

Disney Channel continued to build on its creative momentum, with successful series like *Mannah Montana*, *Mickey Mouse Clubhouse* and *Handy Manny* and original movies like *Camp Rock*. These properties not only raise brand awareness for Disney around the globe, but also enable other businesses to generate revenue through music, concerts, theatrical film releases, video games and merchandise derived from them.

At Broadcasting, results at the ABC Television Network were comparable to the prior year. However, Broadcasting operating income was down due to lower advertising revenue at our owned TV stations. In the face of a difficult market, our TV stations continue to outperform the competition in ratings, with eight of our 10 stations ranking No. 1 in their respective markets. The continued demand for ABC Studios' shows, such as *Desperate Housewives*, *Lost* and *Grey's Anatomy*, in syndication and in international markets, demonstrates that in a highly competitive environment, quality matters.

STUDIO ENTERTAINMENT

Our Studio Entertainment segment has delivered strong margins over the past two years. This performance reflects our focus on producing high-quality, Disney-branded movies. In 2008, segment operating margin remained healthy, despite difficult domestic home video comparisons, which led to declines in revenue and operating income. Going forward, we will continue to focus on delivering attractive returns on invested capital. As one of the key creative engines of our Company, Studio Entertainment continues to create quality branded products that can drive operating income across the Company's businesses.

Our commitment to creativity and innovation is best illustrated by Disney-Pixar Animation, which has a proven ability to deliver consistently high-quality animation, as demonstrated by this year's highly successful film, *Walle*. We also continue to capitalize on and extend the life of enduring properties like *Cars* and *Toy Story* through themed attractions at Parks and Resorts, Consumer Products merchandise and movie sequels.

PARKS AND RESORTS

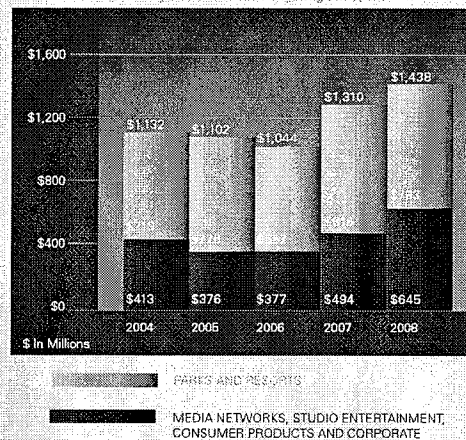
Revenue and operating income grew at Parks and Resorts in 2008, despite a challenging economic environment. Continued high demand resulted in increased guest spending and attendance at our domestic and international parks. In fact, we delivered record domestic theme park attendance, and Disneyland Resort Paris set a new attendance record as well.

Over the past years, we have successfully developed a flexible pricing strategy, innovative marketing initiatives and increased accessibility to our resorts at different price points. In addition, we have diversified through expansion in Disney Vacation Club. We believe the unique relationship consumers have with Disney's brands and characters is a powerful differentiator for our Parks and Resorts.

In the next few years, we plan to invest further in our parks business to create new immersive experiences, particularly at Disney's California Adventure at Disneyland Resort. We are also expanding our successful Disney Vacation Club and Disney Cruise Line, both of which generate robust double-digit margins. In so doing, the segment can continue to help us increase our free cash flow potential, while generating attractive capital returns.

THE WALT DISNEY COMPANY CAPITAL EXPENDITURES

Excluding Euro Disney and Hong Kong Disney Parks*



CONSUMER PRODUCTS

Disney's brand strength and creative successes have allowed our Consumer Products segment to expand its licensing franchise portfolio and connect to a broad range of consumers. As a result, revenue from earned royalties once again increased by double-digit percentages in 2008, with growth across multiple product categories, led by *Mannah Montana* and *High School Musical* merchandise. The increase in earned royalties contributed to double-digit growth in both revenue and operating income for the segment.

We acquired over 200 Disney Stores in North America in the third quarter of 2008, which increased revenue and modestly reduced profits at Consumer Products for the fiscal year. The stores provide us with an important direct touch point with some of Disney's best customers, giving us the ability to reinforce our brand, support our many franchisees and help us deepen our consumer relationships.

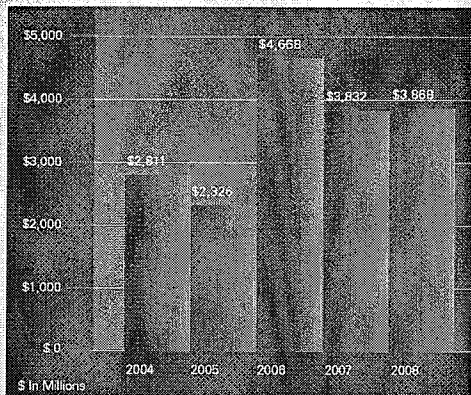
For the past few years, we have steadily increased our investment in video game publishing. We believe video gaming presents a key growth opportunity, especially as it enables us to create incremental returns from Disney's characters, films and brands. Our continued investment also reflects our confidence in our pipeline of outstanding creative content in the years to come.

