital comics and ebooks, learning products and storytelling apps.

The Company also operates Disney English, which develops and delivers an English language learning curriculum for Chinese children using Disney content in approximately 25 learning centers in six cities across China.

Competition and Seasonality

The Company's theme parks and resorts as well as Disney Cruise Line and Disney Vacation Club compete with other forms of entertainment, lodging, tourism and recreational activities. The profitability of the leisure-time industry may be influenced by various factors that are not directly controllable, such as economic conditions including business cycle and exchange rate fluctuations, the political environment, travel industry trends, amount of available leisure time, oil and transportation prices, weather patterns and natural disasters. The licensing and retail business compete with other licensors, retailers and publishers of character, brand and celebrity names, as well as other licensors, publishers and developers of game software, online video content, internet websites, other types of home entertainment and retailers of toys and kids merchandise.

All of the theme parks and the associated resort facilities are operated on a year-round basis. Typically, theme park attendance and resort occupancy fluctuate based on the seasonal nature of vacation travel and leisure activities, the opening of new guest offerings and pricing and promotional offers. Peak attendance and resort occupancy generally occur during the summer months when school vacations occur and during early-winter and spring-holiday periods. The licensing, specialty retail, and wholesale businesses are influenced by seasonal consumer purchasing behavior, which generally results in higher revenues during the Company's first and fourth fiscal quarter, and by the timing and performance of theatrical and game releases, and cable programming broadcasts.

STUDIO ENTERTAINMENT

Significant operations:

- Motion picture production and distribution under the Walt Disney Pictures, Twentieth Century Fox, Marvel, Lucasfilm, Pixar, Fox Searchlight Pictures and Blue Sky Studios banners
- Development, production and licensing of live entertainment events on Broadway and around the world (stage plays)
- Music production and distribution
- Post-production services, which include visual and audio effects through Industrial Light & Magic and Skywalker Sound

Significant revenues:

- Theatrical distribution - Rentals from licensing our motion pictures to theaters
- Home entertainment - Sale of our motion pictures to retailers and distributors in physical (DVD and Blu-ray) and electronic formats
- TV/SVOD distribution and other - Licensing fees and other revenue from the right to use our motion picture productions, revenue from content transactions with other Company segments, ticket sales from stage plays, fees from licensing our intellectual properties for use in live entertainment productions, revenue from licensing our music, and revenue from post-production services

Significant expenses:

- Operating expenses consisting primarily of amortization of production, participations and residuals costs, distribution costs and costs of sales
- Selling, general and administrative costs

- Depreciation and amortization

Prior to the Company's acquisition of Marvel in fiscal 2010, Marvel had licensed Spider-Man rights to Sony Pictures Entertainment (Sony). Sony incurs the costs to produce and distribute Spider-Man films, and the Company licenses the merchandise rights to third parties. The Company pays Sony a licensing fee based on each film's box office receipts, subject to specified limits. The Company distributes all other Marvel-produced films with the exception of *The Incredible Hulk*, which is distributed by Universal Pictures.

Theatrical Market

We produce and distribute full-length live-action films and animated films. In the domestic theatrical market, we generally distribute and market our filmed products directly. In most major international markets, we distribute our filmed products directly while in other markets our films are distributed by independent companies or joint ventures. During fiscal 2020, we expect to release approximately 25 of our own produced feature films. Cumulatively through September 28, 2019 the Company has released approximately 1,000 full-length live-action features and 100 full-length animated features.

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

Home Entertainment Market

In the domestic market, we distribute home entertainment releases directly under each of our motion picture banners. In international markets, we distribute home entertainment releases under our motion picture banners both directly and through independent distribution companies.

Domestic and international home entertainment distribution typically starts three to six months after the theatrical release in each market. Home entertainment releases are distributed in physical (DVD and Blu-ray) and electronic formats. Electronic formats may be released up to four weeks ahead of the physical release. Physical formats are generally sold to retailers, such as Walmart and Target and electronic formats are sold through e-tailers, such as Apple and Amazon.

As of September 28, 2019, we have approximately 2,400 active produced and acquired film titles, including 2,200 live-action titles and 200 animated titles, in the domestic home entertainment marketplace and approximately 2,300 active produced and acquired titles, including 2,000 live-action titles and 300 animated titles, in the international marketplace.

Concurrently with physical home entertainment distribution, we license titles to video-on-demand service providers for electronic delivery to consumers for a specified rental period.

Television Market

In the television market, we license our films to cable and broadcast networks, television stations and other video service providers, which may provide the content to viewers on television or a variety of internet-connected devices. The television market is comprised of multiple pay TV and free TV windows, which can have license periods of various lengths following the home entertainment window. In fiscal 2020, our Walt Disney Pictures, Marvel, Lucasfilm and Pixar branded films will generally be licensed to DTCI for use on Disney+ after the theatrical and home entertainment windows.

With the acquisition of TFCF, the Company's library of film titles available for distribution increased by approximately 2,000.

Disney Music Group

The Disney Music Group (DMG) commissions new music for the Company's motion pictures and television programs and develops, produces, markets and distributes the Company's music worldwide either directly or through license agreements. DMG also licenses the songs and recording copyrights to third parties for printed music, records, audio-visual devices, public performances and digital distribution and produces live musical concerts. DMG includes Walt Disney Records, Hollywood Records, Disney Music Publishing and Disney Concerts.

Disney Theatrical Group

Disney Theatrical Group develops, produces and licenses live entertainment events on Broadway and around the world, including *The Lion King*, *Aladdin, Frozen*, *The Little Mermaid*, *Beauty and the Beast*, *The Hunchback of Notre Dame, Mary Poppins* (a co-production with Cameron Mackintosh Ltd), *Newsies* and *TARZAN®*.

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

Competition and Seasonality

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

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

DIRECT-TO-CONSUMER & INTERNATIONAL

Significant operations:

- Branded international television networks and channels, which include Disney, ESPN, Fox, National Geographic and Star (International Channels)
- Direct-to-consumer (DTC) streaming services, which include Disney +, ESPN+, Hotstar and Hulu
- Other digital content distribution platforms and services
- Equity investments:
  - A 50% ownership interest in Endemol Shine Group
  - A 20% ownership interest (49% economic interest) in Seven TV
  - A 30% effective ownership interest in Tata Sky
  - A 21% effective ownership interest in Vice Group Holdings, Inc. (Vice). Vice operates Viceland, which is owned 50% by Vice and 50% by A+E.

Significant revenues:

- Advertising - Sales of advertising time/space on our International Channels and sales of non-ratings based advertising time/space on digital media platforms ("addressable ad sales") across the Company. In general, addressable ad sales are delivered using technology that allows for dynamic insertion of advertisements into video content, which can be targeted to specific viewer groups
- Affiliate fees - Fees charged to MVPDs for the right to deliver our International Channels to their customers
- Subscription fees - Fees charged to customers/subscribers for our streaming and technology services

Significant expenses:

- Operating expenses consisting primarily of programming and production costs (including amortization of digital content obtained from other Company segments), technical support costs, operating labor and distribution costs
- Selling, general and administrative costs
- Depreciation and amortization

International Channels

Our International Channels produce local programs or acquire rights from our domestic studios and from third parties. Our International Channels derive the majority of their revenues from advertising sales and affiliate fees. Generally, channels provide programming under multi-year agreements with MVPDs that include contractually determined rates on a per subscriber basis. The amounts that we can charge to MVPDs for our channels are largely dependent on the quality and quantity of programming that we can provide and the competitive market for programming services. The ability to sell advertising time and the rates received are primarily dependent on the size and nature of the audience that a channel can deliver to the advertiser as well as overall advertiser demand.

The Company's significant International Channels and the number of subscribers (in millions) based on internal management reports as of September 2019 is as follows:

	Estimated Subscribers
Disney	
Disney Channel	**227**
Disney Junior	**162**
Disney XD	**131**
ESPN [(1)]	**65**
Fox [(1)]	**220**
National Geographic [(1)]	**316**
Star [(1)]	**221**

(1) Reflects each unique subscriber that has access to one or more of these branded channels. If a subscriber to each ESPN branded channel was counted, the total estimated subscribers is 142 million as of September 2019. Subscribers for ESPN at September 2018 were counted on this basis.

Disney

DTCI operates approximately 100 Disney branded television channels outside of the U.S., which are broadcast in approximately 35 languages and 165 countries/territories. Branded channels include Disney Channel, Disney Junior, Disney XD, Disney Cinemagic, Disney Cinema and Disney International HD. Disney content is also available on third-party video-on-demand services and online on our apps and websites. Programming for these channels includes Disney branded programming acquired from our domestic studios, programming acquired from third parties and internally developed local programming.

ESPN

DTCI operates approximately 15 ESPN branded television channels outside of the U.S. (primarily in Latin America and Australia), which are broadcast in three languages (English, Spanish and Portuguese) and approximately 55 countries/territories. ESPN holds international rights for various professional sports programming including English Premier League, La Liga, multiple UEFA leagues, various other soccer rights, various tennis rights and the NFL.

Fox

The DTCI segment operates approximately 190 Fox branded channels outside of the U.S., which are broadcast in approximately 40 languages and in 95 countries/territories. Branded channels include Fox Channel, Fox Life, Fox Crime, Fox Traveler, FX and Fox Sports. Content is also available on third-party video-on-demand services and online on our apps and websites. Programming for these channels includes internally developed local programming and programming acquired from our domestic studios and from third parties.

Fox Sports generally distributes Spanish-language sports programming services in Latin America that feature local and international soccer events, motorsports programming, combat sports and U.S. sports leagues (such as NFL and MLB). Fox Sports Premium, a pay television service in Argentina, airs the matches of the professional football league in Argentina. In order to obtain regulatory approval for the acquisition of TFCF, the Company agreed to sell TFCF's sports media operations in Brazil and Mexico.

The Company has a 51% direct ownership interest in Eredivisie Media & Marketing CV (EMM), a media company that holds the media and sponsorship rights of the Dutch Premier League for soccer.

National Geographic

The DTCI segment operates approximately 80 National Geographic branded channels outside of the U.S., which are broadcast in approximately 45 languages and 90 countries/territories. Branded channels include National Geographic Channel, Nat Geo Wild and Nat Geo Kids. These channels air scripted and documentary programming on such topics as natural history, adventure, science, exploration and culture. Content is also available on third-party video-on-demand services and online on our apps and websites. Programming for these channels includes programming acquired from our domestic studios, internally developed local programming and programming acquired from third parties.

Star

Star develops, produces and broadcasts approximately 80 channels in ten languages in India and throughout Asia, the United Kingdom, Continental Europe, the Middle East and parts of Africa. Programming for these channels includes internally developed local programming and acquired programming, as well as content from Star's extensive library of film and television programs. Star holds rights for various sports programming including cricket, for which Star has the global distribution rights to certain events, soccer, tennis and field hockey.

Other India Channels

DTCI operates UTV, Bindass and Hungama branded channels in India. UTV Action and UTV Movies offer Bollywood movies as well as Hollywood, Asian and Indian regional movies dubbed in Hindi. Bindass is a youth entertainment channel. Hungama is targeted to kids and features a mix of animated series and movies.

Direct-to-Consumer Services (DTC)

Our DTC businesses consist of streaming based subscription services across general entertainment, family and sports programming. The majority of DTC revenue is derived from subscription fees and advertising sales. The services are offered to customers through mobile and connected devices and third-party distributors and the customers are generally billed a monthly or annual subscription fee.

Disney+

Disney+ is a subscription based direct-to-consumer video streaming service with Disney, Pixar, Marvel, Star Wars and National Geographic branded programming. It offers approximately 7,500 series and 500 movies from the Company's library of television and film programming. In the first year, there will be over 30 exclusive original series and over 15 exclusive original movies and specials produced by the Company's film and television studios. Some of the originals available at launch include *The Mandalorian*, the first live-action Star Wars series; *Lady and the Tramp*, a live-action retelling of the classic animated feature; *High School Musical: The Musical: The Series*, a new series related to the Disney Channel franchise; and *The World According to Jeff Goldblum*, an unscripted series from National Geographic.

Disney+ launched in November 2019 in the U.S. and four other countries and further launches are planned in Western Europe in spring 2020, Latin America in fall 2021, Eastern Europe starting in late 2020 and continuing in 2021, and various Asia-Pacific territories throughout 2020 and 2021.

ESPN+

ESPN+ is a multi-sports subscription service available through ESPN.com and the ESPN app. ESPN+ offers thousands of live events, on-demand content and original programming not available on ESPN's other networks. Live events available through the service include mixed martial arts, soccer, hockey, boxing, baseball, college sports, esports and cricket. ESPN+ is currently the exclusive distributor for UFC pay-per-view events in the U.S. Based on internal management reports, the estimated number of paid ESPN+ subscribers as of September 2019 was approximately three million.

