

Today, Disney Channels Worldwide is a global powerhouse in kids entertainment. Disney Channel content reaches hundreds of millions of homes around the world. This access makes Disney Channel a daily touchstone for the Disney brand in more than 100 countries.

Distribution is important, but content is critical. Not only does strong content drive viewers to Disney Channels around the world, it also builds our brand and drives results across The Walt Disney Company.

In 2008, Disney Channels Worldwide continued the momentum of the previous two years, building on the success of existing franchises *High School Musical*

and *Hannah Montana* while introducing new animated and live-action series and original movies that captured the attention and imagination of kids around the world.

The *Hannah Montana* franchise was an important part of Disney Channels' success in 2008. In the U.S. alone, the sophomore season of the hit series achieved an increase of 16 percent in total viewers over the previous year, while kids and their parents flocked to *Hannah Montana* concerts and fans around the world purchased soundtracks, DVDs and other merchandise to make the show a part of their daily lives.

In June, the Disney Channel Original Movie *Camp Rock*, starring teen

sensations Jonas Brothers and rising star Demi Lovato, debuted in the United States as one of Disney Channel's highest-rated original movies of all time, second only to *High School Musical 2*. The *Camp Rock* premiere was supported by a coordinated strategy of featuring content and marketing on air, online and on mobile phones. *Camp Rock* delivered the No. 1 entertainment telecast among cable networks for the 2007–08 season and was the No. 1 cable telecast of the year among Tweens (ages 9–14). Since its U.S. debut, *Camp Rock* has been introduced to enthusiastic audiences around the world.

Disney Channel continued to build on the popularity of the Jonas Brothers with the launch of the series *Jonas Brothers: Living*



International sensation Hannah Montana continues to thrill audiences. The Disney Channel series, the soundtrack, the DVD and the feature film all topped the charts in 2008.

the Dream. The original short-form reality series not only gave the band's fans a new way to watch them in action, it also created new opportunities for advertisers with premium online sponsorships.

Disney Channel scored additional success with the launch of the new animated hit series *Phineas and Ferb* and the live-action series *Wizards of Waverly Place*. *Phineas and Ferb* emerged as the year's No. 1 animated series among both Kids (ages 6-11) and tweens, while *Wizards* took top honors as the summer's No. 1 series among tween viewers.

Animated series *Mickey Mouse Clubhouse* and *Handy Manny* continued to be hits among the preschool set. Each show delivered solid year-over-year increases in their young target audience (ages 2-5) as well as in total viewers.

The global success of burgeoning franchises like *Hannah Montana* and newer hits such as *Camp Rock*, *Wizards of Waverly Place*, *Phineas and Ferb* and *Mickey Mouse Clubhouse* drives revenue across the Company's businesses, including Disney Media Networks, Disney Consumer Products, The Walt Disney

Studios, Walt Disney Parks and Resorts, Disney Music Publishing Worldwide, Walt Disney Records, Walt Disney Studios Home Entertainment, Disney Theatrical Productions and the Company's international distribution businesses.

Music from Disney Channel content is also featured in heavy rotation on Radio Disney, the only 24-hour kids and family radio network, now available nationwide in the U.S. on broadcast, satellite and cable platforms via live streaming feed from Radio Disney.com and on the iTunes Radio Tuner.



Phineas and Ferb is Disney Channel's newest animated hit.



Disney Channel's *Wizards of Waverly Place* was the summer's No. 1 series among tweens.

ABC Family celebrated its most-watched year ever, topping the previous year's record ratings. The channel, now in almost 97 million homes, increased its primetime audience by 20 percent among its target viewers (Adults 18-34) for the 2007-08 season and rose 13 percent among total viewers. The strong performance was driven by key acquisitions and original programming, such as returning hits *Kyle XY* and *Greek*, as well as the newest addition to the lineup, *The Secret Life of the American Teenager*, which became the highest-rated original series in the channel's history and cable's No. 1 scripted series among key young demos during its summer run. The new show captured ABC Family's first-ever Teen Choice Award, and the series' first season finale was the most-watched telecast in the history of the channel in key young demos. ABC Family's popular

25 Days of Christmas programming also delivered a strong performance, anchored by the 2007 premiere of the original movie *Holiday in Handcuffs*, which became the most-watched telecast in the channel's history.

In addition to reaching record audiences on television in 2008, ABC Family continued to connect with viewers online in new and innovative ways. The online game *Kyle XY Continuum* earned an Emmy® nomination for excellence and gave fans a new way to experience the hit series. The success of ABC Family's programming strengthens the channel's performance on multiple platforms and now extends around the world. *Kyle XY* has been sold into more than 200 territories, and *Greek* is now available in more than 150 international markets as well.