FREE CASH FLOW

The strength of our businesses enables us to deliver strong free cash flow even while we invest in opportunities with attractive growth potential. Disney generated roughly \$3.3 billion in free cash flow for the year, helping the Company to continue reducing its debt leverage ratio, return capital to shareholders through share repurchase and dividends, and maintain strong financial flexibility.

*Capital expenditures excluding Euro Disney and Hong Kong Disneyland is not a financial measure defined by GAAP. Reconciliation of this and other non-GAAP financial measures in this review to equivalent GAAP financial measures are available at the end of this financial review.

THE WALT DISNEY COMPANY FREE CASH FLOW⁴

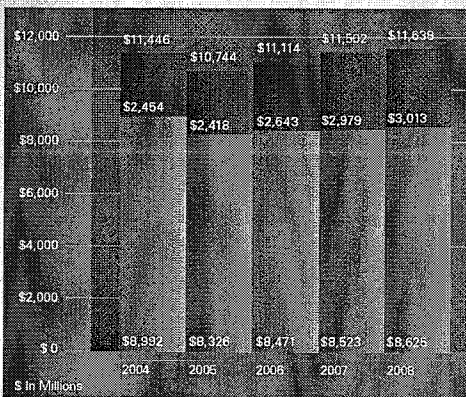


Our solid balance sheet has afforded us access to capital in markets around the world, even in the face of a deteriorating global credit environment. We enjoy an attractive average effective interest rate on our debt portfolio of 3.6% with a weighted average maturity of approximately 6 years.

SHAREHOLDER RETURNS

Over the past several years, we returned substantial capital to shareholders via our dividends and share buybacks. During fiscal 2008, we repurchased over 199 million shares of Disney stock for \$4.5 billion. From August 2004 through the end of fiscal 2008, we purchased over 690 million shares of Disney stock for over \$21 billion.

THE WALT DISNEY COMPANY NET BORROWINGS AT FISCAL YEAR END⁴



■ NET BORROWINGS OF EURO DISNEY AND HONG KONG DISNEYLAND
■ NET BORROWINGS EXCLUDING EURO DISNEY AND HONG KONG DISNEYLAND

Disney also has a consistent track record of returning value to shareholders through annual dividends. In December 2008, Disney's Board of Directors declared a cash dividend of \$0.35 per share or approximately \$650 million in total. This marks the 53rd consecutive year that Disney has paid a dividend.

OUTLOOK

At The Walt Disney Company, we strive to maximize the long-term value of our brands and franchises, and we take pride in the strong creative and financial results we have achieved for the past several years. Disney has a strong balance sheet, a diversified revenue base and substantial long-term earnings growth and cash flow potential. At the same time, we are not immune to the difficult U.S. and global economic environment. We are committed to managing through this period with financial discipline. We are also committed to building upon the strength of our asset base and competitive positioning. We continue to believe that the power of our brands, our diversified franchise portfolio, our creative strength and the integrated approach we take to managing our businesses position us well to grow our earnings over the long term and deliver substantial shareholder value for years to come.

Thomas O. Staggs
Senior Executive Vice President and Chief Financial Officer
The Walt Disney Company

RECONCILIATIONS (all figures in millions)

As noted in the footnotes, certain measures used in this financial review are not financial measures defined by GAAP. The following tables reconcile these measures to the most comparable financial measures defined by GAAP.

SEGMENT OPERATING INCOME

	2004	2005	2006	2007	2008
Segment operating income	\$4,654	\$4,957	\$6,380	\$7,811	\$8,456
Corporate and unallocated shared expenses	(428)	(543)	(622)	(497)	(471)
Other (expense) / income	(64)	(6)	88	1,004	(59)
Net interest expense	(617)	(597)	(892)	(593)	(524)
Income from continuing operations before income taxes, minority interests and the cumulative effect of accounting change	\$3,545	\$3,611	\$5,224	\$7,725	\$7,402

⁴ Free cash flow is not a financial measure defined by GAAP. As of September 27, 2005, long-term debt ratings for the Company were A2/A. Debt portfolio requires most of the debt of Euro Disney and Hong Kong Disneyland, which had an average effective interest rate of 5.5% with a weighted average maturity of 10.8 years. Net borrowings and net borrowings excluding Euro Disney and Hong Kong Disneyland are not financial measures defined by GAAP. Accounting rules require The Walt Disney Company to consolidate Euro Disney and Hong Kong Disneyland, even though Disney's effective ownership is only 11% and 33%, respectively. We began consolidating Euro Disney and Hong Kong Disneyland at the end of the second quarter of fiscal 2005.

