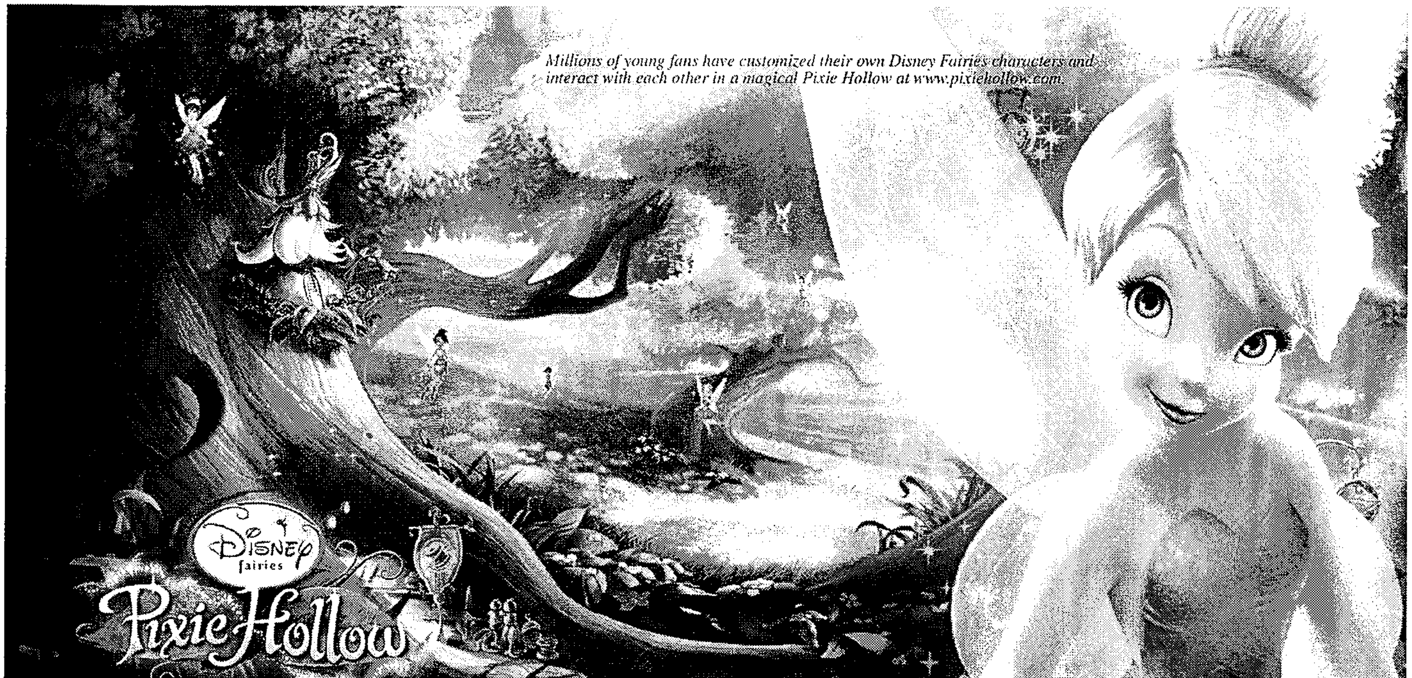


Millions of young fans have customized their own Disney Fairies characters and interact with each other in a magical Pixie Hollow at www.pixiehollow.com.

Web site, Disney.com. Fueled by original online entertainment experiences including user-generated content events and special tent-pole events such as streaming full-length Disney features, Disney.com surpassed all its previous traffic records over the past year. The site has also delivered on its promise of geographical and platform expansion with multiple localized global launches and a deeply integrated mobile Web site. Disney Online also produces the Disney Family Network, a group of leading online lifestyle destinations for moms, as well as a variety of Disney Mobile Web experiences guests can enjoy on the go.

