



The *WALT DISNEY* Company[®]

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Disney Speakers:

Tom Staggs
Alan Bergman
Oren Aviv
John Lasseter
Ed Catmull

PRESENTATION

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

Welcome back. Hope you enjoyed lunch. For those of you who had some of the gelato, I can't explain those portions, either. It's the smallest thing I ever saw, actually. And if it's a sign people are really trying to watch costs, then I guess I should feel good about



that. So we're going to begin this afternoon by talking about what has been the creative center for Disney since its founding more than 80 years ago.

Under Dick Cook's leadership, the Walt Disney Studios had its most successful creative year in its history last year. And this creative success also drove the record-setting profits we just reported for the segment in Q1. And in the midst of all this, the studio actually took a hard look at itself and restructured to be more efficient, so we have to commend them for that. We're focusing the vast majority of our creative efforts and investment on Disney-branded movies going forward, as Bob talked to you about this morning and you've heard throughout the day.

And, of course, this past year we completed the acquisition of Pixar, which has brought creative talent and energy to Disney that has exceeded our already high expectations. This overall approach is designed to increase the number of film properties we can leverage across the company and extend the life of the franchises we create, while also maximizing our return on investment in this business.

Now, Dick Cook wanted to join us today but wasn't able to, because of a prior and immutable commitment, but he sends his regards and his regrets for not being here. I'm pleased to say that in a few minutes you will hear from John Lasseter and Ed Catmull, longtime creative partners and co-founders of Pixar Animation. They're going to provide you an update on the integration and a glimpse of the creative process that they have established at Pixar, that they are installing at Disney Feature Animation.

You'll also hear from another one of our talented studio executives, Oren Aviv, who oversees all of our Disney and Touchstone live action films. But, first, you'll hear from Alan Bergman, who is the President of The Walt Disney Studios. Alan has been Dick's



key business partner and right hand for the past five years, first as CFO of the studio and now as studio president. And in those roles, he's played a vital role in both the creation and the execution of our studio strategy.

So we want to give you a little bit of a glimpse of some of the products from the great year last year and what's coming up, and then Alan will take you through the studio. Thanks very much.

[VIDEO PLAYS]

Alan Bergman – *President, The Walt Disney Studios*

That tape sums up why we're so excited at The Walt Disney Studios, and I must say the timing of this meeting couldn't be any better. Just two weeks ago, we received 20 Academy Award nominations - the most of any studio. But, more importantly, as Tom mentioned yesterday in his earnings call, the studio just completed its best quarter ever, generating more than \$600 million in operating income.

This was primarily due to the DVD releases of *Pirates of the Caribbean: Dead Man's Chest*, *Cars* and *The Little Mermaid*, which together sold over 50 million units worldwide in the quarter. Q1 was a continuation of our enormously successful 2006, during which we racked up the highest income and margins in almost a decade.

2006 was definitely a year to remember. *Pirates* was the top-grossing film, and became only the third movie in history to make over \$1 billion at the worldwide box office. We had the top three selling DVDs, *Pirates*, *Cars* and *Narnia*, the number one album of the year, *High School Musical*, and the number one musical, *The Lion King*. The reason I list



these accomplishments is not to brag -- well, maybe a little, but to point out they all have one thing in common, great Disney-branded creativity.

For us as a studio, our number one objective is to produce outstanding creative material. It all starts there. If our product isn't well received, everything else is just rounding. So in order to create the best product, you need the best creative talent, and we believe we've assembled just that. During this past year, we acquired Pixar and with it came the best animation team in the industry, which is led by John Lasseter. We're also fortunate to have the number one producer in Hollywood, Jerry Bruckheimer, and we just brought on one of the most successful directors in history, Bob Zemeckis. Between them, they have accounted for approximately \$15 billion in worldwide box office and are responsible for some of the most popular and enduring films ever created.

We also believe we have put together one of the strongest creative organizations in Hollywood with Oren Aviv overseeing live action films, and John Lasseter and Ed Catmull guiding our animation business.

In addition to having the right talent, you have to focus on the right material, and that's exactly what we're doing, focusing on Disney-branded products. As we announced last year, we're going to be making fewer films, but the vast majority of them will carry the Disney name. We're committed to making outstanding films that the entire family can enjoy and, quite frankly, that's what we do best.

