

Walt Disney Productions Annual Report 1972

to shareholders and employees • Fiscal year ended September 30



COVER: Fireworks over Cinderella Castle in the Walt Disney World "Magic Kingdom" herald the beginning of Walt Disney Productions' "Golden Anniversary."



Happy Years

A message from
E. Cardon Walker,
President and
Chief Operating Officer



1926 — The "Alice Comedies" staff in front of the old Hyperion Studio (top) — Rollin Hamilton, Roy O. Disney, Hugh Harman, Walt Disney, actress Margie Gay, Rudolf Ising, Ub Iwerks, Walker Harman. Above, Walt and Roy Disney proudly display their first Academy Awards (1932) — an honorary Oscar for the creation of Mickey Mouse and an award for the first color cartoon, "Flowers and Trees." Disney films and personnel have won a total of 51 Academy Awards.



1933 — This Emerson radio featuring Mickey Mouse is characteristic of early Disney merchandise items. "The Three Little Pigs," (above, right) released during the depths of the Depression, soon had everyone singing "Who's Afraid of the Big Bad Wolf."



1933 — An early poster for the cartoon short, "Mickey's Pal Pluto." The Disneys formed their own distribution company, Buena Vista, twenty years later.

On October 16, 1973, we will celebrate the 50th Anniversary of the founding by Walt and Roy Disney of the business which is now Walt Disney Productions. On that date in 1923, Walt signed his first contract to produce "Alice Comedies" in California.

(It is interesting to note that Walt and Roy, beginning with three employees on the payroll, produced more than 80 silent animated cartoons, most of them as part of the "Alice Comedies" or the "Oswald the Rabbit" series, before the creation of Mickey Mouse in 1928.)

In honor of this milestone, the Company has designated the entire calendar year 1973 as its 50th Anniversary, and perhaps, many of our stockholders and employees saw the spectacular Disney entry in the Rose Parade on New Year's Day, heralding this year-long celebration.

On Sunday evening, January 21, our "Wonderful World of Disney" series on the NBC Television Network will present an hour-long "50th Anniversary" special, a nostalgic review of the Company's many timeless contributions to family entertainment throughout the years.

A series of special "golden anniversary" events are being planned for Disneyland and Walt Disney World, including the dedication, in both theme parks, of the new Walt Disney Story. Presented by Gulf Oil Corporation, these exhibits will trace the Disney brothers' lives from early childhood, utilizing both a wide screen motion picture and displays of memorabilia,

including Walt's international awards, original art work and photographs.

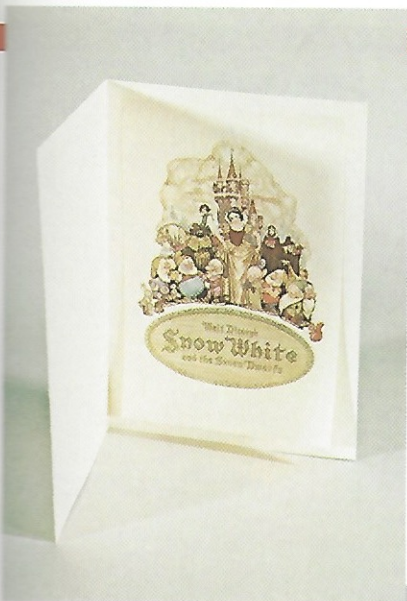
(During the past three years, we have begun to formally organize the Walt Disney Archives, which will collect, preserve and make available for research the Company's history.)

Numerous 50th Anniversary promotions are being mounted by virtually every division of the Company. As an example, our Music Company is planning to release a two-record set featuring the best performances of the best songs from Disney films throughout the years, almost 60 minutes of music priced to retail at only \$3.98. Many major orchestras across the United States will stage live Disney Family Concerts honoring "50 Years of Fantasy."

The Company has entered into an agreement with the internationally famous publishers of art books, Harry N. Abrams, Inc., to publish in the United States next summer "The Arts of Walt Disney, from Mickey Mouse to the Magic Kingdoms." This deluxe edition will be a complete compilation of the story and artistic works of Walt Disney.

Highlighting an exciting schedule of motion picture releases planned for 1973 will be the return of "Mary Poppins." The winner of five Academy Awards and the most successful motion picture in Disney history, "Mary Poppins" will be reissued during the summer months.

During Christmas, 1973, we will premiere the new animated feature, "Robin Hood," which we feel is one of the very best



1937 — Original artwork from the souvenir program for the first full-length animated feature, "Snow White and the Seven Dwarfs." It premiered at the Carthay Circle Theater in Los Angeles on December 21. Right, a mechanical bank manufactured at the peak of "Snow White's" popularity.



1940 — "Fantasia," released to reports that it was thirty years ahead of its time, is receiving critical acclaim today. The film has brought domestic film rentals of almost \$3,000,000 in limited engagements during the past three years. These original clay models were used by the animators to gain perspective on the characters.

full-length cartoons in the Company's history.

On Thanksgiving day, the famous Macy's Parade in New York City will devote its entire pre-parade festivities, as well as a number of special entries, to a salute to the Disney organization.

Climaxing the year-long celebration will be a spectacular Disney half-time extravaganza to be staged in conjunction with the Orange Bowl classic on New Year's Day, 1974.

In a certain sense, it is highly appropriate that such a milestone should be reached during the calendar year 1973, for the twelve months of fiscal 1972 could be viewed as the most important and productive period in the half-century history of the Disney organization.

The highlight, of course, was the fact that we were able to successfully open Walt Disney World and train a work force in Florida that numbered as many as 12,500 employees during the peak summer months, gaining one full and vital year of operating experience.

In California, it took the Company ten years to develop the marketing and operational programs which made Disneyland profitable on a year-round basis. In only one year in Florida, we believe we have gained the necessary experience to make Walt Disney World a very profitable operation.

However, the greatest reward for the long run has been the overwhelming public acceptance of both theme parks. During a single year, Disneyland and Walt Disney World welcomed 20,300,000 visitors, more than the total number of people who

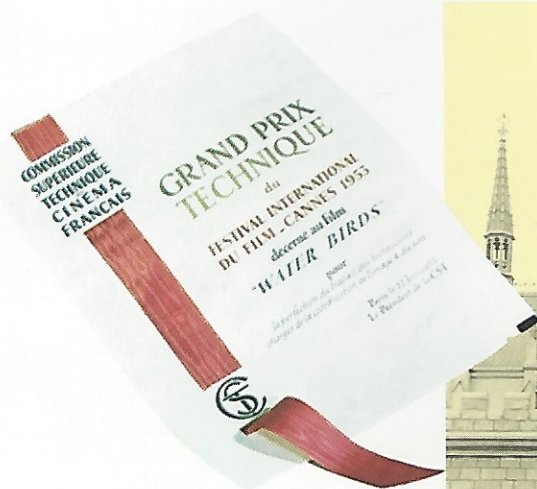
attended all National League baseball games played during the same period, and almost twice as many as attended all the NFL football games played during the 1971 season.

(We are pleased to report that, during October and November, both theme parks recorded solid attendance increases over the similar period in fiscal 1972.)

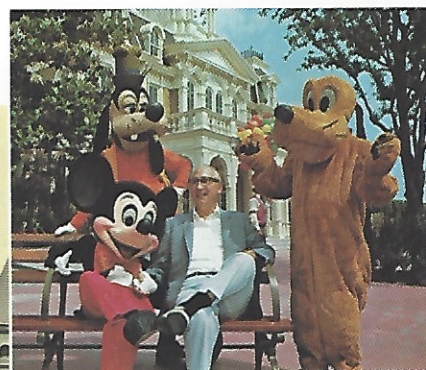
However, Walt Disney always felt that the most significant thing about the past was the experience and preparation it gave his Company for the future; and in that spirit, we are moving forward aggressively with new projects designed to expand our capacity and ability to provide our family audience with the finest in recreation and entertainment. The following pages describe our plans in greater detail.

In closing, I would like to express my thanks to all of our employees whose continued dedication enabled us to successfully meet the overwhelming challenges of the past year. The nearly 150 management personnel who transferred from Disneyland to Florida to create the nucleus of our Walt Disney World operating staff deserve particular recognition for their contributions in making possible the efficient and on-time opening of Walt Disney World.

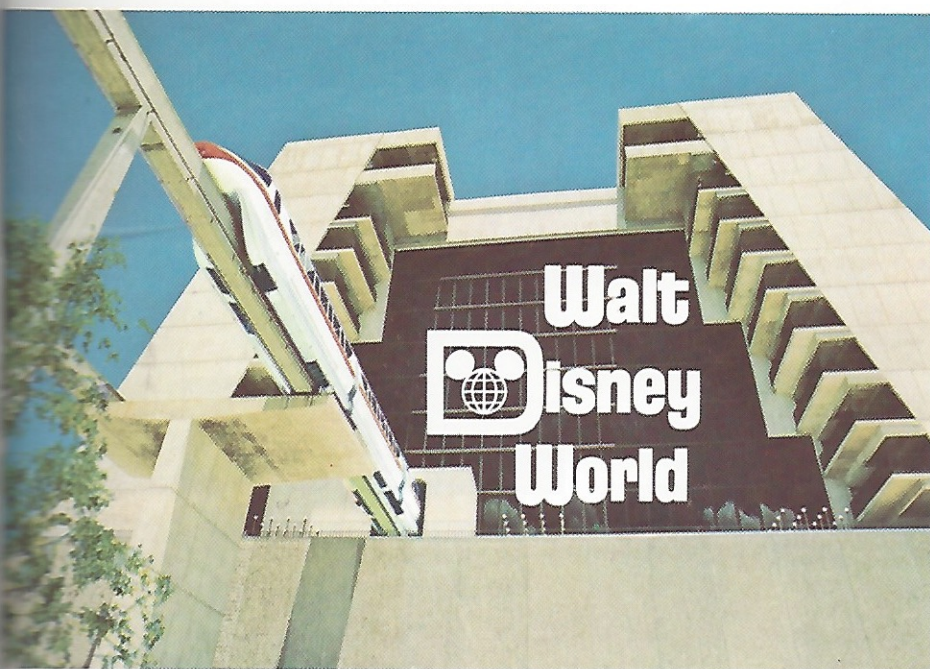
E. Carden Walker



1953 — *The True-Life Adventure, "Water Birds,"* received this award from the Cannes International Film Festival. It is only one of the 1,154 domestic and international awards won by Walt Disney and the Disney organization.



IN TRIBUTE: 1972 was the first full year that our Company was without the presence, wisdom and guidance of either of our founders, Walt and Roy Disney. The Disney motion picture library (still owned in its entirety by this Company), Disneyland, Walt Disney World and a strong creative, administrative and operational organization, comprise the key legacy Walt and Roy left for the future. The entire Disney team will always remain dedicated to the principles of quality family entertainment they established.



"Incredible. Absolutely incredible. It seems to go on forever, a limitless land of fantasy and sport," wrote Wayne Warga of the Los Angeles Times Syndicate soon after Walt Disney World's on-schedule opening in October, 1971.

Building upon overwhelming visitor response and extensive coverage by literally hundreds of representatives of the news media, Walt Disney World has already become one of the world's most popular tourist attractions.

On the basis of its first-year total of 10,712,991 visitors from "outside its borders," the new "Vacation Kingdom" ranks sixth among the "nations" of the world in total tourist visitation, behind Spain, Italy, France, Canada and the United States, but ahead of Austria, Germany, the United Kingdom and all of the rest.

In its first year, Walt Disney World recorded total gross revenues of \$139,000,000.

THE CONTEMPORARY RESORT-HOTEL:
1,057 guest rooms are available in this
ultra-modern resort atmosphere.



Since opening day, the demand for accommodations throughout central Florida has exceeded the supply. On site, our two theme resort-hotels, the Contemporary and the Polynesian Village, operated at near 100% capacity all year long. Our two hotels and the Fort Wilderness Campgrounds together hosted 1,750,000 guests during the year.

Cumulative projections of hotel occupancy are compiled for only six months into the future. However, as of December 1, 1972, a total of 151,000 room-nights, or 79.2% of the total occupancy available at the Contemporary Resort-Hotel from December, 1972 through May, 1973, had already been sold. 75,700 room-nights, representing 84.8% of the total rooms available at the Polynesian Village, had been sold for the same period, and the months of April and May are considered to be the off-season. Reservation requests from the general public have been averaging 32,000 to 36,000 monthly by telephone and mail.

Walt Disney World has also proven to be a highly popular convention destination. 350 conventions, representing more than 300,000 room-nights, have been booked for the hotels through 1975.

The Orlando metropolitan area, which had only 5,850 hotel rooms little more than a year ago, now claims a total of 22,700 hotel-motel rooms either completed or under construction, with 14,000 others announced for early construction.

Recognizing, however, that the public will always prefer to stay within the "Vacation Kingdom" site, the Company will soon begin architectural work on a third theme resort, the 500-room Asian Hotel. Construction is planned for 1974, with the formal opening to take place late that year.

The capacity of the campgrounds has already been expanded several times. A total of 717 campsites will be available to Walt Disney World guests by March, 1973.

Perhaps the greatest single challenge throughout 1972 was to conform operational planning to the emerging attendance patterns, and to adjust, as rapidly as possible, to new visitation levels, which ultimately exceeded by more than 700,000 the Company's most optimistic estimates.