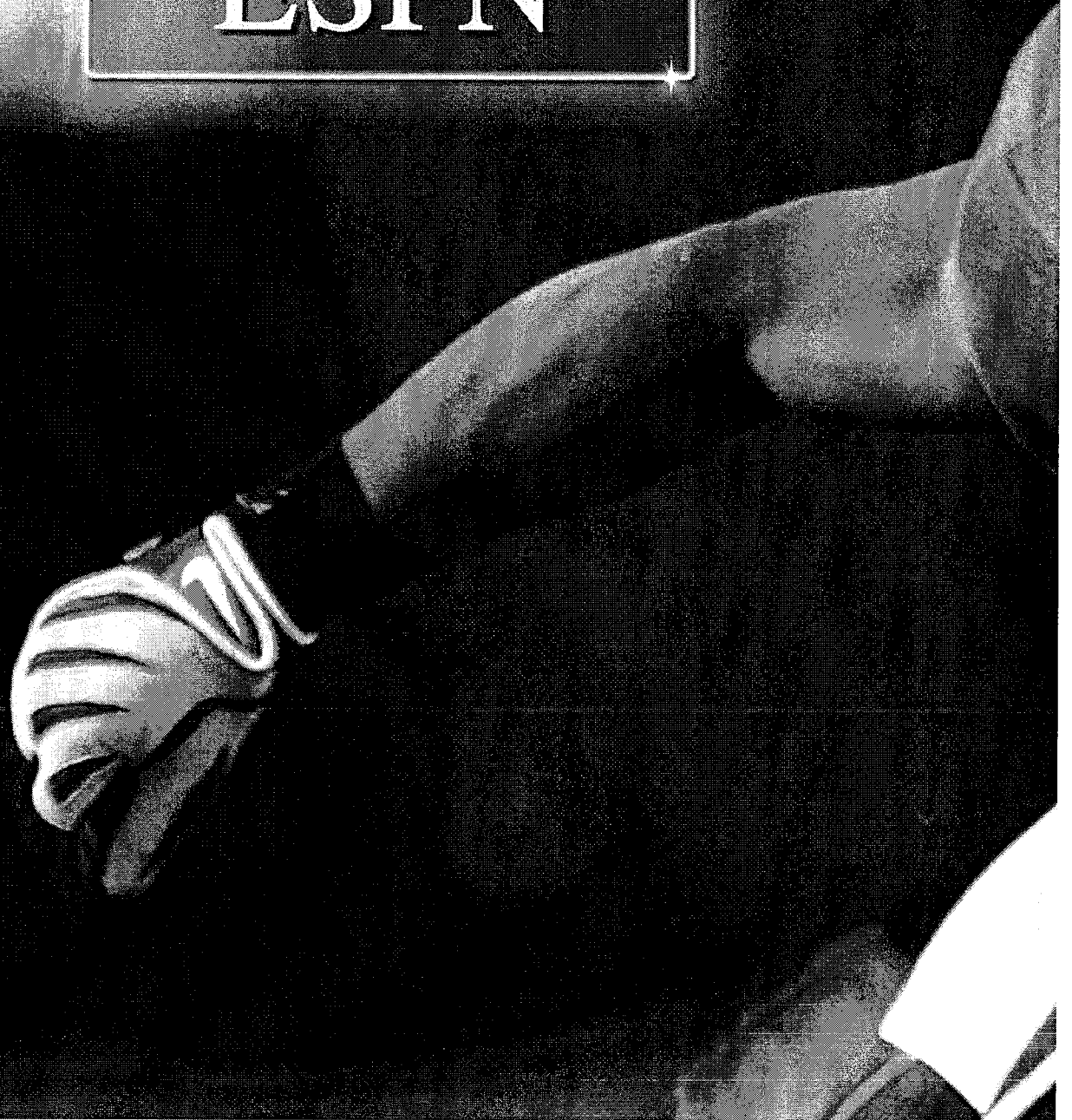
In 2008, SOAPnet added almost four million new households to its reach, for a total of 70 million subscribers. Along with steady distribution growth, SOAPnet continues to enjoy an extremely loyal audience. The channel has been No. 1 in viewer loyalty among its targeted audience for 71 consecutive months.