Hotstar

Hotstar is operated by Star and streams local and international television shows, movies, sports, news and original series in nine languages and incorporates gaming and social features. Hotstar has exclusive streaming rights to Home Box Office, Inc. original programming in India and also carries content from Disney, Fox and Showtime Networks. Hotstar is also available in the U.S., UK and Canada.

Hulu

Hulu aggregates acquired and original television and film entertainment content for distribution to internet-connected devices. Hulu offers a subscription-based service with limited commercial announcements and a subscription-based service with no commercial announcements. In addition, Hulu operates a digital OTT MVPD service, which offers linear streams of broadcast and cable channels, including the major broadcast networks. Based on internal management reports, the estimated number of paid Hulu subscribers as of September 2019 was approximately 29 million.

Prior to the TFCF acquisition, the Company owned 30% of Hulu and reported Hulu as an equity investment. As a result of the acquisition, the Company's ownership interest in Hulu increased to 60%, and the Company started consolidating the results of Hulu. In May 2019, the Company increased its ownership interest in Hulu to 67%, with NBCU owning the remaining 33%. Also in May 2019, the Company entered into a put/call agreement with NBCU that provided the Company with full operational control of Hulu (see Note 4 of the Consolidated Financial Statements for additional information).

Other Digital Content Distribution Platforms and Services

DTCI operates branded apps and websites, the Disney Movie Club and Disney Digital Network and provides streaming technology support services.

Branded Apps and Websites

DTCI operates apps and websites, which include ESPN, ABC, Disney, Freeform, FX and Nat Geo branded apps and websites. DTCI sells advertising on these apps and websites, which are programmed with content licensed from the Media Networks.

Disney Movie Club

The Disney Movie Club sells DVD/Blu-ray discs directly to consumers in the United States and Canada.

Disney Digital Network (DDN)

DDN develops online video content, primarily for distribution on YouTube, and provides online marketing services.

Streaming Technology Services

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

BAMTech also operates the Company's DTC sports business, which includes ESPN+ as well as DTC services for NHL, PGA and Major League Soccer programming. Hearst has a 20% interest in the Company's DTC sports business.

Equity Investments

The significant equity investments reported in the Direct-to-Consumer & International segment are as follows:

Endemol Shine Group

Endemol Shine Group produces both scripted and non-scripted content for distribution across multiple platforms. On October 25, 2019, the Company entered into a definitive agreement with Banijay Group to sell its 50% interest in Endemol Shine Group. Completion of the transaction is subject to customary closing conditions, including approval from the European Commission. We expect the sale to close in fiscal 2021.

Seven TV

Seven TV operates an advertising-supported, free-to-air Disney Channel in Russia. The Company has a 20% ownership interest and a 49% economic interest in the business.

Tata Sky

The Company has a 30% effective interest in Tata Sky Limited, which is a digital MVPD in India.

Vice

The Company has an approximate 20% effective ownership in Vice Group Holdings, Inc. (Vice), which is a media company that targets millennial audiences. Vice operates Viceland, which is owned 50% by A+E and 50% by Vice.

Competition and Seasonality

The Company's DTC and International Channel businesses compete for viewers primarily with other television and cable networks, television stations and other media, such as online video services and video games. With respect to the sale of advertising time, we compete with other television networks, television stations, MVPDs and other advertising media such as digital content, newspapers, magazines and billboards.

The Company's International Channels face competition from other networks for carriage by MVPDs. The Company's contractual agreements with MVPDs are renewed or renegotiated from time to time in the ordinary course of business. Consolidation and other market conditions in the cable, satellite and telecommunication distribution industry and other factors may adversely affect the Company's ability to obtain and maintain contractual terms for distribution that are as favorable as those currently in place.

The Company's DTC and International Channels also compete with other media and entertainment companies, SVOD providers and DTC services for the acquisition of sports rights, talent, show concepts, and scripted and other programming.

Internet websites and digital products operated by the segment compete with other websites and entertainment products.

Revenues fluctuate based on the timing of releases and performance of our digital media content, viewership levels on our cable channels and digital platforms, changes in subscriber levels and the demand for sports and other content.

INTERCOMPANY ELIMINATIONS

Intersegment content transactions are presented "gross" (i.e. the segment producing the content reports revenue and profit from intersegment transactions in a manner similar to the reporting of third-party transactions, and the required eliminations are reported on a separate "Eliminations" line when presenting a summary of our segment results). Generally, timing of revenue recognition is similar to the reporting of third-party transactions, except that intersegment sales of library content are generally recognized over time.

Significant intersegment content transactions include the following:

- Hulu licenses content from the Company's television studios through various arrangements including fixed and variable licensing fees and a percentage of addressable ad sales. Hulu also licenses the linear stream of our broadcast and cable channels.
- Disney+ and our International Channels license content from the Company's film and television studios.
- Our broadcast and cable channels license content from the Company's film studios.

The Company defers profits on intersegment sales of content until the acquiring business expenses the content.

INTELLECTUAL PROPERTY PROTECTION

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

AVAILABLE INFORMATION

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

ITEM 1A. Risk Factors

For an enterprise as large and complex as the Company, a wide range of factors could materially affect future developments and performance. In addition to the factors affecting specific business operations identified in connection with the description of these operations and the financial results of these operations elsewhere in this report, the most significant factors affecting our operations include the following:

Changes in U.S., global, or regional economic conditions could have an adverse effect on the profitability of some or all of our businesses.

A decline in economic activity in the U.S. and other regions of the world in which we do business can adversely affect demand for any of our businesses, thus reducing our revenue and earnings. Past declines in economic conditions reduced spending at our parks and resorts, purchases of and prices for advertising on our broadcast and cable networks and owned stations, performance of our home entertainment releases, and purchases of Company-branded consumer products, and similar impacts can be expected should such conditions recur. A decline in economic conditions could also reduce attendance at our parks and resorts, prices that MVPDs pay for our cable programming or subscription levels for our cable programming or direct-to-consumer products. Economic conditions can also impair the ability of those with whom we do business to satisfy their obligations to us. In addition, an increase in price levels generally, or in price levels in a particular sector such as the energy sector, could result in a shift in consumer demand away from the entertainment and consumer products we offer, which could also adversely affect our revenues and, at the same time, increase our costs. A decline in economic conditions could impact implementation of our expansion plans. Changes in exchange rates for foreign currencies may reduce international demand for our products or increase our labor or supply costs in non-U.S. markets, or reduce the U.S. dollar value of revenue we receive and expect to receive from other markets. Economic or political conditions in a country could also reduce our ability to hedge exposure to currency fluctuations in the country or our ability to repatriate revenue from the country.

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

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

Changes in technology and in consumer consumption patterns may affect demand for our entertainment products, the revenue we can generate from these products or the cost of producing or distributing products.

The media entertainment and internet businesses in which we participate increasingly depend on our ability to successfully adapt to shifting patterns of content consumption through the adoption and exploitation of new technologies. New technologies affect the demand for our products, the manner in which our products are distributed to consumers, ways we charge for and receive revenue for our entertainment products and the stability of those revenue streams, the sources and nature of competing content offerings, the time and manner in which consumers acquire and view some of our entertainment products and the options available to advertisers for reaching their desired audiences. This trend has impacted the business model for certain traditional forms of distribution, as evidenced by the industry-wide decline in ratings for broadcast television, the reduction in demand for home entertainment sales of theatrical content, the development of alternative distribution channels for broadcast and cable programming and declines in subscriber levels for traditional cable channels, including for a number of our networks. In order to respond to these developments, we regularly consider and from time to time implement changes to our business models, most recently by developing DTC products for certain sports programming on ESPN+ (launched in 2018) and for filmed entertainment and other programming on Disney+ (launched in November 2019) and increasing our stake in Hulu (assumed full operational control in May 2019). There can be no assurance that our DTC offerings and other efforts will successfully respond to these changes, and we expect to forgo revenue from traditional sources. There can be no assurance that the DTC model and other business models we may develop will ultimately be as profitable as our existing business models.

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

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

The unauthorized use of our intellectual property may increase the cost of protecting rights in our intellectual property or reduce our revenues. The convergence of computing, communication, and entertainment devices, increased broadband internet speed and penetration, increased availability and speed of mobile data transmission and increasingly sophisticated attempts to obtain unauthorized access to data systems have made the unauthorized digital copying and distribution of our films, television productions and other creative works easier and faster and protection and enforcement of intellectual property rights more challenging. The unauthorized distribution and access to entertainment content generally continues to be a significant challenge for intellectual property rights holders. Inadequate laws or weak enforcement mechanisms to protect entertainment industry intellectual property in one country can adversely affect the results of the Company's operations worldwide, despite the Company's efforts to protect its intellectual property rights. These developments require us to devote substantial resources to protecting our intellectual property against unlicensed use and present the risk of increased losses of revenue as a result of unlicensed distribution of our content.

With respect to intellectual property developed by the Company and rights acquired by the Company from others, the Company is subject to the risk of challenges to our copyright, trademark and patent rights by third parties. Successful challenges to our rights in intellectual property may result in increased costs for obtaining rights or the loss of the opportunity to earn revenue from the intellectual property that is the subject of challenged rights.

Protection of electronically stored data is costly and if our data is compromised in spite of this protection, we may incur additional costs, lost opportunities and damage to our reputation.

We maintain information necessary to conduct our business, including confidential and proprietary information as well as personal information regarding our customers and employees, in digital form. Data maintained in digital form is subject to the risk of unauthorized access, modification and exfiltration. We develop and maintain information security systems in an effort to prevent this, but the development and maintenance of these systems is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. Accordingly, despite our efforts, unauthorized access, modification and exfiltration of data cannot be eliminated entirely, and the risks associated with a potentially material incident remain. In addition, we provide confidential, proprietary and personal information to third parties when it is necessary to pursue business objectives. While we obtain assurances that these third parties will protect this information and, where we believe appropriate, monitor the protections employed by these third parties, there is a risk the confidentiality of data held by third parties may be compromised. If our information security systems or data are compromised in a material way, our ability to conduct our business may be impaired, we may lose profitable opportunities or the value of those opportunities may be diminished and, as described above, we may lose revenue as a result of unlicensed use of our intellectual property. If personal information of our customers or employees is misappropriated, our reputation with our customers and employees may be damaged resulting in loss of business or morale, and we may incur costs to remediate possible harm to our customers and employees and/or to pay fines or take other action with respect to judicial or regulatory actions arising out of the incident.

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

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

For example, events in Hong Kong have impacted profitability of our Hong Kong operations and may continue to do so there and elsewhere, and past hurricanes have impacted profitability of Walt Disney World Resort in Florida and future hurricanes may also do so.

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

We obtain insurance against the risk of losses relating to some of these events, generally including physical damage to our property and resulting business interruption, certain injuries occurring on our property and some liabilities for alleged breach of legal responsibilities. When insurance is obtained it is subject to deductibles, exclusions, terms, conditions and limits of liability. The types and levels of coverage we obtain vary from time to time depending on our view of the likelihood of specific types and levels of loss in relation to the cost of obtaining coverage for such types and levels of loss and we may experience material losses not covered by our insurance.

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

As changes in our business environment occur we may adjust our business strategies to meet these changes or we may otherwise decide to restructure our operations or particular businesses or assets. In addition, external events including changing technology, changing consumer patterns, acceptance of our theatrical offerings and changes in macroeconomic conditions may impair the value of our assets. When these changes or events occur, we may incur costs to change our business strategy and may need to write down the value of assets. We also make investments in existing or new businesses, including investments in international expansion of our business and in new business lines. In recent years, such investments have included expansion and renovation of certain of our theme parks, expansion of our fleet of cruise ships and investments related to direct-to-consumer offerings. Some of these investments may have short-term returns that are negative or low and the ultimate business prospects of the businesses related to these investments may be uncertain. In any of these events, our costs may increase, we may have significant charges associated with the write-down of assets or returns on new investments may be lower than prior to the change in strategy or restructuring.

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

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

- Our studio operations and media businesses compete to obtain creative, performing and business talent, sports and other programming, story properties, advertiser support and market share with other studio operations, broadcast and cable networks, SVOD providers and other new sources of broadband delivered content.
- Our broadcast and cable networks and stations and direct-to-consumer offerings compete for the sale of advertising time with other broadcast, cable and satellite services, as well as with newspapers, magazines, billboards and radio stations. In addition, we increasingly face competition for advertising sales from internet and mobile delivered content, which offer advertising delivery technologies that are more targeted than can be achieved through traditional means.
- Our cable networks compete for carriage of their programming with other programming providers.
- Our theme parks and resorts compete for guests with all other forms of entertainment, lodging, tourism and recreation activities.
- Our studio operations compete for customers with all other forms of entertainment.
- Our interactive media operations compete with other licensors and publishers of console, online and mobile games and other types of home entertainment.
- Our direct-to-consumer businesses compete for customers with competitors' direct-to-consumer offerings, all other forms of media and all other forms of entertainment, as well as for technology, creative, performing and business talent and for content. Competition in each of these areas may increase as a result of technological developments and changes in market structure, including consolidation of suppliers of resources and distribution channels. Increased competition may divert consumers from our creative or other products, or to other products or other forms of entertainment, which could reduce our revenue or increase our marketing costs. Competition for the acquisition of resources can increase the cost of producing our products and services or deprive us of talent necessary to produce high quality creative material. Such competition may also reduce, or limit growth in, prices for our products and services, including advertising rates and subscription fees at our media networks, parks and resorts admissions and room rates, and prices for consumer products from which we derive license revenues.