CAPITAL EXPENDITURES FROM CONTINUING OPERATIONS EXCLUDING EURO DISNEY AND HONG KONG DISNEYLAND^a

	2004	2005	2006	2007	2008
Media Networks	\$ 215	\$ 218	\$ 220	\$ 265	\$ 367
Parks and Resorts					
Domestic	719	726	667	816	793
International	289	711	248	256	140
Studio Entertainment	39	37	41	85	126
Consumer Products	14	10	16	36	62
Corporate	145	111	100	108	90
Capital expenditures from continuing operations	1,421	1,813	1,292	1,566	1,578
Less: Capital expenditures from Euro Disney and Hong Kong Disneyland	(289)	(711)	(248)	(256)	(140)
Capital expenditures from continuing operations excluding Euro Disney and Hong Kong Disneyland	\$ 1,132	\$ 1,102	\$ 1,044	\$ 1,310	\$ 1,438

FREE CASH FLOW

The Company defines "free cash flow" as cash provided by continuing operations less investments in parks, resorts and other property. Please see the Company's Consolidated Statements of Cash Flows on page 74 of this Annual Report.

	2004	2005	2006	2007	2008
Cash provided by continuing operations	\$ 4,232	\$ 4,139	\$ 5,960	\$ 5,398	\$ 5,446
Investments in parks, resorts and other property	(1,421)	(1,813)	(1,292)	(1,566)	(1,578)
Free cash flow	\$ 2,811	\$ 2,326	\$ 4,668	\$ 3,832	\$ 3,868

NET BORROWINGS AND NET BORROWINGS EXCLUDING EURO DISNEY AND HONG KONG DISNEYLAND

The Company defines "net borrowings" as total borrowings less cash and cash equivalents.

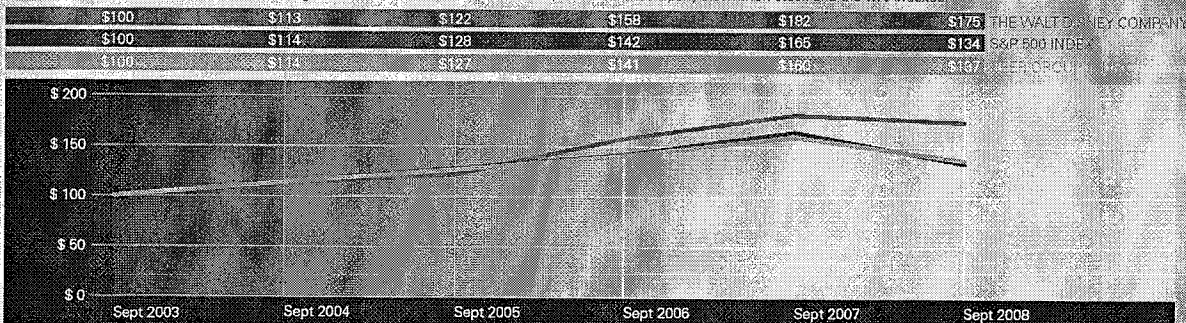
	2004	2005	2006	2007	2008
Current portion of borrowings	\$ 4,093	\$ 2,310	\$ 2,682	\$ 3,280	\$ 3,529
Long-term portion of borrowings	9,395	10,157	10,843	11,892	11,110
Total borrowings	13,488	12,467	13,525	15,172	14,639
Cash and cash equivalents	(2,042)	(1,723)	(2,411)	(3,670)	(3,001)
Net borrowings	11,446	10,744	11,114	11,502	11,638
Less: net borrowings of Euro Disney and Hong Kong Disneyland	(2,454)	(2,418)	(2,643)	(2,979)	(3,013)
Net borrowings excluding Euro Disney and Hong Kong Disneyland	\$ 8,992	\$ 8,326	\$ 8,471	\$ 8,523	\$ 8,625