Over the last five years, Disney films have delivered strong, double-digit returns on invested capital while driving business throughout the company. From home



entertainment to toys to apparel to publishing to video games to the Internet to our theme parks, a successful Disney film lifts the entire company.

This is possible because Disney is the only studio label that has real meaning in the marketplace. It stands for great family entertainment, which gives us an enormous competitive advantage. Just consider *The Little Mermaid*, which sold a remarkable 9 million DVDs in the first quarter, even though the film is 17 years old. As you can see, great Disney films stand the test of time. Additionally, Disney films convert box office to DVD sales at a consistently higher ratio than the industry average, which significantly improves our economics. Making the vast majority of our releases Disney films, we believe we can capitalize on these competitive advantages.

The benefit of the Disney brand is compounded by its inherent ability to foster franchises. One way of looking at it is that Disney itself is the ultimate franchise, a family brand that keeps people coming back for more. Over the next several years, we will be releasing a number of Disney franchise films, including the next installments of *Pirates*, *The Chronicles of Narnia* and *National Treasure*, as well as animation sequels.

And speaking of animation, we believe Pixar has become a dependable franchise all on its own. Just as people went to see *Pirates II* because they loved the first *Pirates* film, we believe they will go to this summer's *Ratatouille* because they love *Cars* and all of the other amazing Pixar films, each of which enjoys the popularity to form its own long-term franchise. And now, of course, Pixar is 100% part of The Walt Disney Company.

This acquisition has exceeded our high expectations and there is little question that Disney is back to being the number one animation studio. With this in mind, you can



see why we're so excited about 2007, as we have the same two summer franchise drivers that we had in 2006, *Pirates* and Pixar.

Another big advantage of our Disney franchises is that they tend to over perform internationally. Last year, our international box office for both *Pirates* and *Narnia* was more than 150% domestic box office. Therefore, developing strong Disney-branded franchises is a major element of another one of our strategic objectives, to grow our business internationally.

Currently, our international business represents 40% of our total revenues and our goal is to grow this to close to 50%. We anticipate this growth will not only be driven by our franchise films, but also by the overall expanding film and DVD business in emerging markets. For example, last year, *Pirates* became the biggest U.S. film in Russian history, generating almost \$30 million at the box office, which, by the way, is an even more impressive 797 million rubles. In 2006, total Russian box office was up a remarkable 30%. We expect this strong expansion to continue in Russia and in other emerging markets.

We believe that future international and domestic growth will also be derived from technological innovations, which we're applying to both production and distribution.

With regard to production, technology has allowed us to deliver dazzling new entertainment experiences that excite audiences around the world. Certainly, part of the appeal of *Narnia*, the *Pirates* films and all the Pixar releases has been the cutting-edge imagery that has helped tell their stories. We expect to stay the leader in this field, driven in part by our key talent, Ed Catmull, John Lasseter, Jerry Bruckheimer and Bob



Zemeckis. These individuals are technology pioneers and we intend to take full advantage of their insights and expertise.

Just consider the newest member of this group, Bob Zemeckis, who is leading the way in performance capture. This technique gives us endless possibilities in the filmmaking process and all of his films will be shot and shown in 3D. Technology is not only making it possible to create exciting new movies, it's also making it possible to create exciting new markets. For example, electronic distribution is just beginning to provide a great new way for us to reach our audiences. We've done a number of deals in this area and clearly the most encouraging is with iTunes. In fact, in just the first five months of the deal, we've sold 1.5 million films on iTunes.

With regard to theatrical distribution, Disney was one of the first studios to exhibit films digitally, and now virtually all of our films are distributed in the digital format. We're encouraged by the steady growth in the number of digitally equipped theaters, which make it possible for audiences to see pristine images on the screen, whether it's opening night or at the end of a film's run. And we believe that in the long run this technology will lower our overall distribution costs.

Another promising development is Blu-ray, which brings high-definition movies to the home. Currently, 30% of households have high-def sets and as penetration grows, we believe this new format can drive increased value for new releases and for the Disney library. Digital technology is also providing effective new tools to market our products, particularly through the Internet, which increasingly makes it possible for us to connect directly with our consumers.