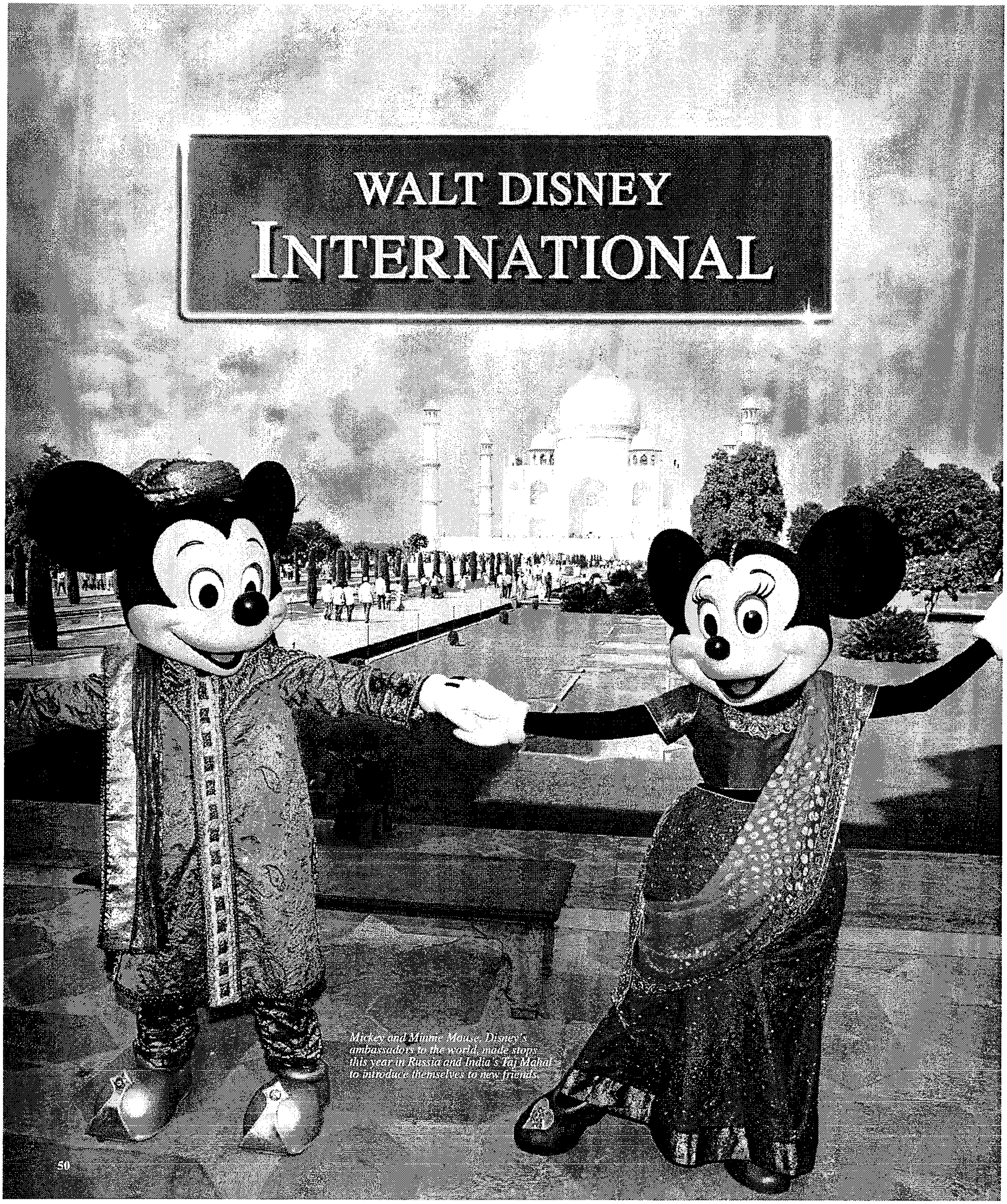
With a growing portfolio of virtual worlds, Disney Online continues to build massive audiences around core Disney brands, characters and stories while providing the latest in age-appropriate connected community and social networking, all designed with safety in mind. Club Penguin continues to grow and in 2008 launched the first-ever line of consumer products tied to the virtual world.

