

WALT DISNEY CO/  
Form 10-K  
November 19, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended September 27, 2014

Commission File Number 1-11605

Incorporated in Delaware  
500 South Buena Vista Street, Burbank, California 91521  
(818) 560-1000

I.R.S. Employer Identification No.  
95-4545390

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange  
on Which Registered

Common Stock, \$.01 par  
value

New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Rule 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer  Accelerated filer  Non-accelerated filer

Non-accelerated filer (do not check if smaller reporting company)  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of common stock held by non-affiliates (based on the closing price on the last business day of the registrant's most recently completed second fiscal quarter as reported on the New York Stock Exchange-Composite Transactions) was \$137.5 billion. All executive officers and directors of the registrant and all persons filing a Schedule 13D with the Securities and Exchange Commission in respect to registrant's common stock have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant.

There were 1,695,710,842 shares of common stock outstanding as of November 13, 2014.

Documents Incorporated by Reference

Certain information required for Part III of this report is incorporated herein by reference to the proxy statement for the 2015 annual meeting of the Company's shareholders.

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PART I

ITEM 1. Business

The Walt Disney Company, together with its subsidiaries, is a diversified worldwide entertainment company with operations in five business segments: Media Networks, Parks and Resorts, Studio Entertainment, Consumer Products and Interactive. On May 7, 2014, the Company acquired Maker Studios, Inc. (Maker), a leading network of online video content. See Note 3 to the Consolidated Financial Statements. Maker results are included primarily in our Media Networks and Studio Entertainment segments. For convenience, the terms “Company” and “we” are used to refer collectively to the parent company and the subsidiaries through which our various businesses are actually conducted. Information on the Company’s revenues, segment operating income and identifiable assets appears in Note 1 to the Consolidated Financial Statements included in Item 8 hereof. The Company employed approximately 180,000 people as of September 27, 2014.

MEDIA NETWORKS

The Media Networks segment includes broadcast and cable television networks, television production operations, television distribution, domestic television stations and radio networks and stations.

The businesses in the Media Networks segment generate revenue from fees charged to cable, satellite and telecommunications service providers (Multi-channel Video Programming Distributors or MVPDs) and television stations affiliated with our domestic broadcast television network, from the sale to advertisers of time in programs for commercial announcements and from other sources such as the sale and distribution of television programming. Significant operating expenses include programming and production costs, technical support costs, distribution costs and operating labor.

Cable Networks

Our cable networks include ESPN, the Disney Channels and ABC Family. We also operate the UTV/Bindass networks in India. The cable networks group produces its own programs or acquires rights from third-parties to air programs on our networks. The Company also has interests in joint ventures that operate cable and broadcast programming services and are accounted for under the equity method of accounting.

Cable networks derive the majority of their revenues from fees charged to MVPDs for the right to deliver our programming to their customers (Subscribers) and, for certain networks (primarily ESPN and ABC Family), the sale to advertisers of time in network programs for commercial announcements. Generally, the Company’s cable networks operate under multi-year agreements with MVPDs that include contractually determined fees. The amounts that we can charge to MVPDs for our cable network services are largely dependent on the quality and quantity of programming that we can provide and the competitive market. The ability to sell time for commercial announcements and the rates received are primarily dependent on the size and nature of the audience that the network can deliver to the advertiser as well as overall advertiser demand. We also sell programming developed by our cable networks worldwide in pay and syndication television markets and in physical (DVD and Blu-ray) and electronic formats.

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The Company's significant cable networks, along with the estimated number of subscribers as of September 27, 2014 are set forth in the following table:

	Estimated Subscribers (in millions) <sup>(1)</sup>
ESPN (80% owned)	
ESPN	95
ESPN2	95
ESPNU	74
ESPNEWS	73
SEC Network	63
ESPN Classic	27
ESPN channels internationally	115
Disney Channels (100% owned)	
Disney Channel - Domestic	97
Disney Channels – International	185
Disney Junior – Domestic	74
Disney Junior – International	108
Disney XD - Domestic	80
Disney XD – International	115
ABC Family (100% owned)	94
A&E Television Networks (AETN) (50% owned)	
A&E	97
HISTORY	97
Lifetime	96
Lifetime Movie Network (LMN)	82
H2	70
FYI	65

Estimated domestic subscriber counts are according to Nielsen Media Research, except for the SEC Network,

<sup>(1)</sup> which is not yet measured by Nielsen Media Research. For our international channels and the SEC Network, subscriber counts are based on internal management reports.