FORWARD LOOKING STATEMENTS

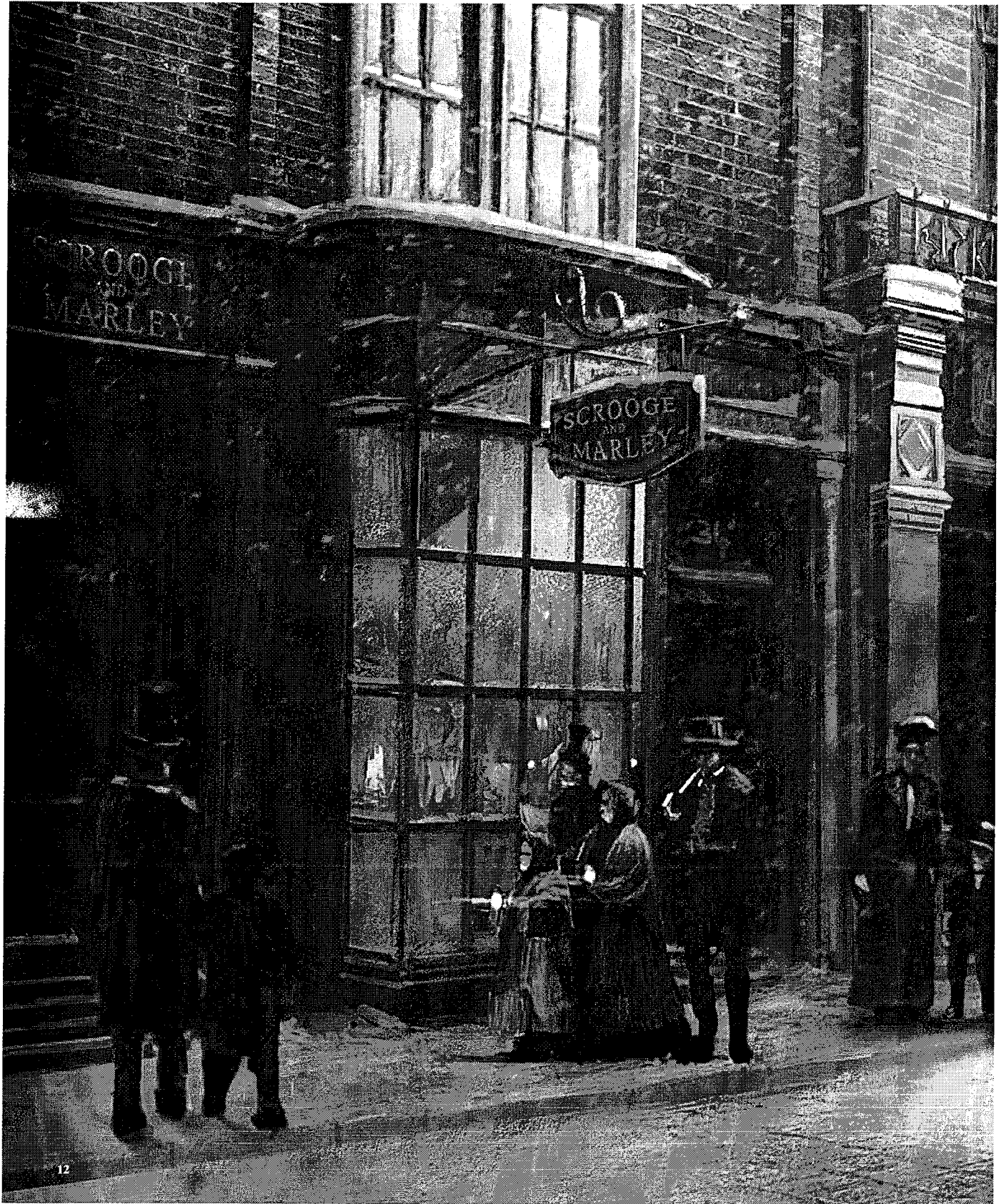
Management believes certain statements in the Financial Review may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are made on the basis of management's views and assumptions regarding future events and business performance as of the time the statements are made and management does not undertake any obligation to update these statements. Actual results may differ materially from those expressed or implied. Such differences may result from actions taken by the Company including restructuring or strategic initiatives (including capital investments or asset acquisitions or dispositions) as well as from developments beyond the Company's control, including: changes in domestic and global economic conditions; adverse weather conditions or natural disasters; health concerns; international, political, or military developments; technological developments; changes in competitive conditions and consumer preferences. Such developments may affect assumptions regarding the operations of the business of The Walt Disney Company including, among other things, the performance of the Company's theatrical and home entertainment releases, the advertising market for broadcast and cable television programming, expenses of providing medical and pension benefits, demand for our products and performance of some or all of the Company's businesses either directly or through their impact on those who distribute our products. Additional factors that may affect results are set forth in the Company's Annual Report on Form 10-K for the year ended September 27, 2008 under the heading "Item 1-A, Risk Factors" and subsequent filings.

THE WALT DISNEY COMPANY

Comparison of performance of the Company's common stock with performance of the two indicated indexes and assuming \$100 was invested on September 30, 2003 in the Company's common stock and the two indexes



The peer group index is a custom index consisting of the companies that were formerly included in the Standard & Poor's Entertainment and Leisure Index. Although this index was discontinued in January 2002, the Company believes the companies included in the index continue to provide a representative sample of enterprises in the primary line of business in which the Company engages. These companies are, in addition to The Walt Disney Company, media enterprises Time Warner Inc., CBS Corporation (formerly Viacom Inc.) (Class B common stock) and Viacom Inc. (created on December 31, 2005 by the separation of the company formerly known as Viacom Inc. into two publicly held companies, CBS Corporation and Viacom Inc.); resort and leisure-oriented companies Carnival Corporation, Harrah's Entertainment, Inc., Hilton Hotels Corporation, Marriott International, Inc. and Starwood Hotels and Resorts Worldwide, Inc.; and consumer-oriented businesses Brunswick Corporation, Darden Restaurants, Inc., McDonald's Corporation, Starbucks Corporation, Yum! Brands, Inc. and Wendy's International Inc.