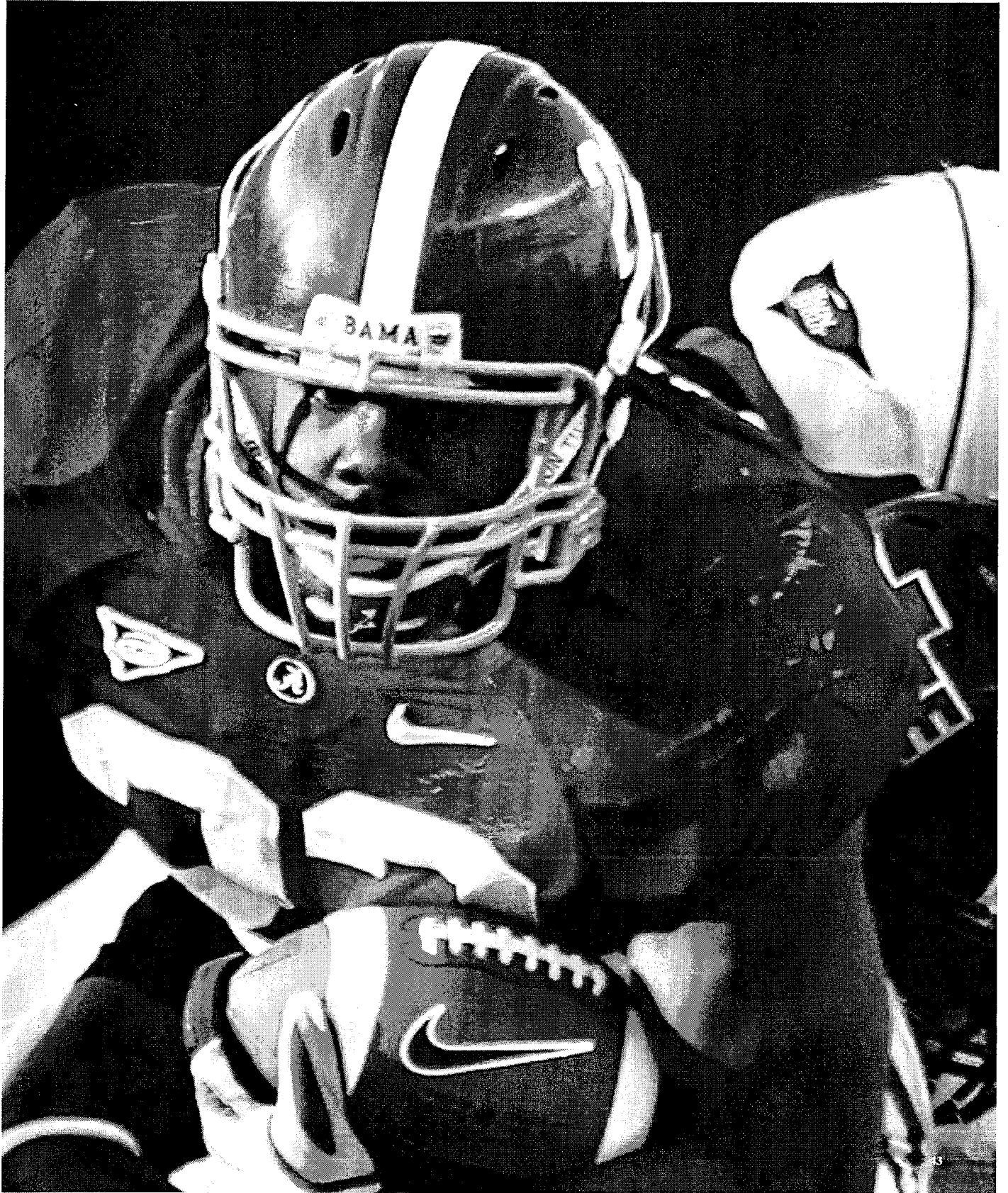
SOAPnet telecasts same-day episodes of daytime dramas at night for convenient viewing as well as a slate of original programming, including the popular new series *MVP* and the returning series *General Hospital: Night Shift*. The cable channel also offers classic series, including *The O.C.*, *One Tree Hill* and the original *Beverly Hills 90210*. In 2008, SOAPnet launched an innovative redesign of its Web site to serve fans better and help tap into today's pop culture.