The recently launched Disney Fairies Pixie Hollow (www.pixiehollow.com) lets online guests fly around in the magical world of Tinker Bell and her Fairy friends, and includes a unique, real-world component called Clickables™ Fairy Charms. A highly anticipated virtual world based on the Disney·Pixar *Cars* franchise, set to launch in 2009, is in development and can be previewed at www.worldofcars.com.

DIMG's technology group delivers innovation and scale for all of The Walt Disney Company's Internet businesses, operating the technical backbone and infrastructure that powers the Web and mobile presence of the entire Company. It also develops unique new media experiences and platforms for distributing content from all businesses of The Walt Disney Company, including ABC.com and ESPN.com.

With six internal development studios worldwide, Disney Interactive Studios self publishes and distributes video games on all platforms, creating unique gaming experiences based on Disney content and original intellectual properties.

WALT DISNEY INTERNATIONAL



Mickey and Minnie Mouse, Disney's ambassadors to the world, made stops this year in Russia and India's Taj Mahal to introduce themselves to new friends.

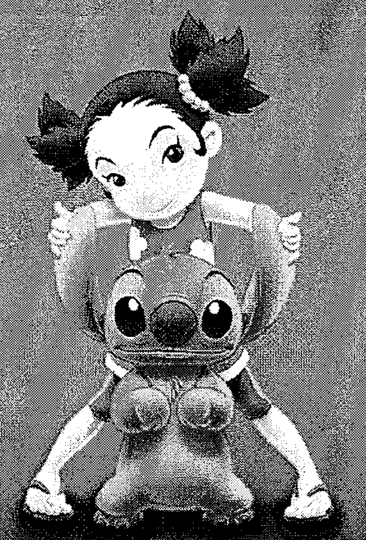
Walt Disney International (WDI) is at the center of Disney's new business development and growth activities in markets around the world. WDI's responsibilities range from providing administrative support and coordination for Disney's global offices to increasing the globalization of the Disney brand to ensure that it is locally relevant to consumers around the world.

From Russia and India to China and Latin America, WDI has invested to grow its businesses, capitalizing in many of those markets by the creation of localized versions of Disney family entertainment. October 2008 saw the release of Disney's first animated film created especially for the India market, *Roadside Romeo,* as well as the exciting debut of the stage production in Moscow of *Beauty and the Beast,* which will embark on a six-city tour of Russia. Minnie Mouse made a splash on the pages of Russian *Vogue* magazine, wearing fancy attire designed by top Russian fashion designers. The first film created specifically for the Russian market, *The Book of Masters,* will arrive in movie theaters next year. After the successful release of *The Magic Gourd,* the first Disney film made locally in China, a second film, *Touch of a Panda,* will premiere in early 2009.

In Latin America this year, two localized versions of *High School Musical* – one in Argentina and the other in Mexico – danced their way to box office success. Localized versions of *Desperate Housewives* are proving to be an international hit on small screens throughout the region.

WDI has also consolidated an integrated organizational structure in Japan, assuring that all Disney content has a clear vision and is consistent with other Company-wide priorities. An all-new Japanese animated TV series, *Stitch,* has been a ratings success and is another successful example of what happens when content is created specifically for a given market.

This year, WDI formed the European Management Board (EMB). The EMB assumes responsibility for identifying and exploiting growth opportunities in Europe, the Middle East and Africa, including acquisitions, as well as agreeing on cross-business strategic priorities and initiatives to support them. The EMB constantly evaluates ways in which WDI can maximize efficiencies across operations, both front and back of house; develops brand marketing plans; and drives synergy support for key Company priorities. It communicates a clear strategy for TWDC senior management and will work to ensure that similar objectives are achieved on an individual country or territory basis.