Our results may be adversely affected if long-term programming or carriage contracts are not renewed on sufficiently favorable terms.

We enter into long-term contracts for both the acquisition and the distribution of media programming and products, including contracts for the acquisition of programming rights for sporting events and other programs, and contracts for the distribution of our programming to content distributors. As these contracts expire, we must renew or renegotiate the contracts, and if we are unable to renew them on acceptable terms, we may lose programming rights or distribution rights. Even if these contracts are renewed, the cost of obtaining programming rights may increase (or increase at faster rates than our historical experience) or programming distributors, facing pressures resulting from increased subscription fees and alternative distribution challenges, may demand terms (including pricing and the breadth of distribution) that reduce our revenue from distribution of programs (or increase revenue at slower rates than our historical experience). Moreover, our ability to renew these contracts on favorable terms may be affected by recent consolidation in the market for program distribution and the entrance of new participants in the market for distribution of content on digital platforms. With respect to the acquisition of programming rights, particularly sports programming rights, the impact of these long-term contracts on our results over the term of the contracts depends on a number of factors, including the strength of advertising markets, subscription levels and rates for programming, effectiveness of marketing efforts and the size of viewer audiences. There can be no assurance that revenues from programming based on these rights will exceed the cost of the rights plus the other costs of producing and distributing the programming.

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

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

- U.S. FCC regulation of our television and radio networks, our national programming networks and our owned television stations. See Item 1 — Business — Media Networks, Federal Regulation.
- Federal, state and foreign privacy and data protection laws and regulations.
- Regulation of the safety and supply chain of consumer products and theme park operations.
- Environmental protection regulations.
- Imposition by foreign countries of trade restrictions, restrictions on the manner in which content is currently licensed and distributed, ownership restrictions, currency exchange controls or motion picture or television content requirements, investment obligations or quotas.
- Domestic and international labor laws, tax laws or currency controls.

Changes in any of these regulations or regulatory activities in any of these areas may require us to spend additional amounts to comply with the regulations, or may restrict our ability to offer products and services in ways that are profitable. For example, in January 2019 India implemented regulation and tariffs impacting certain bundling of channels.

Our operations outside the United States may be adversely affected by the operation of laws in those jurisdictions.

Our operations in non-U.S. jurisdictions are in many cases subject to the laws of the jurisdictions in which they operate rather than U.S. law. Laws in some jurisdictions differ in significant respects from those in the U.S. These differences can affect our ability to react to changes in our business, and our rights or ability to enforce rights may be different than would be expected under U.S. law. Moreover, enforcement of laws in some overseas jurisdictions can be inconsistent and unpredictable, which can affect both our ability to enforce our rights and to undertake activities that we believe are beneficial to our business. In addition, the business and political climate in some jurisdictions may encourage corruption, which could reduce our ability to compete successfully in those jurisdictions while remaining in compliance with local laws or United States anti-corruption laws applicable to our businesses. As a result, our ability to generate revenue and our expenses in non-U.S. jurisdictions may differ from what would be expected if U.S. law governed these operations.

Damage to our reputation or brands may negatively impact our business across segments and regions.

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

Risks that impact our business as a whole may also impact the success of our direct-to-consumer (DTC) business.

We may not successfully execute on our direct-to-consumer strategy. Consumers may not be willing to pay for an expanding set of DTC services, potentially exacerbated by an economic downturn. We face competition for creative talent and may not be successful in recruiting and retaining talent. Government regulation, including revised foreign content and ownership regulations, may impact the implementation of our DTC business plans. Poor quality broadband infrastructure in certain markets may impact our customers' access to our DTC products and may diminish our customers' experience with our DTC products. These and other risks may impact the profitability and success of our DTC businesses.

Turmoil in the financial markets could increase our cost of borrowing and impede access to or increase the cost of financing our operations and investments.

Past disruptions in the U.S. and global credit and equity markets made it difficult for many businesses to obtain financing on acceptable terms. These conditions tended to increase the cost of borrowing and if they recur, our cost of borrowing could increase and it may be more difficult to obtain financing for our operations or investments. In addition, our borrowing costs can be affected by short- and long-term debt ratings assigned by independent rating agencies that are based, in part, on the Company's performance as measured by credit metrics such as interest coverage and leverage ratios. A decrease in these ratings would likely increase our cost of borrowing and/or make it more difficult for us to obtain financing. Past disruptions in the global financial markets also impacted some of the financial institutions with which we do business. A similar decline in the financial stability of financial institutions could affect our ability to secure credit-worthy counterparties for our interest rate and foreign currency hedging programs, could affect our ability to settle existing contracts and could also affect the ability of our business customers to obtain financing and thereby to satisfy their obligations to us.

Labor disputes may disrupt our operations and adversely affect the profitability of any of our businesses.

A significant number of employees in various parts of our businesses are covered by collective bargaining agreements, including employees of our theme parks and resorts as well as writers, directors, actors, production personnel and others employed in our media networks and studio operations. In addition, the employees of licensees who manufacture and retailers who sell our consumer products, and employees of providers of programming content (such as sports leagues) may be covered by labor agreements with their employers. In general, a labor dispute involving our employees or the employees of our licensees or retailers who sell our consumer products or providers of programming content may disrupt our operations and reduce our revenues, and resolution of disputes may increase our costs.

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

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

- Revenues in our Media Networks segment are subject to seasonal advertising patterns, changes in viewership levels and timing of program sales. In general, advertising revenues are somewhat higher during the fall and somewhat lower during the summer months. Affiliate fees are typically recognized ratably throughout the year. Effective at the beginning of fiscal 2019, the Company adopted ASC 606, which changed the timing of affiliate revenue recognition for certain contracts, which may result in higher revenue in our first fiscal quarter.
- Revenues in our Parks and Resorts segment fluctuate with changes in theme park attendance and resort occupancy resulting from the seasonal nature of vacation travel and leisure activities and seasonal consumer purchasing behavior, which generally results in increased revenues during the Company's first and fourth fiscal quarters. Peak attendance and resort occupancy generally occur during the summer months when school vacations occur and during early-winter and spring-holiday periods. In addition, licensing revenues fluctuate with the timing and performance of our theatrical releases and cable programming broadcasts.
- Revenues in our Studio Entertainment segment fluctuate due to the timing and performance of releases in the theatrical, home entertainment and television markets. Release dates are determined by several factors, including competition and the timing of vacation and holiday periods.
- Direct-to-Consumer & International revenues fluctuate based on: changes in subscriber levels; the timing and performance of releases of our digital media content; viewership levels on our cable channels and digital platforms; and the demand for sports and our content. Each of these may depend on the availability of content, which varies from time to time throughout the year based on, among other things, sports seasons and content production schedules.

Accordingly, if a short-term negative impact on our business occurs during a time of high seasonal demand (such as hurricane damage to our parks during the summer travel season), the effect could have a disproportionate effect on the results of that business for the year.

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

With approximately 223,000 employees, our profitability is substantially affected by costs of pension benefits and current and postretirement medical benefits. We may experience significant increases in these costs as a result of macro-economic factors, which are beyond our control, including increases in the cost of health care. In addition, changes in investment returns and discount rates used to calculate pension expense and related assets and liabilities can be volatile and may have an unfavorable impact on our costs in some years. These macroeconomic factors as well as a decline in the fair value of pension and postretirement medical plan assets may put upward pressure on the cost of providing pension and postretirement medical benefits and may increase future funding requirements. Although we have actively sought to control increases in these costs, there can be no assurance that we will succeed in limiting cost increases, and continued upward pressure could reduce the profitability of our businesses.

The Alteration or Discontinuation of LIBOR may adversely affect our borrowing costs.

Certain of our interest rate derivatives and a portion of our indebtedness bear interest at variable interest rates, primarily based on LIBOR, which may be subject to regulatory guidance and/or reform that could cause interest rates under our current or future debt agreements to perform differently than in the past or cause other unanticipated consequences. In July 2017, the Chief Executive of the U.K. Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that the FCA will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021. Such announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. At this time, it is not possible to predict the effect any discontinuance, modification or other reforms to LIBOR or any other reference rate, or the establishment of alternative reference rates will have on the Company. However, if LIBOR ceases to exist or if the methods of calculating LIBOR change from their current form, the Company's borrowing costs may be adversely affected.

Risk Factors Related to the TFCF Acquisition

The TFCF acquisition may not be accretive, and may be dilutive, to our earnings per share, which may negatively affect the market price of our common stock.

The TFCF acquisition is not currently accretive to our earnings per share. Our expectations regarding the timeframe in which the TFCF acquisition may become accretive to our earnings per share, excluding the impact of purchase accounting, may not be realized. In addition, we could fail to realize all of the benefits anticipated in the TFCF acquisition or experience delays or inefficiencies in realizing such benefits. Such factors could, combined with the issuance of shares of our common stock in connection with the TFCF acquisition, result in the TFCF acquisition continuing to be dilutive to our earnings per share, which could negatively affect the market price of our common stock.

Although we expect that the TFCF acquisition will result in synergies and other benefits to us, we may not realize those benefits because of challenges inherently associated with integration, performance and the achievement of synergies.

The Company and TFCF were operated independently until completion of the TFCF acquisition, and there can be no assurances that our businesses can be combined in a manner that allows for the achievement of substantial benefits. For a discussion of TFCF's contribution to the Company in fiscal 2019, see Management's Discussion and Analysis. If we are delayed or not able to successfully integrate TFCF's businesses with ours, pursue our direct-to-consumer strategy successfully, or realize the strategic value of the TFCF assets, the anticipated benefits and cost savings of the TFCF acquisition may not be realized fully or may take longer than expected to be realized. Further, it is possible that there could be loss of key employees, loss of customers, disruption of ongoing businesses or unexpected issues, higher than expected costs and an overall post-acquisition process that takes longer than originally anticipated. Specifically, the following issues, among others, must be addressed in the integration of TFCF businesses in order to realize the anticipated benefits of the TFCF acquisition so the combined company performs as we hope:

- combining the companies' corporate functions;
- combining the businesses of the Company and TFCF in a manner that permits us to achieve the synergies anticipated to result from the TFCF acquisition, the failure of which would result in the anticipated benefits of the TFCF acquisition not being realized in the time frame currently anticipated or at all;
- maintaining existing agreements with customers, distributors, providers, talent and vendors and avoiding delays in entering into new agreements with prospective customers, distributors, providers, talent and vendors;
- determining whether and how to address possible differences in corporate cultures and management philosophies;
- integrating the companies' administrative and information technology infrastructure; and
- developing products and technology that allow value to be unlocked in the future.

The TFCF acquisition was announced in December 2017 and closed March 2019, with integration activities currently ongoing. The pursuit of the TFCF acquisition, preparation for the integration of TFCF and integration of TFCF have placed a significant burden on our management and internal resources and the integration of TFCF may continue to do so. This may disrupt our ongoing business and the business of the combined company.

Consummation of the TFCF acquisition has increased our exposure to the risks of operating internationally.

We are a diversified entertainment company that offers entertainment, travel and consumer products worldwide. Although many of our businesses increasingly depend on acceptance of our offerings and products by consumers outside of the U.S., the combination with TFCF has increased the importance of international operations to our future operations, growth and prospects. The risks of operating internationally that we face have increased following the completion of the TFCF acquisition.

The TFCF acquisition and integration may result in additional costs and expenses.

We have incurred and expect to continue to incur significant costs, expenses and fees for professional services and other transaction costs in connection with the TFCF acquisition and integration. We may also incur accounting and other costs in the integration of the businesses of TFCF that were not anticipated at the time of the acquisition, including costs for which we have established reserves or which may lead to reserves in the future. Such costs could negatively impact the Company's free cash flow.

Our consolidated indebtedness has increased substantially following completion of the TFCF acquisition. This increased level of indebtedness could adversely affect us, including by decreasing our business flexibility.

Our consolidated indebtedness as of September 29, 2018 was approximately $20.9 billion. With the completion of the TFCF acquisition, our consolidated indebtedness as of September 28, 2019 was approximately $47.0 billion. The increased indebtedness could have the effect of, among other things, reducing our flexibility to respond to changing business and economic conditions. The increased levels of indebtedness could also reduce funds available for capital expenditures, share repurchases and dividends, and other activities and may create competitive disadvantages for us relative to other companies with lower debt levels. Our financial flexibility may be further constrained by the issuance of shares of common stock in the TFCF acquisition, because of dividend payments.