The common element in our technology initiatives is that they represent wonderful new ways for our entertainment to reach audiences around the world. And part of that entertainment goes beyond the Disney brand. We will still be producing a limited number of Touchstone films when the material is appropriate. Meanwhile, Miramax continues to be a strong brand in its own right in a specialty film market.

In fact, I'm proud to say that in just its first year of operations, under new management led by Daniel Battsek, Miramax has received a number of prestigious awards, most recently seven Academy Award nominations, including Best Picture for *The Queen*, Best Actress for Helen Mirren and Best Actor for Peter O'Toole.

There are two other businesses that are part of the studio I'd like to discuss, stage plays and music. These businesses provide us a degree of diversification that complements our film operations. Disney Theatrical Productions, our stage play business, has become a thriving enterprise, with margins consistently above 20%, and it currently has a remarkable four shows on Broadway, all of which are Disney branded.

The Lion King alone has generated more than \$2.8 billion in worldwide box office sales to date and shows no sign of slowing down. There are currently seven productions of *The Lion King* playing in five countries. Last year, we had a successful run in Shanghai, which helped further the awareness of Disney in the world's most populous nation. And soon the show will open in South Africa. Plus, there's more in the pipeline, as *The Little Mermaid* will open on Broadway in December.

The other business I want to mention is our music group. It had an exceptional year in 2006, with the number one and number two albums of the year, *High School Musical* and *Me and My Gang* by Rascal Flatts. The Disney Music Group offers a full range of music,



but it's anchored by the dependable performance of Walt Disney Records, which in addition to the Disney Channel's *High School Musical* had big hits with *Hannah Montana* and the *Cheetah Girls*.

Our music group is now well positioned with a strong artist roster that will continue to pay off in the years ahead. In managing all of our businesses, we are continuing to emphasize cost efficiency at every level. In fact, despite our strong success last year, we implemented an efficiency program that resulted in reductions of 650 positions, yielding projected annual savings of \$100 million. Part of this reduction involved the consolidation of domestic and international distribution for both our theatrical and home entertainment divisions.

In addition to being more cost effective, this recognizes the increasingly integrated nature of the worldwide marketplace. During the year, we also introduced other cost-savings initiatives, including the renegotiation of key vendor contracts that are generating similar savings. And let me assure you that last year's cost-reduction effort was not a one-time event. We will keep looking for ways to improve our efficiency and keep our operations among the leanest in the industry.

But the ultimate success of all of our businesses depends on the number one ingredient I spoke of earlier, creativity. Great creativity from a great creative team makes it possible to strengthen the Disney brand, build franchises, grow internationally, leverage technology and diversify our operations. The challenge, then, is to foster creativity in a way that keeps the pipeline full of quality products that can be optimized throughout the studio and across the company.



With that in mind, I'd like to invite up the President of Production for Walt Disney Motion Picture Group, Oren Aviv, who will be followed by John Lasseter and Ed Catmull.

Oren Aviv - *President, Production, Walt Disney Pictures Group*

Good afternoon. As Alan mentioned, we have a very clear Disney-driven strategy for the studio. We're slimming down our annual slate to better focus on telling the best stories with the most talented filmmakers and making high-quality films that will cross all demographic boundaries. As proven by the global success of *Pirates of the Caribbean*, *The Chronicles of Narnia* and *National Treasure*, Disney-branded films can work for each member of the family, regardless of age.

Historically, these broad-appeal movies have proven to be some of the most successful ever made. In fact, when you look at a chart of the top 100 grossing films of all time, 80 of them, with a slight tweak here and there, could have been Disney-branded movies just by following three simple guidelines.

Number one, our movies will always have dialogue that's appropriate for all ages. There will never be adult language in a Disney film. Number two, lots of action is fantastic, but there will never be any gratuitous violence. And, number three, romance is great, but there will never be any sexuality.

The ideal example of our new strategy is *Pirates of the Caribbean*. Jack Sparrow's third adventure is less than four months away, but it's already one of the most highly anticipated films of the year.



Here's an early look at *Pirates of the Caribbean: At World's End*.

[VIDEO PLAYS]

At World's End sails into theaters this Memorial Day.

