C

1991 Annual Report

The Walt Disney Company

EURO DISNEYLAND

(In millions, except per share data)	1991	1990	Change
Revenues	**$6,182.4**	$5,843.7	+6%
Operating income	**1,164.9**	1,425.5	−18%
Net income	**636.6**	824.0	−23%
Earnings per share	**4.78**	6.00	−20%
Return on stockholders' equity	**17%**	25%	
Cash flow	**1,503.3**	1,358.9	+11%
Stockholders' equity	**3,871.3**	3,488.6	+11%
Book value per share	**29.73**	26.47	+12%

ON THE COVER: ***LE CHATEAU DE LA BELLE AU BOIS DORMANT*** **(THE SLEEPING BEAUTY CASTLE), CENTERPIECE OF THE EURO DISNEYLAND THEME PARK OPENING APRIL 12 NEAR PARIS.**

To our owners and fellow Disney employees:

I have waited until the last minute to write this letter because I did not look forward to writing about an uninspiring year (lower attendance at our parks and a feature film performance best forgotten). Somehow writing about my family, my kids' school or hockey, my sister Margot's job at a museum in New York, or my mother seemed inappropriate this year. What you want to hear is how we managed during a war, held overhead costs down during an economic slowdown, and redefined our film entertainment strategy. And just when I was running out of time, just when I would have to face a yellow pad to outline our first non-growth year since 1984, just when I realized how unsuccessful "Billy Bathgate" was, the world changed.

"Beauty and the Beast" opened.

It is amazing how a single creative act can change everything. I know "Snow White" did it for Walt. Well, "Beauty and the Beast" is doing it for us. It has reconfirmed that your company still has it! It is that simple, because "Beauty and the Beast" is one of the great movies of all time (he said shamelessly). And it will be around forever. And the products coming out of "Beauty" will be around forever. And the rides emanating from "Beauty" in our parks will be around forever. And someday the home video of "Beauty and the Beast" will sell twenty million cassettes worldwide the way "Fantasia" is now doing.

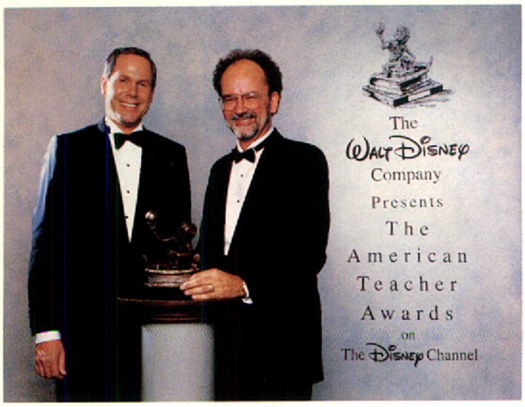
Trying to select the subjects on which to concentrate in my letter is difficult. I have done some travelling this past year and realize how unpleasant an economic downturn can be. In Jamestown, New York, where my in-laws live, the subject of conversation has to do with job layoffs and shorter work hours and salaries. In Kansas City where we have our tele-service center, the conversation is about health care and drained savings. In Washington where I visit my son in college, violence and gun control and murder take second place to food stamps and welfare.

But everywhere I go I notice people still want to be entertained and are still very appreciative of Disney. I am glad we continue to provide pleasure through our films and our parks and our products. I am glad we were able in our own non-profit ventures to concentrate on education through our American Teacher Awards on The Disney Channel, honoring America's best teachers and bringing recognition to them.

The year (our fiscal year, that is) started with an impending war that took its toll on foreign and domestic travel, then a recession put vacation plans for millions of Americans on hold. Both had a direct negative impact on our theme park and resorts division. Park attendance decreased, as did room occupancy at our Florida resorts. Disneyland attendance slid slightly.

Adding to our fiscal problems was a malaise at the domestic film box office, a drop perhaps to be expected following our unprecedented string of record years. We were not alone. Box office revenues for the entire industry suffered a 25 percent decline during the all-important summer months, and we as box office leader of 1990 were hit especially hard by a succession of films that failed to find sizable audiences. Because we had done so well in the film business over the previous five years, the critics and general media who praised us beyond what we deserved found reason to be pretty hard on us. From the earliest days of the film business only about 40 percent of all films have broken even or shown a profit. During the five years prior to 1991, more than 75 percent of Disney/Touchstone films released showed a profit, a phenomenal achievement—too phenomenal to be sustained. So we stumbled a little.

Having said all that, let me put our film slump in perspective. At summer's end, despite our long run of uninspiring results,[1] we were still third among major Hollywood



DISNEY CHAIRMAN MICHAEL D. EISNER, BELOW LEFT, PRESENTS THE 1991 OUTSTANDING TEACHER AWARD TO EDWARD M. SCHROEDER, TEACHER OF ENGLISH, COOLIDGE JR. HIGH SCHOOL, GRANITE CITY, ILL. AT THE AMERICAN TEACHERS AWARD PROGRAM PRESENTED ON THE DISNEY CHANNEL IN NOVEMBER.

[1]Of course there were many movies that were excellent and did well like "Green Card," "What About Bob?," "The Doctor," "Paradise," "Deceived" and "White Fang." Actually "White Fang" was my favorite because I always liked the book. I read this Jack London epic when I was 11 years old while at home with the mumps. It was the first book I read in one day.

Michael D. Eisner, left, chairman and chief executive officer, and Frank G. Wells, president and chief operating officer.

studios in total box office and only two percentage points behind the leader—with a very strong chance of moving to second if not first by the end of the calendar year. But box office gross does not always translate into profits if costs are too high.

To go into a complete philosophy of the motion picture business here would be long, maybe boring, and certainly place me in jeopardy of being too inflexible as creative fashions change. But one thing is for sure: If you spend a lot of money making movies, and again a lot of money to market those films, and then give much of the revenue away to others before you get back your costs, then you are not too smart. And unless you have blockbusters ("Dick Tracy," for example), there is not enough money coming in to make your shareholders happy. That's what happened in 1991, and Jeffrey Katzenberg realized it and has gone back to our previous strategy of spending less, being more selective and planning to be luckier.

There seems to be a shake-up in Hollywood. Many studios are getting back to the basics. We are! And we have the team—in Jeff, in Rich Frank, in David Hoberman and his staff at Touchstone and Ricardo Mestres and his staff at Hollywood Pictures and, of course, Roy Disney and Peter Schneider and the 625 members of our feature animation company.

Actually, living through a downturn can be very instructive. 1991 gave me renewed appreciation of the many great strengths that underpin our company. It made me realize all over again why Disney is so very strong and special.

Some examples: I found new appreciation in 1991 for the remarkable strength of the Disney library of animated classics, the product of the great artists and artisans who preceded us at the company. The spectacular success of "101 Dalmatians" during our very slow summer, and the marvelous home video returns from "The Jungle Book," "Robin Hood," "Disney Best Sellers" and "Fantasia" speak eloquently for the talents of our predecessors. They also give us models to emulate as we continue to produce one new animated feature each year.[2] And no other company could market these products the way Bill Mechanic and his staff distribute our home video releases worldwide, and the way Dick Cook and Bob Levin distribute and market our feature films to theaters in the United States and Canada.

In fact, Disney animation—for television as well as film—continues to be our major strength, and 1991 only served to reinforce our pre-eminence in this area. Our "Disney Afternoon," consisting of four half-hour animated segments, is the leader across the country and overseas, where various segments such as "DuckTales" and "Chip 'n Dale's Rescue Rangers" compete for viewers successfully in 17 different countries, including Poland and the Soviet Union.

Another bright point was The Disney Channel, which, under John Cooke, continues to grow while the rest of the pay-cable services struggle to retain subscribers. During the first half of 1991, The Disney

[2]Next year, "Aladdin." It's great. Robin Williams is the genie's voice.

Channel was the only pay service to gain subscribers, going over the six million mark—an increase of 300 percent since 1984.

Our Consumer Products Division management, under the leadership of Bo Boyd, continues to rack up gains in its many worldwide businesses. Especially satisfying in a poor retail environment was the performance of The Disney Stores, which now total 123. Same-store sales registered increases throughout the year and ended fiscal 1991 with a solid profit.

And finally, Tokyo Disneyland. It broke all records in 1991 with attendance of more than 16 million.

1991 has given us a dramatic example of why it pays to plan for the future and invest in that future even when things are at their darkest. The example came in an area of our business where our lack of success has been particularly grating to me. After all, I got my start in network television. This year...finally...as the result of major talent investments made over the past several years, we made it big time in network TV. We succeeded in placing 11 programs on the four networks, the highest total for any Hollywood studio. Aside from my middle son, Eric, getting into college this year, and, as of this date, staying in college, our television success has been the highlight of the year for me.

Starting the season with this many shows heightens our chances of scoring with another "Golden Girls" or "Empty Nest," our two most successful efforts to date. Among the most promising of the new Disney/Touchstone shows are "Home Improvement," "Dinosaurs," "Nurses" and "Herman's Head."

We are currently investing in several other new ventures. Hollywood Records is one. It represents our entry in the $25 billion mainstream music business. We decided not to buy an existing company, many of which we felt were overpriced. The way of the 80s!! But this huge industry has great potential for us. Actually, we do have some experience. Walt Disney Records is the largest children's record label in the world, but I am finding the relationship between pre-teen music and adolescent music wide and peculiar, "man."

Another embryonic business for us is Hyperion Press. We have vast experience in publishing through our licensing business, but buying an existing established company was economically foolish; therefore, we started our own.

Because it is our philosophy to manage for the long term and for continuing growth, we decided early in the year to go forward with our planned capital investments, particularly at Walt Disney World. As a result, we opened 2,222 new rooms and 51,000 square feet of conference space, adding three new resort hotels—the Yacht and Beach Club and the moderately priced Port Orleans. Meanwhile, work continues on another moderately priced resort, the 2,048-room Dixie Landings, scheduled to open early next year.

ABOVE, FROM LEFT, JANE EISNER, PRESIDENT GEORGE BUSH, MICHAEL EISNER AND BARBARA BUSH APPLAUD PERFORMERS AT THE POINTS OF LIGHT CEREMONY HELD IN CONJUNCTION WITH WALT DISNEY WORLD'S 20TH ANNIVERSARY.

During the year, we experienced great demand at our moderately priced hotels, where we enjoyed an incredible room occupancy rate of 94 percent. I must point out here what a great job Peter Rummell did as head of Disney Development. Not only did all our projects come in on time and budget, including the Euro Disney hotels (to be discussed later), but his most prestigious project, the birth of his first child, is due on the exact date Euro Disney is set to open, April 12.

One of the major highlights of the year took place in May when Disney was selected as one of three new companies to join the Dow Jones Industrial Average, which consists of thirty large American corporations whose business health and shareholder acceptance are used as measures of the economic strength of the nation. In joining the Dow, Disney replaced USX (formerly U.S. Steel) and became the only representative of the entertainment industry.

In September, we entered three new businesses: First, we purchased the rights to *Discover* magazine, which covers the wonders of science for laymen. We intend to redesign *Discover* to make it look as exciting as it reads and will help dramatize its offerings in other Disney operations. We may even publish a version for children.

Then Sunrise Television, a British program service of which Disney is a 25% owner and member, was awarded a license in October to begin broadcasting a daily morning television program on Britain's Channel 3 starting next year.

And we introduced the Disney Vacation Club. For a one-time fee and annual dues, members may purchase a real estate interest at a new Disney Vacation Club Resort at Walt Disney World and enjoy vacations at the Florida resort or, through an agreement with Resort Condominiums International, Inc., at 100 alternate getaway resorts around the world.

Late in the fiscal year, we selected Judson Green to become president of attractions as Dick Nunis stepped up to chairman. In September, at the giant four-day 20th Anniversary Celebration at Walt Disney World attended by thousands of media representatives, we introduced two spectacular new parades and several new shows at the Magic Kingdom, Epcot Center and the Disney-MGM Studios Theme Park.

President and Mrs. Bush joined our gala 20th Anniversary Celebration to help us honor more than 1,000 heroes—the individuals or representatives from organizations who constitute the first 575 Points of Light, designated by the President for their truly impressive volunteer efforts in communities around the country. I had the honor of introducing these extraordinary Americans to the President in a special ceremony at Epcot Center. My son and his girlfriend Kris drove down from Georgetown to join his mother Jane to hear his father speak, but more importantly to get his picture taken with the President...the perks of corporate life!

Frank Wells enjoyed another kind of perk, the satisfaction of presenting a check for more than $2 million to the Pediatric AIDS Foundation in October. The funds were raised by Walt Disney Records from an album, "For Our Children," a collection of children's songs performed by 22 popular singers who donated their time and talent to help children born with the deadly AIDS affliction.

In early October, Roy Disney, Frank and I joined Bob Fitzpatrick, president of Euro Disney, and thousands of American and European journalists to celebrate a special "Castle Topping" ceremony at Euro Disneyland, the first theme park at our Euro Disney Resort, which opens next April.

This is the most wonderful project we have ever done. It is fantastic and it is on schedule and budget. We have fulfilled every commitment we made when we began planning six years ago. We have fulfilled every creative, business, cultural and emotional commitment Frank Wells and I made—except one: I am still not fluent in French. One of my sons suggested that I am the only person to start French II eleven times.

Euro Disney is a magnificent resort within 20 miles of Paris, one of the world's most magnificent cities. Its centerpiece is Euro Disneyland, a theme park jewel, a creative extension

ABOVE LEFT: NANCY REAGAN AND FORMER U.S. PRESIDENT RONALD REAGAN LOOK ON AS DISNEY PRESIDENT FRANK WELLS DISPLAYS CEREMONIAL CHECK REPRESENTING THE MORE THAN $2 MILLION RAISED FOR THE PEDIATRIC AIDS FOUNDATION BY WALT DISNEY RECORDS AND ARTISTS WHO DONATED THEIR TALENTS FOR A SPECIAL ALBUM, "FOR THE CHILDREN." RIGHT, FINAL TOUCHES ARE PUT ON MAIN STREET STRUCTURES AT EURO DISNEYLAND.

of Walt's first park utilizing new technology and incorporating all the rides, attractions and elements that have made Disney parks famous around the world.

As you will note in the Attractions section that follows, Euro Disney offers pleasure for every age—shopping, golfing, dining, dancing and other evening entertainment including an all-American wild west show. Euro Disney is a new land of delights in a country known for its beauty, architecture, culture and cuisine.

Euro Disney. It opens April 12 at 9:01 a.m. outside (but not that far outside) Paris—Vive la Disney en France! (French I, Eighth Grade, Allen Stevenson School, New York City, 1956.)

As proud as we are of Euro Disney, all of us at Disney are equally proud of the progress we are making in our never-ending effort to protect the environment. A special four-page section later in this Annual Report highlights our progress to date and spells out our future goals in the environmental area. (This Annual Report, incidentally, is being printed on recycled paper.)

"Beauty and the Beast" has opened. "Father of the Bride" is ours, too. The domestic parks are doing better. Consumer products are strong; our Disney Stores are great. So maybe I'll let last year fade away as a child's bad report card fades and others come in good. I will simply remember that in 1991 my 21-year-old son Breck directed the three-hour stage play of Shakespeare's "Antony and Cleopatra" at his college and my 13-year-old son, Anders, sat still for the entire evening and told me it was "not bad, kind of okay."

More good news.... We are the 64th-largest company among "diversified services" companies in the world according to *Fortune* in its August 26, 1991, issue, and more importantly, we are number three, behind only AT&T and the Canadian Telephone Company, in profitability. Of all the companies operating in the travel or leisure industries, Disney had the smallest change in operating profits from the previous year. In other words, our 23 percent reduction in operating profit from '90 looked almost healthy in comparison to the top hotel companies, whose profit declines ranged from 27 percent down to 99 percent...or the top airlines, from 190 percent down to 256 percent.

1991 was a year that tested our strength and tested our management ability to keep the corporation moving steadily ahead without panic and still imbued with dedication to quality and excellence. 1991 was a tough year. 1992 may be more of the same although Disney has started off well—hopefully relatively impervious to the economy, but who knows. I could be a hero at home by frankly saying, and of course being right, that the recession is over or not over. But I'm the guy who thought "The Rocketeer" would be a hit!

Let's leave it this way—Frank Wells and I look forward to a bigger and better 1992. I am pretty sure it will be far superior to 1991; but one thing is certain, we will open Euro Disney on April 12 at 9:01 a.m.

December 4, 1991

Michael D. Eisner

Michael D. Eisner
Chairman and Chief Executive Officer

As fiscal year 1991 slid to a recession-ridden close, legions of Disney followers throughout North America and Europe turned their attention to two future-oriented media events promising an action-packed 1992 for Walt Disney Attractions.

At Walt Disney World Resort, some 5,000 media representatives and their guests joined in a four-day whirl of activity signalling the start of a 15-month-long celebration of the resort's 20th anniversary.

Twelve days later, 4,500 miles across the Atlantic and a short Metro ride from Paris, Disney formally unveiled its new Euro Disneyland centerpiece castle and gave more than 3,000 international journalists their first glimpse of the magnificent new Euro Disney destination resort scheduled to open in April.

Europe's newest vacation mecca consists of the 29-attraction Euro Disneyland Theme Park, six dramatically themed hotels, newly created lakes and rivers, a 27-hole golf course, a campground and Festival Disney, a bright new complex of restaurants, shops, dinner-shows and discotheques.

The two major media events came on the heels of a 1991 fiscal year in which both revenues and profits were down for Disney's theme parks and resorts segment. The effects of the recession, combined with decreases in domestic travel brought on by the Persian Gulf war, reduced attendance at the U.S. parks and affected hotel occupancy at Walt Disney World despite record numbers of international guests.

The company continued its vigorous expansion program. At Walt Disney World, that effort includes new hotels, increased meeting and convention facilities—plus half a dozen new shows and attractions and dazzling daily fireworks displays.

In Southern California, the company expects to announce plans soon for a second theme park. Meanwhile Tokyo Disneyland continues to add attractions while studying the feasibility of a second gate.

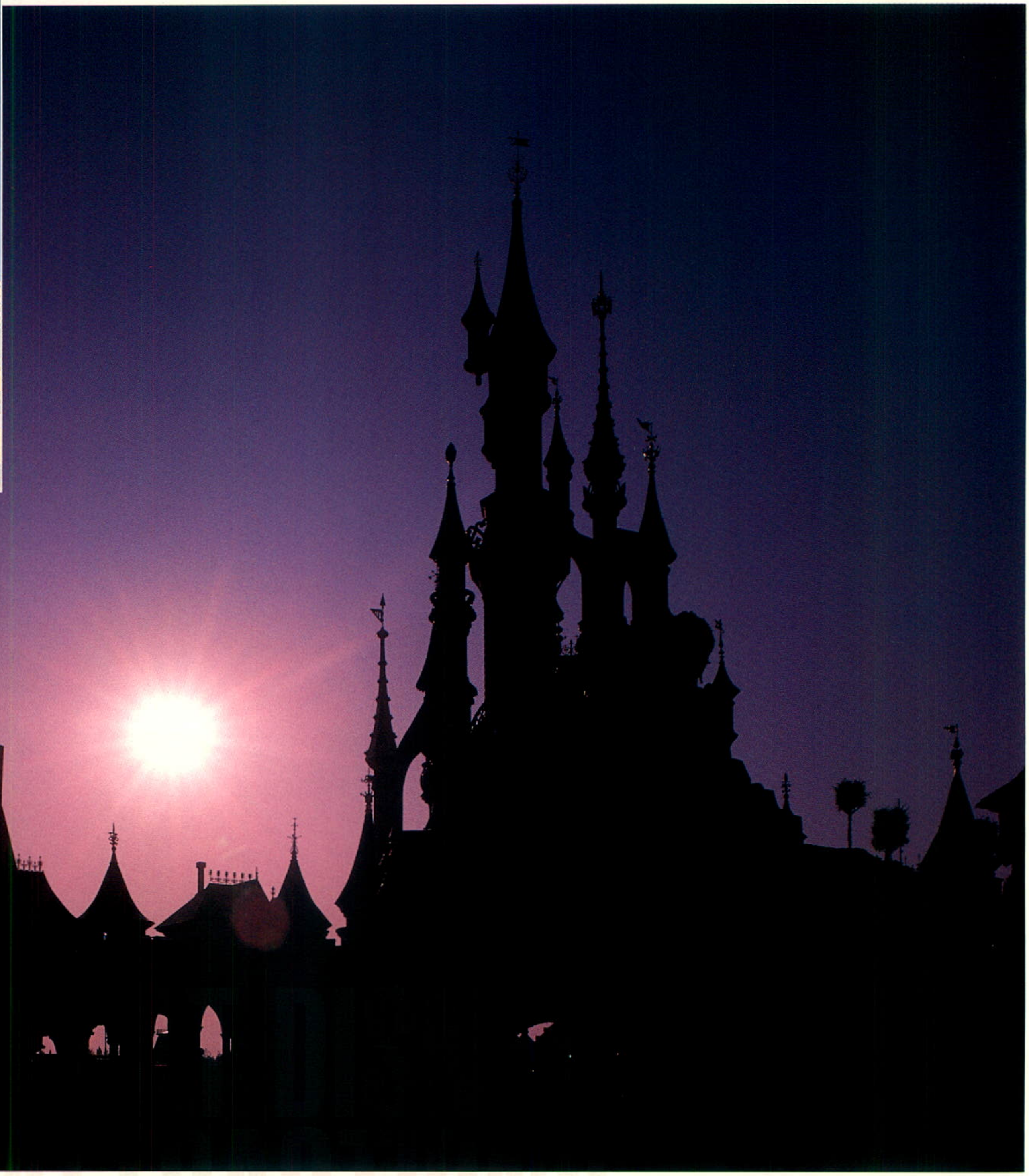
EURO DISNEY

On a warm August day in 1988, the first shovelful of earth was turned at the Euro Disney Resort.