ITEM 1B. Unresolved Staff Comments

The Company has received no written comments regarding its periodic or current reports from the staff of the SEC that were issued 180 days or more preceding the end of fiscal 2019 and that remain unresolved.

ITEM 2. Properties

The Walt Disney World Resort, Disneyland Resort, retail store locations leased by the Company and other properties of the Company and its subsidiaries are described in Item 1 under the caption *Parks, Experiences and Products*. Film and television library properties are described in Item 1 under the caption *Media Networks* and *Studio Entertainment*. Television stations owned by the Company are described in Item 1 under the caption *Media Networks*.

The Company and its subsidiaries own and lease properties throughout the world. In addition to the properties noted above, the table below provides a brief description of other significant properties and the related business segment.

Location	Property / Approximate Size	Use	Business Segment[1]
Burbank, CA & surrounding cities[2]	Land (201 acres) & Buildings (4,695,000 ft^2)	Owned Office/Production/ Warehouse (includes 236,000 ft^2 sublet to third-party tenants)	Corp/Studio/Media/ PEP/DTCI
Burbank, CA & surrounding cities[2]	Buildings (1,459,000 ft^2)	Leased Office/Warehouse	Corp/Studio/Media/ PEP/DTCI
Los Angeles, CA	Land (22 acres) & Buildings (600,000 ft^2)	Owned Office/Production/Technical	Media/Studio/DTCI
Los Angeles, CA	Buildings (2,679,000 ft^2)	Leased Office/Production/ Technical/Theater (includes 188,000 ft^2 sublet to third-party tenants)	Media/Studio
New York, NY	Buildings (529,000 ft^2)	Owned Office/Production/Technical	Media/Corp
New York, NY	Buildings (2,731,000 ft^2)	Leased Office/Production/Theater/ Warehouse (includes 676,000 ft^2 sublet to third-party tenants)	Corp/Studio/Media/PEP/ DTCI
Bristol, CT	Land (117 acres) & Buildings (1,175,000 ft^2)	Owned Office/Production/Technical	Media/Studio
Bristol, CT	Buildings (512,000 ft^2)	Leased Office/Warehouse/Technical	Media/Studio
Emeryville, CA	Land (20 acres) & Buildings (430,000 ft^2)	Owned Office/Production/Technical	Studio
Emeryville, CA	Buildings (80,000 ft^2)	Leased Office/Storage	Studio/Media
San Francisco, CA	Buildings (691,000 ft^2)	Leased Office/Production/ Technical/Theater (includes 57,000 ft^2 sublet to third-party tenants)	Studio/Media/ PEP/DTCI
USA & Canada	Land and Buildings (Multiple sites and sizes)	Owned and Leased Office/ Production/Transmitter/Theaters/ Warehouse	Corp/Studio/Media/ PEP/DTCI
Hammersmith, England	Building (284,000 ft^2)	Leased Office	Corp/Studio/Media/ PEP/DTCI
Europe, Asia, Australia & Latin America	Buildings (Multiple sites and sizes)	Leased Office/Warehouse/Retail/ Residential	Studio/Media/ PEP/DTCI

(1) Corp – Corporate, PEP – Parks, Experiences and Products, DTCI – Direct-To-Consumer & International
(2) Surrounding cities include Glendale, CA, North Hollywood, CA and Sun Valley, CA

ITEM 3. Legal Proceedings

As disclosed in Note 15 to the Consolidated Financial Statements, the Company is engaged in certain legal matters, and the disclosure set forth in Note 15 relating to certain legal matters is incorporated herein by reference.

The Company, together with, in some instances, certain of its directors and officers, is a defendant in various other legal actions involving copyright, breach of contract and various other claims incident to the conduct of its businesses. Management does not expect the Company to suffer any material liability by reason of these actions.

ITEM 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Company

The executive officers of the Company are elected each year at the organizational meeting of the Board of Directors, which follows the annual meeting of the shareholders, and at other Board of Directors meetings, as appropriate. Each of the executive officers has been employed by the Company in the position or positions indicated in the list and pertinent notes below. Each of the executive officers has been employed by the Company for more than five years.

At September 28, 2019, the executive officers of the Company were as follows:

Name	Age	Title	Executive Officer Since
Robert A. Iger	68	Chairman and Chief Executive Officer(1)	2000
Alan N. Braverman	71	Senior Executive Vice President, General Counsel and Secretary	2003
Christine M. McCarthy	64	Senior Executive Vice President and Chief Financial Officer(2)	2005
M. Jayne Parker	58	Senior Executive Vice President and Chief Human Resources Officer(3)	2009
Zenia B. Mucha	63	Senior Executive Vice President Corporate Communications(4)	2018

(1) Mr. Iger was appointed Chairman of the Board and Chief Executive Officer effective March 13, 2012. He was President and Chief Executive Officer from October 2, 2005 through that date.

(2) Ms. McCarthy was appointed Senior Executive Vice President and Chief Financial Officer effective June 30, 2015. She was previously Executive Vice President, Corporate Real Estate, Alliances and Treasurer of the Company from 2000 to 2015.

(3) Ms. Parker was appointed Senior Executive Vice President and Chief Human Resources Officer effective August 20, 2017. She was previously Executive Vice President and Chief Human Resources Officer from 2009.

(4) Ms. Mucha was appointed Senior Executive Vice President Corporate Communications effective August 2016. She was previously Executive Vice President Corporate Communications from March 2005.

PART II

ITEM 5. Market for the Company's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's common stock is listed on the New York Stock Exchange under the ticker symbol "DIS".

See Note 12 of the Consolidated Financial Statements for a summary of the Company's dividends in fiscal 2019 and 2018. The Board of Directors has not declared a dividend related to the second half of fiscal 2019 as of the date of this report.

As of September 28, 2019, the approximate number of common shareholders of record was 850,000.

The following table provides information about Company purchases of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act during the quarter ended September 28, 2019:

Period	Total Number of Shares Purchased [(1)]	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs[(2)]
June 30, 2019 – July 31, 2019	176,029	$ 142.64	—	n/a
August 1, 2019 – August 31, 2019	32,319	136.28	—	n/a
September 1, 2019 – September 28, 2019	23,293	135.13	—	n/a
Total	231,641	141.00	—	n/a

(1) 231,641 shares were purchased on the open market to provide shares to participants in the Walt Disney Investment Plan (WDIP). These purchases were not made pursuant to a publicly announced repurchase plan or program.

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

ITEM 6. Selected Financial Data
(in millions, except per share data)

	2019 [1]	2018 [2]	2017 [3]	2016 [4]	2015 [5]
Statements of income					
Revenues	**$ 69,570**	$ 59,434	$ 55,137	$ 55,632	$ 52,465
Net income from continuing operations	**10,913**	13,066	9,366	9,790	8,852
Net income from continuing operations attributable to Disney	**10,441**	12,598	8,980	9,391	8,382
Per common share					
Earnings attributable to Disney					
Continuing Operations - Diluted	**$ 6.27**	$ 8.36	$ 5.69	$ 5.73	$ 4.90
Continuing Operations - Basic	**6.30**	8.40	5.73	5.76	4.95
Dividends [6]	**1.76**	1.68	1.56	1.42	1.81
Balance sheets					
Total assets	**$ 193,984**	$ 98,598	$ 95,789	$ 92,033	$ 88,182
Long-term obligations	**60,852**	24,797	26,710	24,189	19,142
Disney shareholders' equity	**88,877**	48,773	41,315	43,265	44,525
Statements of cash flows					
Cash provided (used) by - continuing operations:					
Operating activities	**$ 5,984**	$ 14,295	$ 12,343	$ 13,136	$ 11,385
Investing activities	**(15,096)**	(5,336)	(4,111)	(5,758)	(4,245)
Financing activities	**(464)**	(8,843)	(8,959)	(7,220)	(5,801)

(1) On March 20, 2019, the Company acquired TFCF for cash and Disney shares (see Note 4 to the Consolidated Financial Statements). TFCF and Hulu's financial results have been consolidated since the date of acquisition and had a number of adverse impacts on fiscal 2019 results, the most significant of which were amortization expense related to recognition of TFCF and Hulu intangible assets and fair value step-up on film and television costs ($0.74 per diluted share), an impact from shares issued upon the TFCF acquisition ($0.74 per diluted share), restructuring and impairment charges ($0.55 per diluted share) and TFCF and Hulu operating results ($0.27 per diluted share). Additional impacts included a non-cash gain from remeasuring our initial 30% interest in Hulu to fair value ($2.22 per diluted share), equity investment impairments ($0.25 per diluted share) and a charge for the extinguishment of a portion of the debt originally assumed in the TFCF acquisition ($0.24 per diluted share). Cash provided by continuing operating activities reflected payments for tax obligations that arose from the spin-off of Fox Corporation in connection with the TFCF acquisition and the sale of the RSNs acquired with TFCF and cash used in continuing investing activities reflected a cash payment of $35.7 billion paid to acquire TFCF, offset by the $25.7 billion in cash and cash equivalents assumed in the TFCF acquisition.

(2) Fiscal 2018 results include a net benefit from the Tax Act ($1.11 per diluted share) and the benefit from a reduction in the Company's fiscal 2018 U.S. federal statutory income tax rate ($0.75 per diluted share) (see Note 10 to the Consolidated Financial Statements). In addition, fiscal 2018 included gains on the sales of real estate and property rights ($0.28 per diluted share) and an adverse impact from equity investment impairments ($0.11 per diluted share).

(3) Fiscal 2017 results include a non-cash net gain in connection with the acquisition of a controlling interest in BAMTech ($0.10 per diluted share) (see Note 4 to the Consolidated Financial Statements).

(4) Fiscal 2016 results include the Company's share of a net gain recognized by A+E in connection with an acquisition of an interest in Vice ($0.13 per diluted share).

(5) Fiscal 2015 results include the write-off of a deferred tax asset as a result of a recapitalization at Disneyland Paris ($0.23 per diluted share).

(6) In fiscal 2015, the Company began paying dividends on a semiannual basis. Accordingly, fiscal 2015 includes dividend payments related to fiscal 2014 and the first half of fiscal 2015.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

CONSOLIDATED RESULTS
(in millions, except per share data)

	2019	2018	2017	% Change Better/(Worse) 2019 vs. 2018	% Change Better/(Worse) 2018 vs. 2017
Revenues:					
Services	$ **60,542**	$ 50,869	$ 46,843	**19 %**	9 %
Products	**9,028**	8,565	8,294	**5 %**	3 %
Total revenues	**69,570**	59,434	55,137	**17 %**	8 %
Costs and expenses:					
Cost of services (exclusive of depreciation and amortization)	**(36,450)**	(27,528)	(25,320)	**(32)%**	(9)%
Cost of products (exclusive of depreciation and amortization)	**(5,568)**	(5,198)	(4,986)	**(7)%**	(4)%
Selling, general, administrative and other	**(11,541)**	(8,860)	(8,176)	**(30)%**	(8)%
Depreciation and amortization	**(4,160)**	(3,011)	(2,782)	**(38)%**	(8)%
Total costs and expenses	**(57,719)**	(44,597)	(41,264)	**(29)%**	(8)%
Restructuring and impairment charges	**(1,183)**	(33)	(98)	**>(100)%**	66 %
Other income, net	**4,357**	601	78	**>100 %**	>100 %
Interest expense, net	**(978)**	(574)	(385)	**(70)%**	(49)%
Equity in the income (loss) of investees, net	**(103)**	(102)	320	**(1)%**	nm
Income from continuing operations before income taxes	**13,944**	14,729	13,788	**(5)%**	7 %
Income taxes from continuing operations	**(3,031)**	(1,663)	(4,422)	**(82)%**	62 %
Net income from continuing operations	**10,913**	13,066	9,366	**(16)%**	40 %
Income from discontinued operations (includes income tax expense of $35, $0 and $0, respectively)	**671**	—	—	**nm**	nm
Net income	**11,584**	13,066	9,366	**(11)%**	40 %
Less: Net income from continuing operations attributable to noncontrolling and redeemable noncontrolling interests	**(472)**	(468)	(386)	**(1)%**	(21)%
Less: Net income from discontinued operations attributable to noncontrolling interests	**(58)**	—	—	**nm**	nm
Net income attributable to Disney	$ **11,054**	$ 12,598	$ 8,980	**(12)%**	40 %
Earnings per share attributable to Disney:					
Diluted					
Continuing operations	$ **6.27**	$ 8.36	$ 5.69	**(25)%**	47 %
Discontinued operations	**0.37**	—	—	**nm**	nm
	$ **6.64**	$ 8.36	$ 5.69	**(21)%**	47 %
Basic					
Continuing operations	$ **6.30**	$ 8.40	$ 5.73	**(25)%**	47 %
Discontinued operations	**0.37**	—	—	**nm**	nm
	$ **6.68**	$ 8.40	$ 5.73	**(20)%**	47 %
Weighted average number of common and common equivalent shares outstanding:					
Diluted	**1,666**	1,507	1,578		
Basic	**1,656**	1,499	1,568		

Organization of Information

Management's Discussion and Analysis provides a narrative on the Company's financial performance and condition that should be read in conjunction with the accompanying financial statements. It includes the following sections:

- Consolidated Results and Non-Segment Items
- Business Segment Results — 2019 vs. 2018
- Business Segment Results — 2018 vs. 2017
- Corporate and Unallocated Shared Expenses
- Restructuring in Connection With the Acquisition of TFCF
- Significant Developments
- Liquidity and Capital Resources
- Contractual Obligations, Commitments and Off Balance Sheet Arrangements
- Critical Accounting Policies and Estimates
- Forward-Looking Statements

CONSOLIDATED RESULTS AND NON-SEGMENT ITEMS

The Company's financial results for fiscal 2019 are presented in accordance with new accounting guidance for revenue recognition (ASC 606) that we adopted at the beginning of fiscal 2019. Prior period results have not been restated to reflect this change in accounting guidance. Segment operating income for fiscal 2019 includes a $91 million benefit from the adoption of ASC 606 primarily due to the timing of recognition of TV/SVOD distribution revenue at Studio Entertainment. Further information about our adoption of ASC 606 is provided in Note 3 to the Consolidated Financial Statements.