As with *Pirates of the Caribbean*, *National Treasure* was another breakthrough for the studio that helped expand the notion of what a Disney film could be. In the sequel, *National Treasure: Book of Secrets*, we've reunited the cast and crew and are sending them to iconic locations around the world to explore even more secrets behind the origins of our nation. Here's a first look.

[VIDEO PLAYS]

Two years ago, *The Chronicles of Narnia: The Lion, The Witch and The Wardrobe* became the most successful live action Disney film ever, surpassed only by *Pirates II* last year. And Director Andrew Adamson is back once again to tell the incredible story of *Prince Caspian*, the second of seven potential *Narnia* movies based on the classic C.S. Lewis books, for which we have all the film rights in partnership with Walden Media.

Shooting begins later this month, but I brought with me today a very rough first look at *The Chronicles of Narnia, Prince Caspian*.

[VIDEO PLAYS]

Prince Caspian will be in theaters May 16th, 2008. Another project that we're very excited about is *Jungle Cruise*, where we'll be turning another one of our well-known,



pedigreed, park attractions into an epic, exciting, groundbreaking family movie. We've got the writers of *Spiderman 2* currently working on the script and it will be a star-driven action-adventure centered around our fun-loving con man of a riverboat captain. Think *Pirates of the Caribbean* meets *Indiana Jones*.

Jungle Cruise is a great example of our commitment to building franchises for the studio and for the company. And, like *Pirates*, it represents another advantage of the Disney brand in as much as we already own all of the underlying rights for this very popular entertainment property.

Another potential franchise is called *Prince of Persia*, produced by Jerry Bruckheimer. Based on one of the longest-running and most successful video game series of all times, *Prince of Persia, The Sands of Time*, will become an epic, sprawling adventure from Walt Disney Pictures. This artwork represents the spectacular look that we're going for in the film.

We put together a rough trailer using footage from the *Prince of Persia* game to give you an idea of the tone, scale and story of the movie. The film, of course, will be live action.

[VIDEO PLAYS]

Every once in a while, a movie comes along that incorporates everything our company embodies and does best. *Enchanted* is one of those films. This comedy has extremely broad appeal, since it possesses all the qualities of a classic Disney fairytale, while also playing to a more adult sensibility.



It tells the story of a Disney animated character who finds herself in the very real world of New York City. Coming for the holiday season, *Enchanted* stars Academy Award-nominated Amy Adams as our newest princess, Giselle, and features five brand-new songs from Alan Menken, winner of eight Academy Awards for his work on classic films like *Aladdin*, *Beauty and the Beast* and *The Little Mermaid*. Here's an early look at *Enchanted*.

[VIDEO PLAYS]

As you can see, *Enchanted* goes straight for the heart of the Disney sweet spot. It will be in theaters this Thanksgiving.

While our core businesses is Disney films, we're going to make Touchstone films when a winning script comes along that is truly unique, has great characters and has broad appeal.

Wild Hogs is exactly that kind of film. It's a comedy about four frustrated suburbanites who try to rev up their middle-aged lives by hitting the open road as would-be renegade bikers. Let's take a look at the trailer.

[VIDEO PLAYS]

I'm sure you can see why I'm very excited about our upcoming slate, but before I go, I'd like to end my portion of the presentation by debuting for you a never-before-seen rough trailer for the film that is truly in a league of its own, *Pirates of the Caribbean: At World's End*, which opens on May 25th. A final, finished trailer will have an unprecedented global launch next month.



[VIDEO PLAYS]

Now I'm thrilled to introduce the two creative visionaries behind Pixar Animation Studios, and now, Disney Animation, Ed Catmull and John Lasseter.

John Lasseter – *Chief Creative Officer, Pixar and Disney Animation Studios / Principal Creative Advisor, WDI*

Thank you. That's not hard to follow! We want to just say first off how proud we are to be a part of the Disney family. I always bring Ed up for comedy relief, especially when I get all sobby like this. We're very excited. See, I've loved Disney all my life. When I was a kid, all I ever wanted to do was animation. My mother was a high school art teacher. My parents couldn't get me out of bed to go to school. I was so lazy in the morning. But come Saturday morning to watch cartoons, I was up at the crack of dawn.