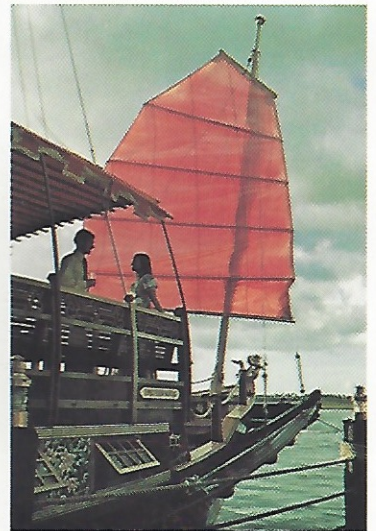
THE GOLF RESORT: Two 18-hole championship courses, the Magnolia and the Palm, are available to Walt Disney World guests year-round. These courses were the site of the second annual \$150,000 Walt Disney World Professional Golf Championship, won for the second straight year by Jack Nicklaus on December 3.



OUTDOOR RECREATION: Swimming, boating, water-skiing, tennis, volleyball, badminton and a golf putting green are among the wide variety of recreational activities available at the Contemporary Resort-Hotel.



FORT WILDERNESS: 717 campsites will be available to Walt Disney World guests by March, 1973.

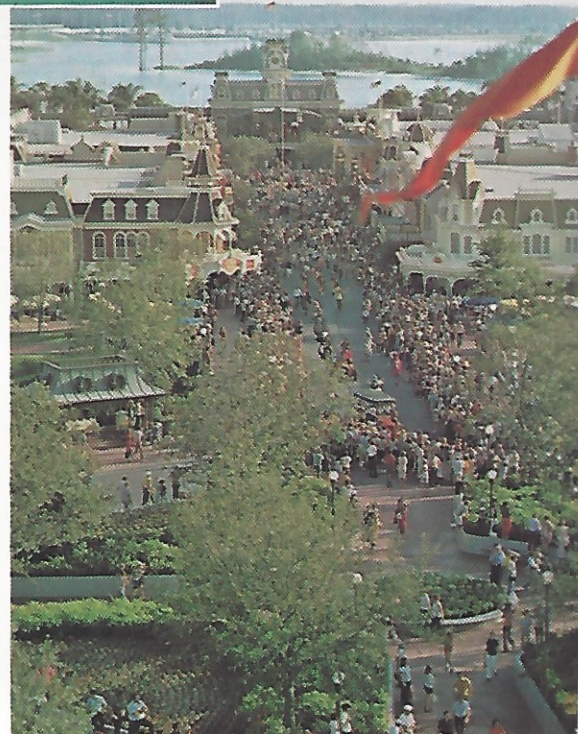
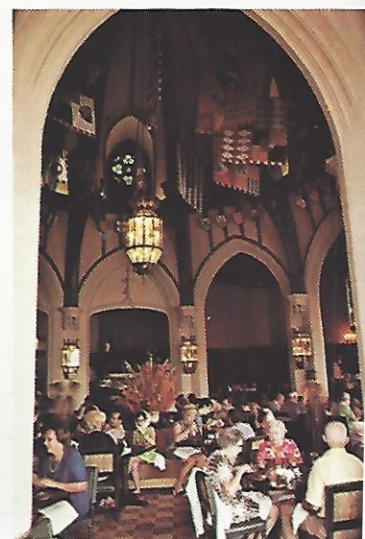


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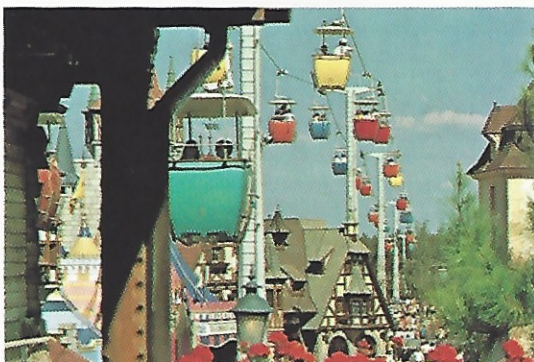


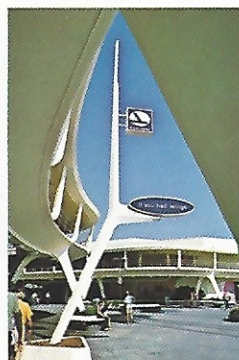
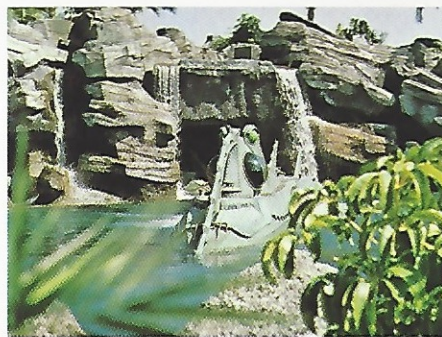
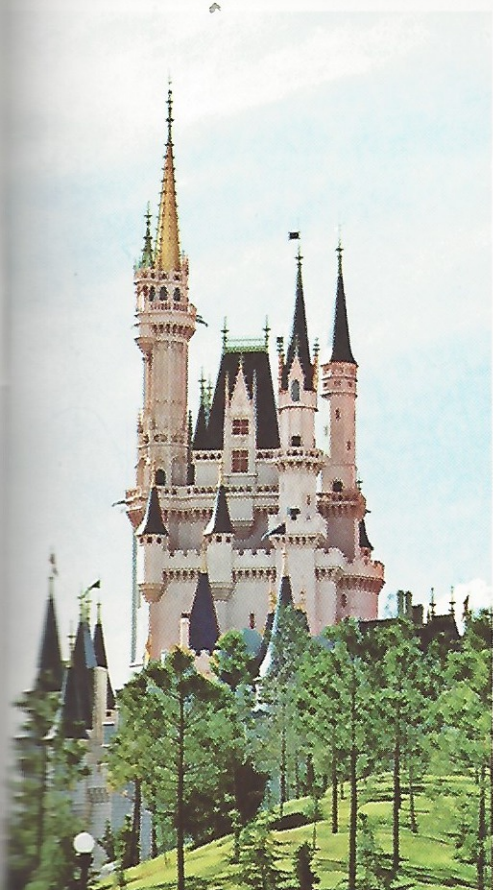
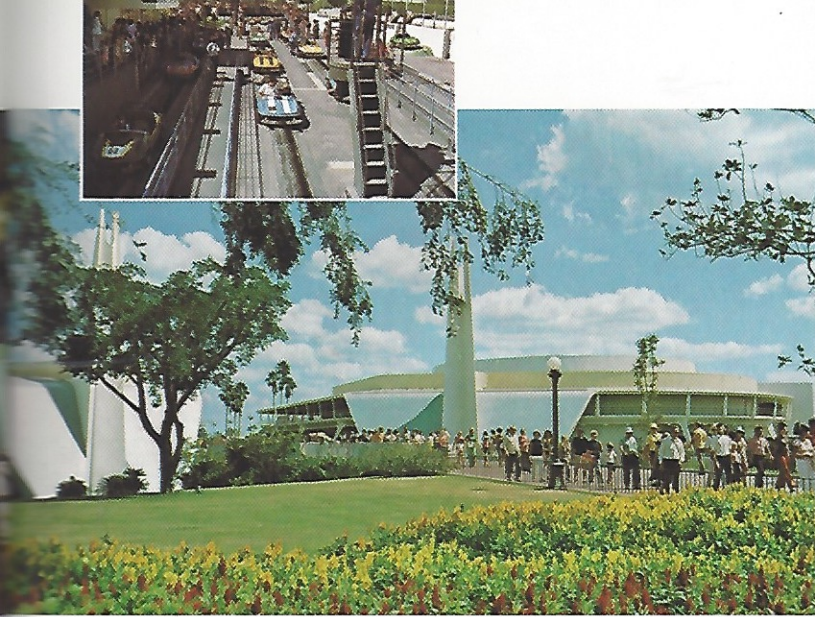
THE POLYNESIAN VILLAGE: Winding pathways through tropical gardens connect the Polynesian Village's seven "long-houses," where 500 guest rooms look out on gardens, bays, beaches, and the waters of the Seven Seas Lagoon. Both resort-hotels operated at virtually 100% of capacity throughout 1972.

NEW ATTRACTIONS: 15 new, 26-passenger Swan Boats (below) will soon be cruising the hub waterways. Right, the Columbia Harbor House, a 500-seat, New England-style restaurant, newly opened in Liberty Square.



THE MAGIC KINGDOM: By the time our Florida theme park celebrated its first anniversary on October 1, 1972, more than 10,700,000 guests had passed through its turnstiles.





"IF YOU HAD WINGS": This free attraction, which opened in June, takes guests on a tour of the many Caribbean destinations accessible via Eastern Airlines.

For example, additional transportation capacity was needed immediately between the Main Entrance and the Magic Kingdom theme park. By year end, ten 212-passenger monorail trains were in operation along with two 500-passenger, double-ended ferry boats, which now carry guests across the Seven Seas Lagoon.

Not long after our October, 1971 opening, the Company recognized the need to operate and market the entire project, including the resort hotels, as a single unit, to consolidate such operations as food and merchandising, and of course, to construct additional restaurants and attractions in the Magic Kingdom theme park.

Nevertheless, it is a credit to the entire Walt Disney World staff that they were able to take command of the project so quickly.

Near the end of the year, the efforts and expertise of our employees at both Disneyland and Walt Disney World were recognized by *Institutions/Volume Feeding Magazine*, which named Walt Disney Productions as the recipient of their third annual Changemaker Award. Calling the Disney organization "people pros," the magazine said in part, "In the Magic Kingdom of the entire Disney corporation, emphasis is always placed on the individual — whether he be guest or employee. It is this deep-rooted philosophy — originating from Walt himself — firmly believed and carried out by management, that has been the key to success . . ."

"This — all of this — is 'imagineering.' It's innovation. It's a fantasyland on the surface, but behind the scenes it is an efficient, profitable, benevolent operation. The people responsible are professionals — not necessarily food or hotel pros, but *people pros*."

"Those who enter the Wonderful World of Disney — whether they be guest or employee — come out a little bit different. Happier. Jubilant, perhaps. They have an experience firmly embedded in their Memory Factory. They've been part of the Total Show. Disney has changed them. Disney is a Changemaker."

Continuing attendance patterns and demonstrated public demand at Walt Disney World have made it imperative that the Company move forward as rapidly as is prudent to build additional theme park attractions, accommodations, restaurants, shops, transportation and recreational areas.

During the year, an orderly program of development was evolved which stretches into 1975 and beyond. This program also calls for additional utility capacity, administrative and support facilities.

All creative and architectural work on these projects is being done by the Company's "Imagineering" staff at WED Enterprises in Glendale, California, and our own Buena Vista Construction Company is supervising on-site construction.

The following key elements highlight Walt Disney World's expansion program:

The Walt Disney Story A motion picture presented in twin, 300-seat theaters and a display of memorabilia will tell the fascinating life story of the Showman of the World. Now under construction at the Gulf Hospitality House on Main Street, the exhibit will open by Easter.

"Magic Carpet 'Round The World"

A new Circle-Vision 360° production on an international scale has just been completed for the Monsanto Company. Soon to premiere, the film will surround its audiences with many of the world's greatest scenic wonders in a kaleidoscopic travel experience.

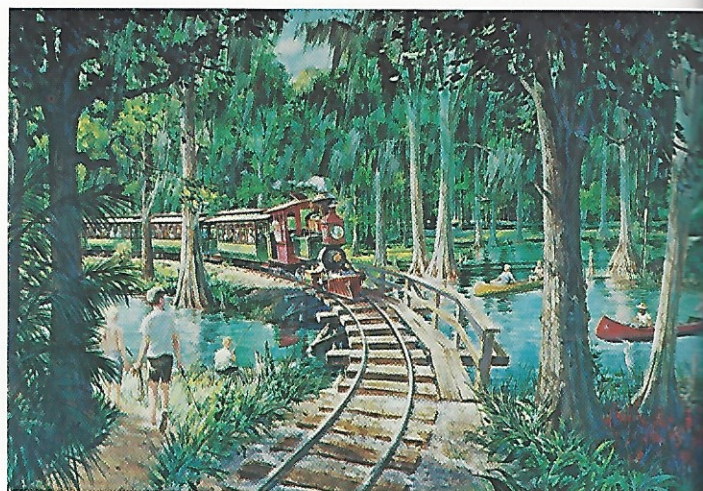
The Richard F. Irvine Sternwheeler This re-creation of a 400-passenger river boat which once steamed up the Missouri River will be plying the Rivers of America by Easter.

Tom Sawyer's Island Swaying suspension bridges, undulating barrel bridges and winding forest trails lead to an endless series of boyhood adventures based upon the stories of Mark Twain. Guests will travel to the island on the Rivers of America via rafts from Frontierland. Under construction since last fall, the island will open to the public next summer.

Fort Wilderness Early in 1973, a narrow-gauge steam railroad with Victorian style open-air cars will begin transporting guests along a three-mile loop of track



Walt Disney World: Year Two and Beyond



between their campsites and the campground's reception, recreation and entertainment areas. By next summer, the steam train will also connect with the new Fort Wilderness Stockade and Western Town where complete dining, shopping and entertainment facilities are being built in phases.