Just 44 months later

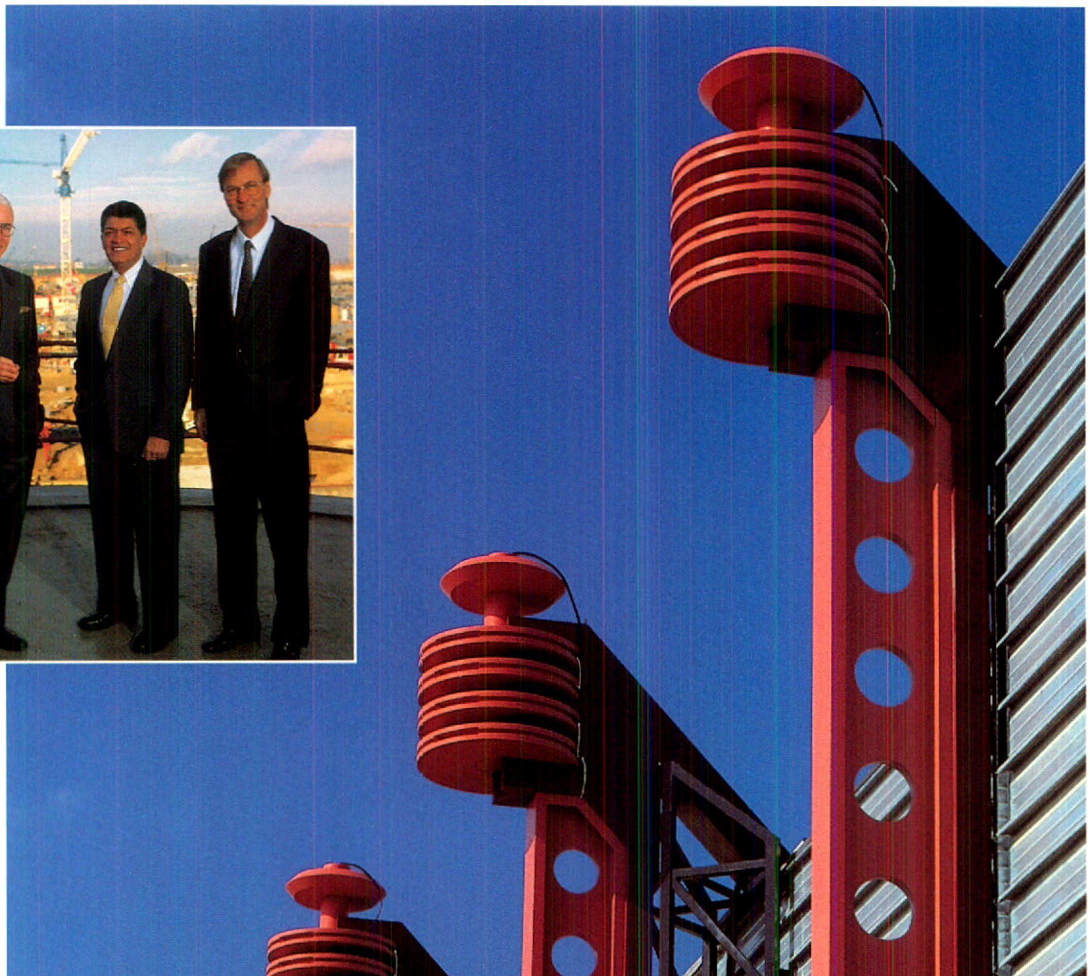
SCENES FROM EURO DISNEYLAND, CLOCKWISE FROM TOP: A FACADE IN IT'S A SMALL WORLD; THE SLEEPING BEAUTY CASTLE AT SUNSET; RAILROAD STATION IN FRONTIERLAND.

Richard A. Nunis, chairman, and Judson C. Green, president, Walt Disney Attractions.



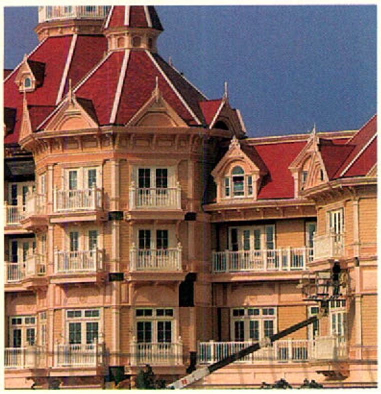
ATTRACTIONS

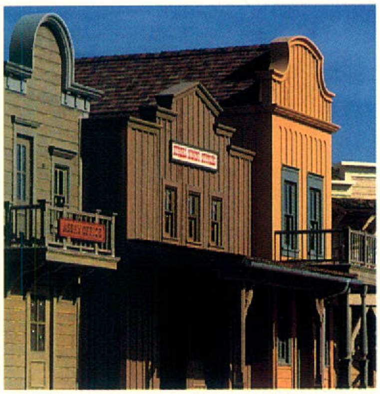
Executives who helped make Euro Disney Resort a reality: from left, John Forsgren, senior vice president and CFO; Philippe Bourguignon, senior vice president, real estate development; Robert Fitzpatrick, president; Jim Cora, executive vice president; Fred Beckenstein, senior vice president, Euro Disney Imagineering.



—next April 12—this latest testament to Disney imagination will open on a 4,800-acre site east of Paris. Except for the tunnel now being built under the English Channel, this sparkling Disney theme park and destination resort may well be the largest building project in Europe's history, with 1,000 contractors and 11,000 workers on the job at the height of construction.

Months before the premiere and right on schedule, virtually all the structural work had been completed. Inside, mechanics and electricians finished their chores while ride and show specialists installed and tested the park's scores of attractions. Some 60 employees a day were being hired from throughout Europe; by opening day 12,000 will be trained and ready.



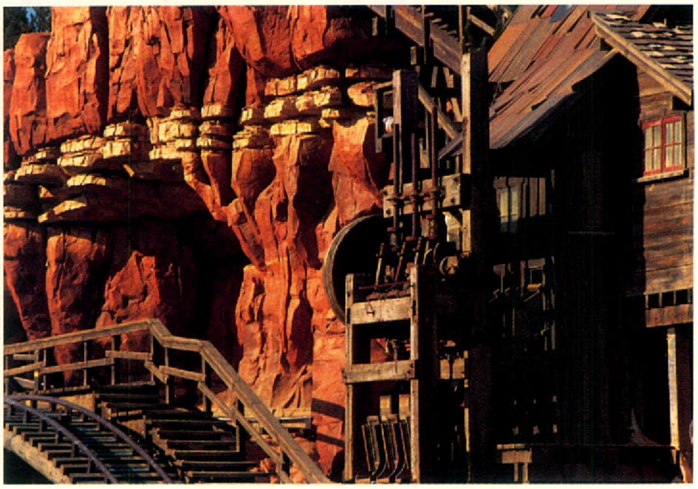


The Euro Disneyland theme park within the resort is a Magic Kingdom with a distinct European touch, entered via the 500-room, turn-of-the-century-style Disneyland Hotel. Nearby, five other American-themed hotels will provide 4,700 additional rooms for every budget.

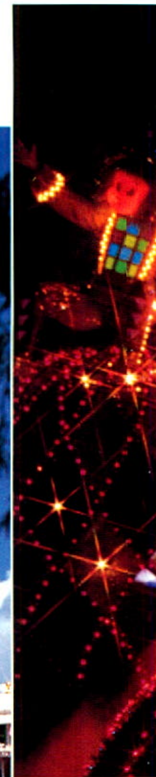
They range from the grandeur of the Disneyland and New York hotels to the New England motif of the Hotel Newport Bay Club to the western and mountain themes of the Hotel Cheyenne, Sequoia Lodge and Hotel Santa Fe. Many of the Davy Crockett campground's 414 cabins already are in place. The facility also comprises 181 campsites, a swimming pool and a petting farm.

Festival Disney, an entertainment center near the theme park entrance, houses a discotheque, restaurants, bars and boutiques. A dinner show will feature entertainment by American Wild West troupes like those that toured Europe a century ago.

Euro Disneyland's Main Street looks much like its California and Florida cousins, though extensive arcades provide shelter from cold and rain. In



FROM LEFT: FACADE OF DISCOVERYLAND TRAIN STATION AT EURO DISNEYLAND; DISNEYLAND HOTEL, WHICH SERVES AS ENTRANCE TO THE NEW PARK; SCENES FROM FRONTIERLAND AND BIG THUNDER MOUNTAIN.



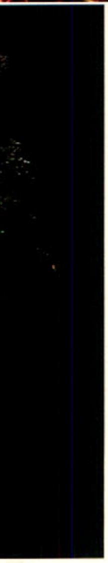
Frontierland, Big Thunder Mountain passengers twice travel under the Rivers of the Far West during their high-speed ride. The rivers themselves have been so authentically wrought that even the water used to fill them is appropriately muddy.

Fantasyland will greet guests with Edwardian-style architecture for the Peter Pan attraction, a Bavarian village for Snow White, a Tyrolean cottage for Geppetto's workshop, a French inn for Cinderella. And the park's unique Discoveryland will include a Circle-Vision® film that uses Audio-Animatronics® figures, stunning special effects and noted European actors in a vivid journey across the continent.

The Euro Disney Resort has been a monumental undertaking. Fifteen separate conduit systems laid at six levels beneath the site carry gas, electricity, data communications cables and four different kinds of water. The conduits, laid end to end, would stretch nearly 90 miles.

STERNWHEELER ROLLS PAST BIG THUNDER MOUNTAIN AT WALT DISNEY WORLD (LEFT); "SPECTROMAGIC" COMBINES LIGHT, MUSIC AND MECHANICAL ANIMATION NIGHTLY IN THE MAGIC KINGDOM.

The second phase of the resort includes the Disney-MGM Studios Tour-Europe, to open in 1995, as well as new hotels and a convention center. Preliminary construction could begin as early as this spring.



WALT DISNEY WORLD

Precisely 20 years after it opened, Walt Disney World launched a star-spangled, four-day anniversary celebration Oct. 1. In remarks at Epcot Center, President Bush seized the occasion to honor the hundreds of volunteers who have made his "Points of Light" crusade a nationwide reality.

"Everything here...reminds us of the vision of the man who conceived this amazing place as an exploration of community," he said. "...We celebrate the American spirit—the greatest natural resource of the greatest nation in the world."

Later, Disney CEO Michael D. Eisner rededicated the park to all Disney cast members. Vice Chairman Roy E. Disney, visibly moved, read from the same plaque his late father held 20 years ago during opening ceremonies at the resort.

"The most important thing I learned that day was that you can never underestimate the power of a dream," he said.

The media turned out in force for the celebration and were quick to remark on the changes two decades had brought.

"Walt Disney World has become a worldwide tourist mecca that has transformed the landscape of this once-rural area," wrote Ike Flores of the Associated Press. "And, in the Disney style, there's a lot more to come...."

Some of those new attractions were already in place before the October festivities began.

"Spectromagic" combines the energy of seven lightning bolts, the electrical power of 2,000 highway trucks and a sprinkling of pixie dust in the streets of the Magic Kingdom. Light, music and mechanical animation are synchronized in the nightly spectacle.

In the daytime, "Surprise Celebration" parades Mickey, Minnie and the gang through those same streets as gigantic balloons stretch 40 feet skyward. Hundreds of court jesters and stilt walkers add to the revelry.

"Surprise in the Skies," the world's largest daytime fireworks display, wraps a rainbow around World Showcase in Epcot Center. Boats, kites, paraplanes, hang gliders and giant balloons participate in the extravaganza.

Mickey Mouse as the Sorcerer's Apprentice appears atop the Chinese Theatre in the Disney-MGM Studios Theme Park to direct another nightly fireworks fantasy. The show celebrates 70 years of Hollywood magic.

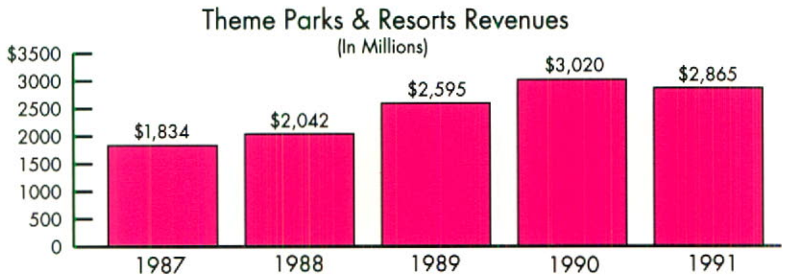
Stage presentations abound. "Beauty and the Beast," based on the new animated film, opened in November at the Disney-MGM Studios Theme Park, along with "Dinosaurs Live," featuring the prime-time TV fossil family.

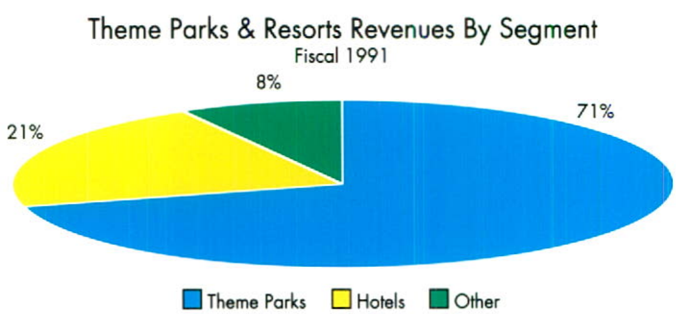
Earlier, "Jim Henson's Muppet*Vision 3D" attraction began plunging audiences right into the middle of a rambunctious Muppets adventure.

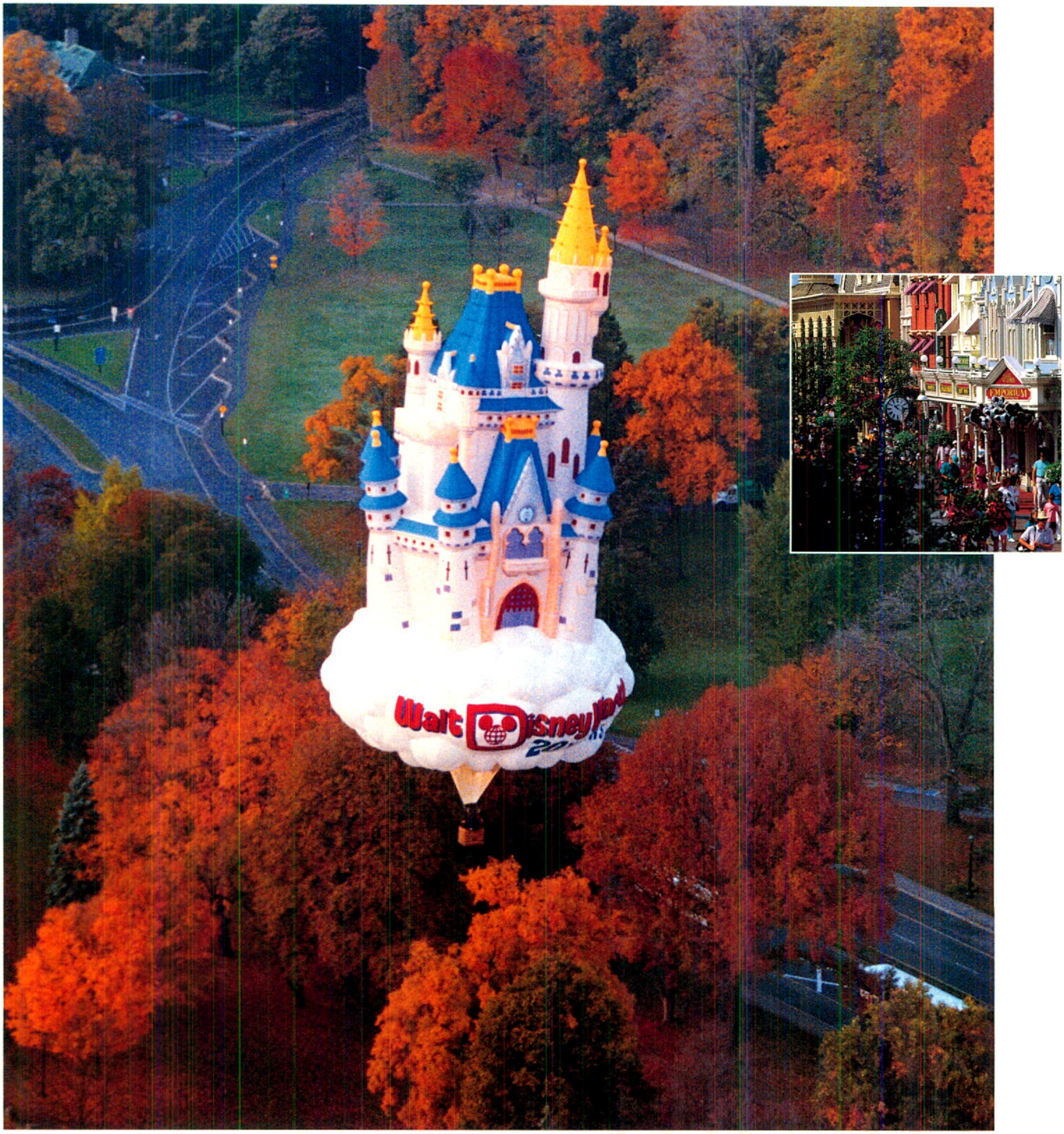
There's more. In January "The Little Mermaid," a live stage show based on the classic animated film, premieres at The Disney-MGM Studios Theme Park, blending lasers, video and film with live characters.

Come fall, "Splash Mountain" will make its eagerly awaited debut in the Magic Kingdom. The attraction centers on a world-class log-flume ride and entertains guests with the sights and sounds of Disney's 1946 movie, "Song of the South," during a nine-minute journey that ends with a spirited 45-degree trip down Chickapin Hill.

"SURPRISE CELEBRATION" (BELOW, LEFT) OPENED OCT. 1 TO HELP MARK WALT DISNEY WORLD'S 20TH ANNIVERSARY; CELEBRATION LIGHTS THE NIGHT OVER DOME OF SPACE MOUNTAIN; RIGHT, CHAIRMAN MICHAEL D. EISNER AND VICE CHAIRMAN ROY E. DISNEY DURING THE FESTIVITIES.






Walt Disney World
EMPORIUM

Farther into the future, "The Twilight Zone Tower of Terror" will open in 1994 at The Disney-MGM Studios Theme Park. It will send park guests on a 13-story free-fall drop in a "runaway elevator."

Plans also were revealed to bring either a Matterhorn Mountain bobsled ride or a Mt. Fuji attraction to Epcot Center's World Showcase within the next five years. The Matterhorn would end in a Swiss village; Mt. Fuji would tower behind the Japan pavilion.

Hotels continued in the news. The opening of the moderately priced Port Orleans Resort made 1,008 rooms available to Walt Disney World guests. Early in 1992 its companion, the 2,048-room Dixie Landings Resort, will open its doors.

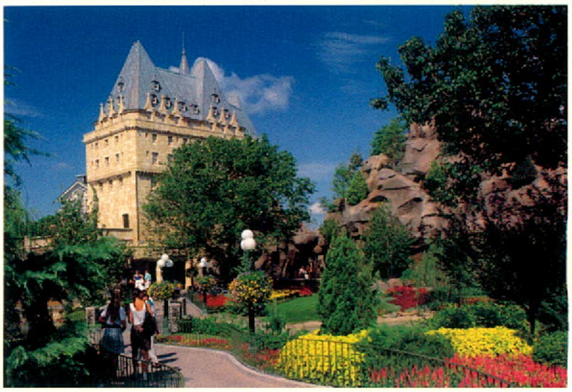
In addition, 175,000 square feet of meeting and convention space is finished or nearing completion, including 85,000 square feet at the landmark Contemporary Resort and 27,000 at the elegant, turn-of-the-century Grand Floridian.

All told, by early 1992 hotels on Walt Disney World property will provide more than 17,000 guest rooms and 580,000 square feet of meeting space.

Pleasure Island continues to thrive with its "every night is New Year's Eve" format. The complex offers live music, comedy and dancing in six themed clubs. There's also boutique shopping and distinctive dining on the six-acre island just a footbridge away from the "mainland."

At Lake Buena Vista, the company readied 197 luxury vacation homes for a December introduction. Owners who purchase a real estate interest in the Disney Vacation Club Resort will be entitled to exclusive membership benefits, including the right to reserve these vacation homes, which range in size from one to three bedrooms and overlook the Lake Buena Vista Golf Course.

FROM LEFT: CASTLE IN THE SKY BALLOON HOVERS NEAR NIAGARA FALLS PROMOTING WALT DISNEY WORLD'S 20TH ANNIVERSARY; MAIN STREET IN THE FLORIDA MAGIC KINGDOM; BARBERSHOP QUARTET ON MAIN STREET MAGIC KINGDOM; SCENES FROM THE JAPAN AND CANADA PAVILIONS AT EPCOT CENTER IN FLORIDA.



That course, incidentally, was one of the three championship layouts at the resort that played host to the Walt Disney World/Oldsmobile Golf Classic in October. Mark O'Meara won the million-dollar event.

Journalist Christopher Matthew, back home in Great Britain after a family visit to Central Florida, had this to say about Walt Disney World:

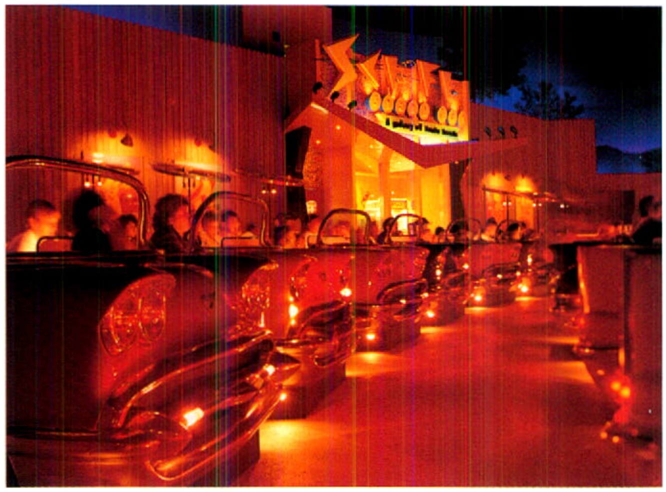
"Weeks later, our children still argue the relative merits of Space Mountain and Big Thunder Mountain Railroad, Body Wars and Star Tours....