The success of Stitch, an all-new Japanese animated TV series, proves that locally produced versions of Disney family entertainment can help grow businesses globally.

Together with the impact of assertive strategies in developed markets, the creation of the EMB and an eye to overall growth, WDI will continue to use localized content and staff to establish and reconfirm the Disney brand globally.

A localized version of High School Musical *was a hit with audiences in Asia.*

CORPORATE RESPONSIBILITY

Children at the Lewa Wildlife Conservancy show their appreciation for the support of the Disney Worldwide Conservation Fund which sponsors anti-poaching patrols and community conservation efforts to protect endangered species in Kenya.

The Walt Disney Company believes being a good corporate citizen is not just the right thing to do; it also benefits our Guests, our employees and our businesses. It makes the Company a desirable place to work, reinforces the attractiveness of its brands and products and strengthens bonds with consumers and neighbors in communities the world over.

The Company has put in place a comprehensive, integrated approach to corporate responsibility, building on its established infrastructure for addressing crucial issues related to the environment, community, workplace and products. Special emphasis has been placed on how these issues affect Disney's key audience of kids and families.

This approach has the following goals:

- Support the well-being of children.
- Create products and experiences responsibly.
- Embed good environmental stewardship in the Company's decision-making process from start to finish.
- Aim to be a positive and productive member of the communities in which Disney employees and Cast Members live and work.
- Strive to foster safe, inclusive and respectful workplaces wherever The Walt Disney Company does business and wherever Disney products are made.

These goals harmonize with Disney's legacy of creating great entertainment that delights families and kids of all ages. From building theme parks designed with safety in mind and supplying consumer products that families can feel comfortable bringing into their homes, to creating compelling content families want to enjoy together, Disney takes its responsibility to its Guests and consumers seriously and with great pride.

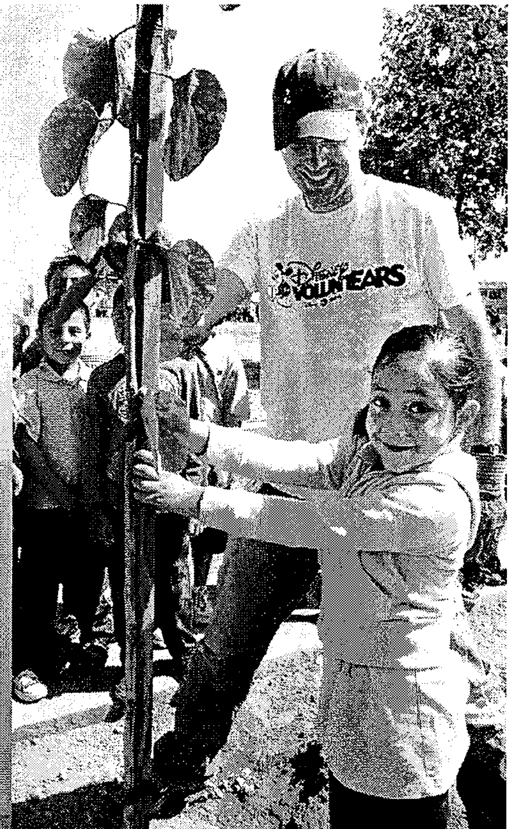
Last year, Disney fostered positive change for kids and families in many different ways. The Company expanded its pioneering 2006 initiative to put its beloved brands and characters to work for families by offering a wider range of healthier food options for kids at Disney parks and resorts and in its licensed consumer products. Disney characters now appear on fresh fruits and vegetables, milk, cheese and yogurt in 37 markets, including the U.S., Germany, China and Mexico, while healthy snacks like fresh fruit, nuts and vegetables are available at all Disney parks and resorts.