2019 vs. 2018

As discussed in Note 4 to the Consolidated Financial Statements, the Company acquired TFCF on March 20, 2019. Additionally, in connection with the acquisition of TFCF, we acquired a controlling interest in Hulu. The Company began consolidating the results of TFCF and Hulu effective March 20, 2019.

Revenues for fiscal 2019 increased 17%, or $10.1 billion, to $69.6 billion; net income attributable to Disney decreased 12%, or $1.5 billion, to $11.1 billion; and diluted earnings per share from continuing operations attributable to Disney (EPS) decreased 25%, or $2.09 to $6.27. The decrease in EPS was due to the comparison to a benefit in fiscal 2018 from U.S. federal income tax legislation (Tax Act), which was enacted in fiscal 2018 (See Note 10 to the Consolidated Financial Statements), amortization expense on intangibles and the fair value step-up on film and television costs from the TFCF acquisition and consolidation of Hulu, an increase in shares outstanding and restructuring costs incurred in connection with the acquisition and integration of TFCF. The increase in shares outstanding was due to shares that were issued in connection with the acquisition of TFCF. Additionally, the decrease in EPS reflected lower segment operating income, which included a $0.5 billion adverse impact from the consolidation of TFCF and Hulu in the current year, the absence of a gain recognized in the prior year on the sale of real estate, a charge in the current year for the extinguishment of debt and higher interest expense. These decreases were partially offset by a non-cash gain recognized in the current year in connection with the acquisition of a controlling interest in Hulu (Hulu Gain) (See Note 4 to the Consolidated Financial Statements). Segment operating income from our legacy operations decreased due to higher losses at Direct-to-Consumer & International and lower results at Media Networks, partially offset by growth at Parks, Experiences and Products.

Revenues

Service revenues for fiscal 2019 increased 19%, or $9.7 billion, to $60.5 billion, due to the consolidation of TFCF and Hulu's operations and to a lesser extent, growth at our legacy operations. The increase at our legacy operations was due to higher guest spending at our theme parks and resorts, an increase in affiliate fees, higher theatrical distribution revenue and growth in merchandise licensing. These increases were partially offset by lower ABC Studios program sales. Service revenue reflected an approximate 1 percentage point decrease due to the movement of the U.S. dollar against major currencies including the impact of our hedging program (Foreign Exchange Impact).

Product revenues for fiscal 2019 increased 5%, or $0.5 billion, to $9.0 billion, due to the consolidation of TFCF's operations and growth at our legacy operations. The increase at our legacy operations was due to guest spending growth at our theme parks and resorts, partially offset by lower home entertainment volumes. Product revenue reflected an approximate 1 percentage point decrease due to an unfavorable Foreign Exchange Impact.

Costs and expenses

Cost of services for fiscal 2019 increased 32%, or $8.9 billion, to $36.5 billion, due to the consolidation of TFCF and Hulu's operations and higher costs at our legacy operations. The increase in costs at our legacy operations reflected higher programming and production costs, labor cost inflation at our theme parks and resorts and an increase in film cost amortization. Cost of services reflected an approximate 1 percentage point decrease due to a favorable Foreign Exchange Impact.

Cost of products for fiscal 2019 increased 7%, or $0.4 billion, to $5.6 billion, due to the consolidation of TFCF's operations and higher costs at our legacy operations. The increase in costs at our legacy operations was due to higher sales of food, beverage and merchandise and labor cost inflation at our theme parks and resorts, partially offset by a decrease in home entertainment volumes. Cost of products reflected an approximate 1 percentage point decrease due to a favorable Foreign Exchange Impact.

Selling, general, administrative and other costs for fiscal 2019 increased 30%, or $2.7 billion, to $11.5 billion, due to the consolidation of TFCF and Hulu's operations, and increases in marketing and compensation costs at our legacy operations. Selling, general, administrative and other costs reflected an approximate 2 percentage point decrease due to a favorable Foreign Exchange Impact.

Depreciation and amortization costs increased 38%, or $1.1 billion, to $4.2 billion due to amortization of intangible assets arising from the acquisition of TFCF and consolidation of Hulu.

Restructuring and Impairment Charges

The Company recorded $1.2 billion and $33 million of restructuring and impairment charges in fiscal 2019 and 2018, respectively. Charges in fiscal 2019 were due to severance in connection with the acquisition and integration of TFCF. Charges in fiscal 2018 were due to severance costs.

Other Income, net

(in millions)	**2019**	2018	% Change Better/(Worse)
Hulu Gain	**$ 4,794**	$ —	nm
Insurance recoveries related to legal matters	**46**	38	21 %
Charge for the extinguishment of a portion of the debt originally assumed in the TFCF acquisition	**(511)**	—	nm
Gain on sale of real estate, property rights and other	**28**	563	(95)%
Other income, net	**$ 4,357**	$ 601	>100 %

In fiscal 2019, the Company recognized a non-cash gain of $4,794 million in connection with the acquisition of a controlling interest in Hulu.

In fiscal 2019 and fiscal 2018, the Company recorded insurance recoveries of $46 million and $38 million, respectively, in connection with the settlement of legal matters.

In fiscal 2019, the Company recorded a charge of $511 million for the extinguishment of a portion of the debt originally assumed in TFCF acquisition.

In fiscal 2019, the Company recorded a gain of $28 million on the deemed settlement of preexisting relationships with TFCF pursuant to acquisition accounting guidance. In fiscal 2018, the Company recorded gains of $560 million in connection with the sales of real estate and property rights in New York City and a $3 million adjustment to a fiscal 2017 non-cash net gain of $255 million recorded in connection with the acquisition of a controlling interest in BAMTech.

Interest Expense, net

(in millions)	2019	2018	% Change Better/(Worse)
Interest expense	**$ (1,246)**	$ (682)	(83)%
Interest income, investment income and other	**268**	108	>100 %
Interest expense, net	**$ (978)**	$ (574)	(70)%

The increase in interest expense was due to higher average debt balances as a result of the TFCF acquisition and to a lesser extent, higher average interest rates. These increases were partially offset by higher capitalized interest and a benefit from market value adjustments on pay-floating interest rate swap options.

The increase in interest income, investment income and other for the year was due to a $102 million benefit related to pension and postretirement benefit costs, other than service cost, and higher interest income on cash balances. The comparable benefit related to pension and postretirement benefit costs of $30 million in the prior year was reported in "Costs and expenses." The benefit in the current year was due to the expected return on pension plan assets exceeding interest expense on plan liabilities and amortization of prior net actuarial losses.

Equity in the Loss of Investees

Equity in the loss of investees of $103 million was comparable to the prior year as higher impairments in the current year were offset by lower equity losses from Hulu as a result of our consolidation of Hulu following the TFCF acquisition.

Effective Income Tax Rate

	2019	2018	Change Better/(Worse)
Effective income tax rate - continuing operations	**21.7%**	11.3%	(10.4) ppt

The increase in the effective income tax rate was due to the impact of the Tax Act, of which the most significant impacts were a $1.7 billion net benefit (11 percentage points) that was recognized in the prior year, partially offset by a current year benefit from a reduction in the Company's U.S. statutory federal income tax rate to 21% in fiscal 2019 from 24.5% in fiscal 2018.

Noncontrolling Interests

(in millions)	2019	2018	% Change Better/(Worse)
Net income from continuing operations attributable to noncontrolling interests	**$ (472)**	$ (468)	(1)%

Net income from continuing operations attributable to noncontrolling interests was comparable to the prior year as the accretion of the redeemable noncontrolling interest in Hulu (see Note 4 to the Consolidated Financial Statements) and a lower loss allocation to the noncontrolling interest holders of BAMTech were offset by a higher loss from our direct-to-consumer sports business.

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

Discontinued Operations

Net income from discontinued operations in fiscal 2019 reflected the operations of the RSNs.

2018 vs. 2017

Revenues for fiscal 2018 increased 8%, or $4.3 billion, to $59.4 billion; net income attributable to Disney increased 40%, or $3.6 billion, to $12.6 billion; and EPS for the year increased 47%, or $2.67 to $8.36. The EPS increase in fiscal 2018 was due to a benefit from the Tax Act, higher segment operating income, a decrease in weighted average shares outstanding as a result of our share repurchase program and gains on the sale of real estate and property rights. These increases were partially offset by the comparison to a fiscal 2017 non-cash net gain in connection with the acquisition of a controlling interest in BAMTech, impairments of our Vice and Villages Nature equity method investments in fiscal 2018 and higher net interest and corporate and unallocated shared expenses. The increase in segment operating income was due to growth at our Studio Entertainment, Parks, Experiences and Products and Media Networks segments, partially offset by lower results at our Direct-to-Consumer & International segment. In addition, net income attributable to Disney reflected an approximate 1 percentage point decrease due to an unfavorable Foreign Exchange Impact.

Revenues

Service revenues for fiscal 2018 increased 9%, or $4.0 billion, to $50.9 billion, due to higher theatrical distribution revenue, growth in guest spending and volumes at our theme parks and resorts, an increase in affiliate fees, increased TV/SVOD distribution revenue and the consolidation of BAMTech. In September 2017, the Company increased its ownership in BAMTech and began consolidating its results. These increases were partially offset by lower advertising revenue.

Product revenues for fiscal 2018 increased 3%, or $0.3 billion, to $8.6 billion, due to guest spending and volume growth at our theme parks and resorts, partially offset by lower home entertainment volumes and a decrease in retail store sales. Product revenue reflected an approximate 1 percentage point increase due to a favorable Foreign Exchange Impact.

Costs and expenses

Cost of services for fiscal 2018 increased 9%, or $2.2 billion, to $27.5 billion, due to higher film and television cost amortization driven by an increase in theatrical and TV/SVOD distribution revenue and contractual rate increases for television programming. Costs of services also increased due to the consolidation of BAMTech and higher costs at our theme parks and resorts reflecting cost inflation, higher technology and operations support expenses and a special fiscal 2018 domestic employee bonus.

Cost of products for fiscal 2018 increased 4%, or $0.2 billion, to $5.2 billion due to cost inflation and higher guest spending and volumes at our theme parks and resorts. Cost of products reflected an approximate 1 percentage point increase due to an unfavorable Foreign Exchange Impact.

Selling, general, administrative and other costs for fiscal 2018 increased 8%, or $0.7 billion, to $8.9 billion, due to higher marketing spend, the consolidation of BAMTech, costs incurred in connection with the TFCF acquisition and an increase in compensation costs.

Depreciation and amortization costs increased 8%, or $0.2 billion, to $3.0 billion primarily due to depreciation of new attractions at our theme parks and resorts and the consolidation of BAMTech. Depreciation and amortization costs reflected an approximate 1 percentage point increase due to an unfavorable Foreign Exchange Impact.

Restructuring and Impairment Charges

The Company recorded $33 million and $98 million of restructuring and impairment charges in fiscal 2018 and 2017, respectively. Charges in fiscal 2018 were due to severance costs. Charges in fiscal 2017 were due to severance costs and asset impairments.

Other Income, net

(in millions)	2018	2017	% Change Better/(Worse)
Gain on sales of real estate and property rights	$ 560	$ —	nm
Insurance recoveries (settlements) related to legal matters	38	(177)	nm
Gain related to the acquisition of BAMTech	3	255	(99)%
Other income, net	$ 601	$ 78	>100 %

In fiscal 2017, the Company recorded a charge of $177 million in connection with the settlement of a litigation matter, net of committed insurance recoveries, and a gain of $255 million in connection with the acquisition of a controlling interest in BAMTech.

