

- Staging and licensing of live entertainment events on Broadway and around the world (Stage Plays)

DMED also includes the following activities that are reported with Content Sales/Licensing:

- Post-production services by Industrial Light & Magic and Skywalker Sound
- A 30% ownership interest in Tata Sky Limited, which operates a direct-to-home satellite distribution platform in India

The significant revenues of DMED are as follows:

- Affiliate fees - Fees charged by our Linear Networks to multi-channel video programming distributors (i.e. cable, satellite, telecommunications and digital over-the-top (e.g. YouTube TV) service providers) (MVPDs) and television stations affiliated with ABC for the right to deliver our programming to their customers
- Advertising - Sales of advertising time/space at Linear Networks and Direct-to-Consumer
- Subscription fees - Fees charged to customers/subscribers for our DTC streaming services
- TV/SVOD distribution - Licensing fees and other revenue for the right to use our film and television productions and revenue from fees charged to customers to view our sports programming (“pay-per-view”) and streaming access to films that are also playing in theaters (“Premier Access”). TV/SVOD distribution revenue is primarily reported in Content Sales/Licensing, except for pay-per-view and Premier Access revenue, which is reported in Direct-to-Consumer
- Theatrical distribution - Rentals from licensing our film productions to theaters
- Home entertainment - Sale of our film and television content to retailers and distributors in home video formats

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- Other content sales/licensing revenue - Revenues from licensing our music, ticket sales from stage play performances and fees from licensing our intellectual properties (“IP”) for use in stage plays
- Other revenue - Fees from sub-licensing of sports programming rights (reported in Linear Networks) and sales of post production services (reported with Content Sales/Licensing)

The significant expenses of DMED are as follows:

- Operating expenses consist primarily of programming and production costs, technical support costs, operating labor, distribution costs and costs of sales. Operating expenses also includes fees paid to Linear Networks from other DMED businesses for the right to air our linear networks and related services. Programming and production costs include amortization of acquired licensed programming rights (including sports rights), amortization of capitalized production costs (including participations and residuals) and production costs related to live programming such as news and sports. Programming and production costs are generally allocated across the DMED businesses based on the estimated relative value of the distribution windows. These costs are largely incurred across three content creation groups, as follows:
  - Studios - Primarily capitalized production costs related to films produced under the Walt Disney Pictures, Twentieth Century Studios, Marvel, Lucasfilm, Pixar and Searchlight Pictures banners
  - General Entertainment - Primarily acquisition of rights to and internal production of episodic television programs and news content. Internal content is generally produced by the following television studios: ABC Signature; 20th Television; Disney Television Animation; FX Productions; and various studios for which we commission productions for our branded channels and DTC streaming services
  - Sports - Primarily acquisition of professional and college sports programming rights and related production costs •

Selling, general and administrative costs

- Depreciation and amortization

## ***Media and Entertainment Distribution Strategy***

Shifting consumer preferences for consumption of video content, and in particular the increasingly widespread adoption of video streaming technology, has significantly disrupted the traditional means and patterns of distribution for film and television content. In general, film content was traditionally distributed first in the theatrical market, followed by the home entertainment market and then in the TV/SVOD market. Episodic television content was traditionally distributed at linear networks and then in the TV/SVOD market.

In response to these changes, the Company has significantly increased its focus on distribution of content via our own DTC streaming services relative to distribution along traditional patterns. Although the Company continues to monetize a significant amount of its content in the traditional manner, our focus on our own DTC distribution has had a number of impacts including but not limited to:

- in some cases, we are producing exclusive content for our DTC streaming services;
- rather than selling our content in the TV/SVOD market, we may choose to distribute it on our DTC streaming services; • in part because of the impact of COVID-19 on theatrical markets around the world, we may alter our traditional theatrical distribution approach, for example by making a film available on our DTC streaming services at the same time it is in theaters; and

- we may choose to offer our content in pay-per-view format on our own DTC streaming services (e.g. Premier Access) in addition to distributing it in traditional home entertainment markets.

Over time, all else being equal, these impacts will tend to increase revenue at Direct-to-Consumer and reduce revenue at Linear Networks and Content Sales/Licensing.