"My own sense of wonder was concentrated less on the attractions themselves and more on the minds of the Imagineers and technicians who dream it all up and the colossal scale on which the whole thing is conceived."

WALT DISNEY WORLD STREET PERFORMER (BELOW) AND THE SCI-FI DINE-IN THEATER RESTAURANT AT THE DISNEY-MGM STUDIOS THEME PARK; RIGHT, THE ENTRANCE TO "JIM HENSON'S MUPPET·VISION 3D" THEATER.

DISNEYLAND

Disneyland pressed forward in 1991 with plans to make the "happiest place on Earth" happier still. Four shows and attractions will make their debut by the mid-1990's.



The first is a 20-minute extravaganza on Tom Sawyer Island in Frontierland that uses the river around the island as a stage.

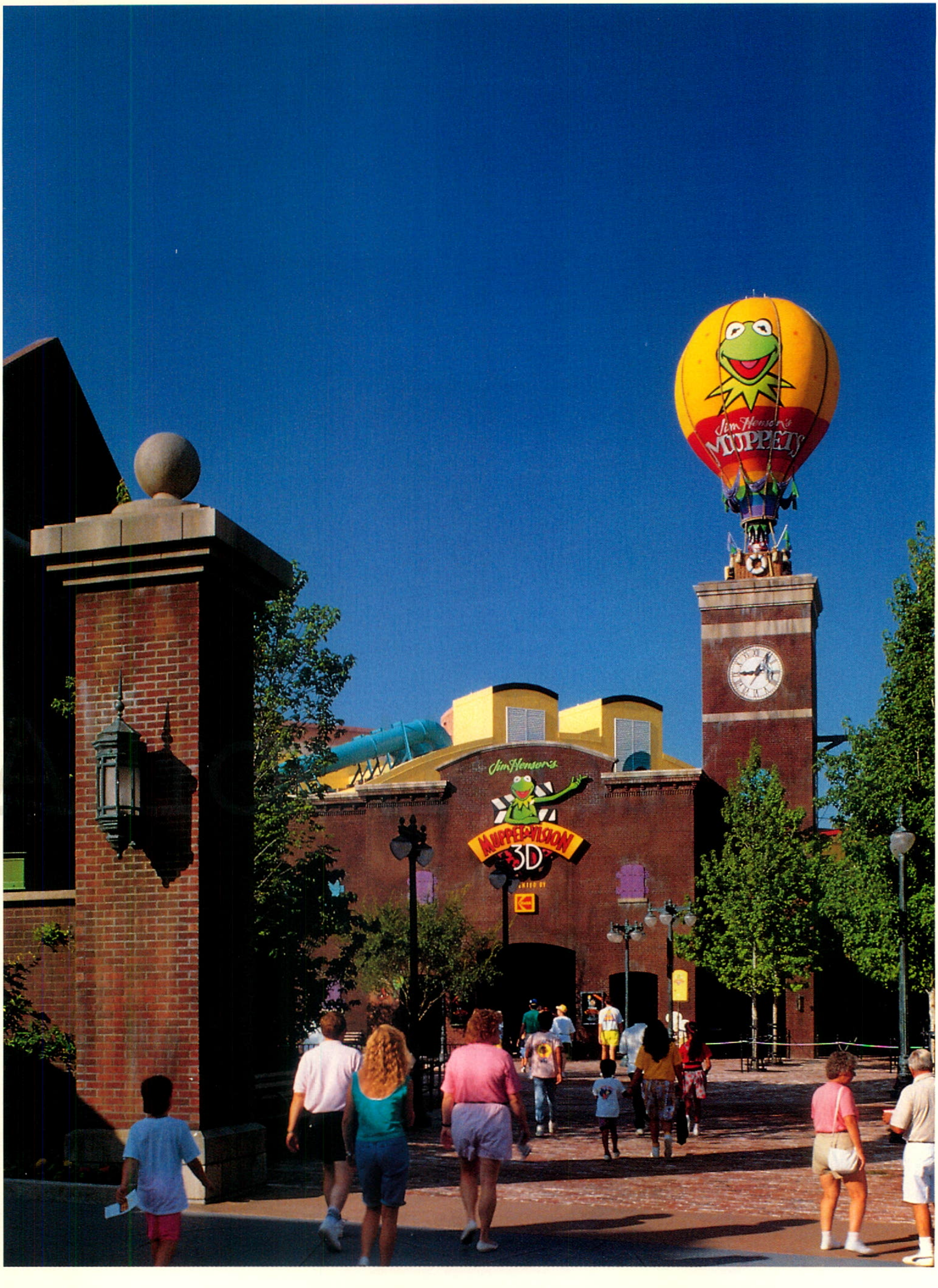
The show will feature parading pink elephants from the classic film "Dumbo" and characters from "Beauty and the Beast" —as well as lasers, fireworks and holographic figures projected on 50-foot-high "screens" of water.

In 1993, Mickey's Toontown will enable guests to see the "homes" of the famous Disney characters, including Mickey, Minnie, Donald and Chip 'n Dale. It is the first new "land" in the park in two decades.

Later that year the Roger Rabbit Ride—built around the Benny the Cab character in "Who Framed Roger Rabbit"—will open there. The Toontown Trolley will link Mickey's Neighborhood with downtown Toontown.

As part of the strategy to turn the park into a true destination resort, the company completed the multi-million-dollar refurbishment of the Disneyland Hotel, located on 60 manicured acres just a monorail ride west of the Magic Kingdom.

In addition to enormous improvements in guest room decor and furnishings, the hotel boasts a renovated Grand Ballroom and Exhibit Hall—150,000 square feet


Jim Henson's
MUPPETS
Jim Henson's
MUPPET*VISION
3D


DUMBO


Live!
Afternoon Avenue

of meeting and convention space. In fact, guests can vacation in the park and hotel without ever leaving "terra Disney."

Even before the improvements were completed, the hotel received significant recognition. Citing results of a reader survey, *Family Circle* magazine named the Disneyland Hotel its Family Resort of the Year in the general resorts category.

TOKYO DISNEYLAND

Tokyo Disneyland's eighth year was its most successful. The park in fiscal 1991 neared 16 million in attendance for the first time and welcomed its 100-millionth guest.

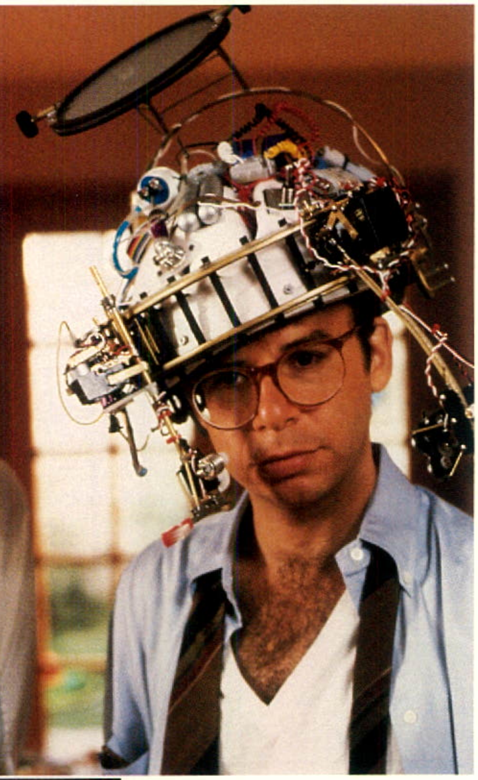
Spring brought the debut of the Disney Party Gras Parade. In the fall, the Mickey Mouse Carnival added a Latin festival touch that played to capacity crowds.

Expansion plans continue on schedule. The flume installation for Splash Mountain is near completion, and the attraction is expected to open next fall. Adventureland Marketplace, a food-and-drink facility, also will be ready in 1992. Design and development work continues for the Swiss Family Treehouse, to open in mid-1993.

Occupancy at the five official hotels adjacent to the park in the Maihama resort area remained high throughout the year, indicating that guests are visiting Tokyo Disneyland for longer periods than before.

To encourage longer guest visits, Disney and the park's owner, the Oriental Land Co., Ltd., continue to discuss a second theme park adjacent to Tokyo Disneyland.

LEFT PAGE, TOP TO BOTTOM: THE DISNEYLAND RAILROAD CIRCLES THROUGH A WOODED AREA; ALL-NEW DUMBO THE FLYING ELEPHANT ATTRACTION AND ENTRANCE TO AFTERNOON AVENUE, BOTH IN FANTASYLAND; THIS PAGE, PARTY GRAS AT TOKYO DISNEYLAND; CEREMONY MARKING THE 100 MILLIONTH GUEST AT THE JAPANESE PARK.



1991 was another very profitable year for The Walt Disney Studios. Revenues grew 15 percent and earnings grew two percent despite the national recession and a downturn at the box office.

This was the year that the diversification strategy executed during the past seven years under the leadership of Chairman Jeffrey Katzenberg and President Richard Frank paid off. Network television, animation, home video, syndicated television and The Disney Channel all made sizable contributions to the studios' overall results.

MOTION PICTURES

Even though none of its live-action theatrical releases enjoyed break-out success, The Walt Disney Studios was still in the chase to finish one-two-three at the U.S. box office as calendar year 1991 came to a close.

Among the films that found favor with audiences were "Three Men and a Little Lady," "Green Card," "White Fang," "What About Bob?," "The Doctor" and the classic "101 Dalmatians," which became the most successful animated re-issue ever.

But the most important achievement for 1991 was in the back office, not the box office. In recent years, throughout the film industry, production costs have skyrocketed, threatening overall profitability. Beginning in January, Disney Studios management began a concerted effort to roll back these costs. As a result, films are now being produced at Disney for budgets that average significantly below 1990 levels and well below the industry average.

The studios ended 1991 with two memorable offerings for the holiday season—"Beauty and the Beast" and "Father of the Bride."

"Beauty and the Beast" was Disney's 30th feature-length animated film. Critics and moviegoers agreed that it was a fitting addition to the Disney animation legacy as it became one of the most widely praised films of the entire year.

Joel Siegel of ABC's "Good Morning America" said: "This is up there with 'Cinderella,' 'Pinocchio,' even 'Snow White.'" Jim Svejda of the CBS Radio Network went even further and said, "'Beauty and the Beast' is Disney's crowning achievement and probably the greatest animated film of all time."

In its first weekend in wide release, "Beauty and the Beast" grossed $9.6 million, the most successful opening for a new animated film in Hollywood history. It shattered the previous record, set by "The Little Mermaid," by more than $3.5 million.

In December came Touchstone Pictures' "Father of the Bride," starring Steve Martin, Diane Keaton, Martin Short and newcomer Kimberly Williams. In this remake of the classic 1949 comedy, Martin brings his unique comedic talents to the story of a father who must endure endless—and expensive—wedding preparations.

1991 was an exceptional year at the international box office. The studios' top three titles for the year, "Pretty Woman," "Three Men and a Little Lady" and "The Little Mermaid," grossed nearly $400 million overseas. "Pretty Woman's" popularity in foreign markets was even greater than in the U.S. as it became the second most successful

"BEAUTY AND THE BEAST" (LEFT) RECEIVED CRITICAL ACCLAIM AND WENT ON TO BREAK BOX OFFICE RECORDS AS DISNEY'S 30TH FULL-LENGTH ANIMATED FILM; COMING THIS SUMMER IS "HONEY, I BLEW UP THE BABY," IN WHICH RICK MORANIS AND MARCIA STRASSMAN REPRISE THEIR ROLES AS WAYNE AND DIANE SZALINSKI.

international release of all time.

Because of the studios' increasing success overseas and its greater volume of releases, it will end its distribution relationship with Warner Brothers International and begin distributing its own films in 1993. This should increase profitability and create the potential for further business expansion through the distribution of non-Disney films.

In 1992, a record 25 films will be released. Among them are "Medicine Man," starring Sean Connery and Lorraine Bracco; "Noises Off" with Carol Burnett, Michael Caine, Julie Hagerty, Christopher Reeve and John Ritter; "Hand That Rocks the Cradle," starring Rebecca De Mornay; "Newsies" with Robert Duvall and Ann-Margret; and the sequel to the 1989 hit, "Honey, I Shrunk the Kids" —"Honey, I Blew Up the Baby."

For lovers of Disney animation, this summer will bring the re-issue of one of the all-time classics, "Pinocchio," and, in the fall comes an all-new animated release, "Aladdin." With songs by "The Little Mermaid's" Academy Award-winning team of Alan Menken and the late Howard Ashman, "Aladdin" is a memorable retelling of the classic tale of an adventurous boy and his genie, whose voice will be provided by the inimitable Robin Williams.

"NEWSIES," A MUSICAL, RETELLS THE INSPIRING STORY OF THE 1899 STRIKE OF NEWSPAPER BOYS AGAINST LEGENDARY PUBLISHING GIANTS WILLIAM RANDOLPH HEARST AND JOSEPH PULITZER.

NETWORK TELEVISION

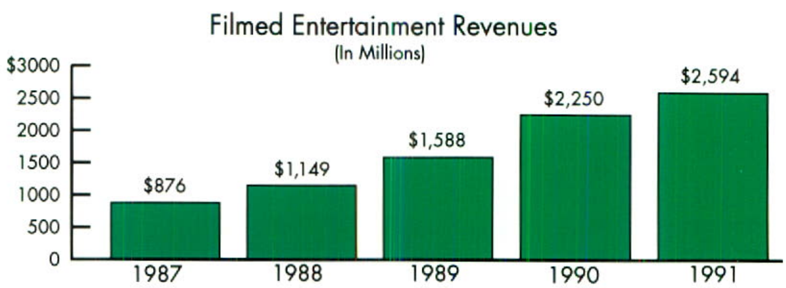
In 1991, the studios realized its goal to become a major player in network television.

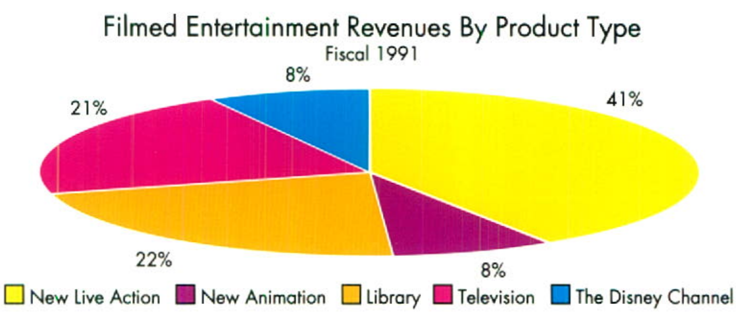
In the spring, two new shows were successfully introduced—"Blossom," starring Mayim Bialik as a girl facing the challenges of growing up in an all-male household, and "Dinosaurs," about the life and times of a blue-collar family of dinosaurs 60,000,003 years ago.

For the fall season, Disney succeeded in having six of its seven pilots picked up, more than any other studio. Of these, "Nurses" and "Herman's Head" have achieved solid popularity. A third—"Home Improvement"—is the highest-rated new show of the season.

In November, "Walter and Emily" was added to the network lineup. "Walter and Emily" stars Cloris Leachman and Brian Keith as contentious spouses who are asked by their divorced son to move in to help raise his son.

Jeffrey Katzenberg (right), chairman, and Richard Frank, president, The Walt Disney Studios






The World
TROLLEY STRIKE DRAGS
ON FOR THIRD WEEK
The
TROLLEY ST
ON FOR TH

The new show joined the perennial favorites, "The Golden Girls" and "Empty Nest" and—on Saturday mornings—"The New Adventures of Winnie the Pooh" and "Darkwing Duck," to bring the Disney network presence to 12 series.

In the fall of 1992, the studios expects to premiere a new series from Neal Marlens and Carol Black, creators of "The Wonder Years." The show focuses on a female physician constantly torn between her practice and her family.

Also in the fall, a very special animated series will make its debut on Saturday mornings—"The Little Mermaid." It will be based on the hit movie and will be introduced with a prime-time special.

Disney TV movies will crop up throughout the year, such as "In the Nick of Time," starring Lloyd Bridges as a St. Nicholas who suddenly realizes that his 300-year term as Santa is almost up and that he must find a suitable replacement by Christmas Eve. On Mother's Day comes "Dayo," starring Delta Burke as a woman whose imaginary childhood friend (Elijah Wood) returns to wreak havoc.

THIS PAGE: VICE CHAIRMAN ROY E. DISNEY AND FRIEND WERE ALL SMILES AFTER THE SUCCESSFUL GALA OPENING OF "BEAUTY AND THE BEAST" AT THE HISTORIC EL CAPITAN THEATER, HOLLYWOOD. RIGHT TOP TO BOTTOM, STEVE MARTIN AND KIMBERLY WILLIAMS STAR IN THE TOUCHSTONE COMEDY, "FATHER OF THE BRIDE;" REBECCA DE MORNAY AND ERNIE HUDSON STAR IN HOLLYWOOD PICTURES' "HAND THAT ROCKS THE CRADLE;" DAMIAN CHAPA, JESSE BORIEGO AND BENJAMIN BRATT IN "BLOOD IN, BLOOD OUT," A DRAMA ABOUT LIFE IN THE LOS ANGELES BARRIO.

SYNDICATED TELEVISION

The Disney Afternoon was successfully launched into domestic syndication in 1991. Its component series—"Talespin," "Chip 'n Dale's Rescue Rangers," "DuckTales" and "The Adventures of the Gummi Bears"—went on to become four of the six top-rated animated shows on syndicated television.

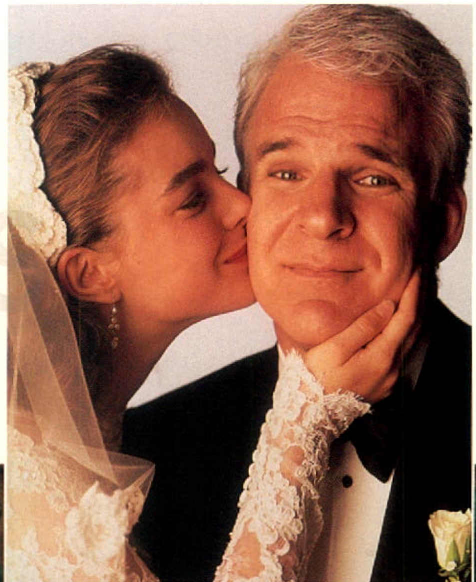
In September, a new Disney Afternoon show was introduced—"Darkwing Duck," which replaced "Gummi Bears." It quickly shot up to number one in the ratings. It also became the first show to make its debut simultaneously as a Saturday morning network series, catapulting ABC to number one in its time period.

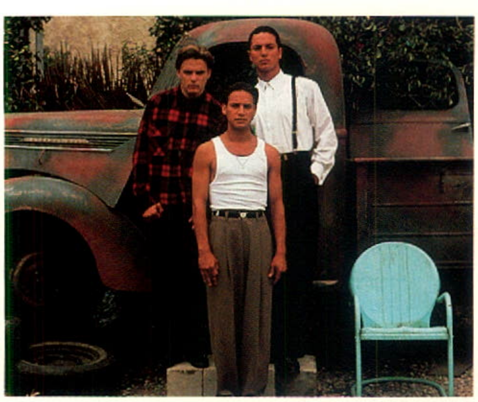
Another new show will make its debut on The Disney Afternoon in the fall—"Goof Troop," starring one of Disney's most popular characters, Goofy. The show will profile his home life in suburbia with his wisecracking son Max.

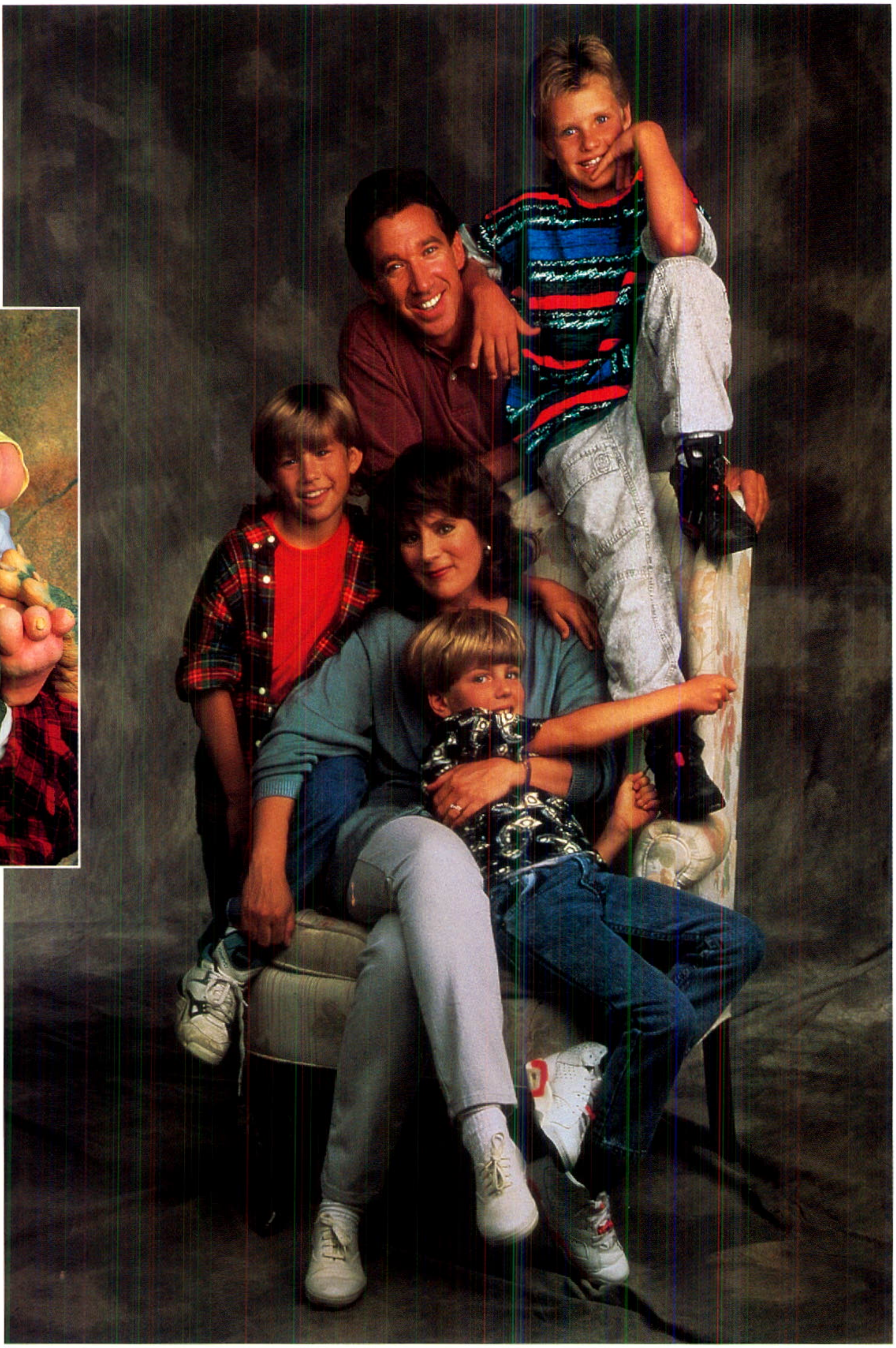
For adult TV viewers, Disney offers "Regis & Kathie Lee," America's fastest-growing talk show. Its national rating has jumped 19 percent over last season. Meanwhile, "Siskel & Ebert" continues to be the most popular and most imitated movie review show on television.