Disney also promoted healthier lifestyle choices through well-received series like Disney Channel's *Pass the Plate*, which showcases nutritious dishes enjoyed by kids around the world, and through public service announcements in collaboration with the U.S. Department of Agriculture and the Ad Council.

Building on the Company's 2007 decision to limit the depiction of smoking in Disney-branded movies, anti-smoking Public Service Announcements were introduced on DVDs of movies that do depict smoking. In addition, the Company formalized its prohibition of tobacco product placements and promotion deals in the movies Disney produces.

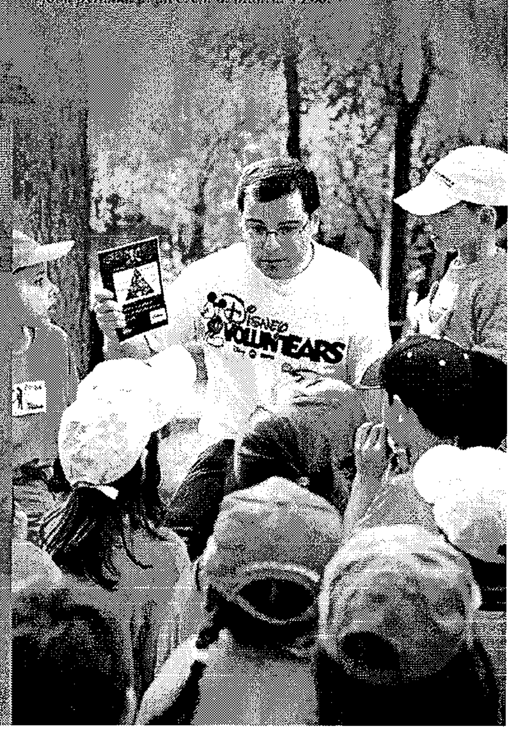
Ever since Walt Disney himself began producing the *True-Life Adventures* nature films more than 60 years ago, The Walt Disney Company has recognized the importance of the natural resources we all share and has sought to minimize the Company's overall impact on the environment. Last year, Disney intensified that effort by setting formal goals to reduce the impact of Company operations in the areas of climate and energy, waste, water and ecosystems. New programs were put in place to prompt positive action for the environment by employees, business partners and consumers.

In 2008, Disney completed its first Company-wide greenhouse gas inventory and set reduction targets for emissions. The Company also made strides in cutting energy use and waste by providing reusable and recyclable plastic bags at Disney Stores and Disney Parks. A new global program – The Green Standard – was rolled out to



At an Earth Day event in Los Angeles, a Disney VoluntEAR helps plant a tree — and teach a lifelong lesson — to a young child.

A Disney VoluntEAR demonstrates the importance of the food pyramid at an event at Madrid's Zoo.



Actor Corbin Bleu (High School Musical) *touches a young fan's heart at a Make-A-Wish™ event.*

promote specific environmentally friendly behaviors at work, in meetings, during travel and while planning work-related events.

Last year, all 23 resorts at Walt Disney World earned the Florida Department of Environmental Protection's Green Lodging Program designation, as did the Disney Vacation Club in Vero Beach. Further, in support of ecosystems around the world, the Disney Worldwide Conservation Fund distributed $1.8 million in conservation grants for endangered species, habitats and community conservation education programs. In its 13 years of helping people nurture the planet, the Fund has invested $12.8 million in support of important environmental work in 110 countries.

Making a strong commitment to local communities has always been central to the way Disney does business. In 2008, the Company contributed more than $209 million in cash and in-kind support to a number of causes and organizations. In addition, local ABC television stations in the United States have worked diligently to make their communities better places.

Disney continued its support of leading children's hospitals by committing to help raise £10 million for the Great Ormond Street Hospital Children's Charity in Great Britain for a new medical center, kicking off the appeal with a £1 million donation. In June, Children's Hospital of Orange County celebrated the opening of its new Disneyland Resort Ambulatory Care Center. In recognition of that effort, the Company presented a $1 million gift to the Center, which also received support from the annual race on its behalf held at the Disneyland Resort.