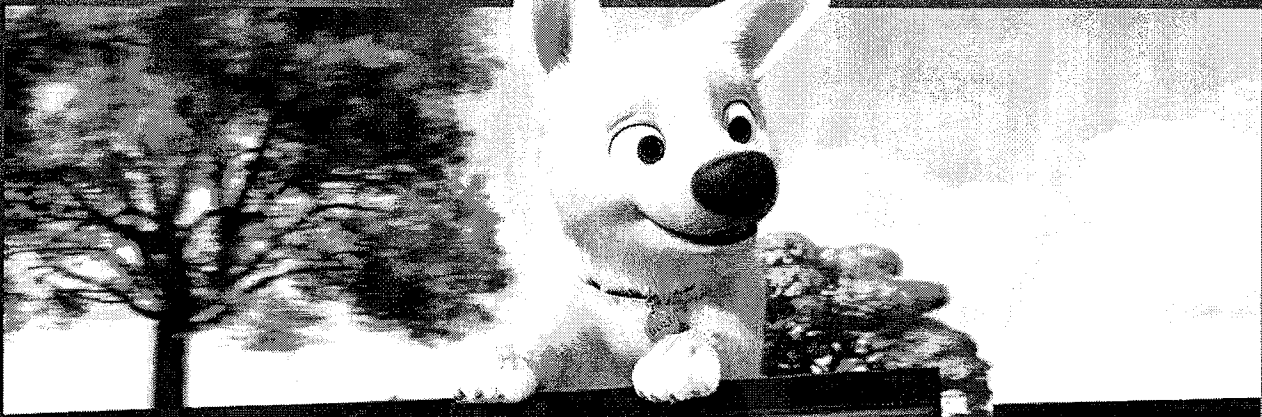


STUDIO ENTERTAINMENT

*Concept art from Director Robert Zemeckis' innovative evocation of
Disney's A Christmas Carol, which arrives in theaters November 2009.*



High School Musical 3: Senior Year danced its way to box office success.



Walt Disney Pictures' Bolt was released in Disney Digital 3-D™.

The Walt Disney Studios had one of its most profitable years on record in 2008, bolstered by major successes across the entertainment spectrum including motion pictures, home entertainment, theatrical productions and music. Emphasizing the *Disney Difference* – a value-creation dynamic based on high standards of quality and recognition that set Disney apart from our competitors – the Studios continued to provide great entertainment across the board for audiences all over the world.

The Walt Disney Studios found continued success at the start of the year as Jerry Bruckheimer's high-adventure blockbuster

National Treasure: Book of Secrets surpassed the original and climbed to a worldwide box office of \$457 million. It was also one of the year's most popular DVD titles. *The Chronicles of Narnia: Prince Caspian*, based on C. S. Lewis' beloved saga, brought in more than \$400 million at the worldwide box office and was one of our top-selling DVDs at year's end. Other top hits from the Studios included the record-breaking February 2008 release *Hannah Montana and Miley Cyrus: Best of Both Worlds Concert Tour*, the critically acclaimed and successful Disney-Pixar animated film *WALL·E*, the fall comedies *Beverly Hills Chihuahua* and *High School Musical 3: Senior Year*, and in November and December, the Disney

animated movie *Bolt* and Adam Sandler's hilarious holiday fantasy, *Bedtime Stories*.

The *Hannah Montana* phenomenon extended its popularity to movie theaters with the Disney Digital 3-D™ release of *Hannah Montana and Miley Cyrus: Best of Both Worlds Concert Tour*, which grossed more than \$65 million in limited release. *Hannah Montana 2/Meet Miley Cyrus* became a triple platinum hit in 2008, and the 2008 summer release of the latest Miley Cyrus album, *Breakout*, marked her third straight No. 1 debut. In 2009, the multi-talented performer will star in the much-anticipated feature film, *Hannah Montana: The Movie*.

The talented students from East High School also marked a successful transition to the big screen as *High School Musical 3: Senior Year*, sang and danced its way to the top of the class with its global box office gross of over \$235 million. *High School Musical 2*, released in December 2007, was one of our top-selling DVDs for the year, and the audio franchise for the popular series continued to dominate album charts. Disney Theatrical Group extended the brand with the national and worldwide tours of the fully realized stage version, *High School Musical on Tour!*, and the second season world tour of *High School Musical: The Ice Tour*. To date, more than 15,000 performances of *High School Musical* have been licensed to schools and amateur groups around the world. *High School Musical 2* stage rights have also become available for licensing.

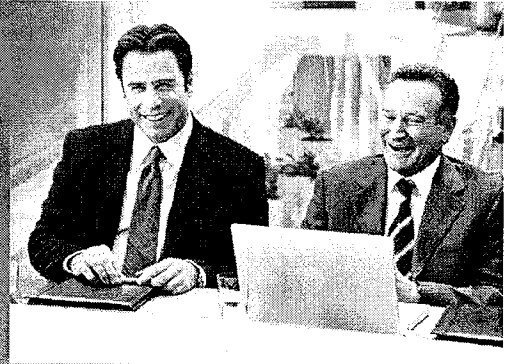
The Studios' newest musical sensation, the Jonas Brothers, scored major hits with the DVD release of *Camp Rock* and the companion CD, which debuted at No. 1 on *Billboard*'s soundtrack chart and was certified gold or platinum in 16 countries. Their latest CD, *A Little Bit Longer*, entered the charts at No. 1. The Jonas Brothers are making the leap to the big screen in 2009 with the February release of *Jonas Brothers: The 3-D Concert Experience*.