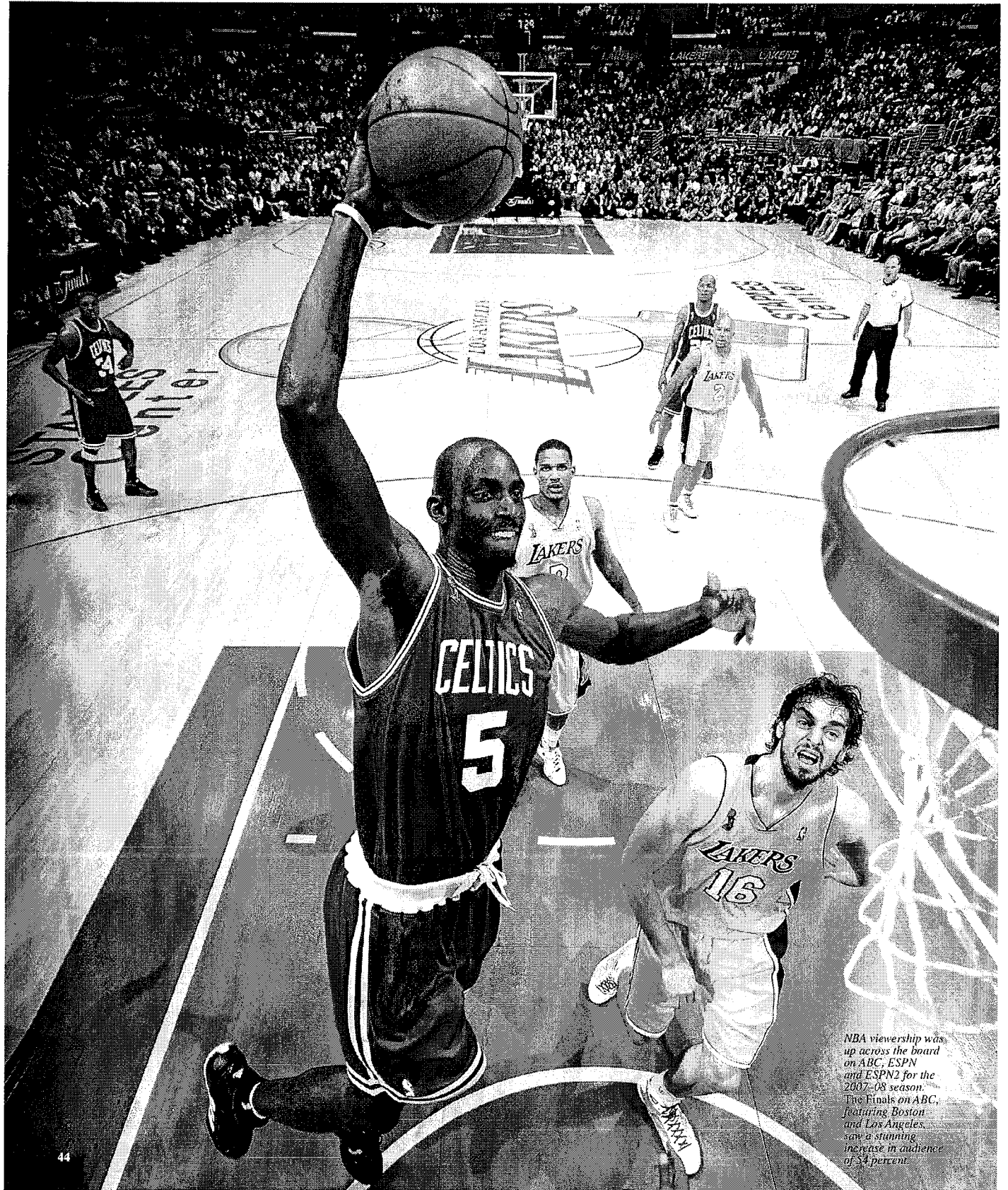
ABC Family's The Secret Life of the American Teenager is the highest-rated original series in the channel's history.



ESPN







NBA viewership was up across the board on ABC, ESPN and ESPN2 for the 2007-08 season. The Finals on ABC, featuring Boston and Los Angeles, saw a stunning increase in audience of 54 percent.

In 2008, ESPN's unparalleled content, scope, technology and deep connection with sports fans fueled another year of exceptional performance. ESPN was unsurpassed in marrying sports content and technology across multiple media platforms serving fans worldwide, all while enjoying its most-viewed year ever in the core domestic television business.