#### ESPN

ESPN is a multimedia sports entertainment company that operates eight 24-hour domestic television sports networks: ESPN, ESPN2, ESPNU (a network devoted to college sports), ESPNEWS, the recently launched SEC Network (a sports programming network dedicated to Southeastern Conference college athletics), ESPN Classic, the regionally focused Longhorn Network (a network dedicated to The University of Texas athletics) and ESPN Deportes (a Spanish language network), which are all simulcast in high definition except ESPN Classic. ESPN programs the sports schedule on the ABC Television Network, which is branded ESPN on ABC. ESPN owns 16 television networks outside of the United States (primarily in Latin America) that allow ESPN to reach sports fans in over 60 countries and territories in four languages. In addition, ESPN holds a 30% equity interest in CTV Specialty Television, Inc., which owns television networks in Canada, including The Sports Network, The Sports Network 2, Le Réseau des Sports (RDS), RDS2, RDS Info, ESPN Classic Canada, the NHL Network and Discovery Canada.

ESPN holds rights for various professional and college sports programming including the National Football League (NFL), the National Basketball Association (NBA), Major League Baseball (MLB), the College Football Playoffs, major college football and basketball conferences, National Association of Stock Car Auto Racing (NASCAR), the Wimbledon Championships, US Open Tennis and the British Open and Masters golf tournaments.

ESPN also operates:

ESPN.com – which delivers comprehensive sports news, information and video each month through its national hub and six local sites – ESPNBoston.com, ESPNChicago.com, ESPNDallas.com, ESPNDeportesLosAngeles.com, ESPNLosAngeles.com and ESPNNewYork.com

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• WatchESPN – which delivers live access to ESPN, ESPN2, ESPNU, ESPN3, ESPNEWS, SEC Network, Longhorn Network and ESPN Deportes on computers and mobile devices and is currently accessible in 75 million households

• ESPN3 – which is ESPN’s live multi-screen sports network and is a destination that delivers thousands of exclusive sports events annually. It is accessible at WatchESPN and streamed through various third party services

• ESPN Mobile Properties – which delivers content, including live game coverage, alerts and highlights, to mobile devices

• ESPN Events – which owns and operates a large portfolio of collegiate sporting events worldwide

• ESPN Radio – which distributes talk and play by play programming and is one of the largest sports radio networks in the U.S. ESPN Radio network programming is carried on more than 500 terrestrial stations including four ESPN owned stations in New York, Los Angeles, Chicago and Dallas and on satellite and internet radio

• ESPN The Magazine – which is a bi-weekly sports magazine

• ESPN Enterprises – which develops branded licensing opportunities

• espnW – which provides an online destination for female sports fans

• Disney Channels

The Disney Channels includes over 100 channels available in 34 languages and 164 countries/territories. Branded channels include Disney Channel, Disney Junior, Disney XD, Disney Cinemagic and DLife. Disney Channels also operates Radio Disney and has content available through subscription and video-on-demand services and online through our websites: DisneyChannel.com, DisneyXD.com, DisneyJunior.com and RadioDisney.com. Programming for these networks includes internally developed and acquired programming. WatchDisneyChannel, WatchDisneyJunior and WatchDisneyXD launched in the U.S. in 2012 and provide a way for subscribers of MVPDs to watch the channel feed either live or on a delayed basis through a computer or mobile device. Select Disney Channel content is also available without a MVPD subscription.

Disney Channel - Disney Channel is a cable network airing original series and movie programming targeted to kids ages 2 to 14. In the U.S., Disney Channel airs 24 hours a day. Disney Channel develops and produces shows for exhibition on its network, including live-action comedy series, animated programming and preschool series as well as original movies. Live-action comedy series include Austin & Ally, Dog with a Blog, I Didn’t Do It, Girl Meets World, Jessie and Liv & Maddie. Disney Channel animated programs include Gravity Falls, Phineas and Ferb, Wander Over Yonder and series for preschoolers including Disney’s Mickey Mouse Clubhouse, Doc McStuffins, Jake and the Never Land Pirates and Sofia the First. Disney Channel also airs programming and content from Disney’s theatrical film and television programming library.

Disney Junior - Disney Junior is a cable network that airs programming for kids ages 2 to 7 and their parents and caregivers, featuring animated and live-action programming that blends Disney’s storytelling and characters with learning. In the U.S., Disney Junior airs 24 hours a day. Programming focuses on early math and language skills, healthy eating and social skills. Disney Junior also airs as a programming block on the Disney Channel. Original Disney Junior animated series include Disney’s Mickey Mouse Clubhouse, Doc McStuffins, Henry Hugglemonster, Jake and the Never Land Pirates, Sheriff Callie’s Wild West and Sofia the First.