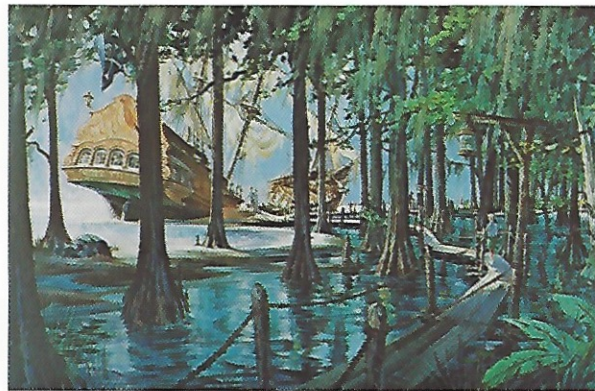
"Luau Cove" Due to the popularity of our evening luaus, particularly as a convention activity, the need arose for an all-weather shelter where these events could be held, rain or shine. Luau Cove, now under construction along the beach adjacent to the Polynesian Village, will provide sheltered seating for 500 guests, as well as a stage and food warming facilities. It is scheduled for completion early this year.

The Golf Resort Villas Overlooking the finishing holes of the championship Palm and Magnolia golf courses, this new 153-room resort-hotel will connect with an

expanded golf clubhouse and restaurant. Completion is expected during 1973.

Treasure Island Work has been in progress since last summer on the first phase development of the picturesque island in Bay Lake. Walkways, small lakes and waterfalls will be available to both explorers and picnickers during 1973. Later, the island will be fully developed so that children may explore Ben Gunn's fort, Benbow Inn and the wreck of the Hispaniola, all reminiscent of scenes from Walt Disney's classic film, "Treasure Island."

Plaza Pavilion Restaurant Also under construction and scheduled for completion before the summer season, this 650-seat restaurant will provide additional food capacity badly needed during the summer and peak visitation periods. The Plaza Pavilion overlooks Cinderella's Castle from the Plaza Hub between Main Street and Tomorrowland.



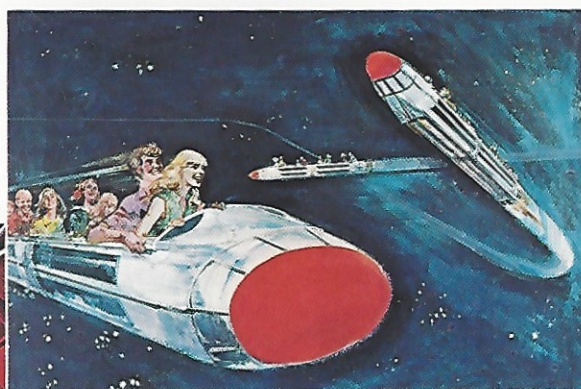
WALT DISNEY WORLD EXPANSION:
Counterclockwise from the top, left, "Luau Cove" at the Polynesian Village, the 153-room Golf Resort Villas, the Richard F. Irvine Sternwheeler, the Fort Wilderness Steam Train and Stockade, Tom Sawyer's Island, and Treasure Island, located in the middle of 400-acre Bay Lake. All of these new facilities are planned to be available to guests during 1973.

PIRATES OF THE CARIBBEAN: In the new Caribbean Plaza, adjacent to Adventureland, will be located the Pirates of the Caribbean (below), an attraction similar to the one now so highly successful at Disneyland. Opening is scheduled for Christmas, 1973.



Pirates Of The Caribbean Responding to the need for a new high capacity attraction, the Company has begun construction of Caribbean Plaza adjacent to Adventureland. Here, we will locate shops and restaurants designed in a Spanish motif. Here, too, will be the entrance to the Pirates of the Caribbean, a new version of Disneyland's famous adventure. Scheduled for opening before Christmas, 1973, the attraction will entertain 4,200 guests per hour.

The Space Mountain Inside this major "thrill" attraction in Tomorrowland, guests will board a series of space-shuttle rocket sleds for a simulated race through outer space. Presented by RCA, the ride will be completely light-controlled, located inside a dome-like structure 300-feet in diameter and 175-feet high. The Space Mountain will open to the public in 1974.



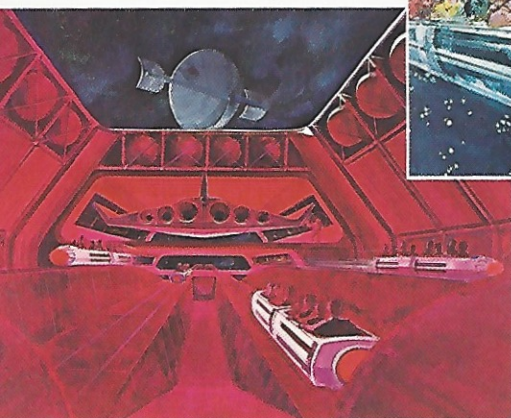
THE SPACE MOUNTAIN: Guests will board a series of space-shuttle rocket sleds for a simulated race through outer space. Perhaps the most ambitious theme park attraction ever constructed by the Company, the Space Mountain will be located in Tomorrowland and presented by RCA.

The PeopleMover This transportation system will take guests on an upper-level, non-stop tour through all of Tomorrowland's major theme buildings, also passing above the Grand Prix Raceway and circling past the "20,000 Leagues" submarine lagoon. The PeopleMover will represent perhaps the world's first major use of the linear motor, a non-polluting motor with no moving parts. Above the circular PeopleMover station will be the fast-spinning Tomorrowland Jets. Both attractions will begin construction late in 1973, with completion planned during the following year.

Big Thunder Railway This Wild West "iron horse" will take guests on a clattering downhill race around hairpin turns, over a deep valley, past teetering rocks and desert wildlife. This high-speed adventure will be the first step towards the completion of Thunder Mesa, and is scheduled for construction during 1974.



BIG THUNDER RAILWAY: This high-speed western adventure, scheduled for construction in 1974, represents a major step in the expansion of Frontierland.



The Buena Vista Land Company

The entire Walt Disney World Vacation Kingdom comprises only 2,500 acres of the total 27,500-acre site owned by the Company in central Florida.

These 43-square miles of land represent a substantial opportunity, and an equally significant responsibility for the Company. Since the inception of the Walt Disney World project, it has been the desire of the Disney organization to surround its destination vacation resort with a compatible and quality environment. This environment would be designed to protect the unique atmosphere of Walt Disney World, and to enhance the lives of those who live, work and visit there.

In order to achieve this goal, the Company formed a wholly-owned subsidiary, the Buena Vista Land Company, and assigned this organization the long-range task of master planning and managing those Disney properties surrounding the Vacation Kingdom. Ultimately, this will include the development of Walt Disney's concept for an Experimental Prototype Community of Tomorrow, a project which will require the complete cooperation of American industry in order to achieve its goal of introducing, testing and demonstrating new systems and technologies.

The City of Lake Buena Vista, with its adjacent Motor Inn Plaza, represents a major first step into the field of real estate planning, development and management.

A leisure-oriented community amid a park-like setting of woods, waterways, lakes, trails and an 18-hole golf course, Lake Buena Vista will offer townhouses, single family dwellings and cluster homes primarily as second homes and company executive retreats. Some of these dwell-

ing units will be leased on a short term basis, with the remainder available for purchase under a form of condominium ownership in which the Company will retain title to the land. Its development will proceed in phases, until one day the community may encompass a total of 4,000 acres and provide homes for 20,000 residents.

During 1972, work progressed throughout the site of the 1,200-acre first phase. Lakes and waterways were sculptured, roads and utilities installed. 80 townhouses were completed and leased, and another 53 began construction. An 18-hole, Joe Lee-designed golf course is now open for play, and the golf clubhouse, planned as a family recreational center for the entire community, has gone into construction with completion expected before summer, 1973.

A series of single family "second homes" have been designed, which will be sold to both corporations and individuals on land leased from the Company.

MOTOR INN PLAZA: Now fully operational, these three hotels, constructed by TraveLodge, Royal Inns and Howard Johnson's, offer almost 1,000 rooms of accommodations for visitors to Walt Disney World. A fourth Motor Inn is being constructed by Dutch Inns, which will combine 616 rooms with convention facilities. Completion is scheduled for April, 1973.



The Disney organization will provide continuing security, landscape, maintenance and hospitality services.

Soon, work will begin on a commercial center, uniquely situated along the existing, three-mile waterway system. Residents may travel to the center by pathway or boat, and yet, the site has been designed to evolve into a suburban-styled shopping center, attracting motorists from throughout central Florida.

Master planned to completion, but conceived to develop in stages along with the rest of the community, the commercial center will ultimately include handicraft, boutique and convenience shops, major department stores and restaurants. An office-park complex will adjoin the shopping area.

On another portion of the property, the Buena Vista Land Company is moving forward with an 110-acre industrial park. The first buildings are scheduled for occupancy in July, 1973, and will be located along State Road 535, near the administra-

tion area which served as headquarters during the construction of Walt Disney World. Among the projected tenants will be Walt Disney World participants and suppliers who require warehouse and service facilities.

Last year, the Company acquired approximately one mile of beach property fronting on the Atlantic Ocean to the south of Melbourne, Florida, and to the east of the Indian River. The Indian River forms a portion of the intercoastal waterway, which connects Florida with the entire Eastern Seaboard. In future years, the Company expects to make this beach available to both Walt Disney World guests and residents of the City of Lake Buena Vista.



TOWNHOUSES: 133 townhouses are now either leased to corporations or under construction, with a total of 220 planned. Four on-site models have been furnished by Disney's Academy Award-winning interior designer, Emile Kuri.





THE BUENA VISTA CLUB: Now under construction, this semi-private club is planned for completion by next summer. Serving residents throughout the Greater Orlando area, the clubhouse and pro shop will be the focal point for a wide variety of family recreational activities, including golf on an 18-hole course, tennis, swimming in either a pool or lake, and a beach for sunbathing boating, water skiing and fishing.



LEISURE LIVING: The natural setting will always be dominant at Lake Buena Vista. Some 1,200 single family vacation homes will be built in the future, each overlooking a lake, waterway, forest or golf course fairway. The "main streets" will be a series of pathways and waterways. The pathways, and connecting trails, have been designed for electric carts, horses, bicycles and pedestrians. Residents may travel anywhere within the community without using their automobiles.



WATERFRONT SHOPPING: The Lake Buena Vista commercial center, located along the waterway system of the residential community and near the Motor Inn Plaza, will provide convenience shopping, boutiques and restaurants for local residents and guests of Walt Disney World. A water-oriented office park will be developed in conjunction with the center.



Disneyland

Total attendance during fiscal 1972 reached 9,642,000, second highest in the Park's history. However, revenues, spurred by higher per capita spending, reached an all-time high of \$82,194,000.

Careful budgeting and dedication to cost control by Disneyland's management further contributed to the Park's profitability.

The 2.4% attendance increase over the previous year resulted from the general improvement of the Southern California economy, from the opening during Easter, 1972, of Bear Country, and from increased summer visitation by tourists from outside the state of California.

A summer survey showed only a minimal 2.4% drop in attendance by tourists originating east of the Mississippi, indicating that, as the Company had projected, the opening of Walt Disney World in Florida had little effect on attendance patterns at Disneyland. This same summer survey, in fact, showed a 5.9% increase in total attendance from outside California.



DISNEYLAND AFTER DARK: Top-name musical personalities, appearing at Coca-Cola's Tomorrowland Terrace, the Carnation Plaza Gardens and on the Tomorrowland Stage, brought added excitement to Disneyland's entertainment calendar throughout the summer months.



THE MAIN STREET ELECTRICAL PARADE: Two performances nightly of this new and innovative pageant contributed strongly to increased summer nighttime attendance, and extended visitor stays in the Park. Floats decorated with more than 750,000 lights were guided down a darkened Main Street by 114 costumed participants.



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BEAR COUNTRY: This new four-acre "theme" land features the Country Bear Jamboree (left), Disneyland's 54th major attraction. In this twin-theater presentation, 18 "Audio-Animatronics" bears offer a 15-minute medley of country and western tunes. Other major elements of this new area include the Davy Crockett Explorer Canoes, the Mile Long Bar, an arcade and Trading Post, and the Golden Bear Lodge, an outdoor restaurant with seating for 600 guests, overlooking the Rivers of America.

Motion Picture Distribution

Worldwide film revenues, which include those of the Walt Disney Educational Materials Company, reached an all-time high of \$69,216,000 during fiscal 1972, due primarily to a record year in foreign film distribution.

Buena Vista International, the subsidiary which supervises all foreign motion picture distribution, enjoyed revenues of

\$26,161,000, 21% ahead of fiscal 1971. These figures include film rentals from the Canadian market which is served by our domestic distribution organization. For the first time, France surpassed England to become the Company's highest grossing foreign territory.

During the year, our full-length animated feature, "The Aristocats," became the highest grossing foreign release in Disney history. Foreign film rentals are now projected at \$16,550,000. For the first time, foreign grosses on a Disney film have substantially exceeded domestic returns.

"The Aristocats" is expected to bring film rentals of \$9,800,000 in the United States and Canada during its initial release.

Throughout Europe, the Company has had great success with a continuing series of full-length summer cartoon programs, created expressly to augment its foreign distribution schedules. For example, "Superstar Goofy," a full-length theatrical

program of Disney cartoons on sports, was released during the Summer Olympics, and brought \$2,052,000 in film rentals, 87% of which were recorded in Europe. A new full-length program of classic Disney shorts is now being produced for foreign distribution during the Company's 50th Anniversary year.

Domestically, "Bedknobs and Broomsticks," the Angela Lansbury, David Tomlinson-starring musical-fantasy, which began its general release during February, 1972, has demonstrated continuing box office strength, and is now estimated to bring film rentals of \$8,100,000 in the United States and Canada. Upon completion of its worldwide release, it is expected that the film will show a good profit.