Disney continued its tradition of supporting the arts by pledging $3 million toward the renovation of Lincoln Center, our New York City neighbor and crossroads for the performing arts.

The Company acted quickly to support communities struck by catastrophe. In China, Disney donated $1 million to the China Youth Development Foundation to help rebuild schools destroyed by the devastating earthquake that struck in May 2008. In California, Disney pledged $2 million to support relief and reforestation efforts in the wake of wildfires, with $1.5 million going toward the planting of 60,000 trees as part of TreePeople's California's Wildlife Restoration Initiative.

In 2008, Cast Members and employees across the Company and around the world celebrated 25 years of giving back to the community through the Disney VoluntEARS

Actor Wilmer Valderrama, star of Disney Channel's hit multicultural preschool series Handy Manny, *surprises kids at Para Los Niños - Family Learning Center in downtown Los Angeles with a book reading and delivery of new toys and books.*

program. VoluntEARS last year alone contributed more than 495,000 hours on projects ranging from redecorating hospital wards and orphanages to building homes and reading to children, and from planting trees to cleaning up rivers and beaches.

The promotion and maintenance of responsible workplace practices also continued to be a Company priority in 2008. Disney's Code of Conduct for manufacturers outlines working condition standards for factories authorized to make Disney-licensed products. The code is translated into 50 languages and is reinforced through educational and monitoring programs and through remediation plans when conditions don't meet Company standards.

Last year, Project Kaleidoscope, a multi-year collaborative effort among Disney, McDonald's Corporation and a group of investor organizations, released recommendations aimed at systematically improving factory working conditions. The project aims to build upon traditional audit-focused compliance processes with internal factory systems that rely on improved training and education along with positive compliance incentives to achieve desired outcomes. Results of the project indicate the approach is viable.

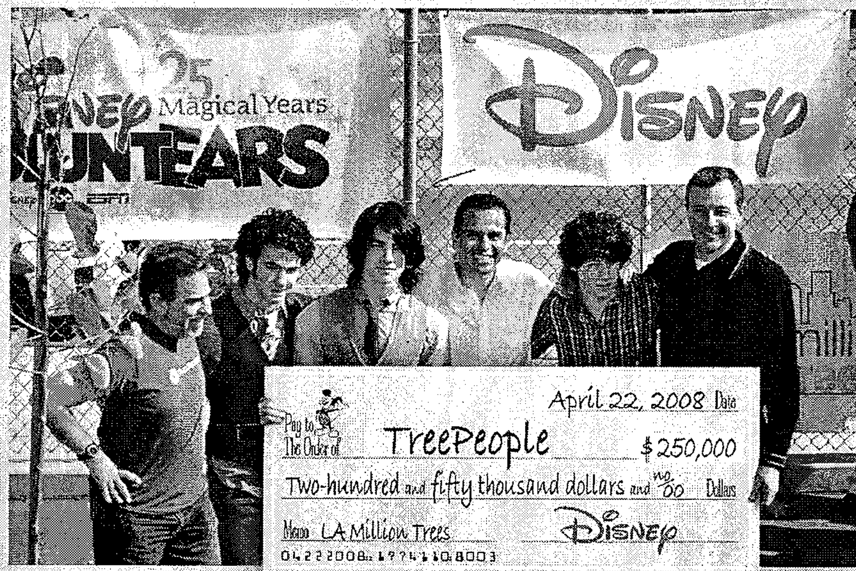
As a Company whose mission is to provide quality entertainment for people around the world, The Walt Disney Company puts great emphasis on the human element of its business. As such, Disney has developed a workforce that represents the global community and fosters an inclusive environment for employees and their families. For its efforts, Disney was named to *DiversityInc*'s Top 50 Companies for Diversity, a prestigious ranking that recognizes companies that show consistent dedication and commitment to diversifying their workplaces and supplier base.