Two of ESPN's most vibrant brands – *SportsCenter* and the X Games – best exemplify the effective global merging of content and technology. Because sports news breaks 24/7, *SportsCenter*, the industry's sports news leader, was expanded on TV and online. In the U.S., six live hours were added each weekday morning – 30 hours total. The news operation will be enhanced in 2009 with the opening of a West Coast production facility in Los Angeles. Simultaneously, *SportsCenter.com*'s debut featured commentator blogs and enhanced fan interactivity, and *SportsCenter Right Now* online video news updates relaunched on ESPN.com. Beyond U.S. shores, 13 regionally produced shows became significantly more sophisticated in sharing content, most notably in covering the Summer Olympics from Beijing.

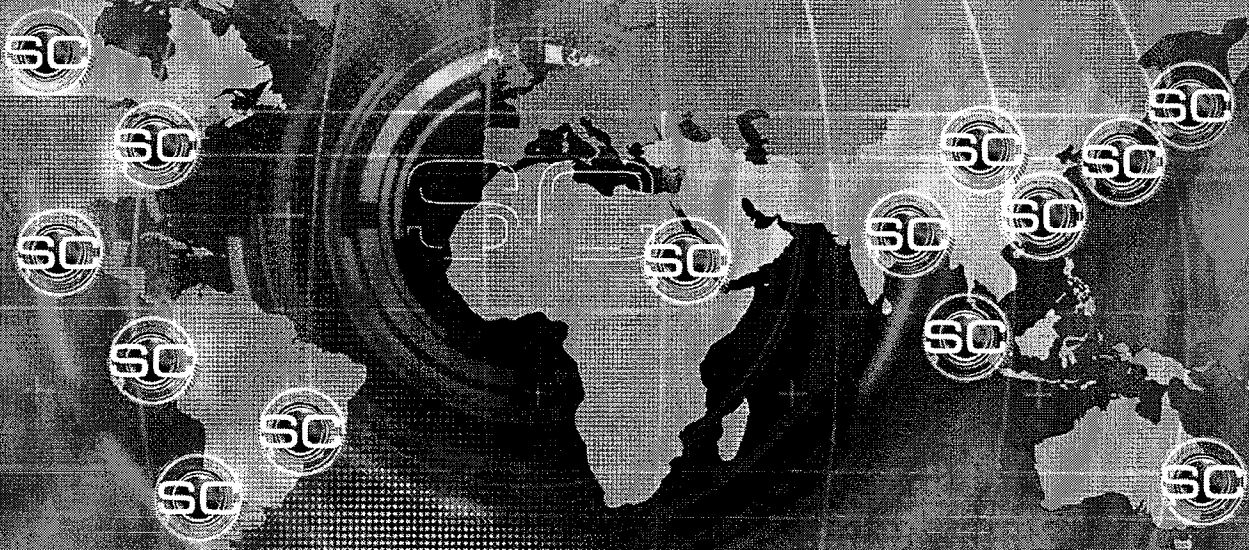
Meanwhile, X Games 14 in Los Angeles garnered the biggest TV audience in the event's history, bolstered by the addition of exciting new events and a record purse. Overseas, the event has taken root and blossomed in Brazil, China and Mexico. ESPN announced the rebranding and expansion of ESPN.com as ESPN Action Sports – a network of discipline-specific action sports sites. Both in the U.S. and abroad, X Games apparel and equipment continue to grow in popularity.

ESPN International continued to expand its presence across media platforms and was very active online, debuting the broadband event service ESPN360.com in Europe, Mexico, Chile and Brazil. The acquisition of Racing-Live.com continued a string of recent strategic additions to ESPN's core offerings. ESPN Classic (in 108 countries) and the North American Sports Network, which broadcasts top North American professional and collegiate sports 24 hours a day on digital cable and digital satellite in 62 countries, are now seen in 24.5 and 16 million homes, up from 23 and 11 million a year ago, respectively. NASN is being rebranded ESPN America on February 1, 2009. ESPN International debuted a second edition of