"Song of the South," reissued for the first time since 1956, will reach \$6,125,000 in domestic revenues, making it one of the highest grossing reissues in the Company's history.

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INTERNATIONAL FILM DISTRIBUTION: *The Los Angeles Theater in Buenos Aires, Argentina (above), has been exhibiting Disney motion pictures exclusively for the past six years. Theaters like La Royale in Paris (right) programmed films like "The Aristocats" and "Superstar Goofy," a full-length program of cartoons, and helped France to become the Company's highest grossing foreign territory.*





national distribution of a wide variety of Disney character merchandise. These include such items as T-shirts, sweat shirts, costume jewelry, stuffed animals, watches and clocks, inflatables, plastic toys and other novelties.

Our new Company not only decides which products should be produced, but then designs them, and arranges for their manufacture, acting as exclusive wholesale and retail agents. All of this activity has been made possible, in part, by the fact that, in Walt Disney World and Disneyland, the Company has two of the world's largest outlets for retail merchandise.

The Walt Disney Travel Company

Another marketing opportunity which has resulted from the opening of Walt Disney World is the formation of the Walt Disney Travel Company, Inc. This organization sells both wholesale and retail tour packages to Walt Disney World, Disneyland

and other vacation destinations.

The Travel Company will also market special tour packages designed expressly for members of the Magic Kingdom Club. Through this Club, major corporations, military base personnel, unions and other organizations have obtained group and individual discounts for admissions to Disneyland since 1958. By December, 1973, it is estimated that the expanded Magic Kingdom Club will have 10,000 chapters representing 5,000,000 members throughout the nation.

Through its Corporate Services Division, the Magic Kingdom Club will make available to some 4,000 medium-sized companies a wide range of employee incentive, vacation benefit and recreation programs, now affordable only by major corporations.

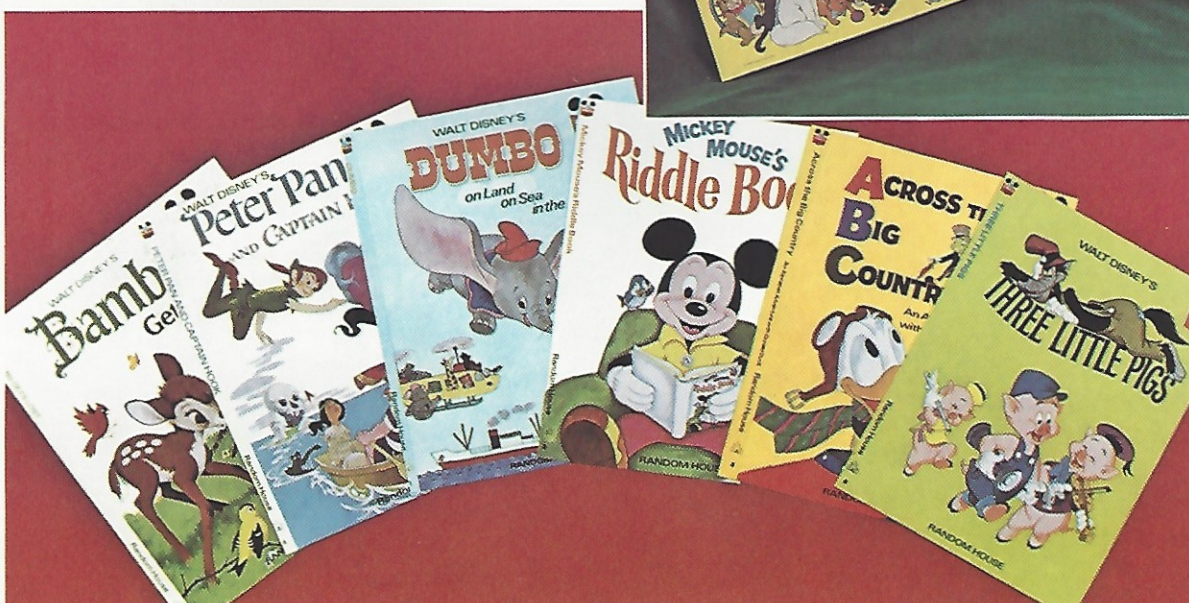
Publishing The Company's expanding worldwide publishing activities are founded upon a relationship with Western Publishing Company which began in 1933. Western publishes a full range of Disney-themed children's books and activity products in the United States,

which includes such items as Big Little Books, Little Golden Books, Tell-a-Tales, puzzles, games, stickers and press outs. Almost 40,000,000 units were sold during 1972.

Three major publishing programs are now being marketed or developed for sale by direct mail. Together with Random House and Grolier's, the Company has established a children's book club entitled "Disney's Wonderful World of Reading," a continuous reading program for children from four to eight years old.

Also in association with Grolier's, the Company has completed test marketing on "Disney's Wonderful World of Knowledge," a fact-filled series of volumes which entertainingly inform young people on such subjects as history, science, art and wildlife. Sales are expected to total 8,000,000 volumes during the next two years with royalties to Disney projected to reach \$2,000,000.

Now under development is a new series entitled "Short Stories for Little People," which adapts traditional Disney stories for



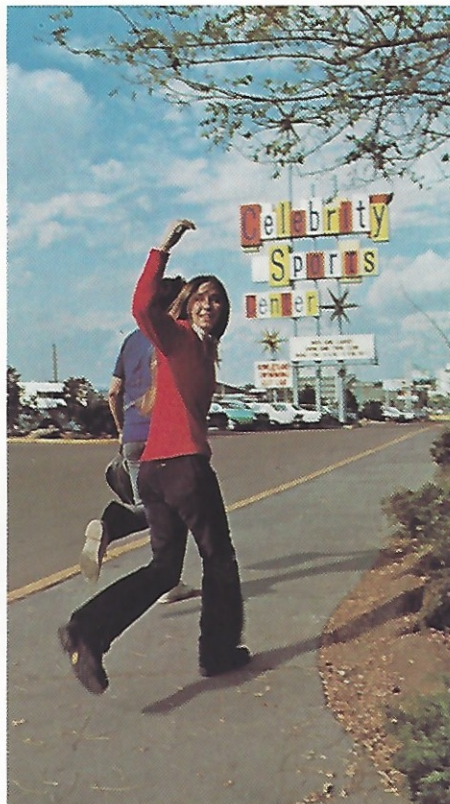
ANCILLARY ACTIVITIES: Story-telling albums from "The Aristocats" appeared on "best seller" charts in several foreign countries (above). Random House and Grolier's have joined with the Company to create a children's book club entitled "The Wonderful World of Reading" (left).

first readers. It will be published in the United States through Grolier's and in Europe by Mondadori.

Music and Records The outstanding foreign film grosses of "The Aristocats" resulted in what was easily the Company's most successful year internationally in the music and record business. "The Aristocats" story-telling album appeared on "best seller" charts in several countries, a truly excellent performance for a children's record.

Through the development of a lasting and diversified library of classic children's records, including other story-telling records from major Disney films, the Company has found a way to avoid the volatility and high risk nature of the popular music field.

Educational Materials Company This subsidiary has now established a firm and profitable position in the educational field, marketing a diversified product line which includes study prints, film strips, listening lessons and single concept loops. Gross revenues of the Educational Materials



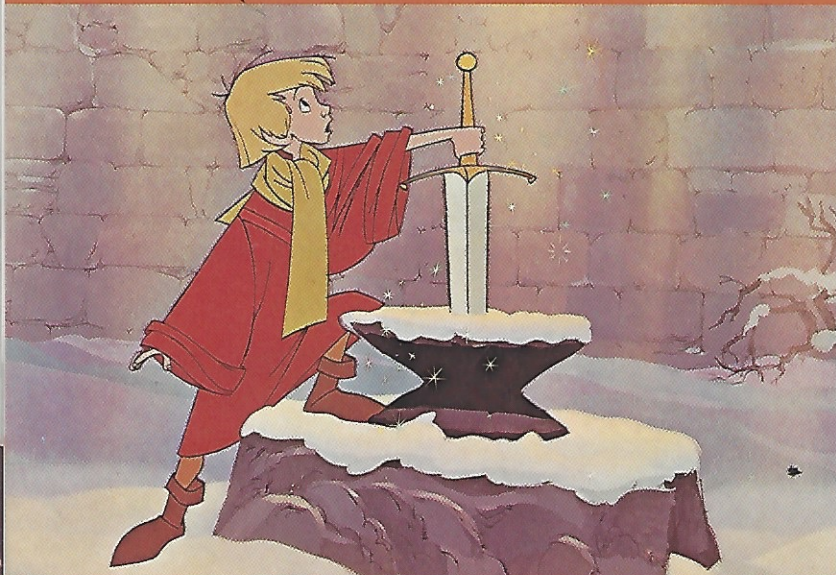
Company reached an all-time high of \$7,530,000 during fiscal 1972, with \$4,340,000 of this amount representing the worldwide rental program for 16mm Disney films, which the subsidiary also manages.

CELEBRITY SPORTS CENTER: This indoor recreation center, operated by the Company in Denver, Colorado, offers 80 lanes of bowling, an olympic-sized swimming pool and a wide variety of other recreational activities and restaurants.



HOME MOVIES: 8mm silent excerpts from classic Disney films are now being sold throughout the world by the Walt Disney Educational Materials Company.

CHRISTMAS, 1972: It's fast-paced Disney comedy at its finest when Dean Jones, Nancy Olson, Harry Morgan and Keenan Wynn invade the world of skiing and snowmobiling in "Snowball Express." Ron Miller produced and Norman Tokar directed this contemporary comedy about a Manhattan accountant who inherits a battered old hotel in the Rocky Mountains and attempts to convert it into a ski lodge.



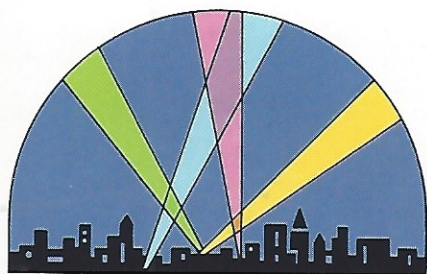
JANUARY, 1973: Merlin the Magician and his pupil, Wart, create wizardly whimsy in "The Sword in the Stone," the story of a young boy who ascends to the throne of England, when he innocently removes a mystical sword from a great anvil and stone. This will be the first reissue for this full-length animated cartoon, originally released in 1965.



FEBRUARY: Producer Bill Walsh brings to the screen another zany comedy about the sports world in "The World's Greatest Athlete." Tim Conway, Jan-Michael Vincent and John Amos star in this story about a downtrodden and defeated college coach who vacations in the African bush, where he finds a young, white native who has to be the greatest athlete in the world. The coach brings the boy and his pet tiger back home, to devastating results. Directed by Robert Scheerer, the film has been selected to play in the Radio City Music Hall.

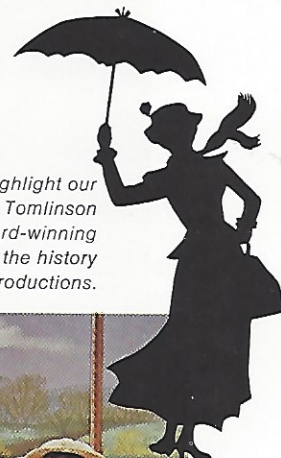
EASTER: Fred MacMurray, Cloris Leachman and Harry Morgan head the cast of "Charlie and the Angel." In this fantasy-comedy set in 1932, a novice, but well-meaning angel descends to deliver the Last Judgment to a small town storekeeper. Vince McEveety directed for producer Bill Anderson.



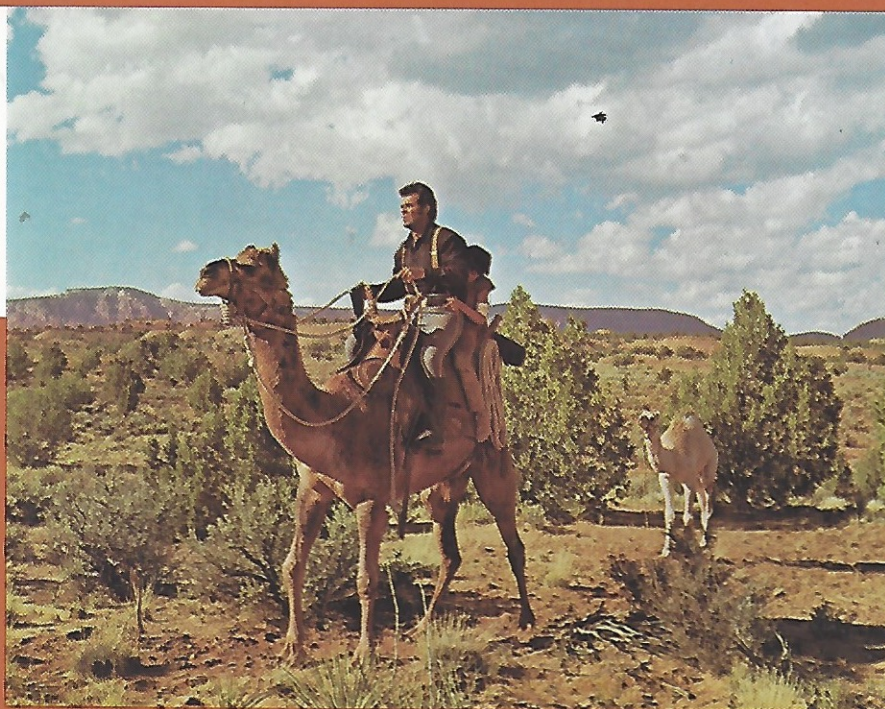


**A
50th Anniversary
film festival
from
Walt Disney
Productions**

JULY: The long-awaited return of "Mary Poppins" will highlight our 50th Anniversary year. Julie Andrews, Dick Van Dyke, David Tomlinson and Glynis Johns star in this multiple Academy Award-winning musical fantasy, the highest grossing film in the history of Walt Disney Productions.