And ever since I knew that you could actually make a living, actually make money doing cartoons, I was like, that's what I want to do. And my mother, I was blessed by her support, and she said that's a great thing to do. I was taught by the great Disney artists at California Studio Arts. I was on a Disney scholarship and I even worked as a ride operator on the Jungle Cruise. That's going to be a great movie, Oren. Because you get to see the back side of water, and all those great jokes.

And I just have -- I love everything Disney and I was so excited when these two companies came together, because all I've ever wanted to do was animation, and I think that what's great about Pixar is that it has always been the only animation studio. It's been led by people who all they've ever wanted to do was animation, now with Disney animation, as well. And Ed, you wanted to be an animator, too, right?

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Ed Catmull – *President of Pixar and Disney Animation Studios*

Yes, when I grew up, I wanted to be an animator. I followed everything Disney, and when I got ready to graduate from high school, I was pretty good as an artist, but I compared where I was with what was coming out of Disney Studios, and I couldn't see how to get from where I was to there, so I switched over into physics.

So when I went to graduate school, this was right at the early days of computer graphics, and at that time I believed -- actually, when I first saw it, I realized it, that this is something amazing, and that this is the opportunity to use computer graphics to help make the pictures.

So I started down this path of developing the technology to be used in films. So that took about 20 years, and then during this period of time there was a team that came together from various places, all interested in solving this particular problem, until finally in '95 *Toy Story* came out. And then there was a succession of films after that, just demonstrating we really could do it, learning all along how to do things.

It wasn't just about the technology. In fact, we realized fairly early on that if we thought of it as a technical problem, we were doing the wrong thing and that really the story had to lead everything, until finally, leading up to this point a year ago where the studios came together and Pixar was acquired.

So this was -- it's been a whirlwind year, and now that we're into it a year, of course, a lot of people would like to know how is it going?



John Lasseter – *Chief Creative Officer, Pixar and Disney Animation Studios / Principal Creative Advisor, WDI*

How is it going?

Ed Catmull – *President of Pixar and Disney Animation Studios*

Well, I'd have to say at Pixar, it's still Pixar. That is, nobody left. We're not under contract. Everybody is there because they want to be there, and they're just working on great and incredible films. At Disney, we have these remarkable artists who were there, but I have to say, in all candor, these remarkable artists were not kneaded together in the right way.

You couldn't say that the whole was greater than the sum of the parts, but there were some incredible parts there. So, as an organizational principle that we have as we tried to get them to the level where they're capable of being, and that is that even though it takes 200 to 300 people to make a film and a lot of organizational support behind that, at the heart, there's got to be a director, and that director has to have a unique vision. And that's very important to us.

It's very important that each film be different, and the way to have it be different is that you have different visions from different people. Around that director, we believe there's got to be a strong story group that supports them, people that give them notes and above all are very honest about what works or doesn't work. And then around that, we have artistic, technical and production people who feel ownership in the film. They feel pride in it. And they want it to be the best as possible.



Our job is to make sure that every one of those pieces is healthy and that they're functioning well together and that there's great balance. We are not merging the two animation studios together, which I think surprises some people. But this goes hand in hand with our saying that we want there to be local ownership. We want each group to feel pride in what they're doing and not feel that they're just cogs in a larger wheel, so we are keeping them separate.

There is some sharing, though. We do share technology between the studios and, and very importantly, the creative leadership gives candid and honest notes to each other. This is a very important part of the process. But there will be a difference.

We are not trying to say that one is 2D and one is 3D. That would be trying to impose a technology on the studios, -- and still living true to our principle that at heart we have to follow what the director wants to do. So at Disney we will be making 3D films, but, in addition, we will be bringing back hand-drawn 2D films. And we're actually going to talk about this in the future, but I'm really excited about that and we brought back some great directors to work on this.

At Pixar, we have some phenomenal technology that we're working on. We've got a group, a fairly significant group, that's rewriting the software that will change the way we've done everything. It accumulates the experience that we've had from everything that we've done and we're just rewriting the entire base and of course it will be shared with Disney when it's ready.

So there are exciting things at both places, a lot of great projects. In fact, John should now talk about some of the projects that are coming up.



John Lasseter – *Chief Creative Officer, Pixar and Disney Animation Studios / Principal Creative Advisor, WDI*

One of the things that is so special about Pixar and why our films -- *Cars* has been our seventh motion picture -- is the culture at Pixar. When you walk into that building, you feel it. It is all about the movies. It's all about making the best movies possible.