In 1991, "The Golden Girls" was released into syndication and became the highest-rated off-network half-hour show. This bodes well for "Empty Nest," now being actively marketed and available for syndication for the fall of 1993.

Studios







A major agreement was concluded during the year to sell 50 Disney, Touchstone and Hollywood films into domestic syndication. The deal will produce 20 percent greater revenues than previous film syndication packages.

In international syndication, Disney has scored a ratings smash with locally produced shows called "The Disney Club." The clubs share a common Disney spirit while each maintains a unique nationality and identity. By the end of the year, 10 clubs were on the air in nations from Italy to Venezuela to Australia. In Europe alone, the Disney Clubs command a weekly audience of more than 50 million people. This is not only remarkable in itself but spreads the word that Euro Disney is coming in 1992.

On the other side of what used to be the Iron Curtain, a show called "Walt Disney Presents" is on the air in the Soviet Union, Poland, Hungary and Czechoslovakia, where it is consistently among the top three rated programs in each country. The show reaches 135 million viewers each week. Disney is the only studio with programs in all four of these markets.

THE DISNEY CHANNEL

The Disney Channel had an outstanding year in 1991, increasing its subscriber base by 650,000—especially remarkable in a year in which other pay services lost customers.

In fact, during calendar 1990 almost 70 percent of the pay industry's total net subscriber growth was from the channel. And in the first half of calendar 1991, The Disney Channel was the only pay service in the entire industry to gain subscribers.

This success comes from The Disney Channel's unique blend of programming, which offers something for every member of the family—from "Jim Henson's Mother Goose" for the very young to the new "Mickey Mouse Club" for teens to specials like "Paul McCartney, Comin' Home" for their parents. In addition, series like "Avonlea" appeal to the entire family.

Coming in March is a weekday series called "Adventures in Wonderland." It will center on a modern-day Alice who takes daily trips to Wonderland, where characters like the Mad Hatter and the White Rabbit help her solve challenging problems...like what's the "k" doing in "knot?"...and why isn't the plural of "mouse" "mouses"? In the process, young Disney Channel viewers will learn important language skills in an entertaining and light-hearted half-hour.

"Adventures in Wonderland" is just one more example of the channel's constant effort to provide fresh, original programming.

LEFT TO RIGHT: THE LIFE OF A TYPICAL DINOSAUR FAMILY IN 6,000,003 B.C. IS PORTRAYED BY EARL AND BABY SINCLAIR ON THE HIT SHOW "DINOSAURS"; "HOME IMPROVEMENT," STARRING TIM ALLEN, BECAME THE HIGHEST-RATED NEW SHOW ON NETWORK TELEVISION; THE NEWEST ADDITION TO THE DISNEY AFTERNOON LINEUP IS DARKWING DUCK, WHO BATTLES CRIME TO KEEP THE STREETS OF ST. CANARD SAFE FOR LAW-ABIDING DUCKS.

HOME VIDEO

In domestic home video, Disney was number one in market share for the fourth consecutive year. This was due largely to the success of such sell-through titles (videos marketed at low prices that encourage consumers to purchase rather than rent them) as

"Robin Hood," "Pretty Woman" and "The Jungle Book," the latter two joining the all-time top-ten list.

The business was also boosted by the sale of some two million units of "Rocky and Bullwinkle," the classic animated TV series whose rights were acquired by the studios.

At the same time, home video recorded major successes in the rental market with "Arachnophobia," "Three Men and a Little Lady" and "Dick Tracy." The latter set a record for rental sales at 480,000 units.

CLOCKWISE FROM TOP LEFT: "EMPTY NEST" WILL BE AVAILABLE FOR SYNDICATION FOR FALL 1993; "FANTASIA" BECAME THE TOP-SELLING WORLDWIDE HOME VIDEO RELEASE OF ALL TIME; THE NEW MICKEY MOUSE CLUB CONTINUES TO BE A DISNEY CHANNEL FAVORITE; "ROCKETEER" COMES TO HOME VIDEO FEB. 5; BEGINNING IN MARCH, THE MAD HATTER AND THE MARCH HARE JOIN ALICE WEEKDAY MORNINGS FOR THE DISNEY CHANNEL'S "ADVENTURES IN WONDERLAND."

In the fall, one of the most eagerly awaited Disney classics, "Fantasia," was released and went on to become the biggest-selling worldwide video release of all time. This was particularly significant since "Fantasia" will next be released in theaters later in the decade as "Fantasia Continued," with some of the original segments replaced with new ones. This will fulfill the original dream of Walt Disney, who wanted the film to change and evolve over time.

In international markets, Disney recorded exceptional growth, with sell-through sales virtually exploding in every major market. "Lady and the Tramp" took over as the all-time best-selling video overseas. This record is expected soon to be broken by the international video release of "The Little Mermaid" and "Fantasia."

Disney's pioneering work in sell-through video internationally, not only with the animated classics but also with such mainstream features as "Pretty Woman" (in a few major territories), "Dead Poets Society" (France) and "Three Men and a Little Lady" (UK), has made it number one in a majority of countries for the first time.

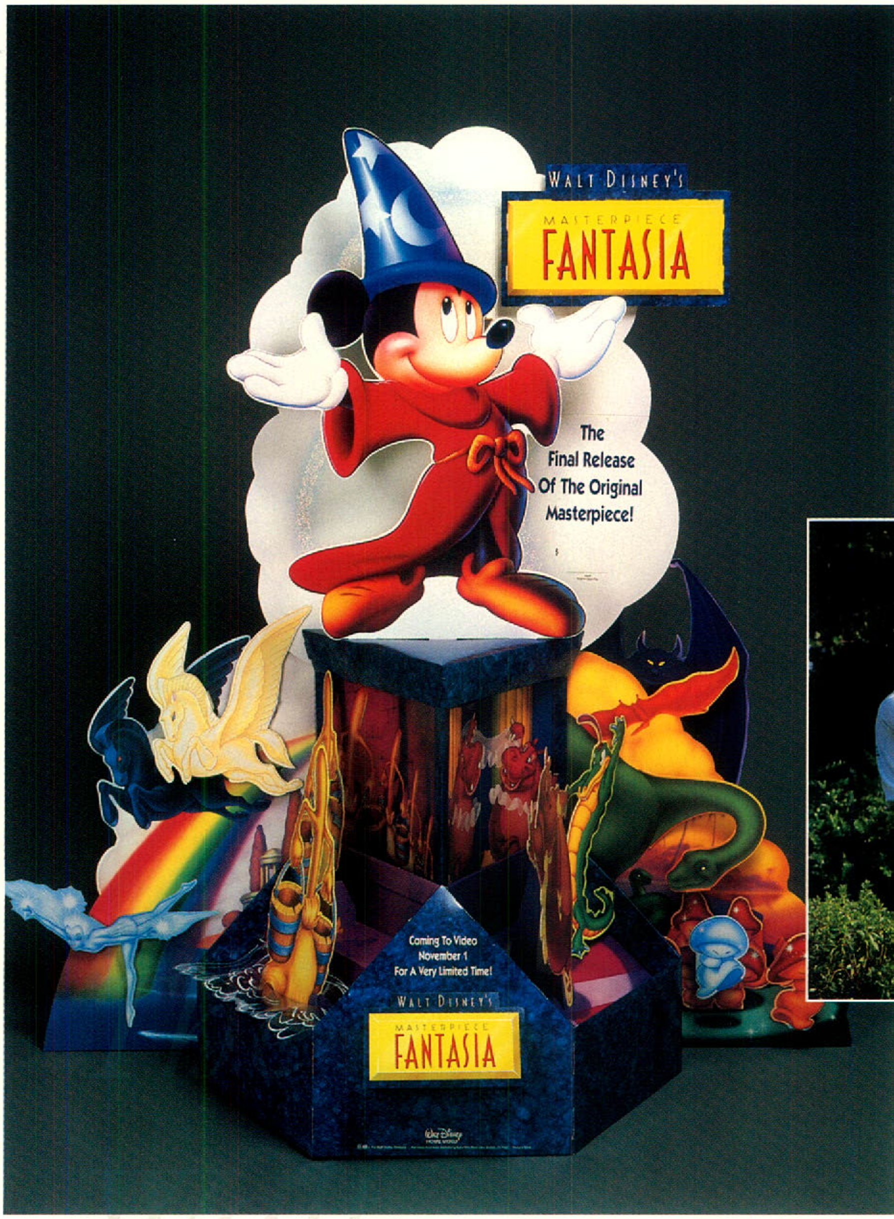
KCAL-TV

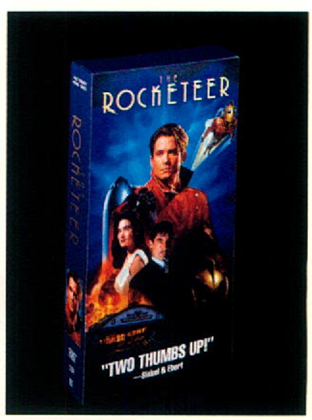
Independent station KCAL-TV continued to show steady growth in Southern California. The station's market share increased, and the ratings for its landmark three-hour news program went up seven percent.

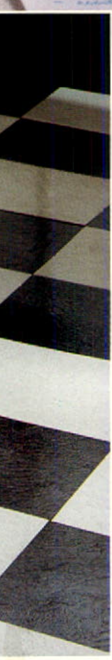
The quality of this prime-time show was recognized in 1991 when KCAL-TV received the broadcast news industry's highest award—the Golden Mike—as best newscast in Southern California. It was the first time the award has ever gone to an independent station. In addition, KCAL-TV was nominated for an unprecedented 35 local Emmys.

But KCAL offers more than just news. The station is aggressively working to provide a comprehensive blend of sports and entertainment for all ages.

It recently signed a five-year contract to remain the exclusive local broadcast outlet for the Los Angeles Lakers. Additionally, it has begun a four-year agreement to broadcast a number of football games for the Los Angeles Raiders.


WALT DISNEY'S
MASTERPIECE
FANTASIA
The Final Release Of The Original Masterpiece!
Coming To Video November 1 For A Very Limited Time!
WALT DISNEY'S
MASTERPIECE
FANTASIA


THE ROCKETEER
"TWO THUMBS UP!"
—Siskel & Ebert



Despite the U.S. retail recession, overall profits for Disney Consumer Products grew in 1991, thanks to excellent results at the Disney Stores, along with publishing and merchandise sales in Europe and Asia.

Profits were affected by investments in long-term growth, but new ventures began to bear fruit by year end. Disney's book-publishing companies produced their first titles before Christmas.

Though recession-battered retailers in the United States could not afford to stock Disney products fully, sales were strong for Disney Babies infant goods and products related to "101 Dalmatians" and "The Little Mermaid." Sales also grew at Disney Stores open more than a year, showing that Disney merchandise retains its fundamental appeal.

Disney Store openings continued apace. By October 123 stores were in operation. The 100th store opened in July in Daytona Beach, Fla., almost a year ahead of original plans. The first four international stores in the British Isles, including one in Glasgow, Scotland, were among the best-performing Disney Stores in the world.

MICKEY'S SOLID COLORS BEDDING BY WAMSUTTA PACIFIC HAS BEEN POPULAR AT DEPARTMENT STORES; CERAMIC FANTASIA MICKEY AND HIS BROOM TEAM ARE PART OF THE WALT DISNEY CLASSICS COLLECTION.

The stores are now a solid profit contributor, having left the phase where the cost of opening new stores used up profits of existing stores. They are important Disney ambassadors as well. Dramatic product presentation and friendly service led to more than 70 million guest visits in 1991. Dozens of new stores will open in 1992 in the United States, the United Kingdom and Germany.

Disney scored strong gains in several merchandise categories. In the U. S., Disney Babies products increased their market share among infant product brands. Research showed that new mothers are beginning to ask for Disney Babies goods by name. In 1992, all 50 Disney Babies licensees will expand their lines with new products based on Bambi and Thumper.

The popular Mickey & Co. apparel line was reintroduced by licensees Mamiye Brothers and Donnkenny and expanded with Baby Mickey & Co. infant apparel. The long-standing agreement with Mattel for infant and pre-school toys was extended by 10 years and expanded to include Mattel's participation in Disney theme parks.

In film licensing, merchandise tied to the summer release of "101 Dalmatians" was more successful than for any other animated film in reissue. Creative apparel designs from H.H. Cutler drew especially strong response from retailers and consumers.

Among new businesses, Disney Press and Hyperion Books for Children showed excellent sales for their first 45 children's titles. Several went into second printings; *The Little Mermaid* pop-up book went into a third printing.

The Hyperion general-interest imprint for grown-ups delivered nine books, including "Conversations With Brando" and "12 Steps Illustrated." "The Art of Mickey Mouse," which presented interpretations of Mickey by more than 100 well-known artists, drew positive critical response.

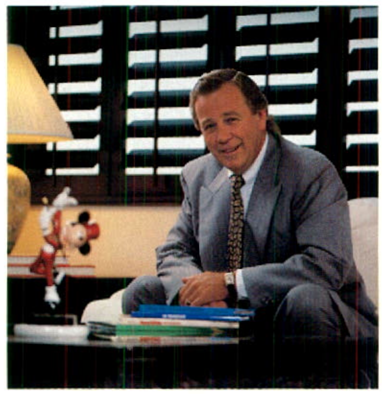
Disney Books by Mail's new *Minnie 'n Me* and *Disney Babies* direct-response book series attracted almost 300,000 families. Two additional products will be launched in 1992.

In September, Disney Publishing purchased the rights to *Discover* magazine. Operation of *Discover* will lead to science tie-ins with Epcot, The Disney Channel and book publishing. *Disney Adventures* increased advertising revenues in a tough year and began a direct-mail subscription drive at year's end.

As always, creativity and innovation were priorities. Disney Audio Entertainment produced the "Rocketeer" story tape with convincing 3-D audio sound, plus a 48-page 3-D comic book and 3-D glasses. The product proved so popular it was difficult to keep in stock.

Disney Software's licensee Capcom introduced "Little Mermaid," the first Nintendo game ever designed for girls. It received widespread publicity and immediately became Capcom's best-selling Nintendo game.

Walt Disney Records, the children's music company, continued its strong performance, especially in sales of "The Little Mermaid," "Jungle Book" and "Fantasia" soundtracks. An original album of Caribbean songs starring Sebastian the Crab was also a success. Sebastian, with the voice of singer Samuel E. Wright,



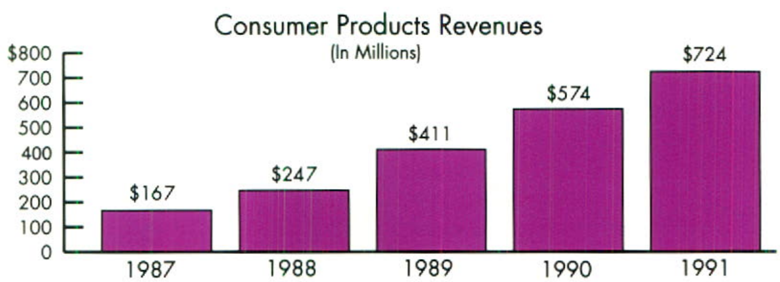
Barton K. Boyd
President, Consumer Products

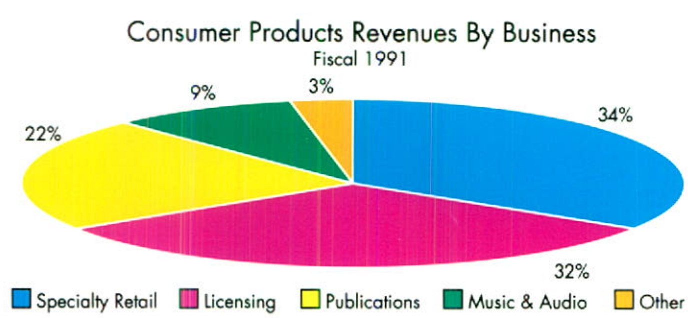
released a second album—"Party Gras"—in the fall.

Walt Disney Records also raised more than $2 million for the Pediatric AIDS Foundation with "For Our Children," songs performed by 22 popular singers. Bob Dylan sang "This Old Man" and Little Richard did his version of the "The Itsy Bitsy Spider." Disney Press published the lyrics of "For Our Children," illustrated by top children's artists.

In Europe, retail sales of Disney goods reached a record $2 billion, more than three times the level only four years earlier. Publishing was still the dominant segment.

Topolino in Italy hit an all-time high of 723,546 copies in one week, and a publishing joint venture with Hachette in France got off to a strong start. At year end, Europe had 85 weekly and monthly Disney magazines in 24 languages. Weekly readership was 23 million.





CLOCKWISE FROM TOP CENTER: LINE OF SCHOOL SUPPLIES BY MEAD; SKELETON MICKEY WATCH WITH CASE AND MICKEY POCKET WATCH BY SEIKO/PULSAR; NUTCRACKER MICKEY BY KURT S. ADLER, WINNIE THE POOH CLOCK FROM JAPAN, HOLIDAY MINNIE DOLL BY MATTEL, OPERATING HANDCAR BY LIONEL, MAD DOG BISQUE FIGURINE FROM THE DISNEY STORES; PUBLICATIONS FROM DISNEY PRESS AND HYPERION, NEWLY ACQUIRED *DISCOVER* MAGAZINE, ITALY'S *TOPOLINO* AND *DISNEY ADVENTURES* MAGAZINE.

DISNEY CONSUMER PRODUCTS

Circulation for all Disney magazines in Eastern Europe was more than a million copies a month. Publisher Gutenberghus introduced the first Mickey Mouse magazines in Romania, Lithuania and Bulgaria. Circulation for *Micky Maus* magazine in Germany grew almost 80 percent after it was reintroduced into what formerly was East Germany.

Consumer Products provided a real boost to Euro Disney's planned April 12 opening. Tie-ins with Mattel, Nestle, McDonald's, major retailers and catalog firms eventually will create more than $30 million in media exposure for the park. In October, 20 Disney publications in Europe carried the same cover art celebrating the unveiling of the Sleeping Beauty Castle.

The sound of Disney music was everywhere. In France, Anne's second album helped her become the number-three female singer in the country. Arianna in Italy, Gwen in Germany, Michelle in Spain and Sandra and Joao in Portugal were also successfully introduced.

In Asia, the confluence of affection for Disney characters and rapidly developing economies continued to demonstrate the potential for sustained growth. Business in the region, which includes the enormous Japanese market, increased by a third.

Sales of character merchandise in Japan were second only to the U.S., spurred by such new designs as the colorful Rainbow Mickey patterns. In Tokyo, Disney presented a wealth of Japanese products from 100 licensees at the Character Goods Grand Fair. Some 6,000 retail, wholesale and distribution specialists were there.

More programs were designed to reach across borders. A line of Disney Babies products was introduced in Taiwan, including Disney Lullaby Classics sung in Mandarin. The program is being extended to Hong Kong and Singapore.

Mickey magazine, launched in English in Taiwan last year, is now published in Taiwanese for Taiwan, in Mandarin for Singapore and Malaysia, and in the Bahasa Malaysia dialect as well. In Australia, popular personality Johnny Young spread the message that "learning and fun go hand in hand with Disney." This program is also primed for export.

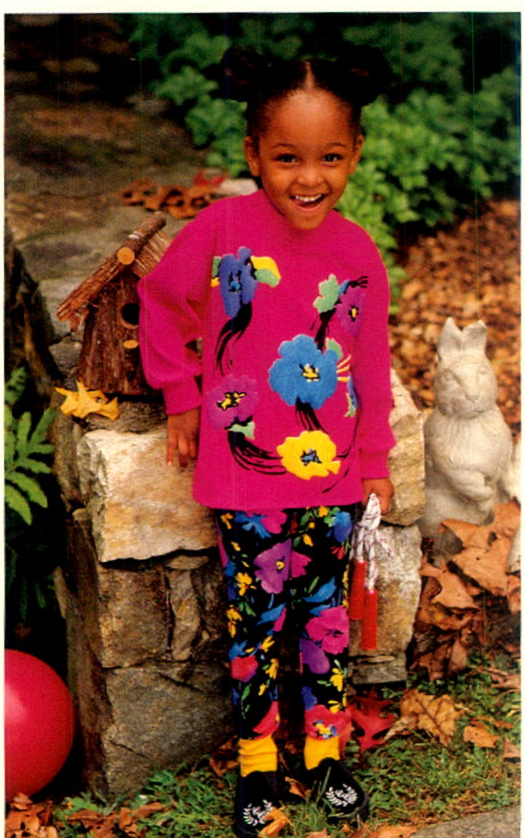
Profits in Latin America were up more than 40 percent during 1991, thanks to the presence of seven regional offices to more closely manage relations with licensees. Disney also signed important promotional agreements there with Johnson & Johnson and Avon for personal care products.

