

**Reconciliation of Non-GAAP Financial Measures
To Corresponding GAAP Financial Measures
April 3, 2021**

Free cash flow, diluted earnings per share (EPS) excluding certain items and total segment operating income are not measures of performance defined by, or calculated in accordance with, generally accepted accounting principles (GAAP). These measures should not be considered in isolation, or as a substitute for the corresponding GAAP financial measure. These measures, as calculated by the Company, may not be comparable to similarly titled measures employed by other companies.

Free cash flow

The Company uses free cash flow (cash provided by operations less investments in parks, resorts and other property), among other measures, to evaluate the ability of its operations to generate cash that is available for purposes other than capital expenditures. Management believes that information about free cash flow provides investors with an important perspective on the cash available to service debt obligations, make strategic acquisitions and investments and pay dividends or repurchase shares.

The following table presents a summary of the Company's consolidated cash flows (in millions):

	Quarter Ended		Six Months Ended	
	April 3, 2021	March 28, 2020	April 3, 2021	March 28, 2020
Cash provided by operations - continuing operations	\$ 1,393	\$ 3,157	\$ 1,468	\$ 4,787
Cash used in investing activities - continuing operations	(595)	(1,256)	(1,327)	(2,606)
Cash provided by (used in) financing activities - continuing operations	(1,908)	5,499	(2,241)	6,616
Cash provided by (used in) operations - discontinued operations	(5)	23	4	4
Cash provided by investing activities - discontinued operations	4	198	4	198
Impact of exchange rates on cash, cash equivalents and restricted cash	(69)	(117)	70	(76)
Change in cash, cash equivalents and restricted cash	(1,180)	7,504	(2,022)	8,923
Cash, cash equivalents and restricted cash, beginning of period	17,112	6,874	17,954	5,455
Cash, cash equivalents and restricted cash, end of period	\$ 15,932	\$ 14,378	\$ 15,932	\$ 14,378

The following table presents a reconciliation of the Company's consolidated cash provided by operations to free cash flow (in millions):

	Quarter Ended			Six Months Ended		
	April 3, 2021	March 28, 2020	Change	April 3, 2021	March 28, 2020	Change
Cash provided by operations - continuing operations	\$ 1,393	\$ 3,157	\$ (1,764)	\$ 1,468	\$ 4,787	\$ (3,319)
Investments in parks, resorts and other property	(770)	(1,247)	477	(1,530)	(2,585)	1,055
Free cash flow	\$ 623	\$ 1,910	\$ (1,287)	\$ (62)	\$ 2,202	\$ (2,264)

Diluted EPS excluding certain items

The Company uses diluted EPS excluding (1) certain items affecting comparability of results from period to period and (2) amortization of TFCF and Hulu intangible assets, including purchase accounting step-up adjustments for released content, to facilitate the evaluation of the performance of the Company's operations exclusive of these items, and these adjustments reflect how senior management is evaluating segment performance.

The Company believes that providing diluted EPS exclusive of certain items impacting comparability is useful to investors, particularly where the impact of the excluded items is significant in relation to reported earnings and because the measure allows for comparability between periods of the operating performance of the Company's business and allows investors to evaluate the impact of these items separately.

The Company further believes that providing diluted EPS exclusive of amortization of TFCF and Hulu intangible assets associated with the acquisition in 2019 is useful to investors because the TFCF and Hulu acquisition was considerably larger than the Company's historic acquisitions with a significantly greater acquisition accounting impact.

The following table reconciles reported diluted EPS from continuing operations to diluted EPS excluding certain items for the second quarter:

(in millions except EPS)	Pre-Tax Income/ Loss	Tax Benefit/ Expense ⁽¹⁾	After-Tax Income/ Loss ⁽²⁾	Diluted EPS ⁽³⁾	Change vs. prior year period
Quarter Ended April 3, 2021					
As reported	\$ 1,230	\$ (108)	\$ 1,122	\$ 0.50	92 %
Exclude:					
Other income ⁽⁴⁾	(305)	71	(234)	(0.13)	
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs ⁽⁵⁾	605	(141)	464	0.24	
Restructuring and impairment charges ⁽⁶⁾	414	(97)	317	0.17	
Excluding certain items	<u>\$ 1,944</u>	<u>\$ (275)</u>	<u>\$ 1,669</u>	<u>\$ 0.79</u>	32 %
Quarter Ended March 28, 2020					
As reported	\$ 1,051	\$ (523)	\$ 528	\$ 0.26	
Exclude:					
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs ⁽⁵⁾	723	(167)	556	0.28	
Restructuring and impairment charges ⁽⁶⁾	145	(34)	111	0.06	
Excluding certain items	<u>\$ 1,919</u>	<u>\$ (724)</u>	<u>\$ 1,195</u>	<u>\$ 0.60</u>	

⁽¹⁾ Tax benefit/expense is determined using the tax rate applicable to the individual item.