In animation, The Walt Disney Studios demonstrated the *Disney Difference* with two highly original and critically acclaimed releases. *WALL-E* from Pixar Animation Studios, proved to be the best reviewed film of the year, emerged as one of the summer's top domestic performers and

went on to collect an out-of-this-world gross of \$500 million in global box office. The November 18 DVD release ranked as one of the year's top 10 sellers. Walt Disney Animation Studios flexed its revitalized creative muscle with the holiday hit *Bolt*, which delighted audiences all over the world.

2009 is shaping up to be another extraordinary year for animation. Disney Pixar's *Up*, the new film from director Pete Docter (*Monsters, Inc.*), kicks off the summer season. The first Pixar film to debut in Disney Digital 3-D™, this comedic adventure follows the fantastic story of 78-year-old Carl Fredrickson, who literally pulls up stakes and charts course for exotic Paradise Falls hidden deep within the jungles of South America. Accompanied by a perennial eight-year-old Junior Wilderness Explorer, the unlikely duo embarks on the wild adventure of their lives.

Also on the 2009 release schedule is Disney's newest animated fairy tale, *The Princess and the Frog*. John Musker and Ron Clements, the directors of *The Little Mermaid* and *Aladdin*, join creative forces with Oscar®-winning songwriter Randy Newman to serve up a classic-style Disney tale set in New Orleans. Complete with romance, adventure, frogs and a singing alligator, this fantastic new film showcases the art of Disney animation at its best with the return of hand-drawn animation. 2009 will also see the debut of the original *Toy Story* in Disney Digital 3-D™. Audiences will experience the film in a whole new way as anticipation builds for the 3-D theatrical release of *Toy Story 3* in 2010.

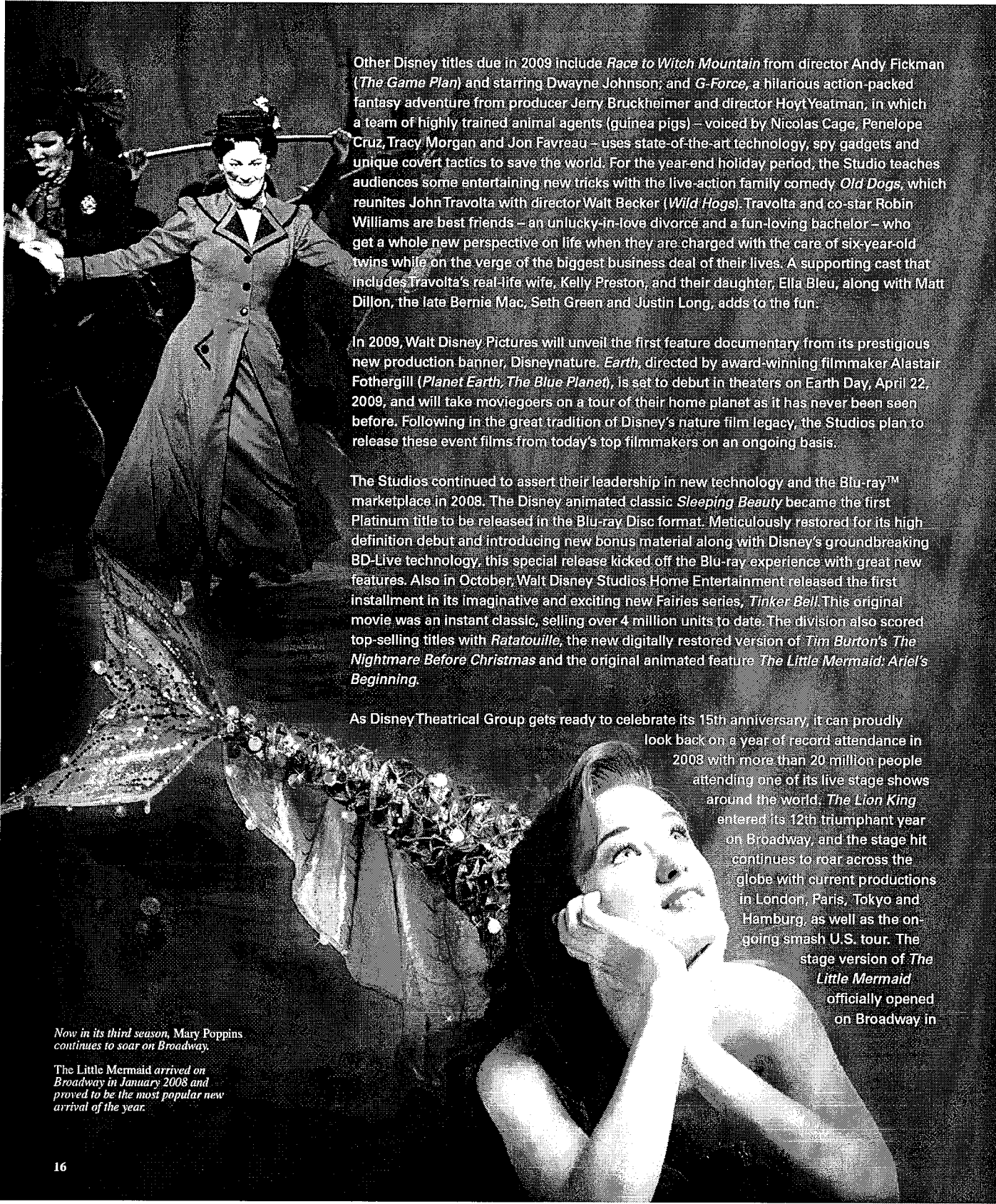


Top: John Travolta and Robert Williams star in *Old Dogs*, out in 2009.