Interest Expense, net

(in millions)	2018	2017	% Change Better/(Worse)
Interest expense	$ (682)	$ (507)	(35)%
Interest and investment income	108	122	(11)%
Interest expense, net	$ (574)	$ (385)	(49)%

The increase in interest expense was due to an increase in average interest rates, higher average debt balances and financing costs related to the acquisition of TFCF.

The decrease in interest and investment income for fiscal 2018 was due to the comparison to gains on investments recognized in fiscal 2017, partially offset by an increase in interest income driven by higher average interest rates.

Equity in the income (loss) of investees, net

Equity in the income of investees decreased $422 million, to a loss of $102 million due to higher losses from Hulu, impairments of Vice and Villages Nature equity method investments and lower income from A+E. These decreases were partially offset by a favorable comparison to a loss from BAMTech in fiscal 2017. The decrease at Hulu was driven by higher programming, labor and marketing costs, partially offset by growth in subscription and advertising revenue. The decrease at A+E was due to lower advertising revenue and higher programming costs, partially offset by higher program sales.

Effective Income Tax Rate

	2018	2017	Change Better/(Worse)
Effective income tax rate	11.3%	32.1%	20.8 ppt

The decrease in the effective income tax rate was due to the impact of the Tax Act, which included:

- A net benefit of $1.7 billion, which reflected a $2.1 billion benefit from remeasuring our deferred tax balances to the new statutory rate (Deferred Remeasurement), partially offset by a charge of $0.4 billion for a one-time tax on certain accumulated foreign earnings (Deemed Repatriation Tax). This benefit had an impact of approximately 11.5 percentage points on the effective income tax rate.
- A reduction in the Company's fiscal 2018 U.S. statutory federal income tax rate to 24.5% from 35.0% in fiscal 2017. Net of state tax and other related effects, the reduction in the statutory rate had an impact of approximately 8.2 percentage points on the effective income tax rate.

Noncontrolling Interests

(in millions)	2018	2017	% Change Better/(Worse)
Net income from continuing operations attributable to noncontrolling interests	$ (468)	$ (386)	(21)%

Net income attributable to noncontrolling interests for fiscal 2018 increased $82 million to $468 million due to lower tax expense at ESPN, largely due to the Tax Act, and the impact of the Company's acquisition of the noncontrolling interest in Disneyland Paris in the third quarter of fiscal 2017. These increases were partially offset by losses at BAMTech.

Certain Items Impacting Comparability

Results for fiscal 2019 were impacted by the following:

- The Hulu Gain of $4.8 billion
- A benefit of $74 million consisting of $46 million from insurance recoveries related to a legal matter and a gain of $28 million recognized on the settlement of preexisting relationships with TFCF pursuant to acquisition accounting guidance
- A benefit of $34 million from the Tax Act
- Amortization of $1.6 billion related to TFCF and Hulu intangible assets and fair value step-up on film and television costs

- Restructuring and impairment charges of $1.2 billion
- Impairments of $538 million on equity investments
- A charge of $511 million for the extinguishment of a portion of debt originally assumed in the TFCF acquisition

Results for fiscal 2018 were impacted by the following:

- A benefit of $1.7 billion from the Tax Act Deferred Remeasurement, net of the Deemed Repatriation Tax
- A benefit of $601 million comprising $560 million in gains from the sales of real estate and property rights, $38 million from insurance recoveries in connection with the settlement of a fiscal 2017 litigation matter and $3 million from an adjustment related to a non-cash gain recognized in fiscal 2017 for the acquisition of a controlling interest in BAMTech
- Impairments of $210 million for Vice and Villages Nature equity investments
- Restructuring and impairment charges of $33 million

Results for fiscal 2017 were impacted by the following:

- A non-cash net gain of $255 million in connection with the acquisition of a controlling interest in BAMTech
- A charge, net of committed insurance recoveries, of $177 million in connection with the settlement of litigation
- Restructuring and impairment charges of $98 million

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

(in millions, except per share data)	Pre-Tax Income/(Loss)	Tax Benefit/ (Expense)[1]	After-Tax Income/(Loss)	EPS Favorable/ (Adverse)[2]
Year Ended September 28, 2019:				
Hulu Gain	$ 4,794	$ (1,103)	$ 3,691	$ 2.22
Insurance recoveries and gains on the settlement of preexisting relationships	74	(17)	57	0.03
Benefit from the Tax Act	—	34	34	0.02
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs, net of gain[3]	(1,595)	355	(1,240)	(0.74)
Restructuring and impairment charges	(1,183)	273	(910)	(0.55)
Impairment of equity investments	(538)	123	(415)	(0.25)
Charge for the extinguishment of debt	(511)	118	(393)	(0.24)
Total	$ 1,041	$ (217)	$ 824	$ 0.50
Year Ended September 29, 2018:				
Net benefit from the Tax Act	$ —	$ 1,701	$ 1,701	$ 1.11
Gain from sale of real estate, property rights and other	601	(158)	443	0.30
Impairment of equity investments	(210)	49	(161)	(0.11)
Restructuring and impairment charges	(33)	7	(26)	(0.02)
Total	$ 358	$ 1,599	$ 1,957	$ 1.28
Year Ended September 30, 2017:				
Settlement of litigation	$ (177)	$ 65	$ (112)	$ (0.07)
Restructuring and impairment charges	(98)	31	(67)	(0.04)
Gain related to the acquisition of BAMTech	255	(93)	162	0.10
Total	$ (20)	$ 3	$ (17)	$ (0.01)

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

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

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

BUSINESS SEGMENT RESULTS — 2019 vs. 2018

Below is a discussion of the major revenue and expense categories for our business segments. Costs and expenses for each segment consist of operating expenses, selling, general, administrative and other costs, and depreciation and amortization. Selling, general, administrative and other costs include third-party and internal marketing expenses.

Our Media Networks segment generates revenue from affiliate fees, advertising (excluding addressable ad sales) and other revenues, which include the sale and distribution of television programs. Significant expenses include amortization of programming and production costs, participations and residuals expense, technical support costs, operating labor and distribution costs.

Our Parks, Experiences and Products segment generates revenue from the sale of admissions to theme parks, the sale of food, beverage and merchandise at our theme parks and resorts, charges for room nights at hotels, sales of cruise vacations, sales and rentals of vacation club properties, royalties from licensing intellectual properties and sale of branded merchandise. Revenues are also generated from sponsorships and co-branding opportunities, real estate rent and sales, and royalties from Tokyo Disney Resort. Significant expenses include operating labor, costs of goods sold, infrastructure costs, depreciation and other operating expenses. Infrastructure costs include information systems expense, repairs and maintenance, utilities and fuel, property taxes, retail occupancy costs, insurance and transportation. Other operating expenses include costs for such items as supplies, commissions and entertainment offerings.

Our Studio Entertainment segment generates revenue from the distribution of films in the theatrical, home entertainment and TV/SVOD markets, stage play ticket sales and licensing of our intellectual properties for use in live entertainment productions. Significant expenses include amortization of production, participations and residuals costs, marketing and sales costs, distribution expenses and costs of sales.

Our Direct-to-Consumer & International segment generates revenue from affiliate fees, advertising sales (includes addressable ad sales), subscription fees for our DTC streaming and other services, and fees charged for technology support services. Significant expenses include operating expenses, selling general and administrative costs and depreciation and amortization. Operating expenses include programming and production costs (including programming, production and branded digital content obtained from other Company segments), technology support costs, operating labor and distribution costs.

The Company evaluates the performance of its operating segments based on segment operating income, and management uses total segment operating income as a measure of the overall performance of the operating businesses. Total segment operating income is not a financial measure defined by GAAP, should be reviewed in conjunction with the relevant GAAP financial measure and may not be comparable to similarly titled measures reported by other companies. The Company believes that information about total segment operating income assists investors by allowing them to evaluate changes in the operating results of the Company's portfolio of businesses separate from factors other than business operations that affect net income.

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

(in millions)	**2019**	2018	2017	% Change Better/(Worse) **2019 vs. 2018**	% Change Better/(Worse) 2018 vs. 2017
Income before income taxes	**$ 13,944**	$ 14,729	$ 13,788	**(5)%**	7 %
Add/(subtract):					
Corporate and unallocated shared expenses	**987**	744	582	**(33)%**	(28)%
Restructuring and impairment charges	**1,183**	33	98	**>(100)%**	66 %
Other income, net	**(4,357)**	(601)	(78)	**>100 %**	>100 %
Interest expense, net	**978**	574	385	**(70)%**	(49)%
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs [(1)]	**1,595**	—	—	**nm**	nm
Impairment of equity investments	**538**	210	—	**>(100)%**	nm
Total segment operating income	**$ 14,868**	$ 15,689	$ 14,775	**(5)%**	6 %

(1) Includes amortization of intangibles related to TFCF equity investees

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

(in millions)	2019	2018	2017	% Change Better/(Worse) 2019 vs. 2018	2018 vs. 2017
Revenues:					
Media Networks	**$ 24,827**	$ 21,922	$ 21,299	**13 %**	3 %
Parks, Experiences and Products	**26,225**	24,701	23,024	**6 %**	7 %
Studio Entertainment	**11,127**	10,065	8,352	**11 %**	21 %
Direct-to-Consumer & International	**9,349**	3,414	3,075	**100 %**	11 %
Eliminations	**(1,958)**	(668)	(613)	**>(100)%**	(9)%
	$ 69,570	$ 59,434	$ 55,137	**17 %**	8 %
Segment operating income / (loss):					
Media Networks	**$ 7,479**	$ 7,338	$ 7,196	**2 %**	2 %
Parks, Experiences and Products	**6,758**	6,095	5,487	**11 %**	11 %
Studio Entertainment	**2,686**	3,004	2,363	**(11)%**	27 %
Direct-to-Consumer & International	**(1,814)**	(738)	(284)	**>(100)%**	(100)%
Eliminations	**(241)**	(10)	13	**>(100)%**	nm
	$ 14,868	$ 15,689	$ 14,775	**(5)%**	6 %

Media Networks

Operating results for the Media Networks segment are as follows:

(in millions)	Year Ended September 28, 2019	September 29, 2018	% Change Better / (Worse)
Revenues			
Affiliate fees	**$ 13,433**	$ 11,907	13 %
Advertising	**6,965**	6,586	6 %
TV/SVOD distribution and other	**4,429**	3,429	29 %
Total revenues	**24,827**	21,922	13 %
Operating expenses	**(15,499)**	(13,197)	(17)%
Selling, general, administrative and other	**(2,361)**	(1,899)	(24)%
Depreciation and amortization	**(191)**	(199)	4 %
Equity in the income of investees	**703**	711	(1)%
Operating Income	**$ 7,479**	$ 7,338	2 %

Revenues

The increase in affiliate fees was due to increases of 8% from the consolidation of TFCF's operations and 7% from higher contractual rates, partially offset by a decrease of approximately 2 and one-half percent from fewer subscribers.

The increase in advertising revenues was due to increases of $374 million at Cable Networks, from $3,129 million to $3,503 million and $5 million at Broadcasting, from $3,457 million to $3,462 million. Cable Networks advertising revenue reflected increases of 11% from the consolidation of TFCF's operations and 2% from higher impressions reflecting higher units delivered, partially offset by lower average viewership. Broadcasting advertising revenue was comparable to the prior-year period as increases of 7% from higher network rates and 2% from the consolidation of TFCF's operations were offset by a decrease of 9% from average viewership.

TV/SVOD distribution and other revenue increased $1,000 million, due to sales of TFCF programs, partially offset by a decrease in ABC Studios program sales. The decrease in ABC Studios program sales reflects the prior-year sales of *Daredevil, Luke Cage* and *Iron Fist*, partially offset by the current-year sale of *The Punisher*.

Costs and Expenses

Operating expenses include programming and production costs, which increased $2,142 million from $12,555 million to $14,697 million. At Cable Networks, programming and production costs increased $1,255 million due to the consolidation of TFCF's operations and contractual rate increases for college sports, NFL, NBA and MLB programming. At Broadcasting, programming and production costs increased $887 million due to the consolidation of TFCF's operations, partially offset by the impact of lower ABC Studios program sales.

Selling, general, administrative and other costs increased from $1,899 million to $2,361 million due to the consolidation of TFCF's operations.

Segment Operating Income

Segment operating income increased 2%, or $141 million, to $7,479 million due to the consolidation of TFCF's operations, partially offset by lower income from ABC Studios program sales.

The following table provides supplemental revenue and operating income detail for the Media Networks segment:

	Year Ended		% Change
(in millions)	**September 28, 2019**	September 29, 2018	Better / (Worse)
Revenues			
Cable Networks	**$ 16,486**	$ 14,610	13 %
Broadcasting	**8,341**	7,312	14 %
	$ 24,827	$ 21,922	13 %
Segment operating income			
Cable Networks	**$ 5,425**	$ 5,225	4 %
Broadcasting	**1,351**	1,402	(4)%
Equity in the income of investees	**703**	711	(1)%
	$ 7,479	$ 7,338	2 %

Items Excluded from Segment Operating Income Related to Media Networks

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

	Year Ended		
(in millions)	**September 28, 2019**	September 29, 2018	% Change Better/(Worse)
Amortization of TFCF intangible assets and fair value step-up on film and television costs[1]	**$ (684)**	$ —	nm
Restructuring and impairment charges	**(105)**	(2)	>(100) %
Impairment of equity investments	**(184)**	—	>(100) %

[1] Amortization of step-up on film and television costs was $359 million and amortization of intangible assets was $325 million.