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JUNE: In "One Little Indian," James Garner stars as a U.S. Cavalry corporal who rebels at what he considers to be the unjust treatment of Indians. Garner attempts to make his desert escape aboard a camel, and is joined in his flight by a young Indian boy. This unusual western comedy-drama was produced by Winston Hibler and directed by Bernard McEveety.



OCTOBER: Hayley Mills, Dean Jones, Dorothy Provine, Roddy McDowall and Neville Brand return to the screen in the first reissue of "That Darn Cat," the 1965 comedy smash about a Siamese secret agent who helps solve a federal kidnapping case.





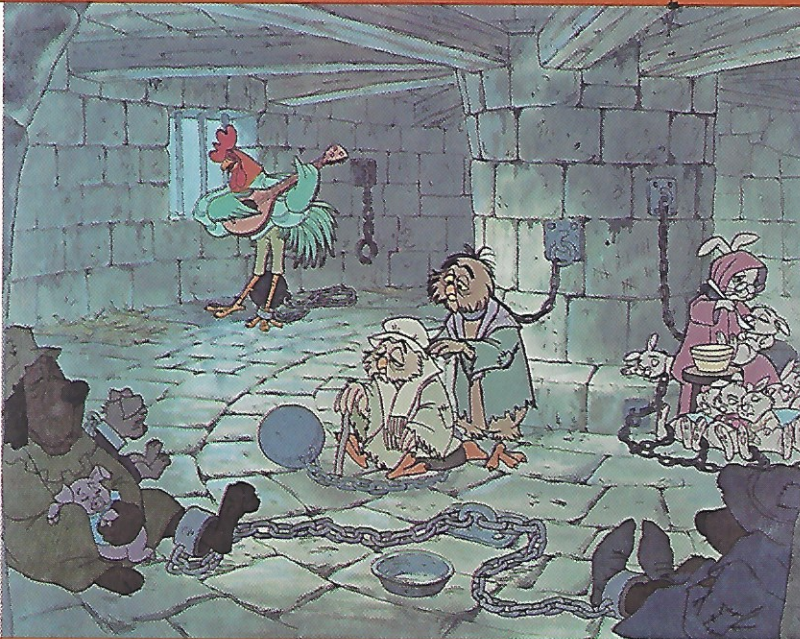
The vocal talents of Brian Bedford and Phil Harris give life to Robin Hood, a sly fox, and his companion, Little John, a bear.

Peter Ustinov and Terry-Thomas provide the voices for Prince John, a tattered lion, and his counselor, Sir Hiss.

CHRISTMAS, 1973: Producer-director Woolie Reitherman and the unparalleled Disney animation team have taken three years to fashion the boldest, brightest, and perhaps the best full-length cartoon feature ever to come from Walt Disney Productions. It's a happy new version of the English folk tale, "Robin Hood," only this time, all of the residents of Sherwood Forest and Nottingham are portrayed by animals.



The Sheriff of Nottingham, aptly cast as a wolf, confronts Friar Tuck, a badger. Voice characterizations are by Pat Buttram and Andy Devine.



Allan-a-Dale, a rooster minstrel, serenades his fellow citizens in the Nottingham jail. Roger Miller is the voice.



Motion Pictures and Television

By Ronald W. Miller
Vice President—
Executive Producer

As we enter 1973, the Company is in the unique position of having completed principal photography on all of the live action films planned for release during the year, and Woolie Reitherman and his animation team are in the final stages of production on "Robin Hood," the wonderful new full-length cartoon feature, which will be our Christmas attraction.

The attention of our entire production

staff is now focused on 1974 and beyond. Two films for release during 1974 have already begun production, and three more will go before the cameras during the next several months.

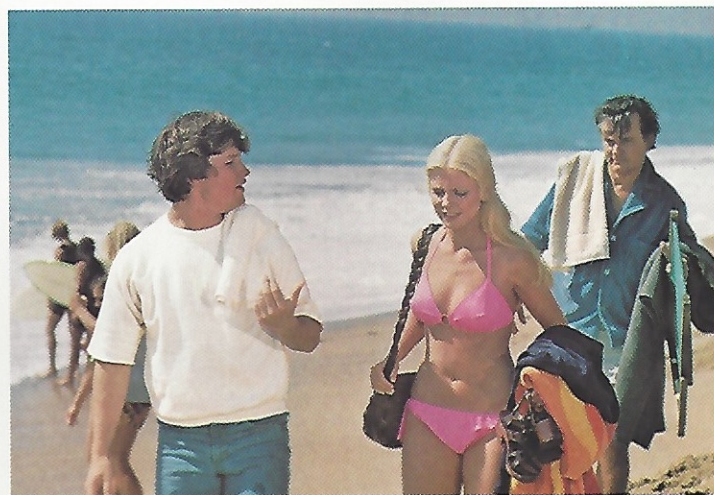
Bill Walsh has cast Helen Hayes, Ken Berry, Stefanie Powers and Keenan Wynn to star in "Herbie Rides Again," which continues the hilarious adventures of Herbie, the Volkswagen with a heart. Herbie repeats the title role he created in "The Love Bug," which became the top grossing motion picture of 1969. The new film will begin its general release in February, 1974.

Last November, Bob Crane, Barbara Rush, Kurt Russell and Joe Flynn completed their starring roles in "A Son-in-Law

for Charlie McCreedy," with Crane portraying a concerned father who is determined that his daughter will marry someone just like dear old dad. His problem is something called the generation gap. Vince McEveety directed the comedy for producer Bill Anderson, and the film is now slated for release during Easter, 1974.

It will take almost two years to film "The Bears and I," which began production in western British Columbia during June, 1972. Producer Winston Hibler has cast Pat Wayne to star as a young non-conformist who becomes adopted father to a trio of bear cubs, struggling to survive in the Canadian wilderness. This most certainly is proving to be one of the most challenging animal adventures ever done by the Company.

"Paniolo" will be an off-beat western set entirely in Hawaii. It is the story of a



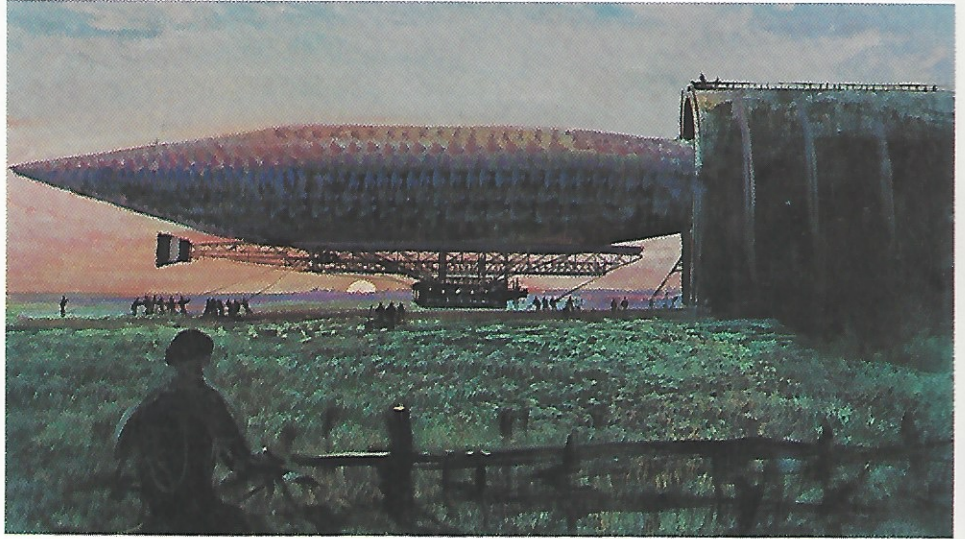
"A SON-IN-LAW FOR CHARLIE MCCREEDY": Kurt Russell, Kathleen Cody and Bob Crane (left to right) have completed their roles in this Bill Anderson-produced comedy, scheduled for release during Easter, 1974.

"HERBIE RIDES AGAIN": Stefanie Powers, Helen Hayes and Ken Berry (left to right) star in this Bill Walsh-produced sequel to "The Love Bug."

Texas cowboy who is shanghaied during the California gold rush, only to escape to the big island of Hawaii, where he reluctantly becomes embroiled in a tropical range war.

Completing our production plans for 1973 will be principal photography on "The Island at the Top of the World." A Jules Verne type of high adventure similar in scope to "20,000 Leagues Under the Sea," this is the story of a 19th Century adventurer, who flies via dirigible to the high arctic. When the dirigible crashes, he and his companions become stranded on a mysterious, volcanically-heated island, where they discover a fantastic lost civilization of Vikings. Winston Hibler is the producer.

Television production continues to play an important part in keeping the Disney name and reputation for excellent family entertainment before audiences through-



"THE ISLAND AT THE TOP OF THE WORLD":
Matte paintings by Academy Award-winning artist Peter Ellenshaw set the tone for this epic adventure about a lost civilization of Vikings, which goes into production under the guidance of producer Winston Hibler next spring.



out the world. We are now in our 19th consecutive year of television production, and "The Wonderful World of Disney" continues to rank among America's most popular shows. The episode entitled "Nosey, the Sweetest Skunk in the West," which aired over the NBC Television Network on November 19, placed fourth in the nation, according to Nielsen's National Survey.

Production for the entire 1972-73 season has long been completed, and plans are well advanced for the new season, which begins in September, 1973. If NBC exercises all of its current options, the series will continue through August, 1975.

Of particular interest to you, our stockholders and employees, should be the 50th Anniversary Show, which may be seen throughout the nation on Sunday night, January 21.

Our syndicated television series, "The

Mouse Factory," is now in its second season. Producer Ward Kimball has completed 26 new episodes, which place greater emphasis on source material from our timeless film library. "The Mouse Factory" will show a good profit for the Company during its first run in the domestic market, and of equal importance, it is bringing the classic Disney cartoon characters to a new generation of television viewers.

All in all, we look with great satisfaction at the Company's current position in the motion picture and television fields. As Walt Disney said many times, "Motion pictures will always be the heart of our Company." We are continuing that policy.

Ron Miller



THE BOY AND THE BRONC BUSTER: Earl Holliman and Vincent Van Patten bring back the old West rodeo days in this two-part story about a young boy who idolizes a bronc buster's exciting way of life. Ron Miller produced.

CHANDAR, THE BLACK LEOPARD OF CEYLON: This sensitive two-part animal adventure-drama, filmed entirely on location in the tropical jungles and cities of Ceylon, was co-produced by Winston Hibler and Harry Tytle.

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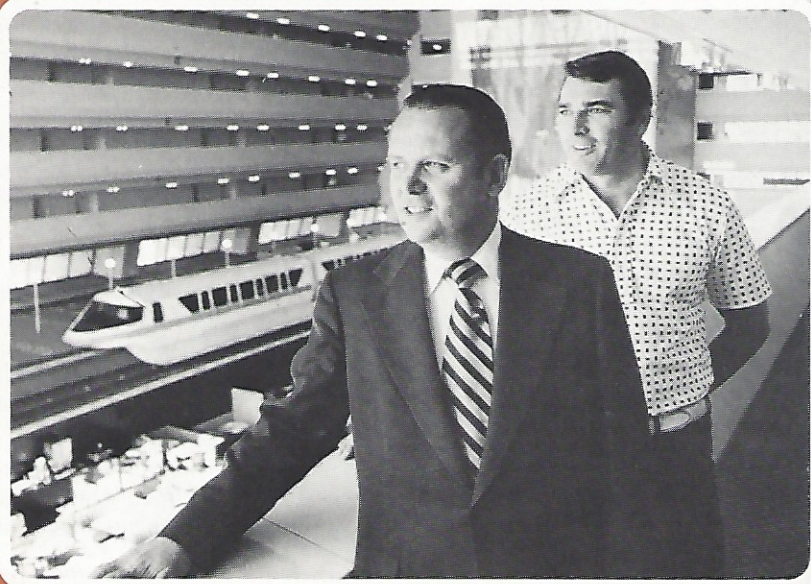


MUSTANG! Roy E. Disney produced this two-part action adventure about a wild black stallion and its struggle to preserve a vanishing mustang herd in the Great Southwest of the 1880's (above, left).



THE LITTLE SHEPHERD DOG OF CATALINA: Scenic Catalina Island is the setting and Harry Tytle is the producer of this delightful animal story about a Scottish Shetland show dog who becomes lost on the island, 26 miles off the California coast.