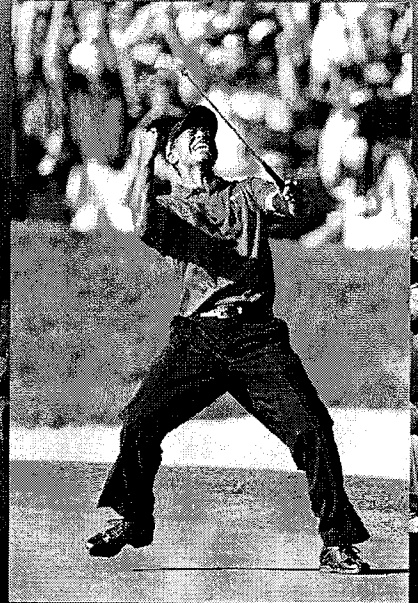
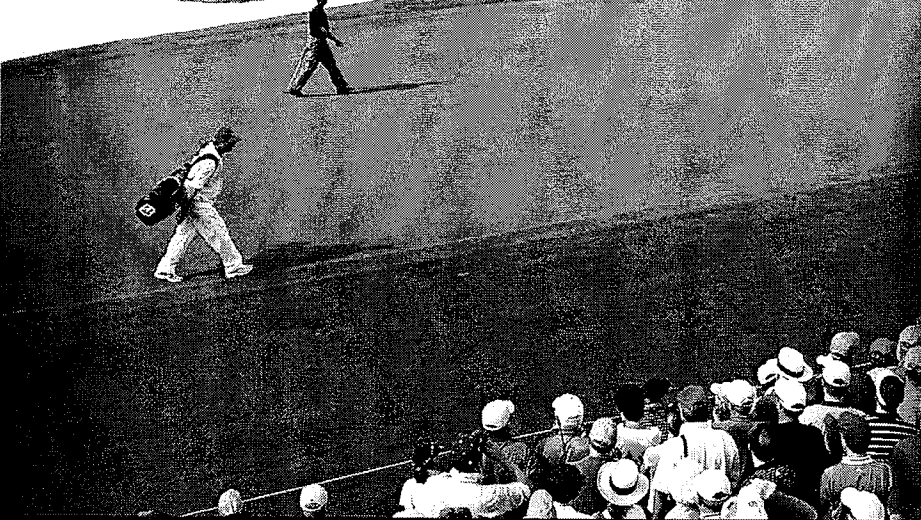
ESPN The Magazine, this one in Mexico, and invested in NBA China, a new entity that will conduct all of the league's businesses in Greater China. ESPN's two networks in Brazil combined to televise 612 hours of Olympics coverage. ESPN.com.br won Olympic gold as well – its 650,000 page views set a record for a single event.

In the U.S., ESPN aggressively expanded its long-established digital sports leadership with strategic acquisitions and a landmark extension of its agreement with Major League Baseball Advanced Media, which includes increased digital rights. In addition, video, community, fantasy games and mobile applications were expanded to reach more fans in creative ways. ESPN.com usage continues to climb, setting 11 monthly usage records.

Fan engagement also rose substantially in 2008. ESPN.com outpaced the entire sports industry in time spent online, total minutes online grew 33 percent and users viewed an average of 120 million sports video streams per month – more than double its nearest competitor. ESPN has seen rapid growth in its online community, with 200 percent growth in the number of ESPN Fan Profiles in the past year.



ESPN produces 14 versions of SportsCenter around the world in eight languages.



ESPN signed a multiplatform agreement for all four rounds of the British Open, enhancing its golf lineup, which includes the Masters (pictured above) and the U.S. Open. Tiger Woods won the 2008 U.S. Open playoff against Rocco Mediate.

The ESPN Football Blog network launched with 15 new blogs. Fantasy sports activity grew 40 percent in football and 20 percent in baseball, with hockey and basketball launching this season. Year-to-year usage for ESPN's mobile Web site content is up 37 percent. In fact, three weekends during the 2007 NFL season, more fans sought NFL content from ESPN.com wirelessly than through their personal computers.

ESPN.com won all three New Approaches categories at the 2008 Sports Emmys® and continues to offer unique video content online, with a variety of "digital original" programming under development. ESPN's audio and video podcasts continued to lead the sports category, with more than seven million downloads per month. A recent

re-design, scheduled for implementation in early 2009, as well as enhanced search capabilities, will pave the way for continued growth for ESPN.com.

Having identified the untapped potential of high school athletics as an important avenue for future growth, in 2008, ESPN created the ESPN RISE brand umbrella for its high school initiative and made three key acquisitions: SchoolSports, Inc. (magazines, events, Web site), Hoopgurlz.com (focused on high school girls' basketball and college women's basketball) and Student Sports, Inc. (featuring StudentSports.com, DyeStat.com and more than 160 events). ESPNRISE.com was launched, powered by the combined resources of these companies, ESPN.com and ESPN Scouts, Inc.

ESPN360.com grew quickly in its first full year, featuring a new format which focused on live events (more than 3,200) and is now in 24 million homes, a nearly 40 percent increase in one year. It quickly earned the loyalty of many fans with passion for underserved sports like soccer, rugby and tennis, and recorded its biggest month ever in June when soccer's UEFA European Football Championship led to the service delivering nearly three million video streams, and viewers averaging more than 180 minutes online.