A more detailed discussion of our distribution businesses and production groups follows.

### ***Linear Networks***

The majority of Linear Networks revenue is derived from affiliate fees and advertising sales. Generally, the Company's 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 networks 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.

Linear Networks consist of our domestic and international branded television channels.

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### ***Domestic Channels***

Our domestic channels include Cable operations comprising Disney, ESPN, Freeform, FX and National Geographic branded channels and Broadcasting operations comprising ABC and eight owned ABC affiliated television stations.

### **Cable**

#### ***Disney Channels***

Branded television channels include: Disney Channel; Disney Junior; and Disney XD (collectively Disney Channels). Disney Channels also includes the DisneyNOW App and website.

*Disney Channel* - the Disney Channel airs original series and movie programming 24 hours a day targeted to kids ages 2 to 14. The channel features live-action comedy series, animated programming and preschool series as well as original movies and theatrical films.

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

#### ***ESPN***

Branded television channels include nine 24-hour domestic television sports channels: ESPN and ESPN2 (both of which are 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). In addition, ESPN programs the sports schedule on ABC, which is branded ESPN on ABC.

ESPN also includes the following:

- ESPN.com, which delivers sports news, information and video on internet-connected devices, with approximately 20 editions in five languages across six countries 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, stories, 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 Radio, which is the largest sports radio network in the U.S. and includes four ESPN owned stations in New York, Los Angeles, Chicago and Dallas.

In addition, 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.

ESPN is owned 80% by the Company and 20% by Hearst Corporation (Hearst).

### *Freeform*

Freeform is a channel targeted to viewers ages 18 to 34 that airs original, Company owned (“library”) and licensed television series, films and holiday programming events. Freeform also includes the Freeform App and website.

### *FX Channels*

Branded general entertainment television channels include: FX; FXM; and FXX (collectively FX Channels), which air a mix of original, library and licensed television series and films.

### *National Geographic Channels*

Branded television channels include: National Geographic; Nat Geo Wild; and Nat Geo Mundo (collectively National Geographic Channels). National Geographic Channels air scripted and documentary programming on such topics as natural history, adventure, science, exploration and culture.

National Geographic, including the magazine and online business reported in Content Sales/licensing, is owned 73% by the Company and 27% by the National Geographic Society.

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The number of domestic subscribers (in millions) for the Company’s significant cable channels as estimated by Nielsen Media Research as of September 2021 (except where noted) are as follows:

(2)  
**Subscribers**

### **Disney**

Disney Channel 76 Disney Junior 57 Disney XD 56 **ESPN**  
ESPN 76 ESPN2 76 ESPNU 51 (3)  
ESPNEWS 59 (3)  
SEC Network 55 (3)  
ACC Network 42 **Freeform** 76 **FX Channels**  
FX 77 FXX 72 FXM 47 **National Geographic Channels**  
National Geographic 76 National Geographic Wild 51

(1)  
As a result of COVID-19, we understand there have been disruptions in Nielsen Media Research’s ability to collect in-home data, which may have had an impact on the estimated subscriber counts at September 2020 and September 2021. We believe these disruptions were more significant at September 2020 than at September 2021.

(2)  
Estimates include traditional MVPD and the majority of digital OTT subscriber counts.

(3)  
Because Nielsen Media Research does not measure this channel, estimated subscribers are according to SNL Kagan as of December 2020.

## Broadcasting

### *ABC*

As of October 2, 2021, ABC 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 is also available digitally through the ABC App and website to authenticated MVPD subscribers. Non-subscribers have more limited access to on-demand episodes.

ABC also produces a variety of primetime specials, national news and daytime programming.

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

### *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. All of our television stations are affiliated with ABC and collectively reach approximately 20% of the nation’s television households.

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The stations we own are as follows:

TV Station Market	Television Market <sup>(1)</sup>	Ranking
WABC New York, NY 1 KABC Los Angeles, CA 2 WLS Chicago, IL 3 WPVI Philadelphia, PA 4 KGO San Francisco, CA 6 KTRK Houston, TX 8 WTVD Raleigh-Durham, NC 24 KFSN Fresno, CA 55		

(1) Based on Nielsen Media Research, U.S. Television Household Estimates, January 1, 2021.