Above: Hannah Montana: The Movie features the multi-talented Miley Cyrus.

In 2009, we will also see the holiday release of Robert Zemeckis' digital 3-D performance-capture epic, *Disney's A Christmas Carol*, starring Jim Carrey (in a multitude of roles). This represents the Studios' first film with the acclaimed director (*Who Framed Roger Rabbit*, *Back to the Future*) under a new production arrangement that is designed to push the limits of filmmaking technology and storytelling.

Earth is the first feature documentary from Walt Disney Pictures' prestigious new production banner, DisneyNature.



Other Disney titles due in 2009 include *Race to Witch Mountain* from director Andy Fickman (*The Game Plan*) and starring Dwayne Johnson; and *G-Force*, a hilarious action-packed fantasy adventure from producer Jerry Bruckheimer and director Hoyt Yeatman, in which a team of highly trained animal agents (guinea pigs) – voiced by Nicolas Cage, Penelope Cruz, Tracy Morgan and Jon Favreau – uses state-of-the-art technology, spy gadgets and unique covert tactics to save the world. For the year-end holiday period, the Studio teaches audiences some entertaining new tricks with the live-action family comedy *Old Dogs*, which reunites John Travolta with director Walt Becker (*Wild Hogs*). Travolta and co-star Robin Williams are best friends – an unlucky-in-love divorcee and a fun-loving bachelor – who get a whole new perspective on life when they are charged with the care of six-year-old twins while on the verge of the biggest business deal of their lives. A supporting cast that includes Travolta's real-life wife, Kelly Preston, and their daughter, Ella Bleu, along with Matt Dillon, the late Bernie Mac, Seth Green and Justin Long, adds to the fun.

In 2009, Walt Disney Pictures will unveil the first feature documentary from its prestigious new production banner, DisneyNature. *Earth*, directed by award-winning filmmaker Alastair Fothergill (*Planet Earth*, *The Blue Planet*), is set to debut in theaters on Earth Day, April 22, 2009, and will take moviegoers on a tour of their home planet as it has never been seen before. Following in the great tradition of Disney's nature film legacy, the Studios plan to release these event films from today's top filmmakers on an ongoing basis.

The Studios continued to assert their leadership in new technology and the Blu-ray™ marketplace in 2008. The Disney animated classic *Sleeping Beauty* became the first Platinum title to be released in the Blu-ray Disc format. Meticulously restored for its high definition debut and introducing new bonus material along with Disney's groundbreaking BD-Live technology, this special release kicked off the Blu-ray experience with great new features. Also in October, Walt Disney Studios Home Entertainment released the first installment in its imaginative and exciting new Fairies series, *Tinker Bell*. This original movie was an instant classic, selling over 4 million units to date. The division also scored top-selling titles with *Ratatouille*, the new digitally restored version of *Tim Burton's The Nightmare Before Christmas* and the original animated feature *The Little Mermaid: Ariel's Beginning*.

As DisneyTheatrical Group gets ready to celebrate its 15th anniversary, it can proudly look back on a year of record attendance in 2008 with more than 20 million people attending one of its live stage shows around the world: *The Lion King* entered its 12th triumphant year on Broadway, and the stage hit continues to roar across the globe with current productions in London, Paris, Tokyo and Hamburg, as well as the on-going smash U.S. tour. The stage version of *The Little Mermaid* officially opened on Broadway in

Now in its third season, *Mary Poppins* continues to soar on Broadway.

The Little Mermaid arrived on Broadway in January 2008 and proved to be the most popular new arrival of the year.

January 2008 and proved to be the most popular new arrival of the year. *Mary Poppins* entered its third hit year on Broadway and is preparing to launch a national tour in 2009. Both *The Lion King* and *The Little Mermaid* were also featured along with *Cars* and the Disney Fairies in Disney On Ice's latest production, *Worlds of Fantasy*.

Walt Disney Records celebrated its 13th year as the world's No. 1 children's label, with such hits as the soundtracks to the various *High School Musical* films and *The Cheetah Girls One World* Disney Channel Movie. The Disney Music Group had continued success with Rascal Flatts' fifth album (on Lyric Street Records), *Still Feels Good* (certified double platinum), and the Hollywood Records releases of Jesse McCartney's *Departure*, the debut album from Demi Lovato, a new album from Plain White T's and a Hilary Duff greatest hits compilation. In August, Disney Music Group had the unprecedented distinction of having four of the top 10 titles on the *Billboard* 200 album chart for the third consecutive year.