Disney XD - Disney XD is a cable channel airing a mix of live-action and animated original programming for kids ages 6 to 14. In the U.S., Disney XD airs 24 hours a day. Programming includes live-action series Kickin’ It, Lab Rats and Mighty Med and animated series Gravity Falls, Hulk and the Agents of S.M.A.S.H., Marvel’s Avengers Assemble, Marvel’s Ultimate Spider-Man Web Warriors, Phineas and Ferb, Randy Cunningham 9th Grade Ninja, Star Wars Rebels, The 7D and Wander Over Yonder.

Disney Cinemagic - Disney Cinemagic is a premium subscription service available in certain countries in Europe airing Disney movies, classic and newer Disney cartoons and shorts as well as animated television series.

Radio Disney - Radio Disney is a 24-hour radio network devoted to kids, tweens and families reaching listeners through its Los Angeles based national broadcast, Sirius XM, RadioDisney.com, TuneIn, the Radio Disney iPhone, iPad and Android apps, iTunes Radio Tuner and Aha Radio. Radio Disney operates from a terrestrial radio station in Los Angeles. The Company owns 23 additional terrestrial Radio Disney stations in the U.S. Radio Disney is also available throughout Latin America on two owned terrestrial stations and through agreements with third-party radio stations. In August 2014, the Company announced its intention to sell all of its U.S. based terrestrial Radio Disney



stations, except for its Los Angeles station.

Seven TV - On November 18, 2011, the Company acquired a 49% interest in Seven TV for \$300 million. Seven TV is a broadcast television network that was converted to an advertising-supported, free-to-air Disney Channel in Russia following the acquisition. In October 2014, new regulations were adopted in Russia that prohibit more than 20% foreign ownership of media companies and could require the Company to divest a portion of its interest by January 2016. The Company is

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evaluating its options with respect to these regulations and, depending on the outcome, we could have an impairment of some or all of our investment. The Company's share of the financial results of Seven TV is reported as "Equity in the income of investees" in the Company's Consolidated Statements of Income.

Das Vierte - In fiscal 2013, the Company acquired the Das Vierte channel in Germany and converted it to an advertising-supported, free-to-air Disney Channel in fiscal 2014.

### ABC Family

ABC Family is a domestic cable network that targets viewers in the 14 to 34 age demographic. ABC Family produces original live-action programming including the returning series *Switched at Birth*, *The Fosters*, *Melissa & Joey* and *Baby Daddy* as well as the new original series *Chasing Life*, *Young and Hungry* and *Mystery Girls*. ABC Family also acquires programming from third parties including the returning series *Pretty Little Liars*. Additionally, ABC Family airs content from our owned theatrical film library and features branded holiday programming events such as "13 Nights of Halloween" and "25 Days of Christmas".

WatchABCFamily launched in the U.S. in 2014 and provides a way for subscribers of MVPDs to watch the channel feed either live or on a delayed basis through a computer or mobile device. Select ABC Family content is also available without a MVPD subscription. ABCFamily.com also provides online extensions to ABC Family programming such as *Pretty Dirty Secrets*, which is an extension of *Pretty Little Liars*.

### SOAPnet

SOAPnet ceased operations on December 31, 2013, and all MVPDs that carried SOAPnet have transitioned to now carry the Disney Junior Network.

### Hungama

Hungama is a kids general entertainment cable network in India, which features a mix of anime, Hindi-language series and game shows.

### UTV Networks

In India, we operate the *Bindass*, *UTV World Movies*, *UTV Action*, *UTV Movies* and *UTV Stars* cable television channels. *UTV Stars* was converted to *Bindass Play* in October 2014.

### AETN

The A&E Television Networks (AETN), a joint venture owned 50% by the Company and 50% by the Hearst Corporation, operates a variety of cable networks including:

- A&E – which offers entertainment programming including reality series, original movies, dramatic series and justice shows
- HISTORY – which offers original non-fiction series and event-driven specials
- Lifetime – which is devoted to women's lifestyle programming
- LMN – which is a 24-hour movie channel
- H2 – which focuses on the culture and history of various countries throughout the world from the perspective of locals
- FYI – which offers contemporary lifestyle programming
- Lifetime Real Women – which is a 24-hour cable network with programming focusing on women

Internationally, AETN programming is available in over 150 countries. The Company's share of AETN's financial results is reported as "Equity in the income of investees" in the Company's Consolidated Statements of Income.

### Broadcasting

Our broadcasting business includes a domestic broadcast network, television production and distribution operations and eight owned domestic television stations. The Company also has a 33% interest in Hulu LLC (Hulu), a venture that distributes film and television content on the internet, and a 50% effective interest in Fusion, a news, pop culture and lifestyle television and digital network targeted at millennials.