BOARD OF DIRECTORS



RICHARD T. MORROW
*Vice President
General Counsel*

RONALD W. MILLER*
*Vice President
Executive Producer*

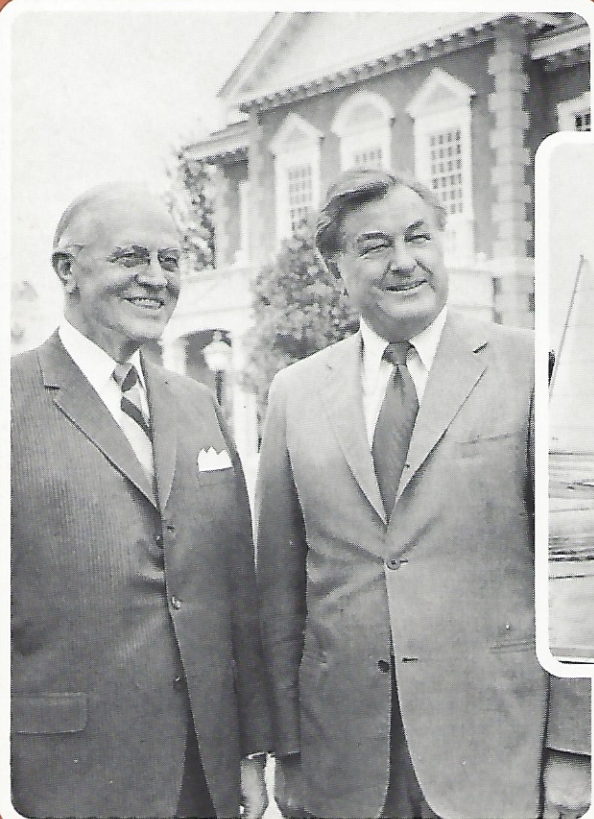


WILLIAM H. ANDERSON
*Vice President
Production and Studio
Operations*

E. CARDON WALKER*
*President and
Chief Operating
Officer*

S. CLARK BEISE
*President (Retired)
Bank of America*

DONN B. TATUM*
*Chairman of the Board
and Chief Executive Officer*



GEORGE L. BAGNALL
*President
George Bagnall
and Associates*

GORDON E. YOUNGMAN
*Senior Partner
Youngman, Hungate
and Leopold*



ROY E. DISNEY*
*Vice President
16mm Production*

* Member Executive Committee

FINANCIAL HIGHLIGHTS

WALT DISNEY PRODUCTIONS

	1972	1971
Revenues	\$328,830,000	\$175,611,000
Income before taxes on income	\$ 74,393,000	\$ 48,521,000
Taxes on income	\$ 34,100,000	\$ 21,800,000
Net income	\$ 40,293,000	\$ 26,721,000
Per common and common equivalent share	\$2.90	\$2.03
Capital expenditures	\$142,621,000	\$229,341,000
Total assets	\$608,249,000	\$497,315,000
Working capital	\$ 23,654,000	\$ 41,284,000
Long term liabilities	\$ 53,527,000	\$102,818,000
Stockholders equity	\$460,619,000	\$318,464,000
Per common share outstanding at year end	\$32.27	\$24.17
Common shares outstanding	14,273,805	13,176,580*
Number of stockholders	36,000	29,000
Number of employees	15,500	12,800

* Adjusted for stock dividend in 1972

LETTER TO THE SHAREHOLDERS

As we arrive at the threshold of our 50th Anniversary and close the book on fiscal 1972 we can look back on a most eventful year with a considerable amount of justifiable satisfaction.

It is the year which saw us bring on stream, on a fully operative basis, Walt Disney World, a project the scope and complexity of which are difficult to describe — let alone comprehend — and the future of which will undoubtedly add more great chapters to our Company's history.

At the same time every other aspect of the Company's overall activities reached new levels of performance.

In the process our total assets increased by 22% to a total of \$608,249,000, and our shareholders equity grew to \$460,619,000, an increase of 44% this year.

Financially strong, enjoying a high level of public acceptance and trust — a precious asset which carries with it a large responsibility — with a well defined course of conduct for the future and guided by a staff of able and involved people we move into that future with its many clearly discernible opportunities with a great deal of momentum and enthusiasm.

We have much to be thankful for.

Revenues were \$328,830,000, an increase of 87.2% over the previous year; and consolidated net income of the Company and its subsidiaries increased 51% to a total of \$40,293,000, or \$2.90 per share on a larger number of outstanding shares.

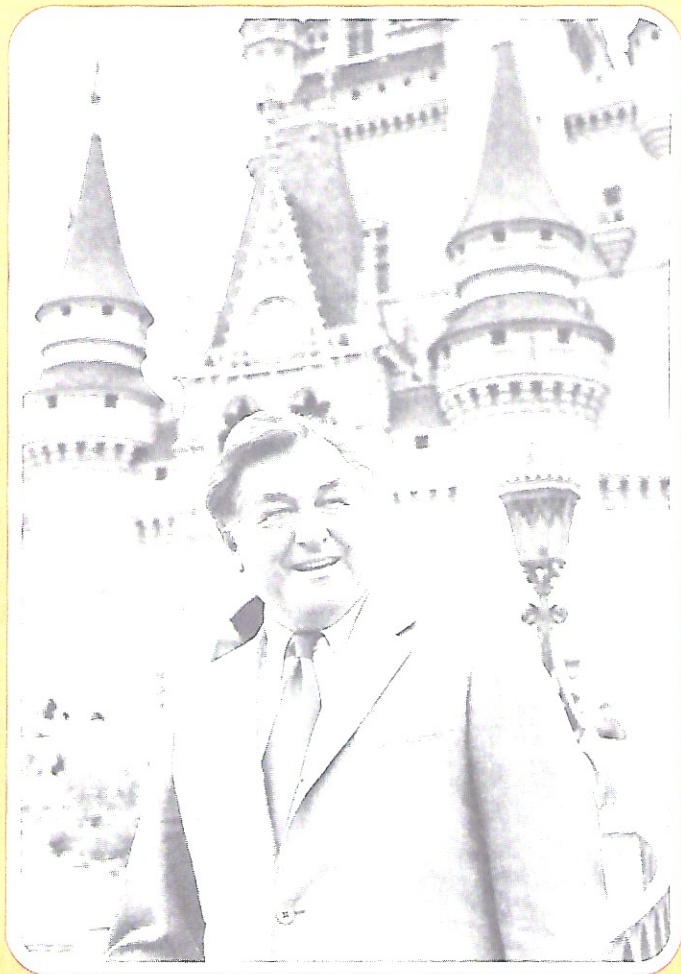
Capital disbursements for the year for plant and equipment amounted to \$142,621,000, which included approximately \$133,000,000 for Walt Disney World and \$9,000,000 for Disneyland.

Cash dividends paid during the year amounted to \$2,756,000. A 2% stock dividend payable January 1, 1972 resulted in the issuance of 259,285 additional shares with a resulting capitalization of \$26,024,000 of accumulated earnings.

On March 2, 1972, the Company called for redemption the \$100,000,000 of 4¾% convertible subordinated debentures due June 15, 1996. Virtually the entire amount of this issue was converted into common stock at the equivalent of \$127.45 per share, resulting in the issuance of 784,514 new shares. As a result we have new shareholders to whom we extend a warm welcome.

At year end there were 36,000 shareholders of record (up from 29,000 last year) and 14,273,805 outstanding common shares.

The Company has arranged with Bank of America a \$60,000,000, five year term loan with interest ranging



from the prime rate in the first year to ½ of 1% above the prime rate during the last two years. Subsequent to year end the outstanding balance was reduced to \$51,000,000, by a payment on account of principal, and arrangements were made for seven Florida banks to participate in the loan in the aggregate amount of \$11,000,000. This has enabled us to establish a firm financial relationship with Florida's leading banking institutions.

At year end there were 38,531 shares of the Company's common stock under option to 253 employees. During the year 429 employees exercised their options resulting in the issuance of 312,711 new shares and payment of \$6,138,000 into the Company's treasury.

This qualified stock option plan adopted in 1967 can be regarded as having been highly successful. 739 em-

employees received options on 669,256 shares (adjusted for stock dividends and splits), 632,159 of which have been issued upon exercise of options. In a business in which so much depends upon the attitude, enthusiasm and effort of so many employees, the recognition of such a large number of creative, management and administrative people as being key to the Company's objectives and the incentives thus generated have been major contributing factors to the Company's progress in the last five years.

During the second quarter the Company also arranged with Bank of America for a \$40,000,000, revolving line of credit at the prime interest rate, proceeds of borrowings thereunder to be used for general corporate purposes. Although subsequently new short term borrowings have been made, as of year end all borrowings had been repaid and there were none outstanding.

Early in the year Walt Disney World Co. reached an agreement with a consortium of six unions representing employees in the operational and service categories. Previously an agreement with a group of nine unions was reached covering employees in the maintenance classifications. This spring the Walt Disney World construction project agreement with the AFL-CIO Building Trade Unions was, through successful negotiations, modified and extended. These agreements provide a strong base for sound employee relationships at Walt Disney World in the future.

During the year the Board of Directors approved a deferred compensation retirement plan for key employees providing for additional retirement benefits and a method of saving a portion of current income on a tax deferred basis. The first payments upon retirement will commence no earlier than 1977. The plan is an unqualified one thereby requiring no current Company disbursements in connection with it and includes a contribution from the employee. As of year end there were 510 employees covered by the plan which will provide substantial incentive for those people to continue to contribute to the progress of the Company.

The Company has also established a voluntary payroll deduction plan to enable those employees wishing to do so to purchase common stock of the Company. Arrangements have been made with Merrill Lynch, Pierce, Fenner & Smith, Incorporated to administer the plan; the only expense to the Company being the brokerage fee payable each month when available funds are used to purchase stock in the open market. The plan became effective in the first week of October 1972,

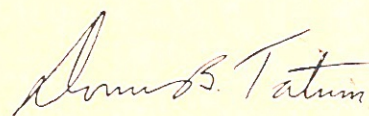
and to date over one thousand of our employees have elected to participate.

On October 1, 1972, stockholders were notified of a new dividend reinvestment plan under which shareholders may automatically invest dividends in additional shares or fractions and may, in addition, on a purely optional basis, purchase additional shares of the Company's stock through periodic voluntary cash payments. During the first six weeks more than 5,000 shareholders have elected to participate. This is a gratifying response and indicates a widespread recognition of the advantages of this plan to participating shareholders as well as to the Company.

The major blemish on an otherwise wonderful year was the loss of our much loved and revered founder, Roy O. Disney. This Company and all of those interested in or associated with it bear an eternal debt of gratitude to him for the invaluable contributions resulting from his wisdom and his leadership.

While it has been a year of significant forward thrust, it also has been one of consolidation — digesting, accommodating to and better organizing the results of the vigorous efforts of the preceding few years. It is now clear, in the sharpest of focus, that the new opportunities, which had been foreseen to stem from the accomplishment of the goals which have been attained this year, do now exist. With strong resources, the most important of which is an organization of exceptionally able and dedicated people, we are in an excellent position to realize these potentials. With confidence and optimism, leavened by the proper amount of prudence, there is no reason to doubt that we can and will proceed to new levels of achievement.

Respectfully submitted,



Donn B. Tatum
Chairman of the Board
Chief Executive Officer

November 24, 1972
Burbank, California

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's principal business is the production and distribution of theatrical and television films and the operation of two amusement theme parks "Disneyland," California, and "Walt Disney World," Florida, which are referred to as entertainment and recreational activities. To more fully inform the reader, the following summary of the Company's significant accounting policies is presented as an integral part of the financial statements.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its domestic subsidiaries, all wholly owned. The Company's investments in its non-consolidated foreign subsidiaries and joint ventures are generally recorded at equity in their underlying net assets and are included in other assets.

INVENTORIES

Inventories are stated at the lower of cost or market. Cost of merchandise, materials and supplies is generally determined on a first-in, first-out basis.

Costs of completed theatrical and television film productions are amortized by charges to income in the proportion that the producer's share of income (film rentals less distribution, print, co-producer participation and advertising costs) received by the Company for each production bears to the estimated total of such income to be received. Such estimates of total income are reviewed periodically and amortization is adjusted accordingly. In accordance with industry practice, film production costs are classified as current assets, although such costs may not be fully amortized within one year.

FACILITIES, PROPERTIES AND DEPRECIATION

The Company follows the policy of classifying as entertainment attractions and facilities the cost of its two amusement theme parks (rides, attractions, exhibits, shops), recreational facilities (lake, lagoon, golf courses), two theme resort hotels and transportation systems. Buildings, equipment and other properties comprise, in addition to the cost of buildings and equipment at the Burbank studio, the cost of various support properties at Disneyland and Walt Disney World including buildings (warehouses, assembly plants, administration), roads and utility system.

Depreciation is provided principally on the straight line method using estimated unit lives ranging from 4 to 50 years, except for Disneyland which is on an estimated composite life of 12 years. Depreciation and maintenance and repairs are charged either directly to costs and expenses as incurred or to film production costs which are then amortized against income; major replacements and betterments are capitalized. The cost and related accumulated depreciation of property sold or retired are removed from the accounts and any resulting gain or loss is recorded in income.

PREOPENING COSTS

Deferred preopening costs and expenses relating to Walt Disney World (net of \$1,909,000 excess of interest received from temporary investments over interest paid through completion of major construction in 1972) are being amortized over five years.

INVESTMENT CREDITS

As described in note 2 to the consolidated financial statements, the Company has adopted the deferral method of accounting for investment credits as a reduction of tax provisions over the service lives of the related assets.

STOCK OPTIONS

Proceeds from the sale of common stock issued under the stock option plan are accounted for as capital transactions and no charges or credits are made to income. In 1972 the Company credited the tax benefit resulting from premature disposition of stock option shares by employees to capital in excess of par value; in prior years such benefits reduced the provision for taxes on income.

OPINION OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
of Walt Disney Productions

We have examined the consolidated balance sheet of Walt Disney Productions and its domestic subsidiaries as of September 30, 1972 and October 2, 1971, and the related consolidated statements of income, stockholders equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As explained in Note 2, the Company changed its method of accounting for investment credits concurrent with the retroactive inclusion of investment credits in the 1971 financial statements.