Miramax Films had a year of milestones as *No Country for Old Men* won four major Academy Awards® (Best Picture, Best Supporting Actor, Best Screenplay and Best Director). Numerous 2008 releases are also poised to be strong award contenders in 2009, including *The Boy in the Striped Pajamas* and *Doubt*, the big-screen adaptation of John Patrick Shanley's Pulitzer Prize-winning play, which stars Meryl Streep, Amy Adams and Philip Seymour Hoffman. In 2009, Miramax will release *Everybody's Fine*, a poignant comedy starring Robert DeNiro, Drew Barrymore and Kate Beckinsale. Also on the schedule is *Cheri*, a romantic drama directed by Stephen Frears and starring Michelle Pfeiffer.



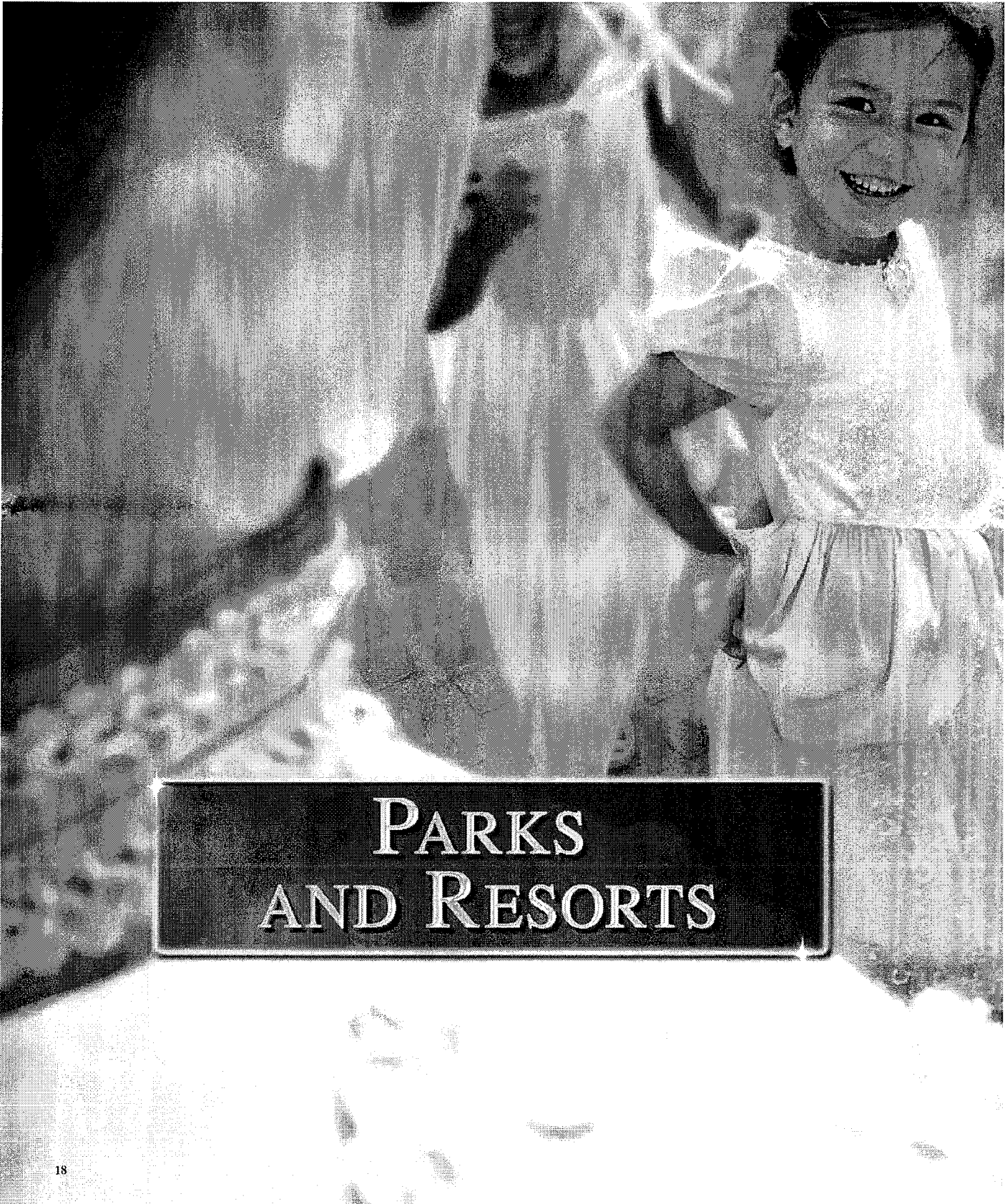
Tinker Bell, the first installment in an exciting new Fairies film series, charmed a new generation of viewers.



Hollywood Records singing sensations the Jonas Brothers with Demi Lovato.

Disney Blu-ray™ Discs gave viewers the chance to enjoy Disney entertainment in high definition. Miley Cyrus' album *Breakout* debuted at No. 1 on the *Billboard* 200 chart.





PARKS
AND RESORTS