In ESPN's core business, U.S. cable television, its four measured English-language networks set a new high for average audience, topping 1.1 million homes for the first time. A record 209

million people tuned in to at least one of the networks in the first fiscal quarter. The network posted many individual records, topped by *Monday Night Football's* New England-Baltimore matchup on December 3, 2007. At the time, it was the most-watched telecast in cable television history (ESPN's *MNF* Philadelphia at Dallas game in September 2008 holds the current record), helping lead ESPN to its highest-rated quarter ever. The series continued its preeminence on the annual list of cable's biggest audiences, with advertisers attracted to ESPN's "game around the game" concept-TV and online content surrounding and complementing the game telecast.

Others on ESPN's most-watched-ever list: the NBA playoffs, the NCAA Women's Basketball Tournament, NASCAR (Brickyard 400), the Heisman Trophy presentation, regular-season college basketball (the Tennessee at Memphis men's game), Major League Baseball's Home Run Derby, the NBA Draft Lottery, the College World Series, the X Games and Winter X Games and the documentary *Black Magic*. ESPN also garnered the two biggest audiences in cable history for golf – the U.S. Open playoff and the telecast of its inaugural Masters coverage.

In addition, ESPN2 posted its most-watched college football season, bowl game (PapaJohns.com Bowl) and bowl

season, IndyCar telecast, Wimbledon coverage and non-World Cup soccer match (UEFA Euro 2008 semifinal, Russia vs. Spain). ESPNEWS also registered its most-watched show in January 2008, *The Blitz*, after a day of NFL playoff action.

In addition to the Masters, new programming included an ESPN-created New Year's Eve show featuring a record motorcycle jump from Las Vegas and the Moto X World Championships. Also, ESPN Films was established to present scripted and documentary film projects for TV and theatrical release, including *30/30*, a series of 30 films celebrating the last 30 years in sports, timed with ESPN's 30th anniversary in 2009. A new agreement with tennis' U.S. Open beginning in 2009 gives ESPN rights to all four of professional tennis' Grand Slam events.

Key renewed rights agreements were highlighted by an unprecedented 15-year accord with the Southeastern Conference, ESPN's broadest college rights deal in terms of combined scope and length; the Bowl Championship Series and golf's British Open, two high-profile sporting events that will be seen live and entirely on ESPN; Wimbledon; the World Baseball Classic; and the Indianapolis 500, a mainstay on ABC for 44 years. Each of these agreements included an extensive package of international and digital rights. In the past three years alone, ESPN has reached more than 20

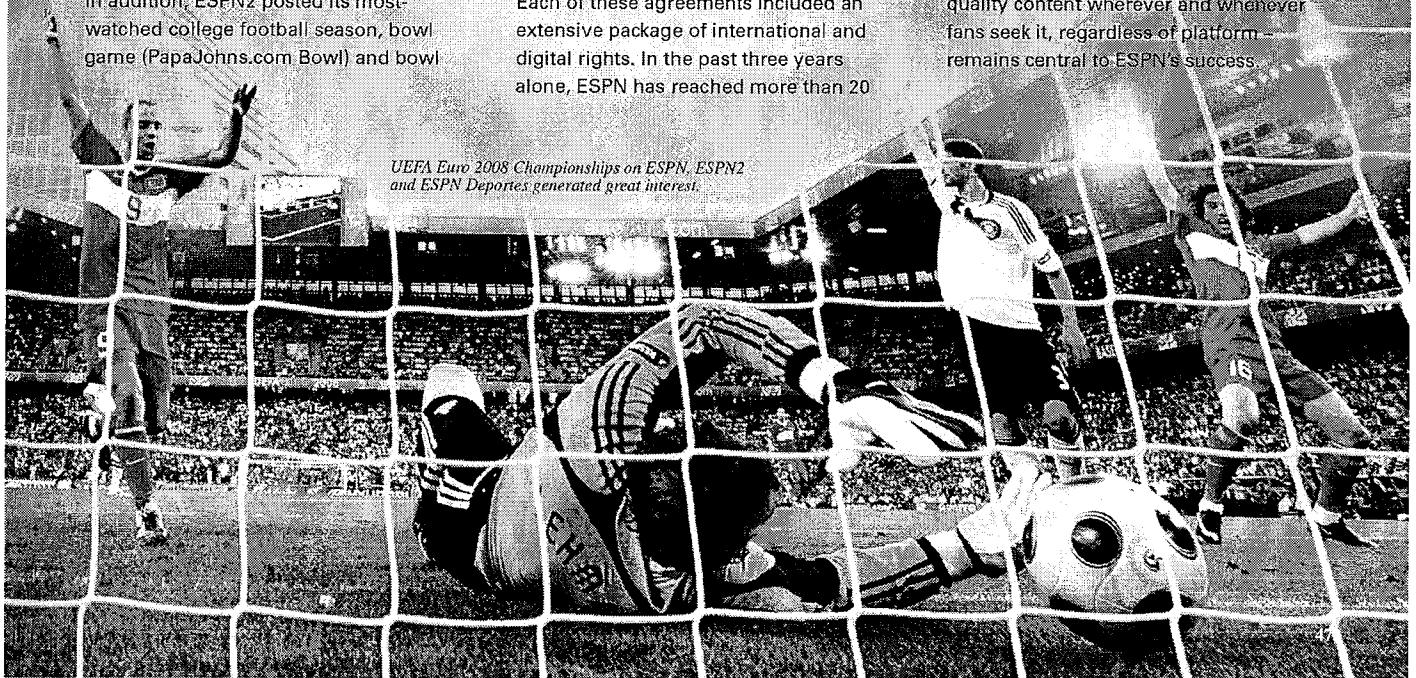
major multimedia rights agreements, in some cases featuring rights for platforms not yet invented. More and more, fans, advertisers and rightsholders embrace ESPN's global multimedia assets.