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### Domestic Broadcast Television Network

The Company operates the ABC Television Network (ABC), which as of September 27, 2014, had affiliation agreements with 240 local television stations reaching 99% of all U.S. television households. ABC broadcasts programs in the following “dayparts”: primetime, daytime, late night, news and sports.

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

ABC.com is the official website of ABC and provides access to full-length episodes of ABC shows online. The Watch ABC app provides subscribers of participating MVPDs access to the participating local ABC TV linear feed along with full-length episodes of ABC programming on mobile devices. Non-subscribers have access to a more limited range of programming and do not get access to the linear feed. ABCNews.com provides in-depth worldwide news coverage online and video-on-demand news reports from ABC News broadcasts. ABC News also has an agreement to provide news content to Yahoo! News.

### Television Production

The Company produces the majority of its original live-action television programming under the ABC Studios label. Program development is carried out in collaboration with independent writers, producers and creative teams, with a focus on half-hour comedies and one-hour dramas, primarily for primetime broadcasts. Primetime programming produced either for our networks or for third parties for the 2014/2015 television season includes the returning one-hour dramas: Castle, Criminal Minds, Marvel’s Agents of S.H.I.E.L.D., Grey’s Anatomy, Nashville, Once Upon a Time, Resurrection, Revenge and Scandal; and the returning half-hour comedy Cougar Town. New primetime series include the one-hour dramas: How to Get Away With Murder and Red Band Society, and half-hour comedies, Black-ish and Benched. Additionally, the drama series American Crime, Astronauts Wives Club, Marvel’s Agent Carter, Marvel’s Daredevil and Jessica Jones (produced for Netflix), Secrets and Lies and Whispers and the comedy Galavant are in production for mid-season or summer launch. The Company also produces the late night show, Jimmy Kimmel Live, a variety of primetime specials for network television and live-action syndicated programming. Syndicated programming includes the daytime talk show Live! with Kelly and Michael and the game show, Who Wants to Be a Millionaire. The Company also produces news programming including World News Tonight, 20/20, Nightline, Good Morning America and This Week with George Stephanopoulos and programming for daytime such as General Hospital, The View and The Chew.

### Television Distribution

We distribute the Company’s productions worldwide in pay and syndication television markets, in DVD and Blu-ray formats and also online via Hulu and third-party services.

### Domestic Television Stations

The Company owns eight television stations, six of which are located in the top-ten markets in the U.S. The television stations derive the majority of their revenues from the sale to advertisers of time in station programming for commercial announcements. The stations also receive retransmission fees from MVPDs for the right to deliver the stations’ programming to the MVPD’s subscribers. All of our television stations are affiliated with ABC and collectively reach 23% of the nation’s television households. Each owned station broadcasts three digital channels: the first consists of local, ABC and syndicated programming; the second is the Live Well Network in standard definition; and the third is the Live Well Network in high definition.

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Details for the stations we own are as follows:

TV Station	Market	Television Market Ranking <sup>(1)</sup>
WABC	New York, NY	1
KABC	Los Angeles, CA	2
WLS	Chicago, IL	3
WPVI	Philadelphia, PA	4
KGO	San Francisco, CA	6
KTRK	Houston, TX	10
WTVD	Raleigh-Durham, NC	24
KFSN	Fresno, CA	55

<sup>(1)</sup> Based on Nielsen Media Research, U.S. Television Household Estimates, January 1, 2014

#### Hulu

Hulu is a joint venture owned one-third each by Fox Entertainment Group, NBCUniversal and the Company. Its principal business is to aggregate television and film entertainment for viewing on the internet. Hulu offers a free service and a subscription-based service, Hulu Plus. The Hulu Plus service offers more content and less commercial time than the free service. In July 2013, Fox Entertainment Group, NBCUniversal and the Company agreed to provide Hulu with \$750 million in cash to fund Hulu's operations and investments for future growth, of which \$380 million has been provided as of September 27, 2014. The Company has contributed \$134 million of its \$257 million share of this cash commitment. (See Note 3 to the Consolidated Financial Statements.) The Company's share of Hulu's financial results is reported as "Equity in the income of investees" in the Company's Consolidated Statements of Income.

#### Fusion

In October 2013, the Company and Univision jointly launched Fusion, a news, pop culture and lifestyle television and digital network targeted at millennials. The network had 17 million subscribers as of September 27, 2014. The Company's share of Fusion's financial results is reported as "Equity in the income of investees" in the Company's Consolidated Statements of Income.

#### Competition and Seasonality

The Company's Media Networks businesses compete for viewers primarily with other television and cable networks,