



DEAR FELLOW SHAREHOLDERS,

At DreamWorks Animation, we set a number of creative and performance benchmarks in 2008, resulting in the second best year of box office results in the Company's history. This year was of particular significance because it saw the realization of two strategic goals: the attainment of a high level of box office consistency and the solidification of our franchise strategy, which will provide the underpinning of future performance.

Combined box office receipts from *Kung Fu Panda* and *Madagascar: Escape 2 Africa*—which were the third- and seventh-best performing films of 2008, respectively—have exceeded \$1.2 billion. *Kung Fu Panda* became our most successful original film ever and the number-one animated film of 2008 at the worldwide box office, earning over \$215 million domestically and \$415 million internationally for a total of over \$630 million. It garnered widespread critical acclaim and became the animation industry's Annie Awards' all-time highest-nominated film, winning 11 awards. *Madagascar: Escape 2 Africa* has surpassed \$585 million worldwide: over \$180 million domestically and \$405 million overseas so far. These results led to solid performances in a difficult home video market, where our titles both performed well.

While we are very pleased with the Company's achievements, 2008 was a very difficult year for the overall economy by nearly every measure. The economic downturn has left no public company unaffected, which is reflected in DreamWorks Animation's stock performance. Amid this environment of uncertainty, we are optimistic about our future. The strength of our product in the marketplace and a solid balance sheet should position us well to meet the challenges that may lie ahead. And we believe that continuing to execute on our mission of delivering quality family entertainment can create shareholder value over the long term. So while our operational accomplishments over the past year did not translate into stock price gains, we believe that 2008 has meaningfully improved the future prospects for DreamWorks Animation.

We believe our franchise-building strategy can lead to dependable future performance, as our properties continue to differentiate us from our peers, provide new business opportunities and build shareholder value. With the addition of *Kung Fu Panda* to our stable of franchises and continued success from our *Madagascar* enterprise, we are in a position to release a sequel in each of the next three years.

We are extending our franchises beyond our core business in meaningful ways. In December 2008, *Shrek The Musical* debuted on Broadway, where it continues to delight audiences of all ages. This year, we are bringing our brands to new audiences on television with the Nickelodeon-produced *The Penguins of Madagascar*, which became the most-watched series premiere ever on Nickelodeon, and four DreamWorks Animation-produced specials. Also, later this year we will make our foray into online virtual worlds with the launch of *Kung Fu Panda World*.

This year, DreamWorks Animation becomes the first studio to produce all feature films in 3D from inception, beginning with *Monsters vs. Aliens*, the widest-ever theatrical 3D release. Over its debut weekend, *Monsters vs. Aliens* had the second-best opening for an original DreamWorks Animation film and the best opening by far for a 3D film. It succeeds in delivering a new and exciting in-theater experience that resets the bar for what to expect from a CG-animated film. 3D provides moviegoers with a unique, exciting, immersive entertainment experience, and we are among those at the forefront of this transformative technology. We look forward to a higher level of 3D screen penetration in 2010, when we plan to release three films, including *Shrek Goes Fourth*.

Our leadership team remains committed to fostering a haven of creativity that allows imagination and innovation to ascend to new heights. I believe you will continue to see an escalating level of creative and technical achievement throughout our projects. The Company's efforts have been recognized in a remarkable way this year, as we have been named one of *Fortune* magazine's 100 Best Companies to Work For in 2009.

On behalf of our Board of Directors and management team, I'd like to extend gratitude to the Company's over 1,700 employees. Our world-class, widely diverse talent base is among the most creative in the world, and our success this year is due to their combined efforts. Thanks to our team for the tireless commitment, talent and passion they bring to DreamWorks Animation every day.

And thank you for your support during another gratifying year. We will continue working to enhance shareholder value by delivering high-quality, consistent and innovative family content.

Sincerely,

A handwritten signature in blue ink that reads "Jeffrey Katzenberg". The signature is stylized and fluid, with a large, sweeping flourish at the end.

Jeffrey Katzenberg
CEO, DreamWorks Animation