Disney comics continued to generate enthusiasm: 26 million copies were sold in Brazil alone.

Back in the U.S., Disney Direct children's catalog operations, sensitive to economic swings, experienced setbacks in the recession. But a new apparel catalog, Playclothes by Childcraft, was an immediate success. It has the potential to become a major contributor in coming years.

Disney Educational Productions released 44 films, videos and filmstrips for the classroom. They focus on health, guidance, safety and environmental issues.

Two videos produced in association with the Los Angeles County Sheriff's DARE anti-drug program sold very well—"DARE to Care," featuring actor Edward James Olmos, and "DARE to Say No." "Return to Sender" for elementary students tells the story of a young girl who is cured of littering when she finds her own litter mysteriously being returned to her bedroom.



LEFT TO RIGHT: COLLECTIBLE CINDERELLA DOLL BY FRANKLIN MINT; MICKEY & CO. SWEATER BY DONNKENNY; TODDLER'S TWO-PIECE LEGGINGS SET FROM DISNEY'S PLAYCLOTHES CATALOG.

Walt Disney Imagineering makes magic. It's as simple as that.

More than 2,500 Imagineers—artists, writers, designers, engineers and other specialists—build the theme parks and attractions that bring fantasy to life for people the world over. And nothing better illustrates the division's mission than its achievements at the new Euro Disneyland theme park near Paris.

Presented a blank slate in 1987 for this European version of the Magic Kingdom, 800 Imagineers have conjured up a Disney resort with a distinct Continental accent—even while retaining such features as the traditional American Main Street. The Disneyland Hotel at the main entrance recalls the splendor of a Victorian-era seaside resort.

CLOCKWISE FROM TOP CENTER: EAR FORCE ONE BALLOON OVER MOSCOW; PROGRAMMING THE DRAGON IN DUNGEON OF THE SLEEPING BEAUTY CASTLE, EURO DISNEYLAND; IMAGINEERING PROJECT TEAM AT WORK ON MODEL FOR MICKEY'S TOONTOWN; ILLUSTRATION OF PROPOSED RUSSIA PAVILION AT WALT DISNEY WORLD.

Imagineers also created the park's Circle-Vision® attraction, the first to bring Audio-Animatronics,® three-dimensional animation and special effects to the 360-degree film medium. Some of Europe's biggest motion picture stars—Michel Piccoli, Jean Rochefort, Nathalie Baye, Franco Nero—portray such noted historical figures as Jules Verne, Louis XV, Madame de Pompadour and Leonardo da Vinci.

Already, Imagineering is looking past the park's April opening to a pair of attractions based on Disney movies, "The Little Mermaid" and "Beauty and the Beast," that will premiere in Fantasyland in 1994. Planned later in the decade is Discovery Mountain, inspired by Jules Verne's *From the Earth to the Moon*, where guests will careen through a thrilling adventure in space exploration vehicles.

At Walt Disney World, the unprecedented teaming of the late Jim Henson and his Muppeteers with a group of Imagineers produced "Jim Henson's Muppet*Vision 3D," the first film to combine Audio-Animatronics with in-theater special effects. Opened last summer, this unique collaboration at the Disney-MGM Studios Theme Park required the contributions of nearly all of WDI's disciplines—from electromechanical assembly and industrial design to optics engineering and plastics fabrication.

In 1994, the studios park will unveil Sunset Boulevard, including restaurants, shops and the Twilight Zone Tower of Terror, an attraction within the haunted halls of a venerable Hollywood hotel.

Martin A. Sklar (right), president of Walt Disney Imagineering, and Mickey Steinberg, executive vice president

Imagineers continue to develop plans for the Russia pavilion at Epcot Center. Its centerpiece, "Russia, the Bells of Change," will use Audio-Animatronics characters, film, animated props and live actors to portray the volatile history of this vast land.

During 1992 Imagineering will open two new versions of Disneyland's Splash Mountain attraction almost simultaneously at Tokyo Disneyland and at the Walt Disney World Magic Kingdom.

In California, Mickey's Toontown, a completely new "land," will open in 1993. The cartoon hometown of Mickey Mouse and all the Disney characters, it will include the zany Toontown Trolley transportation system and a rollercoaster-style ride based on the cartoon series "Chip 'n Dale's Rescue Rangers."

magineering

It was a year of vastly widened horizons for Disney Development Company, the division that plans and develops new projects in Florida, California and Europe.

In late fall it launched the Disney Vacation Club, an innovative plan by which a member can buy a real estate interest in vacation accommodations at Walt Disney World. Vacation homes range from studio to one, two and three bedrooms in a "turn of the century" Key West theme, located on the Lake Buena Vista golf course. In addition, members can vacation at more than 100 resorts offered through Resort Condominiums International, Inc., the world's largest vacation resort exchange company.

While the Disney Vacation Club concept is similar to other time-share offerings, its unique vacation points system affords members unprecedented flexibility in choosing the time of year, length of stay and those accommodations best suited to their needs. Other features of this plan include travel planning and theme park admission benefits.

CLOCKWISE FROM TOP RIGHT: DISNEY VACATION CLUB ACCOMMODATIONS IN FLORIDA COME WITH ONE, TWO AND THREE BEDROOMS; THE SPECTACULAR NEW TEAM DISNEY BUILDING AT WALT DISNEY WORLD; CONVENTION CENTER, GRAND FLORIDIAN RESORT; HOTEL CHEYENNE AND HOTEL NEW YORK AT EURO DISNEY RESORT.

Peter S. Rummell
President, Disney Development Company

At the southern edge of Walt Disney World, groundbreaking is scheduled in 1993 for Celebration, a 5,000-acre resort town. Neighborhood design will be reminiscent of a simpler time, yet the services and facilities will be up-to-the-minute. The project is under review by government agencies.

Hotel development continues to be a high priority in Florida. Plans were announced for the 3,800-room All Star Villages Resort, with the grand opening scheduled for 1994. Work continues on the design of the Disney Boardwalk, Fort Wilderness Lodge and Mediterranean Resort, all due to open in mid-decade.

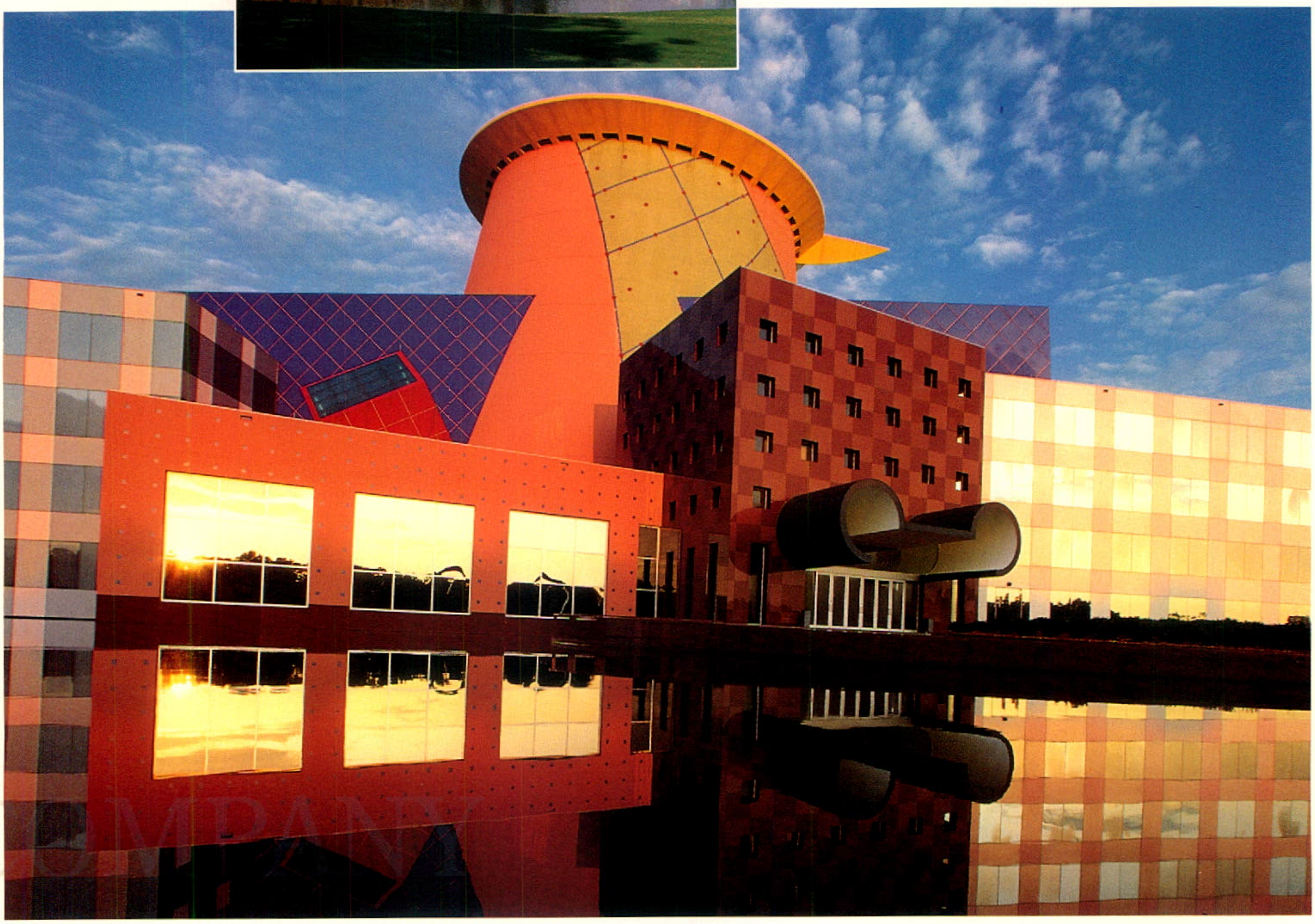
Disney's Yacht and Beach Club Resort, Disney's Port Orleans Resort and the Team Disney office building were completed during the year, along with convention facilities at the Yacht and Beach, Grand Floridian and Contemporary Resorts. The Dixie Landings Resort and the 36-hole Bonnet Creek Golf Club will open early in 1992.

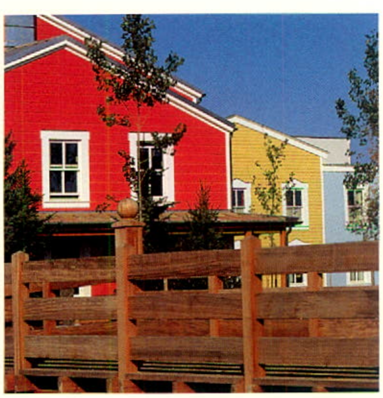
In France, six Euro Disney hotel projects are near completion. They offer a variety of accommodations: the luxurious Disneyland and New York hotels, the first-class Sequoia Hotel and Newport Bay Club, the moderately priced Cheyenne and Santa Fe.

In addition, the division is completing a 600-unit campground, a 27-hole championship golf course and the 180,000-square-foot Festival Disney retail, restaurant and entertainment facility.

Planning continues for Euro Disney's second phase, including the Team Disney office headquarters, a 350,000-square-foot convention center and 3,400 additional hotel rooms. Expansion of the campground and construction of a water park will follow.

Disney Development also remains busy in Southern California, where it has unveiled plans for a second theme park either adjacent to Disneyland or on the Long Beach oceanfront. Master planning work continues on the long-term build-out of Disney's Burbank studio lot and other corporate facilities.





As it completes its second year of operation, Hollywood Records continues to position itself to become a worldwide competitor in the $25-billion-a-year popular music business.

From the start, Hollywood Records has sought fresh young talent rather than bidding for costly established acts—a small roster with strong fan following. In 1991 this hand-picked lineup began to pay dividends.

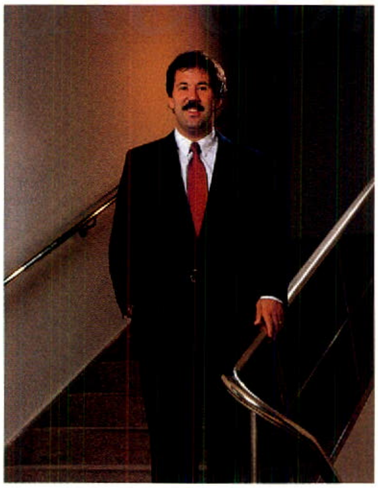
The Party, comprising five former Mouseketeers, appears to be approaching superstar status in a number of markets. In addition, The Scream's debut album, "Let It Scream," got off to an impressive start with sales of more than 60,000 units in the first two months of release.

November saw the eagerly awaited debut album from Raw Fusion, and releases are scheduled early in 1992 for three of Hollywood Records' most promising artists—Edan, The Pleasure Thieves and T-Ride.

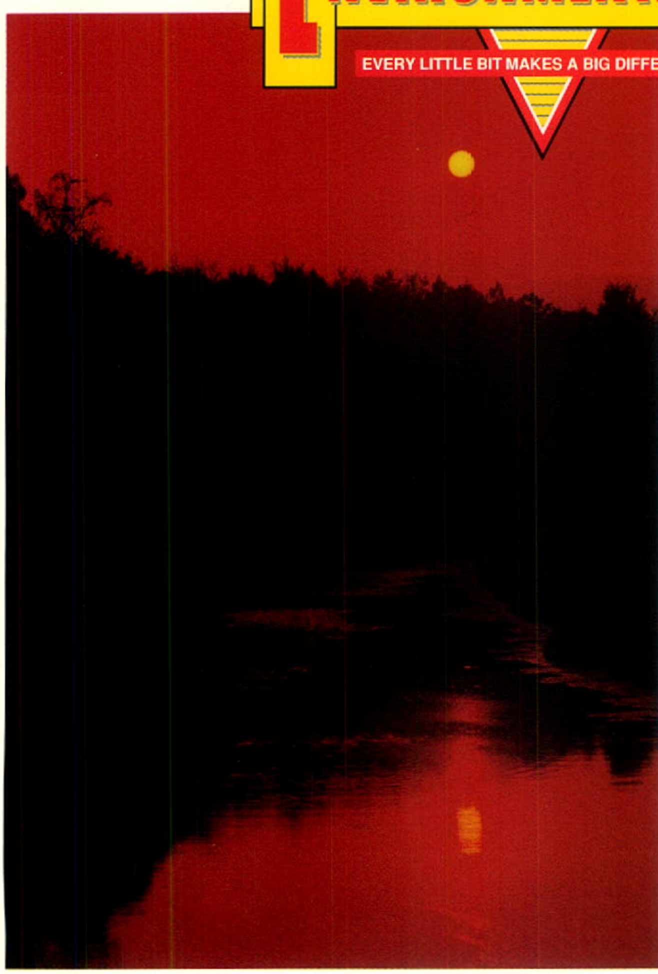
The label also acquired the catalogs of such established groups as Queen, Stryper and Sacred Reich. Queen's catalog releases have sold nearly a million albums to date, and the group's first release on the Hollywood label, "Innuendo," shipped as a gold album.

Hollywood Records has followed an aggressive international strategy, opening an office in Great Britain and establishing licensing agreements in Japan, Spain, Italy, Germany, the Benelux countries, Scandinavia, Australia and New Zealand. The music industry is expected to grow dramatically overseas, and Hollywood Records is readying itself to take advantage of this expansion.

THE PARTY (TOP) RELEASED ITS SECOND ALBUM, "IN THE MEANTIME, IN BETWEEN TIME," IN THE FALL; THE SCREAM (RIGHT) HAS DONE WELL WITH ITS FIRST ALBUM.



Peter Paterno
President, Hollywood Records



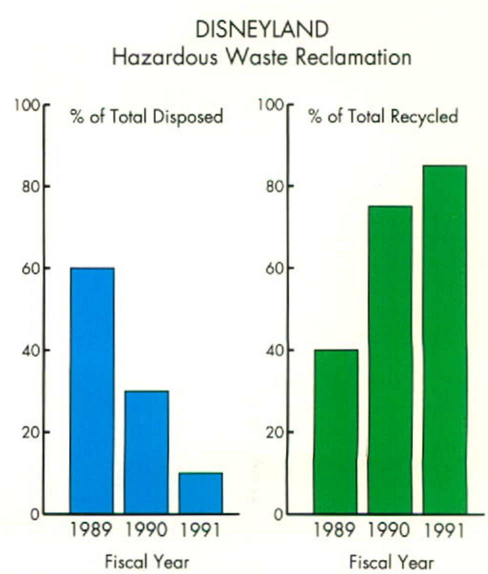
WETLANDS RECLAMATION IS A PRIORITY AT WALT DISNEY WORLD; RIGHT, WALT DISNEY AND ENVIRONMENTAL PLANNERS INSPECT THE ACREAGE IN THE MID-1960'S.

A quarter-century ago, The Walt Disney Company brought some of America's top environmental consultants to Central Florida. Though Walt Disney World was still five years away, Walt himself wanted to make certain that the new park would be built as part of the existing environment—not at its expense.

Today that commitment continues through a company-wide effort led by Kym Murphy, corporate vice president of environmental policy, who reports directly to Chairman Michael D. Eisner and President Frank G. Wells.

"Back in 1966, preserving wetlands was almost unheard of, but it was already one of Walt's top priorities," Mr. Murphy explained. "Now we must all take responsibility for continuing the process that he set into motion so many years ago."

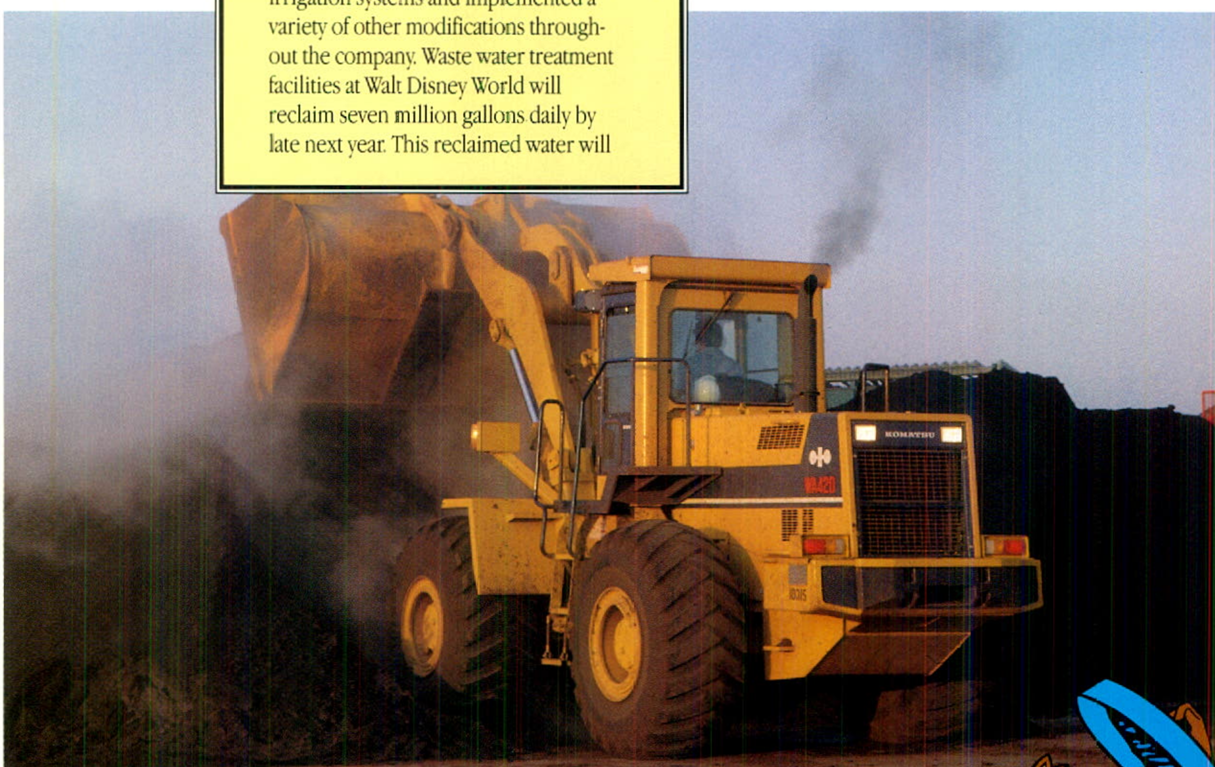
Mr. Murphy directs a department with concerns that range from preservation of those same Florida wetlands



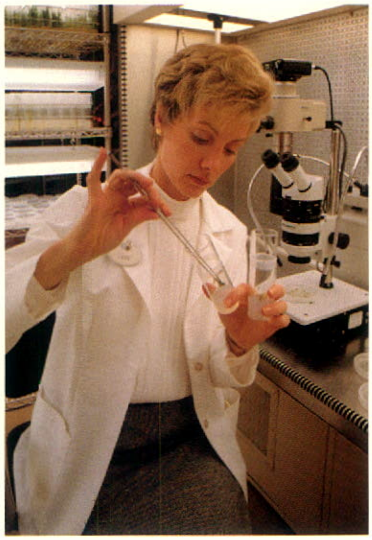
to air quality issues and ride-sharing in Southern California. And that's just for starters.