### International Channels

Our International Channels focus on General Entertainment, Sports and/or Family programming and operate under four significant brands: Disney; ESPN; Fox; and Star. The channels air programming from the Company's content production groups, locally produced content and licensed programming.

The Company's increased focus on DTC distribution in international markets is expected to negatively impact the International Channels business as we shift the primary means of monetizing our content from licensing of linear channels to distribution on our DTC platforms.

### General Entertainment

The Company operates approximately 245 General Entertainment channels outside the U.S. primarily under the Fox, National Geographic and Star brands, which are broadcast in approximately 45 languages and 180 countries/territories.

Fox branded channels air a variety of scripted, reality and documentary programming. Channels are often thematically branded, focusing on such topics as comedy, cooking, crime, movies and travel, and are broadcast in most regions internationally.

National Geographic branded channels air scripted and documentary programming on such topics as natural history, adventure, science, exploration and culture, and are broadcast in most regions internationally.

Star branded channels air a variety of scripted, reality and documentary programming primarily in India. Channels are also broadcast in other countries in Asia Pacific.

In addition, the Company operates UTV and Bindass branded channels principally 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.

### Sports

The Company operates approximately 55 Sports channels outside the U.S. under the ESPN, Fox and Star brands, which are broadcast in approximately 10 languages and 100 countries/territories.

ESPN branded channels primarily operate in Latin America, Asia Pacific and Europe. In the Netherlands, the ESPN branded channels are operated by Eredivisie Media & Marketing CV (EMM), which has the media and sponsorship rights of the Dutch Premier League for soccer. The Company owns 51% of EMM.

Fox branded sports channels primarily operate in Latin America, Asia Pacific and Europe. Fox Sports Premium, a pay television service in Argentina, airs the matches of the professional soccer league in Argentina.

Star branded sports channels primarily operate in India and certain other countries in Asia Pacific. Star has rights to various sports programming including cricket, soccer, tennis and field hockey.

### Family

The Company operates approximately 85 Family channels outside the U.S. primarily under the Disney brand, which are broadcast in approximately 30 languages and 180 countries/territories.

Disney branded television channels include Disney Channel, Disney Junior, Disney XD and Disney International HD.

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based on internal management reports, are as follows:

## Subscribers

### Disney

Disney Channel 162 Disney Junior 154

Disney XD 83 <sup>(1)</sup>

ESPN 64 <sup>(1)</sup>

Fox 184 <sup>(1)</sup>

National Geographic 320 Star

General Entertainment 132 <sup>(1)</sup>

Sports 84

<sup>(1)</sup>

Reflects our estimate of each unique subscriber that has access to one or more of these branded channels.

### Equity Investments

The Company has investments in media businesses that are accounted for under the equity method, the most significant of which are A+E and CTV. 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 Operations.

#### 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.

As of September 2021, the number of domestic subscribers (in millions) for A+E channels as estimated by Nielsen Media

<sup>(1)</sup>

Research are as follows:

<sup>(2)</sup>

## Subscribers

A&E 75 HISTORY 76 Lifetime 75 LMN 56 FYI 46

<sup>(1)</sup>

As a result of COVID-19, we understand there have been disruptions in Nielsen Media Research's ability to collect in-home data, which may have had an impact on the estimated subscriber counts at September 2020 and September 2021. We believe these disruptions were more significant at September 2020 than at September 2021.

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

<sup>(2)</sup>

#### 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.

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#### **Direct-to-Consumer**

Our DTC businesses consist of subscription services that provide video streaming of general entertainment, family and sports programming (services are offered individually or in a bundle) and digital content distribution services. The subscription services are offered to customers directly or through third-party distributors on mobile and internet connected devices.

#### Disney+ Services (includes Disney+ Hotstar and Star+)

Disney+ is a subscription based DTC video streaming service with Disney, Pixar, Marvel, Star Wars and National Geographic