⁽²⁾ Before noncontrolling interest share.

⁽³⁾ Net of noncontrolling interest share, where applicable. Total may not equal the sum of the column due to rounding.

⁽⁴⁾ For the current quarter, other income was due to a gain from an adjustment of an investment to fair value (\$305 million).

⁽⁵⁾ For the current quarter, intangible asset amortization was \$447 million, step-up amortization was \$154 million and amortization of intangible assets related to TFCF equity investees was \$4 million. For the prior-year quarter, intangible asset amortization was \$498 million, step-up amortization was \$217 million and amortization of intangible assets related to TFCF equity investees was \$8 million.

⁽⁶⁾ Charges for the current quarter were due to asset impairments and severance charges related to the planned closure of an animation studio and a substantial number of our Disney-branded retail stores. Charges for the prior-year quarter were primarily for severance costs related to the acquisition and integration of TFCF.

The following table reconciles reported diluted EPS from continuing operations to diluted EPS excluding certain items for the year:

(in millions except EPS)	Pre-Tax Income/ Loss	Tax Benefit/ Expense ⁽¹⁾	After-Tax Income/ Loss ⁽²⁾	Diluted EPS ⁽³⁾	Change vs. prior year period
Six Months Ended April 3, 2021:					
As reported	\$ 1,276	\$ (124)	\$ 1,152	\$ 0.52	(64) %
Exclude:					
Other income ⁽⁴⁾	(305)	71	(234)	(0.13)	
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs ⁽⁵⁾	1,222	(285)	937	0.50	
Restructuring and impairment charges ⁽⁶⁾	527	(124)	403	0.22	
Excluding certain items	<u>\$ 2,720</u>	<u>\$ (462)</u>	<u>\$ 2,258</u>	<u>\$ 1.11</u>	(48) %
Six Months Ended March 28, 2020:					
As reported	\$ 3,677	\$ (981)	\$ 2,696	\$ 1.43	
Exclude:					
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs ⁽⁵⁾	1,423	(330)	1,093	0.57	
Restructuring and impairment charges ⁽⁶⁾	295	(68)	227	0.13	
Excluding certain items	<u>\$ 5,395</u>	<u>\$ (1,379)</u>	<u>\$ 4,016</u>	<u>\$ 2.13</u>	

⁽¹⁾ Tax benefit/expense is determined using the tax rate applicable to the individual item.

⁽²⁾ Before noncontrolling interest share.

⁽³⁾ Net of noncontrolling interest share, where applicable. Total may not equal the sum of the column due to rounding.

⁽⁴⁾ For the current six-month period, other income was due to a gain from an adjustment of investments to fair value.

⁽⁵⁾ For the current six-month period, intangible asset amortization was \$894 million, step-up amortization was \$321 million and amortization of intangible assets related to TFCF equity investees was \$7 million. For the prior-year six-month period, intangible asset amortization was \$984 million, step-up amortization was \$423 million and amortization of intangible assets related to TFCF equity investees was \$16 million.

⁽⁶⁾ Charges for the current six-month period were due to asset impairments and severance charges primarily related to the planned closure of an animation studio and a substantial number of our Disney-branded retail stores. Charges for the prior-year six-month period were primarily due to severance costs related to the acquisition and integration of TFCF.

Total segment operating income – The Company evaluates the performance of its operating segments based on segment operating income, and management uses total segment operating income as a measure of the performance of operating businesses separate from non-operating factors. The Company believes that information about total segment operating income assists investors by allowing them to evaluate changes in the operating results of the Company’s portfolio of businesses separate from non-operational factors that affect net income, thus providing separate insight into both operations and the other factors that affect reported results.

A reconciliation of income from continuing operations before income taxes to total segment operating income is as follows (in millions):

	Quarter Ended			Six Months Ended		
	April 3, 2021	March 28, 2020	Change	April 3, 2021	March 28, 2020	Change
Income from continuing operations before income taxes	\$ 1,230	\$ 1,051	17 %	\$ 1,276	\$ 3,677	(65) %
Add/(subtract):						
Corporate and unallocated shared expenses	201	188	(7) %	433	425	(2) %
Restructuring and impairment charges	414	145	>(100) %	527	295	>(100) %
Other income, net	(305)	—	nm	(305)	—	nm
Interest expense, net	320	300	(7) %	644	583	(10) %
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs	605	723	16 %	1,222	1,423	14 %
Total Segment Operating Income	<u>\$ 2,465</u>	<u>\$ 2,407</u>	2 %	<u>\$ 3,797</u>	<u>\$ 6,403</u>	(41) %