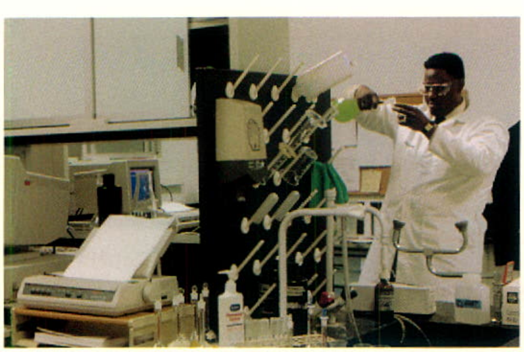
Recycling has become a way of life throughout Disney. From the program's inception in 1990 through last August, Disney retrieved 4,400 tons of cardboard and mixed paper, 2,350 tons of lumber, 46 tons of beverage cans, 100 tons of glass. Millions of polystyrene foam cups have been recycled into flower pots and building insulation.

Water conservation has achieved savings approaching 40 percent as Disney has planted drought-tolerant landscaping in California and improved irrigation systems and implemented a variety of other modifications throughout the company. Waste water treatment facilities at Walt Disney World will reclaim seven million gallons daily by late next year. This reclaimed water will



CLOCKWISE FROM TOP LEFT: WATER HYACINTHS HELP PURIFY RECLAIMED WATER; ENDANGERED PLANT SPECIES RESEARCH AT THE LAND PAVILION; EXPERIMENTS TEST FERTILIZERS AND COMPOST FOR THEIR EFFECT ON PLANT GROWTH: AIR AND WATER QUALITY ARE TESTED REGULARLY; SCRIPTS FOR MOVIES SUCH AS "MEDICINE MAN" ARE REVIEWED FOR ENVIRONMENTAL CONTENT; COMPOST IS USED THROUGHOUT WALT DISNEY WORLD.





be distributed throughout the property for irrigation and wash-down via 40 miles of pipe now being installed for this purpose.

Energy conservation continues to improve throughout Disney theme parks, resorts and offices. Computer-based energy management systems have achieved significant savings in air conditioning and heating, kitchen appliances and lighting. Conservation equipment and systems are being employed as existing systems are retrofitted and new ones are planned.

Alternative fuels now provide clean-burning power for scores of vehicles at Disneyland—even the Jungle Cruise vessels and one submarine at Submarine Voyage. Similar efforts are under way at Walt Disney World. Fuels research and development remains a priority.

Purchasing practices throughout the company emphasize the use of appropriate products—from environmentally safe office supplies, bathroom tissue and paper towels to the inks and papers used in printing millions of brochures and maps for theme park guests.

Composting of residue from the waste-water treatment process at Walt Disney World generates 5,840 tons of compost annually. Landscape waste will soon be added to this process. Compost is used as fertilizer and soil amendment throughout Walt Disney World's vast landscaped areas and golf courses.

Hazardous waste management techniques and equipment have brought about reclamation of 95 percent of the paint thinners and solvents used in the maintenance of the U.S. theme parks. In addition, the company has installed systems that recycle Freon and antifreeze and recover silver from photographic processing. Overall, usage of hazardous substances has been reduced to some 40 percent of 1988 levels. Used oil collected from cast members and park operations has enabled thousands of gallons of petroleum products to be recycled as fuels.

Research at the Reedy Creek Improvement District Laboratory at Walt Disney World enables the company

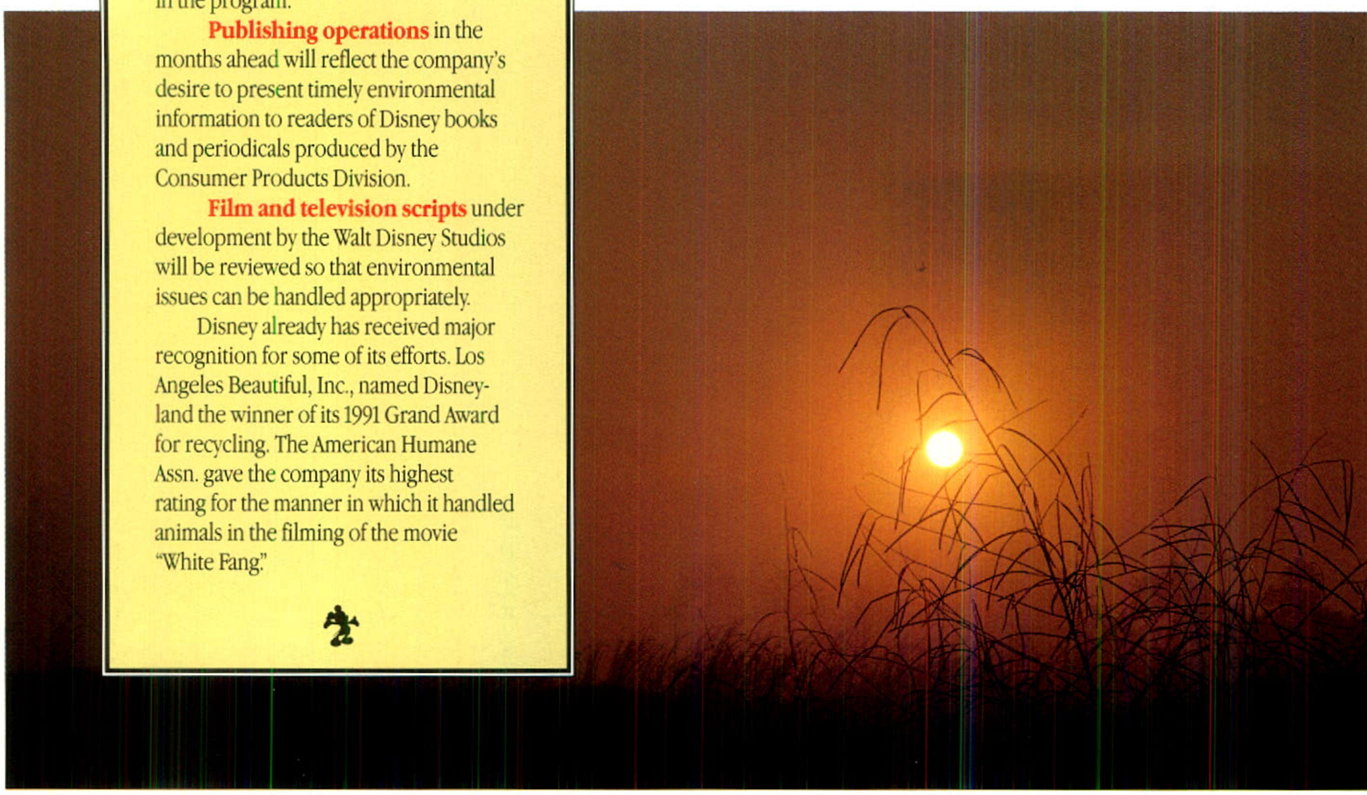
to monitor the environment at the resort and at surrounding communities. A staff of 30 scientists monitors air quality, water quality and a wide range of other factors.

"Environmentality," a company-wide awareness program, encourages and rewards all employees who emphasize positive environmental practices at home and on the job. Nearly 35,000 Disney cast members take part in the program.

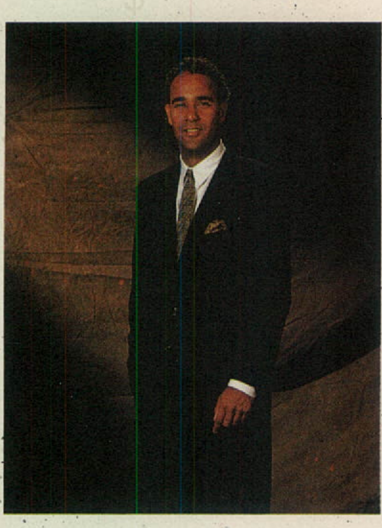
Publishing operations in the months ahead will reflect the company's desire to present timely environmental information to readers of Disney books and periodicals produced by the Consumer Products Division.

Film and television scripts under development by the Walt Disney Studios will be reviewed so that environmental issues can be handled appropriately.

Disney already has received major recognition for some of its efforts. Los Angeles Beautiful, Inc., named Disneyland the winner of its 1991 Grand Award for recycling. The American Humane Assn. gave the company its highest rating for the manner in which it handled animals in the filming of the movie "White Fang."



ABOVE, THOUSANDS OF ACRES OF WETLANDS ARE PRESERVED IN THEIR NATURAL STATE; EFFLUENT FROM REEDY CREEK WASTE WATER TREATMENT PLANT IS CAREFULLY MONITORED.



Richard D. Nanula
Senior Vice President and
Chief Financial Officer

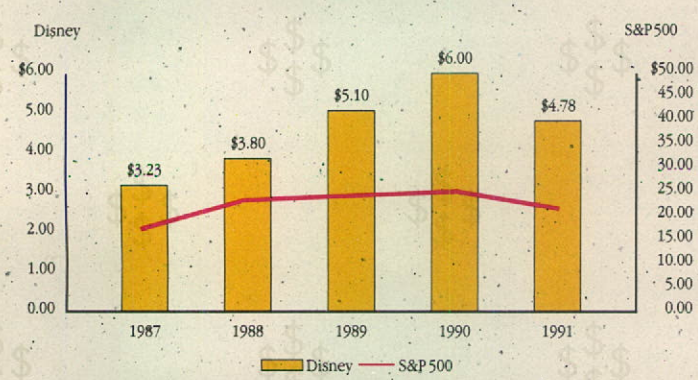
TABLE OF CONTENTS

OBJECTIVES

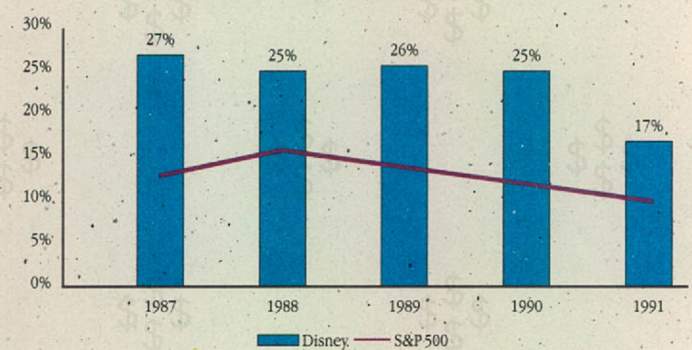
The Walt Disney Company has several strategic and financial objectives that guide management decision-making in creating value for its shareholders. The overriding objective is to sustain Disney as the world's premier entertainment company from a creative, strategic and financial standpoint.

The Company's financial objectives are to achieve 20% earnings growth over any five-year period and, through profitable reinvestment of cash flow, 20% annual return on stockholders' equity. The Company met its earnings objective for the five-year period ending with 1991, achieving a 25% compound annual EPS growth from continuing operations. The Company fell short, however, of its ROE objective in 1991, with lower earnings resulting in a return on equity of 17% for the year. The decline in earnings experienced in 1991, if coupled with a continued weak economy in 1992, would make it difficult for the Company to achieve its EPS objective in the short term. However, on a going-forward basis from 1991, the Company continues to view 20% earnings growth over future five-year periods and 20% annual return on equity as realistic financial objectives.

EARNINGS PER SHARE



RETURN ON EQUITY



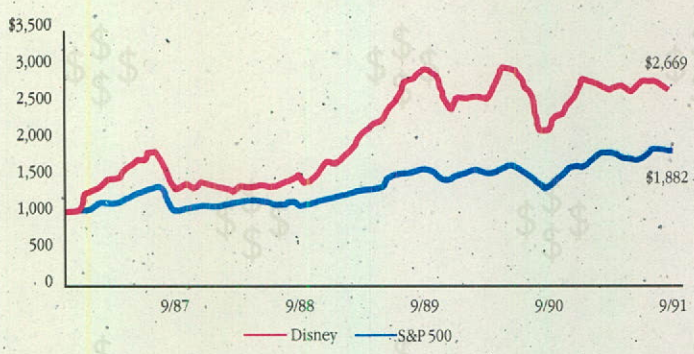
Another objective is to maintain and build upon the integrity of the Disney name and franchise. The Disney "brand" is an asset of considerable value which the Company continues to enhance and protect.

And finally, it is the Company's goal to accomplish all of the above while preserving the basic Disney values—quality, imagination, guest service—which have enabled The Walt Disney Company to entertain billions of people around the world for decades.

STOCK PRICE PERFORMANCE

On September 30, 1991, the Company's stock closed at $114 on the New York Stock Exchange. As shown on the following chart, long-term investors in Disney stock have experienced returns superior to those generated by the market. Over the last five years, the annualized return on Disney stock was a full eight percentage points higher than the S&P 500. A hypothetical investment of $1000 in Disney stock in fiscal year 1987, including dividends paid, would have been worth $2,669 as of September 30, 1991.

RETURN ON DISNEY COMMON STOCK VERSUS S&P 500



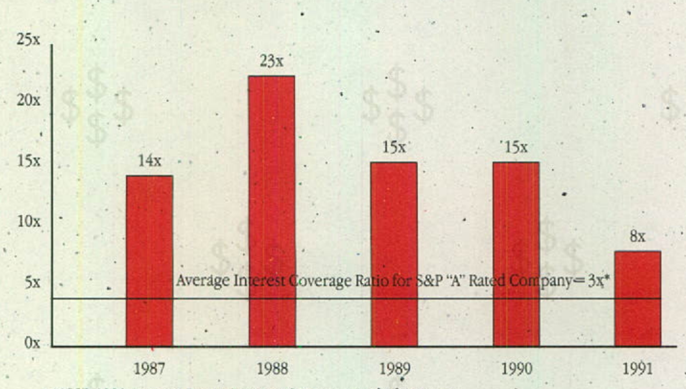
STOCK REPURCHASES

It has been The Walt Disney Company's practice to increase shareholder value by repurchasing Disney stock at attractive levels when the Company's excess cash or debt capacity enables it to do so efficiently. Since the adoption of a program to repurchase shares was approved by the Board of Directors early in fiscal year 1985, Disney has repurchased 13 million shares at an aggregate cost of $780 million, an average price of $60 per share. If valued on September 30, 1991, at the NYSE closing price, these shares would have a market valuation of approximately $1.5 billion.

DEBT RATING

Currently, Disney's long-term Moody's/Standard & Poor's senior unsecured debt ratings are Aa3/A+. Over the long term, Disney's objective is to maintain an A or better credit rating. With this in mind, the Company will strive to maintain conservative levels of leverage in relation to its ability to service its debt.

INTEREST COVERAGE RATIO



*1988-1990 Average Pretax Interest Coverage, including rents.

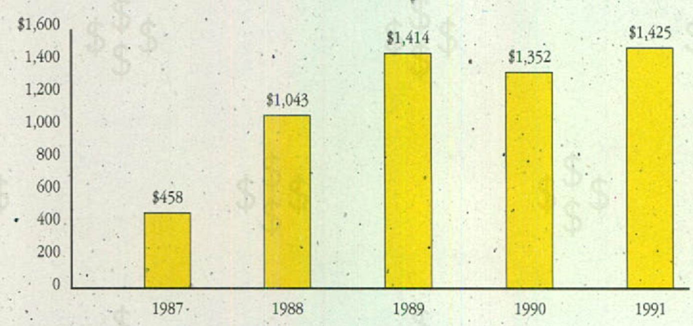
CASH FLOW AND CAPITAL SPENDING

As shown by the chart below, Disney continues to have strong cash generating capabilities. Even in difficult economic times, it was able to generate a record $1.5 billion in cash flow from operations in 1991, achieving a five-year annualized growth rate of 18%.

CASH FLOW FROM OPERATIONS
(in Millions)

Disney puts its capital to work both in existing businesses and new projects, thereby creating long-term value and contributing to future growth. Approximately $70 million of total 1991 capital spending was incurred to ensure that theme park and other assets remain well maintained, fresh and state-of-the-art. The rest of the spending was investment in existing businesses and new projects.

CAPITAL SPENDING
(in Millions)

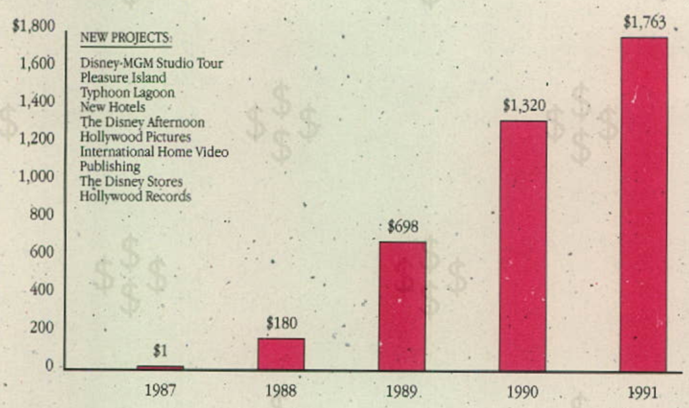


As the bulk of this spending is discretionary, The Walt Disney Company has generated substantial free cash flow in each of the last five years.

NEW PROJECTS

All Disney projects are carefully analyzed and are expected to make a positive contribution on a net present value basis against a risk-adjusted discount rate. New projects developed since 1987, such as the hotel build-out at Walt Disney World Resorts, the self-distribution of home video product and The Disney Stores, contributed over $1.7 billion (or over 28%) of fiscal 1991 revenues, having grown from virtually zero five years ago.

ANNUAL REVENUES GENERATED BY NEW PROJECTS
(In Millions)



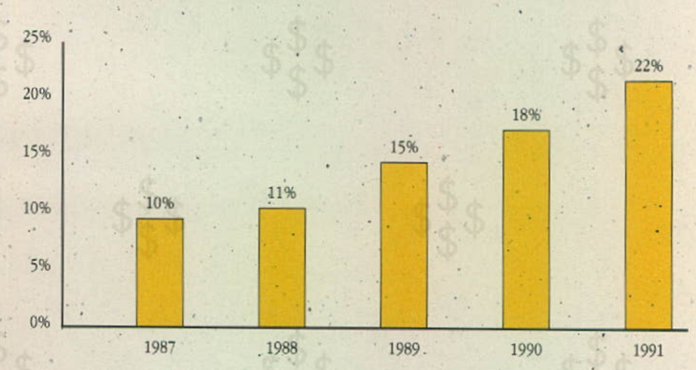
RECENT FINANCINGS

Innovative financings create value for the Company by reducing the potential volatility of its earnings. Consistent with the philosophy of allowing partners to share in the upside from film successes, while helping to limit the downside, Disney closed Touchwood Pacific Partners I, L.P., in fiscal year 1991. Touchwood raised $600 million for Walt Disney, Touchstone and Hollywood Pictures film production, with $420 million in non-recourse debt financing provided by a consortium of banks and $180 million in limited partnership units raised largely from Japanese institutions. Since 1985, the Company has raised over $1.5 billion in funds for film financing.

INTERNATIONAL

Over the last several years, The Walt Disney Company's business has become increasingly global, with approximately 22% of fiscal year 1991 revenues coming from foreign sources.

TOTAL REVENUE CONTRIBUTION BY
INTERNATIONAL OPERATIONS



While Disney products are well-recognized and sought after worldwide, the Company believes it has substantial room for increased penetration in international markets. Therefore, future overseas business represents a key growth opportunity. The demand for Disney products is expected to be especially strong in Europe over the next several years, fueled by the opening of Euro Disney in April, 1992, and expanded film and television activity.

International expansion has made foreign exchange management increasingly important to the Company. Disney monitors and manages its economic exposure to foreign currency fluctuations within a five-year planning horizon, and seeks to minimize the impact of changes in exchange rates on the Company's financial performance.

OPERATIONS

1991 vs. 1990

Worldwide revenues increased in 1991 by 6% to $6.2 billion from 1990 levels. The increase resulted primarily from greater activity in the home video and television businesses and expansion of The Disney Stores together with the start-up of several new initiatives within the Consumer Products segment. The increase in revenues was partially offset by the impact of decreased park attendance. Additionally, theatrical revenues declined from 1990 levels. Revenues of $1.3 billion from foreign operations in all business segments represented 22% of total revenues, an increase of 4 percentage points over 1990.

Consolidated operating income for 1991 fell by 18% to $1.2 billion from $1.4 billion in 1990. The decrease was caused by several factors discussed in the individual business segments below. The decline in operating income generally reflected lower levels of domestic travel and tourism caused by the economic recession.

Net income for 1991 decreased by 23% to $636.6 million from $824.0 million in 1990 and earnings per share fell 20% from $6.00 to $4.78. The decrease in net income was impacted by lower net interest and investment income and the start-up costs of Hollywood Records. Earnings per share benefited from a lower number of shares outstanding due to share repurchases made under the Company's repurchase program. (See Note 9 to Consolidated Financial Statements.)

1990 vs. 1989

In 1990, the Company generated revenues of $5.8 billion, an increase of 27% over 1989. The increase was attributable to record attendance at the theme parks, higher resort occupancy, the success of certain theatrical and home video releases and increased merchandise licensing. Foreign revenues of $1.0 billion constituted 18% of total revenues compared with 14% or $665 million in 1989 as the Company expanded its international businesses.

Operating income increased 16% to $1.4 billion from $1.2 billion in 1989. Each of the operating business segments contributed to the record performance in 1990. Theme Parks and Resorts results reflected higher per capita guest spending at the parks and resorts, expanded resort operations and the benefit of our 49% investment in Euro Disney S.C.A. Filmed Entertainment benefited from the growth in home video, syndication and pay television. Continuing demand for Disney licensed products in international and domestic markets and the expansion of the Company's publishing business in Europe all contributed to the growth in Consumer Products operating income as compared to 1989.

Net income for 1990 increased to $824.0 million or 17% over 1989. Earnings per share of $6.00 which increased 18% over 1989, benefited from the Company's share repurchases. (See Note 9 to Consolidated Financial Statements.)