In our opinion, the accompanying consolidated financial statements examined by us present fairly the financial position of Walt Disney Productions and its domestic subsidiaries at September 30, 1972 and October 2, 1971, and the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied, after giving effect to the change, which we approve, described in the preceding paragraph.

Pricewaterhouse & Co.

Los Angeles, California
November 30, 1972

CONSOLIDATED STATEMENT OF INCOME

	Year Ended September 30 1972	Year Ended October 2 1971
REVENUES		
Entertainment and recreational activities	\$223,416,000	\$ 81,236,000
Film rentals	78,295,000	71,595,000
Other — publications, merchandising, music and records	27,119,000	22,780,000
Total revenues	<u>328,830,000</u>	<u>175,611,000</u>
COSTS AND EXPENSES		
Entertainment and recreational activities	185,618,000	61,426,000
Film distribution and amortization	33,983,000	35,820,000
Costs applicable to other revenues	14,387,000	11,930,000
General, administrative and selling (note 3)	20,449,000	17,914,000
Total costs and expenses	<u>254,437,000</u>	<u>127,090,000</u>
INCOME BEFORE TAXES ON INCOME	74,393,000	48,521,000
Taxes on income (note 2)	<u>34,100,000</u>	<u>21,800,000</u>
NET INCOME	<u>\$ 40,293,000</u>	<u>\$ 26,721,000</u>
EARNINGS (note 6)		
Per common and common equivalent share	\$2.90	\$2.03
Per common share — assuming full dilution	\$2.82	

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS

	September 30 1972	October 2 1971
Cash (note 3)	\$ 11,889,000	\$ 5,969,000
Short term investments — at cost		30,772,000
Accounts receivable, less allowances	12,368,000	7,536,000
Reimbursable costs and advances	1,783,000	7,307,000
Inventories — at the lower of cost or market		
Film productions		
Completed, less amortization	10,911,000	12,410,000
In process	24,550,000	14,313,000
Merchandise, materials and supplies	13,538,000	8,966,000
Total current assets	<u>75,039,000</u>	<u>87,273,000</u>

ENTERTAINMENT ATTRACTIONS AND FACILITIES — at cost	474,924,000	322,821,000
Less accumulated depreciation *	<u>(65,925,000)</u>	<u>(46,945,000)</u>
	<u>408,999,000</u>	<u>275,876,000</u>

BUILDINGS, EQUIPMENT AND OTHER PROPERTIES — at cost	85,251,000	73,901,000
Less accumulated depreciation	<u>(21,005,000)</u>	<u>(16,275,000)</u>
	<u>64,246,000</u>	<u>57,626,000</u>

CONSTRUCTION IN PROGRESS — at cost (note 1)		
(including hotel construction — 1971)	<u>24,831,000</u>	<u>46,444,000*</u>

LAND — at cost	<u>16,494,000</u>	<u>16,493,000</u>
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OTHER ASSETS

Deferred preopening costs, less amortization	10,284,000	7,892,000*
Other (note 1)	<u>8,356,000</u>	<u>5,711,000</u>
	<u>18,640,000</u>	<u>13,603,000</u>
	<u>\$608,249,000</u>	<u>\$497,315,000</u>

* Reclassified for comparative purposes

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

	<i>Common Shares Number</i>	<i>Common Shares Par Value</i>	<i>Capital in Excess of Par Value</i>	<i>Accumulated Earnings</i>
Balance at October 3, 1970	11,475,824	\$14,345,000	\$136,356,000	\$ 67,415,000
Shares issued				
Exercise of stock options	211,473	264,000	3,926,000	
Sale to public in January 1971	1,000,000	1,250,000	70,548,000	
Dividends paid				
In cash (18¾¢ per share)				(2,361,000)
In stock (2%)	229,998	288,000	14,031,000	(14,319,000)
Net income for the year				26,721,000
Balance at October 2, 1971	12,917,295	16,147,000	224,861,000	77,456,000
Shares issued				
Exercise of stock options (note 5)	312,711	390,000	5,748,000	
Conversion of 4¾% convertible debentures (note 5)	784,514	981,000	97,019,000	
Income tax benefit from sale of option shares by employees (note 2)			480,000	
Dividends paid				
In cash (20¢ per share)				(2,756,000)
In stock (2%)	259,285	324,000	25,700,000	(26,024,000)
Net income for the year				40,293,000
Balance at September 30, 1972	14,273,805	\$17,842,000	\$353,808,000	\$ 88,969,000

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended September 30 1972	Year Ended October 2 1971
FINANCIAL RESOURCES WERE PROVIDED BY:		
Operations		
Net income	\$ 40,293,000	\$ 26,721,000
Expenses not affecting working capital		
Depreciation and patents amortization	24,734,000	7,833,000
Amortization of preopening costs	2,264,000	
Deferred taxes on income and investment credits (note 2)	12,267,000	14,651,000*
	<u>79,558,000</u>	<u>49,205,000</u>
Increase in long term liabilities		
Sale of 4¾ % convertible debentures		100,000,000
Bank borrowing	51,000,000	
Other		1,542,000
Increase in common stock		
Proceeds from exercise of stock options (note 5)	6,618,000	4,190,000
Public offering		71,798,000
Conversion of 4¾ % convertible debentures (note 5)	98,000,000	
Increase in unearned deposits and rentals	407,000	3,669,000
	<u>235,583,000</u>	<u>230,404,000</u>
FINANCIAL RESOURCES WERE USED FOR:		
Additions to facilities, properties and construction in progress, principally Walt Disney World (note 1)	142,621,000	229,341,000
Reduction of long term liabilities		
Conversion of 4¾ % convertible debentures	100,000,000	
Other	291,000	379,000
Cash dividends	2,756,000	2,361,000
Deferred preopening costs	4,656,000	7,673,000
Other	2,889,000	2,724,000
	<u>253,213,000</u>	<u>242,478,000</u>
Decrease in working capital	\$ (17,630,000)	\$ (12,074,000)
INCREASE (DECREASE) IN COMPONENTS OF WORKING CAPITAL:		
Cash and short term investments	\$ (24,852,000)	\$ (3,391,000)
Accounts receivable	4,832,000	2,665,000
Reimbursable costs and advances	(5,524,000)	(5,629,000)
Inventories	13,310,000	4,139,000
Notes payable to banks	(9,000,000)	
Accounts payable	14,559,000	(12,978,000)
Payroll and employee benefits	(613,000)	(2,325,000)
Property, payroll and other taxes	1,103,000	(1,370,000)
Taxes on income	(11,445,000)	6,815,000*
Decrease in working capital	<u>\$ (17,630,000)</u>	<u>\$ (12,074,000)</u>

*Reclassified for comparative purposes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 WALT DISNEY WORLD

At the opening of Walt Disney World on October 1, 1971, completed facilities with a total cost of \$282,000,000 were capitalized as entertainment attractions and other properties; during the fiscal year 1972 completed additions to Walt Disney World approximated \$150,000,000 including the acquisition of United States Steel Corporation's interest in two theme resort hotels.

Pursuant to an agreement for the use of the name of Walter E. Disney, Retlaw Enterprises, Inc. (a company owned by the family of the late Walter E. Disney) will participate in certain profits of Walt Disney World Phase I operations, after recovery by the Company of certain costs and expenses incurred prior to the opening of Walt Disney World; no profit participation was payable for fiscal year 1972.

The drainage service agreements with Reedy Creek Improvement District (a governmental unit of the State of Florida) requiring annual fee payments of approximately \$600,000 by the Company's subsidiary, Walt Disney World Co., were terminated during 1972 when the District obtained public financing through the issuance of \$20,000,000 ad valorem tax bonds. As a result, the Company's subsidiary became subject to the levy of ad valorem taxes.

The Company has a majority interest in a joint venture with a subsidiary of Florida Telephone Corporation. At September 30, 1972 the net investment in this joint venture of \$2,232,000 (\$1,019,000 — 1971) approximates its underlying equity and is included in other assets. The Company expects to invest an additional \$1,000,000 in the venture during fiscal year 1973.

NOTE 2 TAXES ON INCOME

The Company has adopted the deferral method of accounting for investment credits and accordingly has reduced its Federal income tax provision for the year ended September 30, 1972 by \$733,000; estimated credits amounting to \$6,418,000 related to qualifying asset additions (including theatrical and television film) put into service through September 30, 1972 are being deferred and will be amortized as a reduction of tax provisions over the service lives of the related assets.

The reduction in the effective tax rate for 1971 arose mainly from tax exempt interest revenues and from special deductions due to premature disposition of stock option shares by employees resulting in a tax reduction of \$1,000,000. In 1972 the Company changed its method of accounting for the tax benefit attributable to premature dispositions to conform to a recently ap-

proved Opinion by the Accounting Principles Board; accordingly, such tax benefit amounting to \$480,000 for 1972 has been credited to capital in excess of par value.

Subsequent to the issuance of the Company's 1971 financial statements, Congress passed the Revenue Act of 1971 which established the Asset Depreciation Range System and the Job Development Credit. The opening of Walt Disney World on October 1, 1971 enabled the Company to claim investment credits of \$4,351,000 applicable to the cost of these facilities in its 1971 Federal income tax return; such credits had not been recognized in the 1971 financial statements. As a result, payment of a large part of the current income tax liability at October 2, 1971 was not required and, therefore, such liability has been reclassified on the accompanying balance sheet. Concurrent with the retroactive inclusion of such credits in the 1971 financial statements, the Company elected to follow the deferral method of accounting for investment credits, whereas it had used the flow-through method in prior years. This change in accounting had no significant effect on the previously reported aggregate provision for taxes on income for the year ended October 2, 1971, because most of the assets related to the investment credits had been in service for only two days during that year. The Company also has substantial claims on file for investment credits on theatrical and television films under the Revenue Act of 1962, which are currently the subject of litigation. Although the United States District Court has rendered a judgment in the Company's favor which is now on appeal by the Internal Revenue Service, these claims will not be reflected in the accounts until collection is assured.

The deferred taxes on income (including provisions of \$10,225,000 in 1972 and \$10,300,000 in 1971) represent taxes which will not become payable until future years due principally to differences between financial and tax reporting of depreciation on facilities and amortization of preopening costs.

NOTE 3 NOTES PAYABLE & LONG TERM LIABILITIES

Under an unsecured term loan bank credit agreement of February 10, 1972, the Company borrowed \$60,000,000 repayable in annual instalments (\$9,000,000, \$12,000,000 and \$15,000,000 in fiscal years 1973, 1974-1976 and 1977, respectively). Interest is payable quarterly ranging from the prime rate to $\frac{1}{2}$ % above the prime rate for the last two years of the loan. The loan agreement contains certain provisions with respect to payment of cash divi-

dends, maintenance of net worth, compensating cash balances and future indebtedness. At September 30, 1972 approximately \$65,000,000 of accumulated earnings are free of these restrictions. The Company also has available a revolving unsecured line of bank credit of \$40,000,000 with interest at the prime rate. Pursuant to the terms of these bank credit arrangements, as amended in October 1972, deposit balances equal to 15% of the outstanding borrowings and 10% of the unused portion of the revolving line are required to be maintained.

Other long term liabilities include \$1,625,000 (\$2,135,000 — 1971) of notes payable, partially secured by land and other properties which mature through 1981 and bear interest at rates ranging from 4% to 7½%.

Net interest expense amounted to \$1,823,000 for fiscal year 1972; additional interest of \$2,200,000 paid through completion of major construction of Walt Disney World in 1972 has been included in deferred preopening costs. Other revenues for 1971 include \$1,150,000 net interest income earned.

NOTE 4 PENSION PLANS

The Company contributes to various trustee pension plans under union and industry-wide agreements. Contributions are based on the hours worked by or gross wages paid to covered employees. The aggregate costs of all of these plans were approximately \$1,316,000 and \$1,726,000 for the years 1972 and 1971, respectively. The Company has no past service liability under these plans.

The Company has a pension plan covering substantially all of its employees not covered by union or industry pension plans. The plan is funded by Company and employee payments to a trust administered by a bank. Pension expense under the plan for the years 1972 and 1971 aggregated \$787,000 and \$724,000, respectively, including amortization of actuarially computed past service liability over a remaining period of sixteen years. During 1972 the Company increased retirement benefits and raised the actuarially assumed interest rate from 3½% to 5%; it is estimated that for a full year these revisions will reduce Company contributions by approximately \$500,000.

During 1972 the Company established a nonqualified and unfunded key employee retirement plan providing for Company and employee contributions. Company costs for 1972 were \$49,000 including amortization of actuarially computed past service liability over a period of forty years.

NOTE 5 STOCKHOLDERS EQUITY

On February 1, 1972 the stockholders approved an increase in the authorized common stock from 20 to 75 million shares. On November 28, 1972 a 2-for-1 common stock split to be effected by a 100% stock dividend was declared to holders of record on December 6, 1972, payable January 15, 1973; this transaction has not been reflected in the financial statements.

As at March 2, 1972 the Company issued 784,514 common shares upon conversion at \$127.45 per share of substantially all of the 4¾% convertible subordinated debentures issued on June 15, 1971.