ESPN's high-definition simulcast services expanded to five with the debuts of ESPNEWS HD, ESPNU HD and ESPN's first international HD network, serving Australia. Significantly, the growth of HD across the American viewing public bodes particularly well for the business, and ESPN experienced a 50 percent rise in ratings among HD homes.

ESPN Deportes took great strides in serving Spanish-speaking U.S. sports fans, expanding distribution in key markets to reach nearly 40 percent of the U.S. Hispanic multichannel universe. Early Nielsen ratings were strong, displaying the power of programming targeted to the audience, in particular the Euro 2008 soccer tournament. ESPN Deportes Radio added nine affiliates and now covers more than 42 percent of the U.S. Hispanic population.

ESPN is an unparalleled sports brand that stands for authority, personality and innovation. As ESPN celebrates its 30th year in 2009, its clarity of mission – passionate employees delivering top-quality content wherever and whenever fans seek it, regardless of platform – remains central to ESPN's success.

UEFA Euro 2008 Championships on ESPN, ESPN2 and ESPN Deportes generated great interest.



DISNEY INTERACTIVE MEDIA GROUP

The Disney Interactive Media Group (DIMG) is responsible for the global creation and delivery of Disney-branded entertainment and lifestyle content across all interactive media platforms, including PCs, mobile phones and video game consoles. In June 2008, The Walt Disney Company formed DIMG, a combination of its preexisting Walt Disney Internet Group and Disney Interactive Studios units, to take best advantage of rapid advancements in interactive digital media and cross-platform content convergence. DIMG also provides technology strategy, solutions and execution for The Walt Disney Company.

The division operates two global content creation units, Disney Interactive Studios and Disney Online, as well as a mobile phone service in Japan that launched in 2008.

Disney Interactive Studios and Disney Online work together to leverage platform-specific expertise to create a line of connected, multiplatform entertainment experiences. Co-produced products in 2008 include a Disney Club Penguin Nintendo DS™ game, which allows players to transfer points earned playing the DS game to the virtual online world, as well as DGamer, an online community for

Nintendo DS developed exclusively for Disney video gamers and integrated with Disney.com.

Disney Interactive Studios self publishes and distributes a broad portfolio of video games and interactive entertainment, distributed globally, for handheld, mobile and console platforms. With six internal development studios worldwide, each "creative center of excellence" develops and publishes video games inspired by the breadth of intellectual properties throughout The Walt Disney Company's businesses, including properties based on hit Disney Channel franchises such as *High School Musical* and *Hannah Montana* and film franchises inspired by live-action and animated feature films, such as the upcoming 2010 Pixar film *Toy Story 3*. Disney Interactive Studios also creates original intellectual properties including *Spectrobes*, music titles including *Ultimate Band* and *Sing It* and the award-winning, adrenalin-fueled action racing game *Pure*, which all have the potential to expand beyond the video game market into other business areas of the Company. In addition to its robust portfolio of self-published titles, Disney Interactive Studios selectively licenses Disney-branded properties to other platform holders and key licensees, including Square Enix for the successful video game franchise *Kingdom Hearts*.

Disney Online produces the No. 1 kids entertainment and family community