Theme Parks and Resorts

1991 vs. 1990

Revenues for 1991 of $2.9 billion were 5% lower than 1990. This decrease was primarily attributable to lower theme park attendance caused by the economic recession and resulting weakness in domestic travel and tourism. The decline in attendance was more severe at Walt Disney World than at Disneyland Park due in part to the greater reliance on tourism versus local resident attendance. Decreased attendance revenues were partially offset by higher per capita spending, primarily due to price increases.

Operating income of $617.0 million in 1991 was 31% lower than the prior year. The total number of occupied rooms at the resorts in 1991 was slightly higher compared to 1990, but the increased capacity resulting from the openings of the Yacht and Beach Club resort hotels and the Port Orleans hotel caused overall occupancy rates to fall. Revenues generated by the increase in the total number of occupied rooms were insufficient to cover all incremental costs from additional room capacity.

Attendance at Tokyo Disneyland reached record levels in 1991 for the seventh consecutive year, and the Company's 49% investment in Euro Disney S.C.A. generated a benefit in 1991. (See Note 4 to Consolidated Financial Statements.)

Increased design and development costs incurred to support future expansion of the theme parks and resorts contributed to lower operating income in this segment.

1990 vs. 1989

Record revenues of $3.0 billion were achieved in fiscal 1990, representing an increase of 16% over fiscal 1989. Operating income was $889.3 million or 13% higher than the prior year. Results benefited from higher per capita guest spending primarily due to price increases, increased resort occupancy and increased theme park attendance. Combined 1990 attendance at the Disney theme parks was the highest in the Company's history. The results benefited from the first full year of operations of the Disney-MGM Studios Theme Park which opened in May 1989. Attendance in 1990 at Disneyland Park decreased slightly from the prior year due to weakening West Coast tourism in the latter part of the year. In fiscal 1990, occupancy rates and occupied rooms at the resorts increased over the prior year.

Attendance at Tokyo Disneyland reached a record high in 1990 for the sixth consecutive year. Contributing to results in 1990 was the benefit from the Company's 49% investment in Euro Disney S.C.A. Also included in results for 1990 were higher design and development costs incurred to support future expansion.

Filmed Entertainment

1991 vs. 1990

Revenues of $2.6 billion in 1991 were 15% higher than the $2.3 billion generated in 1990 and reflected growth in both the international and domestic home video markets. Domestic theatrical revenues declined in 1991 reflecting the weak performance of several of the Company's live-action films.

Domestic home video releases included *Jungle Book*, *Robin Hood*, *Pretty Woman*, *Rescuers Down Under* and *Dick Tracy*. Domestic television revenues reflected the continued growth of The Disney Channel along with increased activity in network television, pay television and syndication.

Films making a significant contribution to domestic theatrical revenues included *What About Bob?*, *Three Men and a Little Lady*, and the re-release of *101 Dalmatians*. International theatrical releases included *Pretty Woman*, *The Little Mermaid* and *Three Men and a Little Lady*.

As a result of the Company's expanded international business, foreign revenues increased from 29% in 1990 to 36% of total Filmed Entertainment segment revenues in 1991. The increase was largely a result of higher sales of home video releases internationally, together with increased activity in the foreign theatrical and international television syndication markets.

Operating income was $318.1 million, or 2% higher than the $313.0 million reported in 1990. Results benefited primarily from the growth in home video and television distribution. The highly successful domestic home video releases of the library titles *Jungle Book* and *Robin Hood* together with the theatrical re-release of *101 Dalmatians* had a favorable impact on operating income. Library titles generate higher operating margins because most production and distribution costs have already been amortized. Partially offsetting these results were the weak domestic theatrical performances of *True Identity*, *V.I. Warshawski*, *The Marrying Man*, *Run*, *Scenes From a Mall* and *One Good Cop*.

1990 vs. 1989

Revenues of $2.3 billion increased 42% from $1.6 billion in 1989 and reflected significant growth in worldwide home video sales. Home video releases in 1990 included *Peter Pan*, *The Little Mermaid*, *Honey, I Shrunk the Kids* and *Who Framed Roger Rabbit*.

Theatrical results in 1990 reflected the strength of *Pretty Woman, Dick Tracy* and *The Little Mermaid* domestically, and *Dead Poets Society* and *Pretty Woman* internationally.

Television results in 1990 and 1989 benefited from higher pay and syndication television sales and continuing subscriber growth at The Disney Channel.

Operating income rose to $313.0 million, or 22%, over the $256.5 million generated in the prior year. Operating margins in 1989 were favorably impacted by the higher concentration of library versus new product released, while 1990 operating results reflected the weak performance in the domestic theatrical market of *Blaze, Firebirds, An Innocent Man* and *Taking Care of Business.*

Consumer Products

1991 vs. 1990

Revenues in 1991 were $724.0 million or 26% higher than the $573.8 million generated in 1990. The expansion of The Disney Stores from 69 to 113 in 1991, combined with increased revenues in Asia/Pacific and Europe and new publishing initiatives contributed to the growth in revenue. Results in Europe and Asia/Pacific also benefited from favorable foreign exchange rates.

Operating income of $229.8 million was 3% greater than the $223.2 million generated in the prior year. As expected, operating margins declined reflecting further expansion into lower margin businesses of direct publishing, retail and catalog merchandising and The Disney Stores. Start-up costs associated with new initiatives in publishing, computer software and audio entertainment negatively impacted results, together with the weak performance of the catalog business. Strong sales of *The Little Mermaid* merchandise contributed to the growth in operating income in 1991.

Evident in the Company's results was the increasing contribution made by our overseas businesses. In 1991, 73% of operating income came from outside the United States compared to 62% in 1990.

1990 vs. 1989

Revenues of $573.8 million were up 40% from the $411.3 million generated in 1989. At September 30, 1990, there were 69 Disney Stores open, compared to 34 one year earlier. The expansion of The Disney Stores, together with the strength of licensed product sales in apparel, toys and publications and European direct publishing, all contributed significantly to the increase in worldwide revenues. Sales of *The Little Mermaid* soundtrack and *Dick Tracy* merchandise contributed to growth in revenues.

Operating income of $223.2 million in 1990 was 19% higher than in 1989. Both years benefited from the increasing value of major foreign currencies in relation to the U.S. dollar. Operating margins in 1990 were lower than in 1989 due to the shifting of business mix into lower margin businesses such as direct publishing, retail and catalog merchandising.

Corporate Activities
General and Administrative Expenses

1991 vs. 1990

General and administrative expenses of $160.8 million increased 16% over the prior year, and reflected the start-up costs and operating losses generated by Hollywood Records.

1990 vs. 1989

General and administrative expenses for 1990 were $138.5 million, representing a 16% increase over the 1989 total of $119.6 million. The increase resulted primarily from the additional costs incurred to support the growth in the Company's operations and performance-related incentive programs.

Investment and Interest Income and Interest Expense

1991 vs. 1990

Investment and interest income for 1991 was $119.4 million, which was 48% higher than 1990. The increase was primarily attributable to the gain on sales of certain marketable securities. An increase in the average balances of interest-bearing investments, together with an increase in the average interest rate also contributed to the higher income in 1991.

Total interest expense for 1991 was $105.0 million, which was 144% higher than 1990. This resulted from higher average borrowing balances in 1991 compared to 1990. The average borrowing rate decreased from 6.9% in 1990 to 6.5% in 1991, partially mitigating the effects of the higher borrowing balances. Capitalized interest, which reduces interest expense, was lower in 1991 than in 1990 due to the lower average balances in projects in progress.

1990 vs. 1989

Total investment and interest income for 1990 was $80.8 million, which was 20% higher than 1989, resulting from higher average balances of interest-bearing investments.

Interest expense increased from $23.9 million in 1989 to $43.1 million in 1990, primarily due to increased average borrowings. The decline in the average borrowing rate during 1990 partially offset higher borrowing balances. The decrease in the average rate reflected the issuance of subordinated debt which has an effective interest rate of 6.2%. Capitalized interest decreased in 1990 due to lower average balances on projects in progress, contributing to the higher levels of interest expense.

LIQUIDITY AND CAPITAL RESOURCES

The Company generates significant liquidity from operations. Cash flow from operating activities amounted to $1.5 billion in 1991. The Company raised an additional $500 million in proceeds from the issuance of medium term notes during 1991. The Company also entered into an agreement with Touchwood Pacific Partners I, L.P. which provides for up to $600 million to finance a portion of the production of a minimum of 20 feature-length theatrical films over the next two years.

In 1991, the Company used $924.6 million of funds to further develop the theme parks and new resort properties, primarily the Dixie Landings Hotel, the Yacht and Beach Club resort hotels and to refurbish the Disneyland Hotel. In addition, the Company used $486.8 million of funds in development and production of film and television properties.

During 1991, the Company repurchased 1,973,000 shares at a cost of $181.1 million as part of the previously authorized stock repurchase program.

The Company's financial condition remains strong and the Company has the resources necessary to meet future anticipated funding requirements. In addition to cash flow from operations, the Company has sufficient unused debt capacity, including a $375 million unused line of credit, to finance its ongoing capital investment programs and to take advantage of internal and external development and acquisition opportunities. The Company continues to explore potential sources of additional funding, both domestically and internationally, as opportunities arise.

In order to reduce the Company's exposure to risks arising from foreign currency fluctuations and its variable interest rate debt, management has adopted an extensive hedging program and it continually monitors the status of its hedging activities. As a result of these programs, the Company actively manages its currency and interest rate risk. (See Notes 1, 2 and 5 to Consolidated Financial Statements.)

CONSOLIDATED STATEMENT OF INCOME

(In millions, except per share data)

Year ended September 30	1991	1990	1989
Revenues			
Theme parks and resorts	**$2,864.7**	$3,019.6	$2,595.4
Filmed entertainment	**2,593.7**	2,250.3	1,587.6
Consumer products	**724.0**	573.8	411.3
	6,182.4	5,843.7	4,594.3
Costs and Expenses			
Theme parks and resorts	**2,247.7**	2,130.3	1,810.0
Filmed entertainment	**2,275.6**	1,937.3	1,331.1
Consumer products	**494.2**	350.6	224.2
	5,017.5	4,418.2	3,365.3
Operating Income			
Theme parks and resorts	**617.0**	889.3	785.4
Filmed entertainment	**318.1**	313.0	256.5
Consumer products	**229.8**	223.2	187.1
	1,164.9	1,425.5	1,229.0
Corporate Activities			
General and administrative expenses	**160.8**	138.5	119.6
Interest expense	**105.0**	43.1	23.9
Investment and interest income	**(119.4)**	(80.8)	(67.4)
	146.4	100.8	76.1
Income Before Income Taxes	**1,018.5**	1,324.7	1,152.9
Income taxes	**381.9**	500.7	449.6
Net Income	**$ 636.6**	$ 824.0	$ 703.3
Earnings Per Share	**$ 4.78**	$ 6.00	$ 5.10
Average Number of Common and Common Equivalent Shares Outstanding	**133.2**	137.2	138.0

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

(In millions)

September 30	1991	1990
Assets		
Cash and cash equivalents	**$ 886.1**	$ 819.8
Marketable securities	**782.4**	588.1
Receivables	**1,128.2**	851.5
Merchandise inventories	**311.6**	269.2
Film and television costs	**596.9**	641.1
Theme parks, resorts and other property, at cost		
Attractions, buildings and equipment	**5,628.1**	4,654.6
Accumulated depreciation	**(1,667.8)**	(1,405.1)
	3,960.3	3,249.5
Projects in progress	**540.9**	594.0
Land	**70.4**	67.0
	4,571.6	3,910.5
Other assets	**1,151.7**	942.1
	$9,428.5	$8,022.3
Liabilities and Stockholders' Equity		
Accounts payable and other accrued liabilities	**$1,433.8**	$1,158.1
Income taxes payable	**296.2**	200.3
Borrowings	**2,213.8**	1,584.6
Unearned royalty and other advances	**859.5**	841.9
Deferred income taxes	**753.9**	748.8
Stockholders' equity		
Preferred stock, $.10 par value		
Authorized—5.0 million shares		
Issued—none		
Common stock, $.10 par value		
Authorized-300.0 million shares		
Issued—137.2 million shares and 136.8 million shares	**549.7**	502.8
Retained earnings	**3,950.5**	3,401.1
Cumulative translation adjustments	**35.2**	67.7
	4,535.4	3,971.6
Less treasury stock, at cost—7.0 million shares and 5.0 million shares	**664.1**	483.0
	3,871.3	3,488.6
	$9,428.5	$8,022.3

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

(In millions)

Year ended September 30	1991	1990	1989
Cash Provided by Operations Before Income Taxes	**$1,764.5**	$1,780.3	$1,688.8
Income taxes paid	**(261.2)**	(421.4)	(413.2)
	1,503.3	1,358.9	1,275.6
Investing Activities			
Theme parks, resorts and other property, net	**924.6**	716.3	749.6
Film and television costs	**486.8**	533.0	426.7
Acquisitions	**13.8**	103.1	237.3
Marketable securities, net	**194.3**	(74.2)	(6.3)
Euro Disney and other	**113.4**	(96.3)	321.9
	1,732.9	1,181.9	1,729.2
Financing Activities			
Borrowings	**641.9**	965.0	452.3
Reduction of borrowings	**(124.6)**	(255.9)	(27.2)
Repurchases of common stock	**(181.1)**	(427.5)	(14.4)
Cash dividends	**(87.2)**	(74.1)	(61.8)
Other	**46.9**	54.5	57.5
	295.9	262.0	406.4
Increase (Decrease) in Cash and Cash Equivalents	**66.3**	439.0	(47.2)
Cash and Cash Equivalents, Beginning of Year	**819.8**	380.8	428.0
Cash and Cash Equivalents, End of Year	**$ 886.1**	$ 819.8	$ 380.8

The difference between Income Before Income Taxes as shown on the Consolidated Statement of Income and Cash Provided By Operations Before Income Taxes is explained as follows.

	1991	1990	1989
Income Before Income Taxes	**$1,018.5**	$1,324.7	$1,152.9
Charges to Income Not Requiring Cash Outlays:			
Depreciation	**263.5**	203.1	191.5
Amortization of film and television costs	**531.0**	335.2	272.1
Other	**29.7**	(36.7)	24.1
Changes in:			
Receivables	**(266.8)**	(166.2)	(131.4)
Merchandise inventories	**(42.4)**	(44.9)	(64.4)
Prepaid expenses	**(46.9)**	(64.1)	(15.0)
Accounts payable and other accrued liabilities	**280.1**	300.0	169.6
Unearned royalty and other advances	**(2.2)**	(70.8)	89.4
	746.0	455.6	535.9
Cash Provided by Operations Before Income Taxes	**$1,764.5**	$1,780.3	$1,688.8
Supplemental Cash Flow Information:			
Interest paid	**$ 69.8**	$ 67.3	$ 66.9

See Notes to Consolidated Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the preparation of the Company's consolidated financial statements and related information appearing in this annual report. Management believes that the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements reasonably present the Company's financial position and results of operations in conformity with generally accepted accounting principles. Management also has included in the Company's financial statements amounts that are based on estimates and judgments which it believes are reasonable under the circumstances.

The independent accountants audit the Company's consolidated financial statements in accordance with generally accepted auditing standards and provide an objective, independent review of the fairness of reported operating results and financial position.

The Board of Directors of the Company has an Audit Review Committee composed of five non-management Directors. The Committee meets periodically with financial management, the internal auditors and the independent accountants to review accounting, control, auditing and financial reporting matters.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
The Walt Disney Company

In our opinion, the consolidated balance sheet (page 51) and the related consolidated statements of income (page 50) and of cash flows (page 52) present fairly, in all material respects, the financial position of The Walt Disney Company and its subsidiaries at September 30, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1991, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Los Angeles, California
November 25, 1991

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular dollars in millions, except per share amounts)

1 DESCRIPTION OF THE BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE WALT DISNEY COMPANY and its subsidiaries (the Company) is a diversified international entertainment company with operations in the following business segments.

THEME PARKS AND RESORTS

The Company owns and operates the Disneyland theme park, Disneyland Hotel and other attractions in California and the Walt Disney World destination resort in Florida. Walt Disney World includes the Magic Kingdom, Epcot Center, the Disney-MGM Studios Theme Park, nine hotels and villas, a nighttime entertainment complex, shopping villages, conference centers, campgrounds, golf courses and other recreational facilities. The Company earns royalties on revenues generated by the Tokyo Disneyland theme park near Tokyo, Japan, which is owned and operated by an unrelated Japanese corporation. The Company is an equity investor in Euro Disney which is currently under construction near Paris, France. The Company owns and operates Walt Disney Imagineering and Disney Development Company, which design and develop new theme park attractions and resort properties.

FILMED ENTERTAINMENT

The Company produces and acquires live action and animated motion pictures for distribution to the theatrical, television and home video markets. Original television product is also produced for network and first run syndication markets. The Company distributes its filmed product through its own distribution and marketing companies in the United States and through both its own subsidiaries and foreign distribution companies throughout the rest of the world. The Company invests in programming for and operates The Disney Channel, a pay television programming service and a Los Angeles television station.

CONSUMER PRODUCTS

The Company licenses the name Walt Disney, its characters, literary properties, songs and music to various manufacturers, retailers, printers and publishers. Audio products are produced primarily for the children's market, while film, audio and computer software products are produced for the educational market. The Company also operates several catalog businesses primarily for the children's market. These products are licensed and distributed throughout the world.

The Company also has direct publishing operations in the United States in both the children's and adult markets, and in Europe primarily in the children's market. In addition, the Company owns and operates The Disney Stores, which are retail outlets for the Company's merchandise, in selected markets throughout the United States and Great Britain.

The following is a summary of the Company's significant accounting policies.

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of The Walt Disney Company and its subsidiaries after elimination of intercompany accounts and transactions. Investments in affiliated companies are accounted for using the equity method.

Revenue Recognition

Revenues from the theatrical distribution of motion pictures are recognized in domestic markets when motion pictures are exhibited and in foreign markets when revenues are reported by distributors. Television licensing revenues are recorded when the program material is available for telecasting by the licensee and when certain other conditions are met.

Revenues from participants/sponsors at the theme parks are recorded over the period of the applicable agreements commencing with the opening of the attraction.

Cash, Cash Equivalents and Marketable Securities

Cash and cash equivalents consist of cash on hand and marketable securities with original maturities of three months or less.

Debt securities are carried at cost, adjusted for unamortized premium or discount, which approximates market. Marketable equity securities are carried at the lower of aggregate cost or market. Realized gains and losses are determined on an average cost basis.

Merchandise Inventories

Cost of merchandise, materials and supplies inventories are generally determined on a moving average cost basis and are stated at the lower of cost or market.

Film and Television Costs

Film production and participation costs for each production are expensed based on the ratio of the current period's gross revenues to estimated total gross revenues from all sources on an individual production basis. Estimates of total gross revenues are reviewed periodically and amortization is adjusted accordingly.

Television broadcast rights are amortized principally on an accelerated basis over the estimated useful lives of the programs.

Theme Parks, Resorts and Other Property

Depreciation is computed on the straight-line method based upon estimated useful lives ranging from three to fifty years.

Other Assets

Rights to the name, likeness and portrait of Walt Disney, goodwill and other intangible assets are being amortized over periods ranging from five to forty years.

Hedging Contracts

In the normal course of business, the Company employs a variety of off-balance-sheet financial instruments to reduce its exposure to fluctuations in interest and foreign currency exchange rates, including interest rate swap agreements and foreign currency forward exchange contracts and options. The Company designates interest rate swaps as hedges of investments and debt, and accrues the differential to be paid or received under the agreements as interest rates change over the life of the contracts. Gains and losses arising from foreign currency forward exchange contracts and options offset gains and losses resulting from the underlying hedged transactions.

The Company continually monitors its positions with, and the credit quality of, the major international financial institutions which are counterparties to its off-balance-sheet financial instruments, and does not anticipate nonperformance by the counterparties.

At September 30, 1991, the Company had approximately $1.9 billion (notional amount) of foreign currency hedge contracts outstanding, consisting principally of option strategies providing for the sale of foreign currencies. The contracts reflect the selective hedging of French franc, German mark, Japanese yen and other foreign currency exposures over a multi-year horizon, extending up to six years.

Reclassifications

Certain reclassifications have been made in the 1990 and 1989 financial statements to conform to the 1991 presentation.

2 CASH, CASH EQUIVALENTS AND MARKETABLE SECURITIES

At September 30, 1991, the cost and market value of marketable equity securities were $103.6 million and $107.7 million, respectively. At September 30, 1990, the cost and market value of marketable equity securities were $168.2 million and $177.5 million, respectively. For both 1991 and 1990, cost approximates market value for marketable securities other than marketable equity securities.

Interest rate swap agreements related to certain foreign currency denominated investments converted $120 million of fixed rate securities to variable rate investments. At September 30, 1991, the Company received interest at the three-month LIBOR rate and paid interest at a weighted average fixed rate of 11.87%. The agreements expire in approximately seven years.

The Company entered into interest rate swap agreements expiring in three to five years, which effectively converted $600 million of variable rate investment securities to fixed rate instruments. Under these swap agreements, the Company received interest on the $600 million notional amount at a weighted average fixed rate of 8.3% and paid interest at the one-month commercial paper rate at September 30, 1991.

3 FILM AND TELEVISION COSTS

	1991	1990
Theatrical Film Costs		
Released, less amortization	**$111.7**	$ 90.6
In process	**85.4**	167.6
	197.1	258.2
Television Costs		
Released, less amortization	**131.3**	138.9
Completed but not released	**—**	3.2
In process	**112.0**	77.3
	243.3	219.4
Television Broadcast Rights	**156.5**	163.5
	$596.9	$641.1

Based on management's total gross revenue estimates as of September 30, 1991, approximately 84% of unamortized film production costs applicable to released theatrical and television productions are expected to be amortized during the next three years.

4 INVESTMENT IN EURO DISNEY

Euro Disney is a theme park and resort complex being developed on a 4,800-acre site near Paris, France. Euro Disney S.C.A., a publicly traded French company, owns and will operate the complex which is scheduled to open in April 1992.