We've always believed that quality is the best business plan, period. And so we are bringing that to the Disney studios, that same culture. And in the last year, it's amazing the difference there. The artists are so excited, and it's going to be shown in the films.

The day after the announcement of the merging of the two studios, Ed and I walked into the Disney Animation Studios, and there we got to meet all of the artists. And each of the directors took us through all the films, and the one director, the young guy named Steve Anderson, was directing this movie called *Meet the Robinsons*, which is the next motion picture that's coming out from Disney Animation Studios. And he talked about this story, which is about a boy who is given up for adoption and he always wondered why. Why did his mom give him up?

And, as he told this story, Steve mentioned, "I'm adopted." And his personal story touched me so deeply that when I finally saw the film, which, by the way, I have to say, it was about 80% finished when Ed and I walked into that studio. I looked at it and it was like the film didn't have in it what Steve's personal story had.

His personal story brought me to tears, right, and I thought, ah, this feels like it's had too many cooks trying to stir this soup. So we gave him a lot of notes, some really



strong notes. We were very honest with him about the movie, but then I gave it back to him. I said, Steve, make the movie you want to make. Tell your story.

And he came back with changes to this film, minor changes, but it made all the difference in the world, and this story about Lewis, the main character Lewis, who is focusing on the past and he's wondering, why did his mom give me up? And he wants to focus on his past, but this focus actually takes him to the future, where he meets this amazing, crazy, wonderful, appealing group of characters that actually turns out to be his future family.

And he learns through this experience to look forward in life, not to look back. And this story, it's Steve's story. It's the definition of a director-driven studio. When something that touches and moves a director can be up to the screen so the whole audience can feel it, that's why Pixar films have been successful and that's why we're so proud of this movie.

We want to show you now the theatrical trailer for *Meet the Robinsons*.

[VIDEO PLAYS]

We're really excited about this. I'm very, very proud of the film and what Steve and his crew have done. The film is really beautiful, too. They have a stylization in this film that is really striking. And I wanted to show you, besides just the trailer, I wanted to actually show you a little piece of the film, so you could see what I'm talking about, just see how beautiful this is. This is about a two-minute clip out of the finished film, and it takes place when Lewis has created an invention so he can try to remember what his mother looked like the day that she gave him away.



He's been focused on the past, and this strange kid, Wilbur, comes up and after the invention fails through sabotage, he begs Lewis to fix the machine and Lewis has completely given up. Because he says that he's from the future and Lewis absolutely doesn't believe this crazy kid, Wilbur. And that's where we start the clip.

[VIDEO PLAYS]

So the music is done by Danny Elfman, too, and it's a beautiful piece of music. I think it's one of his best scores he's done in a long time. So we're very, very proud of *Meet the Robinsons*, Steve Anderson and his crew, his film.

The next movie coming from Pixar Animation Studios is *Ratatouille*. *Ratatouille* is being written and directed by Brad Bird, the director and writer of *The Incredibles*. And this movie is about a rat. His name is Remy, who loves food, loves good food, not garbage, but good food. And, in fact, he is so interested in food he becomes quite enamored with cooking. A rat wanting to cook? In fact, he has an exceptional talent at it, but his dream is to cook in the finest restaurant in Paris, France. A rat cooking in a restaurant in Paris, France.

Now, you have to understand this, because a rat to a kitchen is death to the kitchen. They'll close it up in a second. A kitchen to a rat is death to the rat. They'd kill it instantly, right?

The story is about following one's passion against all odds, and I'll tell you what odds, but he finds an accomplice in Linguini, this very untalented dishwasher and he becomes the best chef in Paris. In every Pixar film, it's always about the story. We pride



ourselves in taking the subject matter of films, which lends itself to our medium of computer animation, which we love so much.

But, also, every movie has something the story requires that the technology we have we don't know how to do. Now, when you look at this image of Remy the Rat, there's something that computer animation has never been able to do that hand-drawn animation from the beginning has always done beautifully. It's called squash and stretch.

It's one of the principles of animation that the great Disney animators kind of developed at the Disney studios. But computer animation likes to make things that are basically rigid. We set out, after studying rats and mice, the way that they move and can curl up into a little ball and stretch out, I realized we have got to master true squash and stretch in the film. It was a lot of work, but we did it.