Parks, Experiences and Products

Operating results for the Parks, Experiences and Products segment are as follows:

(in millions)	Year Ended September 28, 2019	Year Ended September 29, 2018	% Change Better / (Worse)
Revenues			
Theme park admissions	**$ 7,540**	$ 7,183	5 %
Parks & Experiences merchandise, food and beverage	**5,963**	5,674	5 %
Resorts and vacations	**6,266**	5,938	6 %
Merchandise licensing and retail	**4,519**	4,249	6 %
Parks licensing and other	**1,937**	1,657	17 %
Total revenues	**26,225**	24,701	6 %
Operating expenses	**(14,015)**	(13,326)	(5)%
Selling, general, administrative and other	**(3,133)**	(2,930)	(7)%
Depreciation and amortization	**(2,306)**	(2,327)	1 %
Equity in the loss of investees	**(13)**	(23)	43 %
Operating Income	**$ 6,758**	$ 6,095	11 %

Revenues

The increase in theme park admissions revenue was due to an increase of 8% from higher average ticket prices, partially offset by decreases of 2% from lower attendance and 1% from an unfavorable Foreign Exchange Impact. The decrease in attendance was due to lower attendance at Shanghai Disney Resort. Attendance at our domestic theme parks was comparable to the prior year.

Parks & Experiences merchandise, food and beverage revenue growth was due to an increase of 6% from higher average guest spending, partially offset by a decrease of 1% from lower volumes.

The increase in resorts and vacations revenue was primarily due to increases of 2% from higher average daily hotel room rates, 1% from an increase in average ticket prices for cruise line sailings and 1% from the consolidation of TFCF's operations.

Merchandise licensing and retail revenue growth was due to increases of 3% from merchandise licensing, 1% from our retail stores, 1% from a favorable Foreign Exchange Impact and 1% from our publishing business due to the consolidation of TFCF's operations. The increase in merchandise licensing revenues was primarily due to higher revenue from products based on Toy Story, an increase in guaranteed shortfall recognition and higher revenues from Avengers and Frozen merchandise. These increases were partially offset by lower revenues from products based on Star Wars and Cars. Higher revenues at our retail stores were due to an increase in online sales.

The increase in parks licensing and other revenue was due to the adoption of ASC 606 and higher real estate sales. The adoption of ASC 606 required certain cost reimbursements from licensees to be recognized as revenue rather than recorded as an offset to operating expenses.

The following table presents supplemental park and hotel statistics:

	Domestic		International [2]		Total	
	Fiscal 2019	Fiscal 2018	**Fiscal 2019**	Fiscal 2018	**Fiscal 2019**	Fiscal 2018
Parks						
Increase/ (decrease)						
Attendance	**—%**	4%	**(7)%**	4%	**(2)%**	4%
Per Capita Guest Spending	**7%**	6%	**13 %**	5%	**8 %**	6%
Hotels [1]						
Occupancy	**90%**	88%	**81 %**	84%	**88 %**	87%
Available Room Nights (in thousands)	**10,030**	10,045	**3,182**	3,179	**13,212**	13,224
Per Room Guest Spending	**$353**	$345	**$330**	$315	**$348**	$338

(1) Per room guest spending consists of the average daily hotel room rate as well as guest spending on food, beverage and merchandise at the hotels. Hotel statistics include rentals of Disney Vacation Club units.

(2) Per capita guest spending growth rate is stated on a constant currency basis. Per room guest spending is stated at the fiscal 2018 average foreign exchange rate.

Costs and Expenses

Operating expenses include operating labor, which increased $237 million from $5,937 million to $6,174 million, cost of sales and distribution costs, which increased $154 million from $2,764 million to $2,918 million, and infrastructure costs, which increased $99 million from $2,370 million to $2,469 million. The increase in operating labor was due to inflation, including the impact of wage increases for union employees, partially offset by the comparison to a special domestic employee bonus that was recognized in fiscal 2018. The increase in cost of sales and distribution costs was driven by higher sales of food, beverage and merchandise at our theme parks and resorts. Higher infrastructure costs were due to an increase in technology spending and costs for new guest offerings, including expenses associated with *Star Wars:* Galaxy's Edge. Other operating expenses, which include costs for such items as supplies, commissions and entertainment offerings, increased $199 million, from $2,255 million to $2,454 million, due to the recognition of certain cost reimbursements from licensees as revenue rather than recorded as an offset to operating expenses.

Selling, general, administrative and other costs increased $203 million from $2,930 million to $3,133 million primarily due to inflation and higher marketing spend at our parks and resorts.

Segment Operating Income

Segment operating income increased 11%, or $663 million, to $6,758 million due to growth at our domestic theme parks and resorts and our consumer products businesses.

The following table presents supplemental revenue and operating income detail for the Parks, Experiences and Products segment to provide continuity with our legacy reporting:

(in millions)	Year Ended September 28, 2019	Year Ended September 29, 2018	% Change Better / (Worse)
Supplemental revenue detail			
Parks & Experiences			
Domestic	**$ 17,369**	$ 16,161	7 %
International	**4,223**	4,135	2 %
Consumer Products	**4,633**	4,405	5 %
	$ 26,225	$ 24,701	6 %
Supplemental operating income detail			
Parks & Experiences			
Domestic	**$ 4,412**	$ 4,013	10 %
International	**507**	456	11 %
Consumer Products	**1,839**	1,626	13 %
	$ 6,758	$ 6,095	11 %

Studio Entertainment

Operating results for the Studio Entertainment segment are as follows:

(in millions)	Year Ended September 28, 2019	Year Ended September 29, 2018	% Change Better / (Worse)
Revenues			
Theatrical distribution	**$ 4,726**	$ 4,303	10 %
Home entertainment	**1,734**	1,647	5 %
TV/SVOD distribution and other	**4,667**	4,115	13 %
Total revenues	**11,127**	10,065	11 %
Operating expenses	**(5,187)**	(4,449)	(17)%
Selling, general, administrative and other	**(3,119)**	(2,493)	(25)%
Depreciation and amortization	**(135)**	(119)	(13)%
Operating Income	**$ 2,686**	$ 3,004	(11)%

Revenues

The increase in theatrical distribution revenue was due to the comparison of four significant Disney live-action titles, *Lion King, Aladdin, Mary Poppins Returns* and *Dumbo* in the current year to no significant Disney live-action titles in the prior year, and the consolidation of TFCF's operations. These increases were partially offset by two Marvel titles, *Avengers: Endgame* and *Captain Marvel* and no Star Wars title in the current year compared to four Marvel titles, *Avengers: Infinity War*, *Black Panther, Thor: Ragnarok* and *Ant-Man and the Wasp*, and two Star Wars titles, *Star Wars: The Last Jedi* and *Solo: A Star Wars Story* in the prior year. The current year also included *Toy Story 4* and *Ralph Breaks the Internet*, while the prior year included *Incredibles 2* and *Coco*.

Higher home entertainment revenue was due to an increase of 16% from the consolidation of TFCF’s operations, partially offset by decreases of 9% from lower unit sales and 1% from a decrease in net effective pricing at our legacy operations. The decrease in unit sales was due to the release of *Star Wars: The Last Jedi* in the prior year compared to no Star Wars release in the current year. Other significant titles in release included *Avengers: Endgame*, *Incredibles 2*, *Captain Marvel, Ant-Man and the Wasp*, and *Ralph Breaks the Internet* in the current year and *Avengers: Infinity War, Black Panther, Thor: Ragnarok*, *Coco* and *Cars 3* in the prior year.

Higher TV/SVOD distribution and other revenue was due to an increase of 14% from TV/SVOD distribution, partially offset by a decrease of 2% from Lucasfilm's special effects business due to fewer projects. The increase in TV/SVOD distribution was due to the consolidation of TFCF's operations and, to a lesser extent, the impact of the adoption of ASC 606.

Costs and Expenses

Operating expenses include film cost amortization, which increased $575 million, from $3,187 million to $3,762 million, due to the consolidation of TFCF's operations. Operating expenses also include cost of goods sold and distribution costs, which increased $163 million, from $1,262 million to $1,425 million, due to the consolidation of TFCF's operations, partially offset by fewer projects at Lucasfilm's special effects business.

Selling, general, administrative and other costs increased $626 million from $2,493 million to $3,119 million due to the consolidation of TFCF's operations.

The increase in depreciation and amortization was due to the consolidation of TFCF's operations.

Segment Operating Income

Segment operating income decreased 11%, or $318 million to $2,686 million due to the consolidation of TFCF's operations and lower home entertainment results, partially offset by decreases in film impairments and write-offs from our legacy operations.

Items Excluded from Segment Operating Income Related to Studio Entertainment

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

	Year Ended		
(in millions)	**September 28, 2019**	September 29, 2018	% Change Better/(Worse)
Amortization of TFCF intangible assets and fair value step-up on film and television costs[1]	**$ (206)**	$ —	nm
Restructuring and impairment charges	**(219)**	(8)	>(100) %

[1] Amortization of step-up on film and television costs was $179 million and amortization of intangible assets was $27 million.

Direct-to-Consumer & International

Operating results for the Direct-to-Consumer & International segment are as follows:

	Year Ended		
(in millions)	**September 28, 2019**	September 29, 2018	% Change Better / (Worse)
Revenues			
Affiliate fees	**$ 2,740**	$ 1,372	100 %
Advertising	**3,534**	1,311	>100 %
Subscription fees and other	**3,075**	731	>100 %
Total revenues	**9,349**	3,414	>100 %
Operating expenses	**(8,497)**	(2,384)	>(100)%
Selling, general, administrative and other	**(2,108)**	(1,003)	>(100)%
Depreciation and amortization	**(318)**	(185)	(72)%
Equity in the loss of investees	**(240)**	(580)	59 %
Operating Loss	**$ (1,814)**	$ (738)	>(100)%

Revenues

The increase in affiliate fees was due to the consolidation of TFCF's operations and to a lesser extent, higher rates at our legacy operations, partially offset by an unfavorable Foreign Exchange Impact.

The increase in advertising revenues was due to increases of $1,178 million in addressable advertising sales, driven by the consolidation of Hulu's operations, and $1,045 million at our International Channels, driven by the consolidation of TFCF's operations.

Subscription fees and other revenue increased due to the consolidation of Hulu's operations and, to a lesser extent, the consolidation of TFCF's international program sales and higher subscription fees for ESPN+, which launched in April 2018.

Costs and Expenses

Operating expenses include an increase of $5,208 million in programming and production costs, from $1,572 million to $6,780 million, and an increase of $905 million in other operating expenses, from $812 million to $1,717 million. The increase in programming and production costs was due to the consolidation of Hulu and TFCF's operations and, to a lesser extent, the ramp up of our investment in ESPN+ and the upcoming launch of Disney+. Other operating expenses, which include technical support and distribution costs, increased due to the consolidation of Hulu and TFCF's operations.

Selling, general, administrative and other costs increased $1,105 million, from $1,003 million to $2,108 million, due to the consolidation of TFCF and Hulu's operations.

Depreciation and amortization increased $133 million, from $185 million to $318 million, due to the consolidation of TFCF and Hulu's operations and increased investment in technology.

Equity in the Loss of Investees

Loss from equity investees decreased $340 million, from $580 million to $240 million, due to the consolidation of Hulu.

Segment Operating Loss

Segment operating loss increased from $738 million to $1,814 million due to the ramp up of our investment in ESPN+, which launched in April 2018, the consolidation of Hulu's operations and costs associated with the upcoming launch of Disney+, partially offset by the consolidation of TFCF's operations.

The following table presents supplemental revenue and operating income/(loss) detail for the Direct-to-Consumer & International segment. Fiscal 2019 includes revenues and operating income from the consolidation of TFCF and Hulu's operations:

(in millions)	Year Ended September 28, 2019	Year Ended September 29, 2018	% Change Better / (Worse)
Supplemental revenue detail			
International Channels	**$ 4,690**	$ 1,920	>100 %
Direct-to-Consumer businesses and other	**4,659**	1,494	>100 %
	$ 9,349	$ 3,414	>100 %
Supplemental operating income/(loss) detail			
International Channels	**$ 670**	$ 311	>100 %
Direct-to-Consumer businesses and other	**(2,244)**	(469)	>(100)%
Equity in the loss of investees	**(240)**	(580)	59 %
	$ (1,814)	$ (738)	>(100)%

Items Excluded from Segment Operating Loss Related to Direct-to-Consumer & International

The following table presents supplemental information for items related to the Direct-to-Consumer & International segment that are excluded from segment operating loss:

(in millions)	Year Ended September 28, 2019	Year Ended September 29, 2018	% Change Better/(Worse)
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs[1]	**$ (701)**	$ —	nm
Hulu Gain	**4,822**	—	nm
Restructuring and impairment charges	**(456)**	—	nm
Impairment of equity investments	**(354)**	(157)	>(100) %

[1] Amortization of intangible assets was $687 million and amortization of step-up on film and television costs was $14 million.