The Company has a 49% ownership interest in Euro Disney S.C.A. and is using the equity method of accounting for its investment. At September 30, 1991 and 1990, the investment in and advances to Euro Disney S.C.A. were $581 million and $464 million, respectively.

In October 1989, Euro Disney S.C.A. completed a public equity offering of approximately $1 billion. As a result of the offering, the Company's share of the net assets of Euro Disney S.C.A. exceeded its investment by approximately $375 million. The Company is recognizing this difference ratably over an eight-year period, which represents the Company's contractual obligation to manage the development and operation of the complex and maintain an ownership interest of at least 17%.

In June 1991, Euro Disney S.C.A. completed a public offering of convertible bonds of approximately $670 million. The bonds are convertible into common stock of Euro Disney S.C.A. at any time before they become due in 2001. If all of the holders of the bonds exercised this conversion option, the Company's ownership interest in Euro Disney S.C.A. would decrease to 42%.

At September 30, 1991, Euro Disney S.C.A. had investment and project assets of $4.0 billion financed by equity capital of $1.3 billion and borrowings of $2.7 billion and generated $64 million in earnings for the fiscal year ended September 30, 1991. The market value of the Company's investment in Euro Disney S.C.A. exceeded its accreted carrying value at September 30, 1991 by approximately $1.6 billion.

The Company has agreed, under certain circumstances, to provide or obtain additional financing of up to $160 million and provide indemnification of up to $95 million in connection with the development of Euro Disney. The Company does not expect to incur any obligation with respect to these agreements.

5 BORROWINGS

	Effective Interest Rate	Fiscal Year Maturity	1991	1990
Subordinated notes(a)	6.2%	2005	**$1,091.9**	$ 980.0
Medium term notes(b)	5.4	1992-1995	**500.0**	—
Commercial paper(c)	5.7	1992	**128.9**	230.0
Securities sold under agreements to repurchase(d)	11.2	1992	**127.3**	—
Unsecured loans(e)	13.0	1998-1999	**101.8**	104.5
Swiss franc bonds(f)	6.1	1997	**64.7**	64.7
ECU notes(f,g)	6.5	1995	**49.9**	62.4
Euroyen notes	6.6	1996	**49.5**	49.5
ECU notes(f,h)	7.1	1994	**43.2**	48.6
Other	9.8		**56.6**	44.9
	6.7%		**$2,213.8**	$1,584.6

(a) During 1990, the Company issued $2.3 billion zero coupon subordinated notes which resulted in gross proceeds of $965 million. Holders may redeem the notes at their option for the issuance price plus accrued interest at the end of five and ten years, and upon a change in control of the Company, as defined, or at any time exchange the notes for the U.S. dollar equivalent of 19.651 shares of Euro Disney S.C.A. which is listed on the Paris Bourse. The Company has the right to call the notes at their issuance price plus accrued interest after two years. The Company has designated a portion of its Euro Disney S.C.A. shares as a hedge offsetting the contingent liability that may arise due to the exchangeability of the notes.

(b) The Company has executed interest rate swap agreements to convert all medium term notes to commercial paper-based floating rate instruments. The effect of these swaps has been reflected in the effective interest rate.

(c) The Company has available through 1992 an unsecured revolving line of bank credit of up to $375 million for general corporate purposes, including the support of commercial paper borrowings. The Company has the option to borrow at various interest rates not to exceed LIBOR plus ¼%.

(d) Securities sold under agreements to repurchase are collateralized by certain marketable securities.

(e) Principal is due in varying annual installments.

(f) Foreign currency swaps effectively converted $158 million of foreign debt issuances to Japanese yen or dollar obligations. The effect of these swaps has been reflected in the effective interest rate. The Company hedges the obligations converted to yen borrowings with a portion of its yen royalty receipts.

(g) Principal is payable in annual installments of $12.5 million.

(h) Principal is payable in annual installments of $5.4 million with the balance due at maturity.

Borrowings, excluding commercial paper and securities sold under agreements to repurchase, have the following scheduled maturities.

1992	$ 139.5
1993	202.5
1994	164.1
1995	132.1
1996	60.1

The Company capitalizes interest on assets constructed for its theme parks, resorts and other developments, and on theatrical and television productions in process. In 1991, 1990 and 1989, respectively, total interest costs incurred were $142.4, $90.7 and $76.0 million, of which $37.4, $47.6 and $52.1 million were capitalized.

6 UNEARNED ROYALTY AND OTHER ADVANCES

	1991	1990
Tokyo Disneyland royalty advances	$545.8	$559.4
Other	313.7	282.5
	$859.5	$841.9

In 1988, the Company monetized a substantial portion of its royalties through 2008 from certain Tokyo Disneyland operations. The Company has certain ongoing obligations under its contract with the owner and operator of Tokyo Disneyland and, accordingly royalty advances are being amortized through 2008. Included in royalty advances is $145 million which is the maximum amount the Company may be required to fund under certain circumstances under the monetization agreement. The Company does not anticipate funding any significant amount under this agreement.

7 INCOME TAXES

	1991	1990	1989
Income Before Income Taxes			
Domestic (including U.S. exports)	$ 952.4	$1,270.2	$1,102.5
Foreign subsidiaries	66.1	54.5	50.4
	$1,018.5	$1,324.7	$1,152.9
Income Tax Provision (Benefit)			
Current			
Federal	$ 248.3	$ 260.4	$ 356.6
State	34.0	50.2	55.8
Foreign subsidiaries	30.5	25.0	21.4
Other foreign	44.5	34.9	26.0
	357.3	370.5	459.8
Deferred			
Federal	10.5	110.4	(23.4)
State	14.1	19.8	13.2
	24.6	130.2	(10.2)
	$ 381.9	$ 500.7	$ 449.6
Components of Provision for Deferred Income Taxes			
Depreciation and amortization	$ 56.6	$ 49.9	$ 42.3
Licensing revenues	11.3	29.5	(23.5)
Capitalized interest and property taxes	8.9	13.1	(1.6)
Royalty expenses	(51.8)	(2.2)	(15.8)
Other	(0.4)	39.9	(11.6)
	$ 24.6	$ 130.2	$ (10.2)

Reconciliation of Effective Income Tax Rate			
Federal income tax rate	34.0%	34.0%	34.0%
State income taxes, net of Federal income tax benefit	3.3	3.6	4.0
Other	0.2	0.2	1.0
	37.5%	37.8%	39.0%

Due to the Financial Accounting Standards Board's ongoing deliberations with respect to the requirements and effective date of Statement of Financial Accounting Standards No. 96, Accounting for Income Taxes, the Company is unable to reasonably estimate the effects of adopting the Standard at its ultimate effective date.

8 PENSION AND OTHER BENEFIT PROGRAMS

The Company contributes to various pension plans under union and industry-wide agreements. Contributions are based upon the hours worked or gross wages paid to covered employees. In 1991, 1990 and 1989, the cost recognized under these plans was $12.9, $6.1 and $5.5 million, respectively. The Company's share of the unfunded liability, if any, related to these multi-employer plans is not material.

The Company also maintains pension plans covering most of its domestic salaried and hourly employees not covered by union or industry-wide pension plans and a non-qualified, unfunded retirement plan for key employees.

With respect to the defined benefit pension plans, the Company's policy is to fund, at a minimum, the amount necessary on an actuarial basis to provide for benefits in accordance with the requirements of ERISA. Benefits are generally based on years of service and/or compensation.

Pension cost is summarized as follows.

	1991	1990	1989
Service cost of current period	$37.1	$25.4	$21.1
Interest cost on projected benefit obligations	21.5	17.9	16.5
Gain on plan assets	(18.2)	(30.8)	(14.5)
Net amortization and deferral	(1.4)	16.2	.7
Net pension cost	$39.0	$28.7	$23.8

For 1991, 1990 and 1989 the weighted average discount rate was 9.5% and the expected long-term rate of return on plan assets was 9.5%. The rate of increase in compensation level was 6.6% for 1991 and 6.5% for 1990 and 1989.

The funded status of the plans and the amounts included in the Company's consolidated balance sheet were as follows.

	1991	1990
Plan assets at fair value, primarily publicly traded stocks and bonds	**$270.9**	$235.6
Actuarial present value of projected benefit obligations		
Accumulated benefit obligations		
Vested	**(228.5)**	(195.4)
Non-vested	**(10.4)**	(8.6)
Provision for future salary increases	**(37.7)**	(26.0)
Plan assets greater (less) than projected benefit obligations	**(5.7)**	5.6
Unrecognized net loss	**27.9**	10.3
Unrecognized prior service cost	**3.8**	3.6
Unrecognized net obligation	**4.4**	4.6
Prepaid pension cost	**$ 30.4**	$ 24.1

The Company sponsors a plan to provide postretirement medical benefits to most of its domestic salaried and hourly employees, and contributes to multi-employer welfare plans to provide similar benefits to certain employees under collective bargaining agreements.

In December 1990, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 106, Employer's Accounting for Postretirement Benefits Other Than Pensions (SFAS 106), which will require accruals of postretirement benefit costs to actuarially allocate such costs to the years during which employees render qualifying service. SFAS 106 also requires recognition no later than the fiscal year ending September 30, 1994 of the unfunded and previously unrecognized accumulated postretirement benefit obligation for all participants in the Company-sponsored plan as of the plan's implementation date. This "transition obligation" may be charged immediately to operations or amortized over the longer of the average remaining service period of active plan participants, or twenty years. Although an adoption date and method have not been determined, the Company does not anticipate that its transition obligation or ongoing expense pursuant to SFAS 106 will be material to its financial condition.

9 STOCKHOLDERS' EQUITY

(Shares in millions)	Shares	Common Stock	Paid-in Capital	Retained Earnings
Balance at September 30, 1988	134.1	$13.3	$377.4	$2,009.7
Exercise of stock options, net	2.2	.2	57.4	
Dividends ($.46 per share)				(61.8)
Net income				703.3
Balance at September 30, 1989	136.3	13.5	434.8	2,651.2
Exercise of stock options, net	.5	.1	54.4	
Dividends ($.555 per share)				(74.1)
Net income				824.0
Balance at September 30, 1990	136.8	13.6	489.2	3,401.1
Exercise of stock options, net	.4	.1	46.8	
Dividends ($.67 per share)				(87.2)
Net income				636.6
Balance at September 30, 1991	137.2	$13.7	$536.0	$3,950.5

In June 1989, the Company adopted a stockholders' rights plan. The plan becomes operative in certain events involving the acquisition of 25% or more of the Company's common stock by any person or group in a transaction not approved by the Company's Board of Directors. Upon the occurrence of such an event, each right, unless redeemed by the Board, entitles its holder to purchase for $350 an amount of common stock of the Company, or in certain circumstances the acquiror, having a market value of twice the purchase price.

In connection with the rights plan, 1.8 million shares of preferred stock were reserved.

In 1991 and 1990, the Company recorded cumulative foreign currency translation adjustments of $35.2 million and $67.7 million, net of deferred taxes of $19.5 million and $41.3 million, respectively.

Treasury stock activity for the three years ended September 30, 1991 was as follows.

(Shares in millions)	Shares	Treasury Stock
Balance at September 30, 1988	.9	$ 41.1
Common stock repurchases	.1	14.4
Balance at September 30, 1989	1.0	55.5
Common stock repurchases	4.0	427.5
Balance at September 30, 1990	5.0	483.0
Common stock repurchases	2.0	181.1
Balance at September 30, 1991	7.0	$664.1

In November 1984, the Company adopted a program to repurchase up to 14 million shares. In December 1990, the Company increased the authorized share repurchase amount to 22.5 million shares. Under this program, the Company repurchased 2.0 million shares during the year ended September 30, 1991. Since adoption of the program, a total of 13.0 million shares have been repurchased at prevailing market prices.

10 STOCK INCENTIVE PLANS

Under various plans, the Company may grant stock option and other awards to key executive, management and creative personnel. Transactions under the various stock option and incentive plans during 1991 were as follows.

(Shares in millions)	1991	1990	1989
Outstanding at beginning of year	**10.8**	9.7	7.5
Awards cancelled	**(0.2)**	(0.1)	(0.1)
Awards granted	**1.0**	1.7	4.5
Awards exercised	**(0.4)**	(0.5)	(2.2)
Outstanding at September 30	**11.2**	10.8	9.7
Exercisable at September 30	**4.4**	3.5	2.2

Stock option awards are granted at prices equal to at least market price on the date of grant. Options outstanding at September 30, 1991 and 1990, respectively, ranged in price from $12.93 to $130.62 and $12.57 to $130.62 per share. Options exercised during the period ranged in price from $12.57 to $123.00 per share in 1991, from $12.93 to $92.75 per share in 1990, and from $9.42 to $64.19 per share in 1989. Shares available for future option grants at September 30, 1991 were 7.9 million.

11 DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS

	1991	1990
Receivables		
Trade, net of allowances	**$ 969.7**	$ 719.8
Euro Disney advances and other	**158.5**	131.7
	$1,128.2	$ 851.5
Other Assets		
Intangibles	**$ 332.0**	$ 345.2
Euro Disney and other	**819.7**	596.9
	$1,151.7	$ 942.1
Accounts Payable and Other Accrued Liabilities		
Accounts payable	**$1,111.5**	$ 861.0
Payroll and employee benefits	**303.4**	261.1
Other	**18.9**	36.0
	$1,433.8	$1,158.1

12 BUSINESS SEGMENTS

	1991	1990	1989
Capital Expenditures			
Theme parks and resorts	**$ 790.1**	$ 519.8	$ 665.4
Filmed entertainment	**50.1**	39.5	27.2
Consumer products	**35.5**	34.3	21.6
Corporate	**48.9**	122.7	35.4
	$ 924.6	$ 716.3	$ 749.6
Depreciation Expense			
Theme parks and resorts	**$ 213.2**	$ 177.4	$ 172.4
Filmed entertainment	**23.9**	12.9	12.2
Consumer products	**12.4**	5.8	3.1
Corporate	**14.0**	7.0	3.8
	$ 263.5	$ 203.1	$ 191.5
Identifiable Assets			
Theme parks and resorts	**$5,165.7**	$4,420.3	$4,066.9
Filmed entertainment	**1,878.2**	1,672.8	1,252.1
Consumer products	**351.4**	236.4	193.1
Corporate	**2,033.2**	1,692.8	1,145.1
	$9,428.5	$8,022.3	$6,657.2
Supplemental Revenue Data			
Theme Parks and Resorts			
Admissions	**$1,093.0**	$1,179.9	$1,021.7
Merchandise, food and beverage	**1,048.0**	1,113.5	1,019.5
Filmed Entertainment			
Theatrical product	**1,776.9**	1,545.7	1,090.1
Export revenues	**1,267.1**	938.8	653.3

13 COMMITMENTS AND CONTINGENCIES

The Company, together with, in some instances, certain of its directors and officers, is a defendant or co-defendant in various legal actions involving antitrust, 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 such actions.

In December 1990, the Company entered into a joint venture with Touchwood Pacific Partners I, L.P. (Touchwood) whereby Touchwood will provide financing totalling approximately $600 million to fund at least a portion of the production of a minimum of 20 theatrical feature films. Under certain circumstances, the Company may be liable to reimburse Touchwood for a portion of its production costs related to these films. No liability existed as of September 30, 1991.

QUARTERLY FINANCIAL SUMMARY

(In millions, except per share data)
(Unaudited)

	December 31	March 31	June 30	September 30
1991				
Revenues	$1,492.4	$1,439.0	$1,511.6	$1,739.4
Operating income	307.7	231.9	302.0	323.3
Net income	170.4	126.6	165.5	174.1
Earnings per share	1.28	.95	1.24	1.31
Dividends per share	.145	.175	.175	.175
Market price per share				
High	108¾	129¾	123¾	122⅞
Low	86	93⅝	110⅛	110¼
1990				
Revenues	$1,288.2	$1,303.7	$1,539.5	$1,712.3
Operating income	309.2	311.5	407.8	397.0
Net income	174.4	178.5	238.4	232.7
Earnings per share	1.26	1.29	1.75	1.72
Dividends per share	.12	.145	.145	.145
Market price per share				
High	136¼	117¾	132¾	136½
Low	105¾	101½	109¼	86⅞

SELECTED FINANCIAL DATA

(In millions, except per share and other data)

	1991	1990	1989	1988	1987
Statement of Income					
Revenues	**$6,182.4**	$5,843.7	$4,594.3	$3,438.2	$2,876.8
Operating income	**1,164.9**	1,425.5	1,229.0	884.8	776.8
Interest expense	**105.0**	43.1	23.9	5.8	29.1
Income from continuing operations	**636.6**	824.0	703.3	522.0	392.3
Net income	**636.6**	824.0	703.3	522.0	444.7
Per Share					
Net income					
Continuing operations	**$4.78**	$6.00	$5.10	$3.80	$2.85
Total	**4.78**	6.00	5.10	3.80	3.23
Cash dividends	**.67**	.555	.46	.38	.32
Balance Sheet					
Total assets	**$9,428.5**	$8,022.3	$6,657.2	$5,108.9	$3,806.3
Borrowings	**2,213.8**	1,584.6	860.6	435.5	584.5
Stockholders' equity	**3,871.3**	3,488.6	3,044.0	2,359.3	1,845.4
Statement of Cash Flows					
Cash flow from operations	**$1,503.3**	$1,358.9	$1,275.6	$1,075.4*	$830.6
Investing activities	**(1,732.9)**	(1,181.9)	(1,729.2)	(1,909.5)	(506.8)
Financing activities	**295.9**	262.0	406.4	(245.8)	44.7
Other Data					
Stockholders at year-end	**189,000**	175,000	143,000	124,000	101,000
Employees at year-end	**58,000**	52,000	47,000	39,000	31,000

* Excludes $722.6 million unearned royalty advances.

BOARD OF DIRECTORS

Caroline Leonetti Ahmanson*†
Chairman Emeritus
Federal Reserve Bank of
San Francisco-12th District

Roy E. Disney
Vice Chairman
The Walt Disney Company

Michael D. Eisner††
Chairman and Chief Executive Officer
The Walt Disney Company

Stanley P. Gold
President and Chief Executive Officer
Shamrock Holdings, Inc.

Ignacio E. Lozano, Jr.*†
Editor-in-Chief, LA OPINION

Sharon Disney Lund*
Vice Chairman
Retlaw Enterprises, Inc.

Richard A. Nunis††
Chairman
Walt Disney Attractions

Irwin E. Russell†
Attorney at Law

Donn B. Tatum*
Former Chairman and Chief Executive Officer
The Walt Disney Company

E. Cardon Walker
Former Chairman and Chief Executive Officer
The Walt Disney Company

Raymond L. Watson††
Vice Chairman
The Irvine Company

Frank G. Wells††
President and Chief Operating Officer
The Walt Disney Company

Samuel L. Williams*†
Senior partner
Hufstedler, Kaus & Ettinger

Gary L. Wilson
Principal Advisor

DIRECTOR EMERITUS
Joseph F. Cullman 3rd
Chairman Emeritus, Philip Morris
Companies, Inc.

*Member of Audit Review Committee
†Member of Compensation Committee
††Member of Executive Committee

CORPORATE EXECUTIVE OFFICERS

Michael D. Eisner
Chairman of the Board and
Chief Executive Officer

Frank G. Wells
President and Chief Operating Officer

Roy E. Disney
Vice Chairman of the Board

Lawrence P. Murphy
Executive Vice President-Strategic Planning
and Development

Sanford M. Litvack
Executive Vice President-General Counsel

Joe Shapiro
Executive Vice President

Erwin D. Okun
Senior Vice President-Corporate
Communications

Richard D. Nanula
Senior Vice President and
Chief Financial Officer

Michael J. Montgomery
Vice President-Treasurer

PRINCIPAL BUSINESSES WITH CHIEF EXECUTIVES

Disney Consumer Products
Barton K. Boyd

Disney Development Company
Peter S. Rummell

Euro Disney
Robert J. Fitzpatrick

Hollywood Records
Peter T. Paterno

Walt Disney Attractions
Richard A. Nunis, Chairman
Judson C. Green, President

Walt Disney Imagineering
Martin A. Sklar

The Walt Disney Studios
Jeffrey Katzenberg, Chairman
Richard H. Frank, President

The Disney Channel
John F. Cooke

Registrar and Stock Transfer Agent
The Walt Disney Company

Stock Exchanges
The Common Stock of the Company is listed for trading on the New York (principal market), Pacific, Swiss and Tokyo Stock Exchanges. Certain debt securities of the Company are listed on the New York, Luxembourg and Swiss Stock Exchanges.

Independent Accountants
Price Waterhouse, Los Angeles

Other Information
A copy of the Company's annual report to the Securities and Exchange Commission (Form 10-K) will be furnished without charge to any stockholder upon written request to Stockholder Affairs, The Walt Disney Company, 500 South Buena Vista Street, Burbank, California 91521-7320.

Printed on recycled paper.

The Walt Disney Company takes pride in being a good corporate citizen. A booklet describing the company's community involvement and corporate gifts programs will be available in late spring. For a copy, write to:

Ms. Tillie J. Baptie
Director of Corporate Relations
The Walt Disney Company
500 South Buena Vista Street
Burbank, California 91521-0983

DESIGNER:
JOHN JENSEN

PHOTOGRAPHERS:
GARY KRUEGER
ERIC POPPLETON
TOM ENGLER
ROBERT NESE
GENE DUNCAN
BILL MARSHALL
JERRY SCHNEIDER
WALTER MLADINA
ROBERT BATTISTINI
ANDREW COOPER
JULIE DENNIS
RICHARD FOREMAN
JOHN SHANNON
MATTHEW McVAY
PHIL BRAY
MERRICK MORTON

THE WALT DISNEY COMPANY
500 S. BUENA VISTA ST.
BURBANK, CA 91521-7320