And when you see the clip we'll show you at the end of the presentation, you'll see what I mean, how incredibly natural and funny and beautiful and charming the motion of these rat characters are. It's really great.

The one thing, however, we did not anticipate being difficult was making food look delicious. It always looked like plastic. When you go to Tokyo and you see all the sort of menus, they just have the plastic fruit out front. That's what the stuff started looking like, and we started studying food, and the research was really tough, right? Going to the finest restaurants in the United States and Paris, France, to study the way the food looked. Of course, we had to taste it, too, and of course pair it with wine. I do live in wine country, so it's part of the thing.



But the artists at Pixar did the most amazing transformation of our shader technology to achieve the translucency, the transparency, all of the things that make what the light does with these foods that tells your tummy, the food's good. Now, I promise you this, this movie will make you really hungry.

So, at the end of our presentation, I'll show you a nice beefy, or fishy if you like fish, clip from the movie, a 12-minute clip, and we're very, very excited about this film.

After *Ratatouille*, the next movie coming out from Pixar Animation Studios is being written and directed by Andrew Stanton, who created *Finding Nemo*. He is taking his wetsuit off and putting his spacesuit on and taking you into outer space for *WALL-E*.

WALL-E is the story about the last little robot on Earth. He is a robot that his programming was to help clean up. You see, it's set way in the future. Through consumerism, rampant, unchecked consumerism, the Earth was covered with trash. And to clean up, everyone had to leave Earth and set in place millions of these little robots that went around to clean up the trash and make Earth habitable again.

Well, the cleanup program failed with the exception of this one little robot and he's left on Earth doing his duty all alone. But it's not a story about science fiction. It's a love story, because, you see, *WALL-E* falls in love with [Eve], a robot from a probe that comes down to check on Earth, and she's left there to check on and see how things are going and he absolutely falls in love with her.

And he follows her back up to her main spaceship, and you see a vision of the space and the future in this movie like you've never seen before. It is really spectacular. But with all Pixar films, one of the things we pride ourselves in, not only a great story, but



the characters, memorable, appealing characters and these little robot characters that help *WALL-E* and Eve, these rejected, defective little robots, are the most charming group of characters we have ever created.

And so, in the end, always about Pixar films, it's about the heart of the story. And this story is one of the most special things. Again, if you liked *Finding Nemo*, you're going to love this movie, because Andrew Stanton is one of the most talented filmmakers working today. It's just great.

The next movie coming out after *Meet the Robinsons*, from Walt Disney Animation Studios, is *American Dog*. *American Dog* is being directed by Chris Williams, a very talented young filmmaker at Disney. And this film is about a dog named Bolt. Bolt is owned by a little girl whose father is this incredible scientist.

Now, to protect the little girl, he gives the dog superpowers, but the dad is kidnapped by these bad guys, and the little girl and the dog -- and the dog is protecting her by fighting off the bad guys with his superpowers, and for 10 years they search for the father and battle the bad guys.

But all this is actually a TV show. You see, Bolt is a star of the most popular television show and it's been running for 10 seasons, but he thinks this is real. He lives on the soundstage and that's all he knows, so all of this is real to him. In one unfortunate incident, he falls into a box and he's shipped from his home on the soundstage to New York City and he comes out of it and he thinks it's all part of his life, where he has superpowers. But he is in the real world and nothing works like he thinks.



It's crazy, and he's trying to figure out what the heck is going on with the help of this crazy alley cat and this super fan hamster who is always in his hamster ball. He's trying to figure out what's going on and then he realizes that he is just an actor on a TV show, that his entire life, 10 years of his short life, has been spent being a fake, that he is not really what he thinks he is. It crushes him, but, really, he learns what it is to be a true dog. And it's a very heartwarming story.

And one of the things, we've done a lot of research and development for this film, because computer animation always likes to make things look clean and perfect. Ed and I have been working our entire careers in computer animation trying to manhandle this computer and this technology to make things look organic, to look lived in, to have a sense of history that our natural world has, so it doesn't look perfect and clean.