Under the 1967 qualified stock option plan, options are granted to key executive, management and creative personnel at prices equal to market value at date of grant. Transactions in outstanding options under the plan during 1972 were as follows:

	<i>Number of Shares</i>	
	<i>Options Granted</i>	<i>Available For Grant</i>
Outstanding October 2, 1971 (\$18.29 to \$110.91 per share; 304,067 exercisable)	344,192	1,098
Added for 2% stock dividend December 1, 1971	5,920	48
Cancelled	(4,327)	4,327
Granted (\$156.75 to \$183.63 per share)	5,457	(5,457)
Exercised (\$18.29 to \$110.91 per share)	(312,711)	
Outstanding September 30, 1972 (\$20.10 to \$183.63 per share; 15,583 exercisable)	<u>38,531</u>	<u>16</u>

NOTE 6 EARNINGS PER SHARE

Earnings per common and common equivalent share have been computed on the basis of the average number of shares outstanding during each year. In addition, it was assumed that all dilutive stock options had been exercised at the beginning of each year and that the proceeds had been used to purchase shares of the Company's common stock at the average market-price during the years.

For 1972, earnings per common share — assuming full dilution — are based upon the assumption that, in addition to the exercise of the stock options, the previously outstanding 4¾% convertible debentures (note 5) had been converted into common stock on the date of their issuance. If such conversion had taken place at the beginning of fiscal year 1972, earnings per common share for 1972 would have been equal to the fully diluted amount. For 1971, no dilution of earnings per common share would result from assumed conversion of the then outstanding debentures.

FIVE YEAR REVIEW

(in thousands except
amounts per share)

FISCAL YEARS ENDED

1972

OPERATIONS

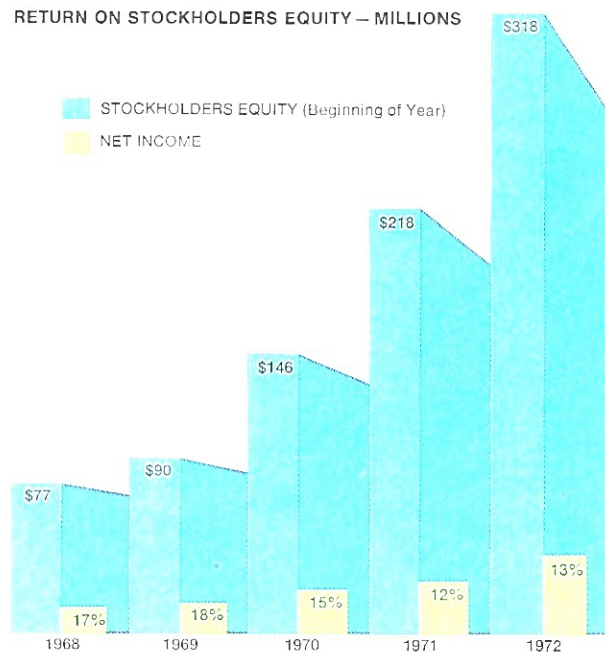
Revenues	328,830
Income before taxes on income	74,393
Taxes on income	34,100
Net income	40,293
Working capital provided from operations	79,558
Cash dividends	2,756
Stock dividends	2%
Retained in business	37,537
Depreciation and amortization	26,998
Net income	
Percent of revenues	12.3%
Percent of stockholders equity (beginning of year)	12.7%
Per common and common equivalent share	2.90
Cash dividends per share	
(on shares outstanding during the year)20

YEAR END FINANCIAL POSITION

Current assets	75,039
Working capital	23,654
Entertainment attractions and facilities	474,924
Buildings, equipment and other properties	85,251
Construction in progress	24,831
Accumulated depreciation	86,930
Total assets	608,249
Stockholders equity	460,619
Per share	33.10
Average number of common and common equivalent shares outstanding during the year	13,918

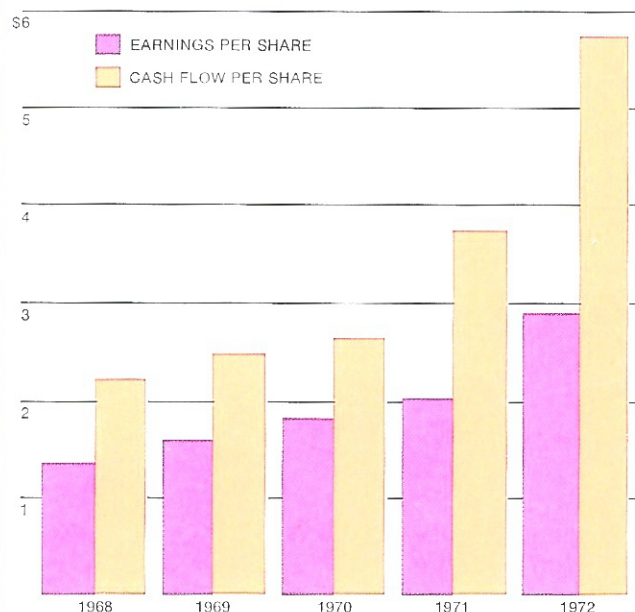
RETURN ON STOCKHOLDERS EQUITY — MILLIONS

STOCKHOLDERS EQUITY (Beginning of Year)
NET INCOME



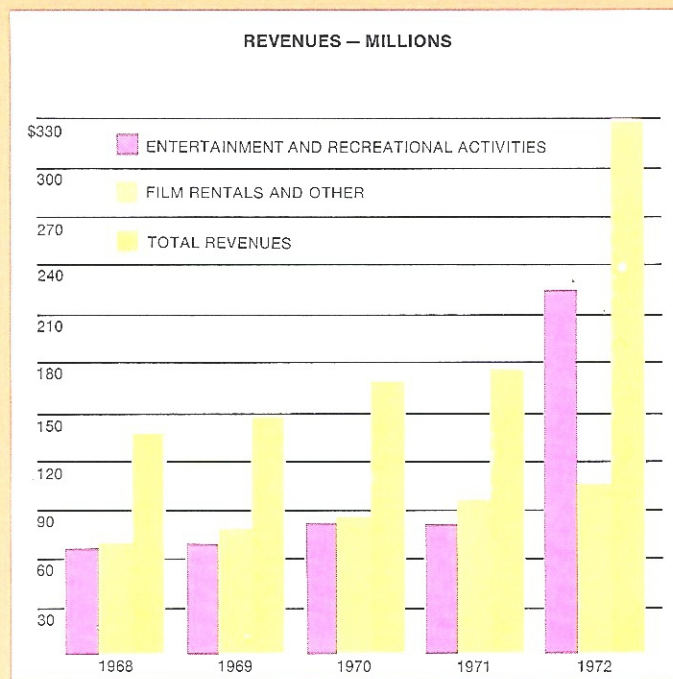
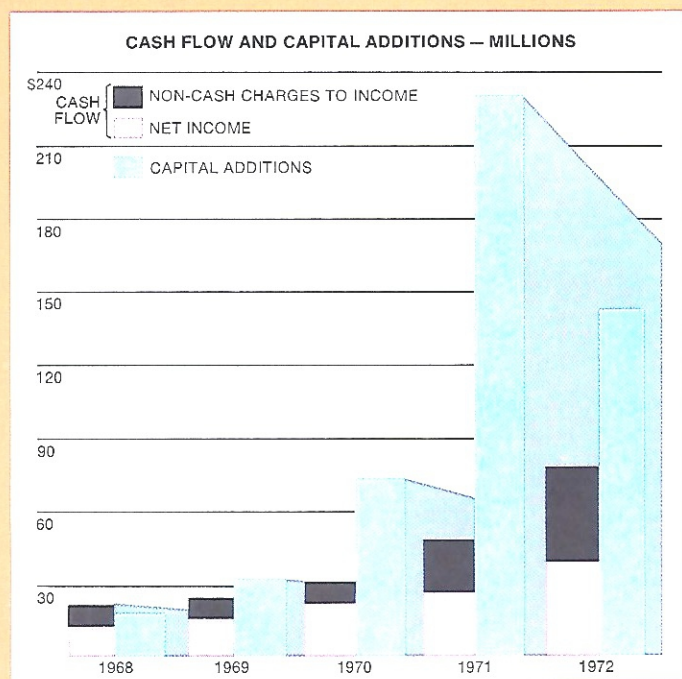
EARNINGS AND CASH FLOW PER SHARE — DOLLARS

EARNINGS PER SHARE
CASH FLOW PER SHARE



1971	1970	1969	1968
175,611	167,103	148,367	137,146
48,521	43,709	32,504	26,545
21,800	21,950	16,700	13,440
26,721	21,759	15,804	13,106
49,205	31,239	24,508	21,655
2,361	1,664	1,308	1,261
2%	2%	2%	3%
24,360	20,095	14,496	11,845
7,833	7,880	7,404	6,849
15.2%	13.0%	10.7%	9.6%
12.3%	14.9%	17.5%	17.0%
2.03	1.83	1.61	1.36
.18¾	.15	.15	.15

87,273	89,489	124,417	77,592
41,284	53,358	92,696	52,561
322,821	87,657	86,049	78,361
73,901	23,727	23,137	21,570
46,444	106,271	36,277	13,438
63,220	55,317	48,199	41,554
497,315	267,626	238,174	165,038
318,464	218,116	146,205	90,308
24.23	18.36	14.94	9.36
13,143	11,879	9,786	9,649



PARENT COMPANY

WALT DISNEY PRODUCTIONS
500 So. Buena Vista Street, Burbank, California
Produces motion pictures for theatrical and television distribution—operates Disneyland Park—operates Celebrity Sports Center—conducts ancillary activities.

PRINCIPAL SUBSIDIARIES

BUENA VISTA DISTRIBUTION CO., INC.
Irving H. Ludwig—President
Distributes, syndicates and sells domestically the product of Walt Disney Productions, including 35mm theatrical film, television shows and records and albums.

BUENA VISTA INTERNATIONAL, INC.
Harold P. Archinal—President
Supervises the distribution of Walt Disney Productions 35mm theatrical film, 16mm film and television shows in foreign countries except the Western Hemisphere.

CANASA TRADING CORPORATION
Harold P. Archinal—President
Western Hemisphere trading corporation.

WALT DISNEY MUSIC COMPANY
James A. Johnson—President
Music publishing—ASCAP affiliate.

WONDERLAND MUSIC COMPANY, INC.
James A. Johnson—President
Music publishing—BMI affiliate.

WALT DISNEY EDUCATIONAL MATERIALS COMPANY
Carl Nater—President
Distributor—16mm film, audio-visual educational materials and 8mm home movies.

WALT DISNEY WORLD CO.
Donn B. Tatum—Chairman, Board of Directors
E. Cardon Walker—President
Richard A. Nunis—Executive Vice President
William E. Potter—Senior Vice President
Robert C. Allen—Vice President—Hotels
James P. Armstrong—Vice President—Food Division
Carl G. Bongirno—Vice President and Treasurer
Edward B. Crowell—Vice President—Facilities Division
Robert F. Jani—Vice President—Entertainment
Jack B. Lindquist—Vice President—Marketing
Robert K. Matheison—Vice President—Operations Division
Jack W. Olsen—Vice President—Merchandising
James P. Passilla—Vice President—Employee Relations
Jack C. Sayers—Vice President—Industry Sales
Philip N. Smith—Secretary
Luther R. Marr—Assistant Secretary
Donald A. Escen—Assistant Treasurer
James A. McManus—Assistant Treasurer
Operates Walt Disney World.

WALT DISNEY TRAVEL CO., INC.
Jack B. Lindquist—President
Markets wholesale and retail tour packages.

BUENA VISTA LAND COMPANY, INC.
Robert P. Foster—President
Real estate development.

VISTA COMMUNICATIONS, INC.
(a partner in Vista-Florida Telephone System)
Telephone and related communications services.

CORPORATE OFFICERS

Donn B. Tatum
Chairman of the Board
E. Cardon Walker
President
William H. Anderson
Vice President—Production and Studio Operations
Michael L. Bagnall
Vice President—Business Affairs and Information Systems
Roy E. Disney
Vice President—16mm Production
Bonar Dyer
Vice President—Industrial Relations
Vincent H. Jefferds
Vice President—Merchandising and Promotion
Orbin V. Melton
Vice President—Finance
Ronald W. Miller
Vice President—Executive Producer
Richard T. Morrow
Vice President—General Counsel
Richard A. Nunis
Vice President—Operations—Disneyland and Walt Disney World
Lawrence E. Tryon
Vice President and Treasurer
Franklin Waldheim
Vice President and Eastern Counsel
Luther R. Marr
Secretary—Legal
Douglas E. Houck
Assistant Secretary
Donald A. Escen
Assistant Treasurer and Controller
Leland L. Kirk
Assistant Secretary-Treasurer
Bruce F. Johnson
Assistant Controller

STOCK TRANSFER AGENTS:

Bank of America, N. T. & S. A., Los Angeles;
Bankers Trust Company, New York.

STOCK REGISTRARS:

Bank of America, N. T. & S. A., Los Angeles;
Morgan Guaranty Trust Company of New York, New York.

STOCK EXCHANGES:

The common stock of the Company is listed for trading on the New York and Pacific Coast Stock Exchanges.

INDEPENDENT ACCOUNTANTS:

Price Waterhouse & Co., Los Angeles.

ANNUAL MEETING OF STOCKHOLDERS:

First Tuesday in February.

This report is distributed for the information of stockholders and employees of the Company. It is not to be considered either as a prospectus or circular in connection with the purchase and/or sale of securities nor is it to be considered a part of the proxy soliciting material of the Company for the annual meeting of its stockholders.



*Look to the name Walt Disney
for the finest in family entertainment*