Eliminations

Intersegment content transactions are as follows:

(in millions)	Year Ended September 28, 2019	Year Ended September 29, 2018	% Change Better/ (Worse)
Revenues			
Studio Entertainment:			
Content transactions with Media Networks	**$ (106)**	$ (169)	37 %
Content transactions with Direct-to-Consumer & International	**(272)**	(28)	>(100) %
Media Networks:			
Content transactions with Direct-to-Consumer & International	**(1,580)**	(471)	>(100) %
Total	**$ (1,958)**	$ (668)	>(100) %
Operating income			
Studio Entertainment:			
Content transactions with Media Networks	**$ (19)**	$ (8)	>(100) %
Content transactions with Direct-to-Consumer & International	**(80)**	—	nm
Media Networks:			
Content transactions with Direct-to-Consumer & International	**(142)**	(2)	>(100) %
Total	**$ (241)**	$ (10)	>(100) %

Revenues and Operating Income

The increase in the impact from eliminations was due to the elimination of sales of ABC Studios and Twentieth Century Fox Television programs to Hulu and the sales of films to Disney+.

BUSINESS SEGMENT RESULTS – 2018 vs. 2017

Media Networks

Operating results for the Media Networks segment are as follows:

(in millions)	Year Ended September 29, 2018	Year Ended September 30, 2017	% Change Better / (Worse)
Revenues			
Affiliate fees	$ 11,907	$ 11,324	5 %
Advertising	6,586	6,938	(5)%
TV/SVOD distribution and other	3,429	3,037	13 %
Total revenues	21,922	21,299	3 %
Operating expenses	(13,197)	(12,754)	(3)%
Selling, general, administrative and other	(1,899)	(1,909)	1 %
Depreciation and amortization	(199)	(206)	3 %
Equity in the income of investees	711	766	(7)%
Operating Income	$ 7,338	$ 7,196	2 %

Revenues

The increase in affiliate fees was due to an increase of 7% from higher contractual rates, partially offset by a decrease of 2% from fewer subscribers.

The decrease in advertising revenues was due to decreases of $229 million at Cable Networks, from $3,358 million to $3,129 million and $123 million at Broadcasting, from $3,580 million to $3,457 million. The decrease at Cable Networks was due to a decrease of 6% from lower impressions as lower average viewership was partially offset by higher units delivered. The decrease at Broadcasting was due to decreases of 7% from lower network impressions and 2% from lower impressions at the owned television stations, both of which were driven by lower average viewership. The decrease was partially offset by an increase of 6% from higher network rates.

TV/SVOD distribution and other revenue increased $392 million due to higher ABC Studios program sales driven by increased revenue from programs licensed to Hulu and higher sales of *Grey's Anatomy* and *Black-ish.* Additionally, fiscal 2018 included the sales of *Luke Cage*, *Daredevil* and *Jessica Jones* compared to fiscal 2017 sales of *The Punisher* and *The Defenders*.

Costs and Expenses

Operating expenses include programming and production costs, which increased $486 million from $12,069 million to $12,555 million. At Broadcasting, programming and production costs increased $317 million due to higher program sales and a higher average cost of network programming, including the impact of *American Idol*, *Roseanne* and *The Goldbergs* in fiscal 2018. At Cable Networks, programming and production costs increased $169 million due to contractual rate increases for college sports, NFL, NBA and MLB programming, partially offset by lower production costs.

Equity in the Income of Investees

Income from equity investees decreased $55 million from $766 million to $711 million due to lower income from A+E driven by decreased advertising revenue and higher programming costs, partially offset by higher program sales.

Segment Operating Income

Segment operating income increased 2%, or $142 million, to $7,338 million due to higher program sales and an increase at the Domestic Disney Channels, partially offset by lower income from equity investees.

The following table provides supplemental revenue and operating income detail for the Media Networks segment:

(in millions)	Year Ended September 29, 2018	Year Ended September 30, 2017	% Change Better / (Worse)
Revenues			
Cable Networks	$ 14,610	$ 14,416	1 %
Broadcasting	7,312	6,883	6 %
	$ 21,922	$ 21,299	3 %
Segment operating income			
Cable Networks	$ 5,225	$ 5,174	1 %
Broadcasting	1,402	1,256	12 %
Equity in the income of investees	711	766	(7)%
	$ 7,338	$ 7,196	2 %

Parks, Experiences and Products

Operating results for the Parks, Experiences and Products segment are as follows:

(in millions)	Year Ended September 29, 2018	Year Ended September 30, 2017	% Change Better / (Worse)
Revenues			
Theme park admissions	$ 7,183	$ 6,504	10 %
Parks & Experiences merchandise, food and beverage	5,674	5,154	10 %
Resorts and vacations	5,938	5,378	10 %
Merchandise licensing and retail	4,249	4,494	(5)%
Parks licensing and other	1,657	1,494	11 %
Total revenues	24,701	23,024	7 %
Operating expenses	(13,326)	(12,455)	(7)%
Selling, general, administrative and other	(2,930)	(2,896)	(1)%
Depreciation and amortization	(2,327)	(2,161)	(8)%
Equity in the loss of investees	(23)	(25)	8 %
Operating Income	$ 6,095	$ 5,487	11 %

Revenues

The increase in theme park admissions revenue was due to increases of 6% from higher average ticket prices, 4% from attendance growth and 1% from a favorable Foreign Exchange Impact. Attendance growth included a favorable comparison to the fiscal 2017 impacts of Hurricanes Irma and Matthew at Walt Disney World Resort.

Parks & Experiences merchandise, food and beverage revenue growth was due to increases of 5% from higher average guest spending, 3% from volume growth and 2% from a favorable Foreign Exchange Impact. Volume growth included a benefit from the favorable comparison to the fiscal 2017 impacts of Hurricanes Irma and Matthew.

The increase in resorts and vacations revenue was primarily due to increases of 3% from higher average daily hotel room rates, 1% from higher average ticket prices for cruise line sailings, 1% from a favorable Foreign Exchange Impact, 1% from an increase in passenger cruise ship days and 1% from higher occupied hotel room nights. Higher occupied hotel room nights were due to an increase at our international resorts, partially offset by a decrease at our domestic resorts, reflecting fewer available room nights at Walt Disney World Resort due to room refurbishments and conversions to vacation club units.

Merchandise licensing and retail revenues were lower primarily due to decreases of 2% from licensing, 2% from lower retail sales and 1% from an unfavorable Foreign Exchange Impact. The decrease in revenue from licensing was driven by a decrease in licensee settlements and lower revenues from products based on *Frozen,* Cars and Princess, partially offset by an increase from products based on Mickey and Minnie and Avengers. Lower retail revenue was driven by a decrease in comparable store sales at The Disney Stores, partially offset by higher online revenue. The decrease in comparable store sales reflected lower sales of Star Wars and *Moana* merchandise in the fiscal 2018, partially offset by higher sales of Mickey and Minnie merchandise.

The increase in parks licensing and other revenue was primarily due to an increase in real estate rental and sponsorship revenues.

The following table presents supplemental park and hotel statistics:

	Domestic		International [2]		Total	
	Fiscal 2018	Fiscal 2017	Fiscal 2018	Fiscal 2017	Fiscal 2018	Fiscal 2017
Parks						
Increase/ (decrease)						
Attendance	4%	2%	4%	47 %	4%	13 %
Per Capita Guest Spending	6%	2%	5%	(1)%	6%	(1)%
Hotels [1]						
Occupancy	88%	88%	84%	80 %	87%	86 %
Available Room Nights (in thousands)	10,045	10,205	3,179	3,022	13,224	13,227
Per Room Guest Spending	$345	$317	$297	$289	$334	$311

(1) Per room guest spending consists of the average daily hotel room rate as well as guest spending on food, beverage and merchandise at the hotels. Resort statistics include rentals of Disney Vacation Club units.

(2) Per capita guest spending growth rate is stated on a constant currency basis. Per room guest spending is stated at the fiscal 2017 average foreign exchange rate.

Costs and Expenses

Operating expenses include operating labor, which increased $525 million from $5,412 million to $5,937 million, cost of goods sold and distribution costs, which increased $94 million from $2,670 million to $2,764 million and infrastructure costs, which increased $111 million from $2,259 million to $2,370 million. The increase in operating labor was due to inflation, higher volumes, an unfavorable Foreign Exchange Impact and a special fiscal 2018 domestic employee bonus. The increase in cost of goods sold and distribution costs was due to higher volumes and inflation. Higher infrastructure costs were driven by increased technology spending at our theme parks and resorts and inflation. Other operating expenses, which include costs such as supplies, commissions and entertainment offerings increased $141 million from $2,114 million to $2,255 million due to an unfavorable Foreign Exchange Impact, inflation and new guest offerings at our theme parks and resorts.

Selling, general, administrative and other costs increased $34 million from $2,896 million to $2,930 million primarily due to inflation and higher technology spending, partially offset by lower costs at our games business.

Depreciation and amortization increased $166 million from $2,161 million to $2,327 million primarily due to new attractions at our domestic parks and resorts and Hong Kong Disneyland Resort and asset impairments in fiscal 2018.

Segment Operating Income

Segment operating income increased 11%, or $608 million, to $6.1 billion due to growth at our domestic and international Parks & Experiences, partially offset by decreases at our merchandise licensing and retail businesses.

The following table presents supplemental revenue and operating income detail for the Parks, Experiences and Products segment to provide continuity with our legacy reporting:

(in millions)	Year Ended September 29, 2018	Year Ended September 30, 2017	% Change Better / (Worse)
Supplemental revenue detail			
Parks & Experiences			
Domestic	$ 16,161	$ 14,812	9 %
International	4,135	3,603	15 %
Consumer Products	4,405	4,609	(4) %
	$ 24,701	$ 23,024	7 %
Supplemental operating income detail			
Parks & Experiences			
Domestic	$ 4,013	$ 3,464	16 %
International	456	310	47 %
Consumer Products	1,626	1,713	(5) %
	$ 6,095	$ 5,487	11 %

Studio Entertainment

Operating results for the Studio Entertainment segment are as follows:

(in millions)	Year Ended September 29, 2018	Year Ended September 30, 2017	% Change Better / (Worse)
Revenues			
Theatrical distribution	$ 4,303	$ 2,903	48 %
Home entertainment	1,647	1,677	(2)%
TV/SVOD distribution and other	4,115	3,772	9 %
Total revenues	10,065	8,352	21 %
Operating expenses	(4,449)	(3,718)	(20)%
Selling, general, administrative and other	(2,493)	(2,156)	(16)%
Depreciation and amortization	(119)	(115)	(3)%
Operating Income	$ 3,004	$ 2,363	27 %

Revenues

The increase in theatrical distribution revenue was due to the release of four Marvel titles in fiscal 2018 compared to two Marvel titles in fiscal 2017. The Marvel titles in fiscal 2018 were *Avengers: Infinity War*, *Black Panther*, *Thor: Ragnarok* and *Ant-Man and the Wasp*, whereas fiscal 2017 included *Guardians of the Galaxy Vol. 2* and *Doctor Strange*. Other significant titles in fiscal 2018 included *Star Wars: The Last Jedi, Incredibles 2* and *Coco*, while fiscal 2017 included *Beauty and the Beast, Rogue One: A Star Wars Story, Pirates of the Caribbean: Dead Men Tell No Tales* and *Moana.*

Lower home entertainment revenue reflected a 5% decrease from lower unit sales, partially offset by an increase of 3% from higher average net effective pricing. Lower unit sales were driven by the success of *Moana* and *Finding Dory* in fiscal 2017 compared to *Coco* and *Cars 3* in fiscal 2018. The decrease was also driven by three live-action titles in fiscal 2017 as compared to two live-action titles in fiscal 2018 and the carryover performance of fiscal 2016 new release titles in fiscal 2017 compared to the carryover performance of fiscal 2017 new release titles in fiscal 2018. These decreases were partially offset by the release of three Marvel titles and two Lucasfilm titles in fiscal 2018 compared to two Marvel titles and one Lucasfilm title in fiscal 2017. The increase in average net effective pricing was due to higher rates and a higher sales mix of Blu-ray discs, partially offset by a lower mix of new release titles.

TV/SVOD distribution and other revenue reflected a 5% increase from TV/SVOD distribution and a 3% increase from stage plays. The increase in TV/SVOD distribution revenue was due to an increase in our free television business driven by