But the one thing that we've never been able to do is to achieve the beauty and the softness that you see in the painted backgrounds of classic Disney animated film. We wondered why. We set out to do some research at Disney to figure out if can we take that look, that beautiful look of those hand-painted backgrounds and see if we could do it in computer animation. And we have solved it. We have this beautiful -- I want to show you two tests now, and please roll the tests.

These are two tests that show you the technology that we're going to be using for the background. These are just test pieces with no characters in it, but it gives you the idea of how beautiful this imagery is going to be. There's a softness to this, a look that no one's ever seen before. So this is the look that we're going to use in *American Dog* and we're really, really excited about this. And Chris Williams is a very talented filmmaker.



So this will be rolled out and those are the next movies coming out from the two studios, from Pixar Animation Studios and Disney Animation Studios.

Ed Catmull – *President of Pixar and Disney Animation Studios*

I think you forgot one.

John Lasseter – *Chief Creative Officer, Pixar and Disney Animation Studios / Principal Creative Advisor, WDI*

I forgot one? Wait a minute. Which one did I forget? Oh, how could I forget Buzz and Woody. Buzz Lightyear and Woody, ladies and gentlemen, stars of *Toy Story*. Hi, Buzz, hi, Woody. Well, ladies and gentlemen, we're proud to announce that we are in production on *Toy Story 3*. We are very excited about it. Are you guys excited?

Yes, look at there. The smiles on their faces tell the story, because I'm excited. This is a movie that I have wanted to make since 1999, and I think for me personally it's the greatest thing about the merger of our two companies, that the creators of the original *Toy Story* and *Toy Story 2*, we can make *Toy Story 3* with the story that we wanted.

When we came up with the idea for *Toy Story*, the five of us, myself, Andrew Stanton, Pete Docter, Joe Ranft and Leon Rich, we went off to this small house on [inaudible] Bay on the coast of northern California and we worked out the story over a weekend, created the story of *Toy Story* and the story of Buzz and Woody. And so to start the development of *Toy Story 3*, we went back to that very same house with the same group of people and we worked out the story of *Toy Story 3*.



Andrew Stanton wrote the first treatment based on those ideas and it's going to be directed by Leon Rich, one of the creators of the original *Toy Story* and *Toy Story 2*, directed by Darla Anderson, who produced -- sorry, produced by Darla Anderson, who produced *A Bug's Life*, *Monsters, Incorporated* and *Cars*. And the screenplay is going to be written by Michael Arndt, who is an Oscar-nominated screenwriter for *Little Miss Sunshine*.

And it's a fantastic creative group and we're so excited about this. Are you guys excited to do the work again? Thank you, you guys, for coming here and reminding me of something I stupidly forgot. Isn't it amazing that they just happened to be here?

Ladies and gentlemen, Buzz Lightyear and Woody. So we want to now show you -- everybody's watching them go. I told him just fly, just fly on out of here, and he said no, the jet blast will hurt all the analysts, and I said, okay, Buzz, I trust you. So now I want to show you a 12-minute clip.

The movie is still a work in progress, but we want to show you this clip from *Ratatouille*. To set up the story to where the clip comes in, Remy has found his way, as I said, who loves cooking, and he's a lover of everything from the Chef Gusteau, who has the number one restaurant in Paris, France. And Gusteau has died, but appears to Remy as a figment of his imagination. And so we find Remy has made it to Paris and he is on top of the roof of Gusteau's restaurant, looking through a skylight into the kitchen of Gusteau's, and he is so excited to finally be there, so that's where we pick up the story.

[VIDEO PLAYS]



Bob came over to encourage me to announce as far as *Toy Story 3* goes, we have Tom Hanks and Tim Allen returning as the voice of Woody and Buzz Lightyear, as well, so I wanted to just sort of make that announcement, too, which we're very excited about and it's really great. Anyway, thank you, everyone. Thank you.

Alan Bergman – *President, The Walt Disney Studios*

Thank you, John and Ed. I hope this gives you a good idea why we're so confident about the studio's future. We believe we have the right talent focused on making the right product for an ever-expanding marketplace. We think this strategy will result in continued success in the years ahead. Thank you very much.

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- adverse weather conditions or natural disasters;
- health concerns;
- international, political, or military developments;
- technological developments; and
- changes in domestic and global economic conditions, competitive conditions and consumer preferences.

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

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

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

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