Disney seeks to create content that reflects the world around us. In 2008, the ABC Television Network, ESPN and Disney Channel all won praise for the diversity of their casts and their content. Shows like ABC's [illegible] and [illegible] Disney Channel's [illegible] and *High*

A Hong Kong Disneyland Disney VoluntEAR makes a difference in a child's life at an event in China.

School Musical 2 have been cited for their multicultural strengths by organizations such as the National Council of La Raza and the National Association for the Advancement of Colored People. The Walt Disney Studios also released numerous films with strong multicultural casts in 2008, including *College Road Trip*, *Step Up 2: The Streets* and *The Game Plan*.

The Walt Disney Studios, ABC, Disney Channel and ESPN also produce original local content in a number of major international markets, reflecting the Company's belief that the relevance and popularity of its movies and shows can become even stronger if they are rooted in local cultures. Last year, Disney released its first Mandarin-language film in China, *The Magic Gourd*, based on a beloved local story. In India this year, Disney, together with well-known Mumbai producer Yash Raj Studios, made its first Hindi animated feature, *Roadside Romeo*.



Disney CEO Bob Iger, Los Angeles Mayor Antonio Villaraigosa, TreePeople Founder Andy Lipkis and the Jonas Brothers kick off a Disney campaign to "green" LA public schoolyards.

In light of the growing depth and breadth of its initiatives and the public's interest in what Disney does, the Company is preparing a stand-alone corporate responsibility report for fiscal year 2008. While the preceding section provides highlights of our progress, the corporate responsibility report will go into greater depth, reflecting Disney's commitment to an open dialogue with its many stakeholders. The Walt Disney Company encourages you to look for the report when it appears later this year at www.disney.com/crreport.

Disney VoluntEARS, Los Angeles Mayor Antonio Villaraigosa and kids and staff from the Boys and Girls Club celebrate the construction of a new children's playground in East Los Angeles.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CONSOLIDATED RESULTS

(in millions, except per share data)	2008	2007	2006	% change 2008 vs. 2007	% change 2007 vs. 2006
Revenues	$ 37,843	$ 35,510	$ 33,747	7%	5%
Costs and expenses	(30,439)	(28,681)	(28,392)	6%	1%
Other (expense) / income	(59)	1,004	88	nm	>100%
Net interest expense	(524)	(593)	(592)	(12)%	—%
Equity in the income of investees	581	485	473	20%	3%
Income from continuing operations before income taxes and minority interests	7,402	7,725	5,324	(4)%	45%
Income taxes	(2,673)	(2,874)	(1,837)	(7)%	56%
Minority interests	(302)	(177)	(183)	71%	(3)%
Income from continuing operations	4,427	4,674	3,304	(5)%	41%
Discontinued operations, net of tax	—	13	70	nm	(81)%
Net income	$ 4,427	$ 4,687	$ 3,374	(6)%	39%
Diluted Earnings per share[1]:					
Earnings per share, continuing operations	$ 2.28	$ 2.24	$ 1.60	2%	40%
Earnings per share, discontinued operations	—	0.01	0.03	nm	(67)%
Earnings per share[2]	$ 2.28	$ 2.25	$ 1.64	1%	37%
Basic Earnings per share:					
Earnings per share, continuing operations	$ 2.34	$ 2.33	$ 1.65	—%	41%
Earnings per share, discontinued operations	—	0.01	0.03	nm	(67)%
Earnings per share[2]	$ 2.34	$ 2.34	$ 1.68	—%	39%
Weighted average number of common and common equivalent shares outstanding:					
Diluted	1,948	2,092	2,076		
Basic	1,890	2,004	2,005		

[1]The calculation of diluted earnings per share assumes the conversion of the Company's convertible senior notes into 45 million shares of common stock for periods presented prior to their redemption in the third quarter of fiscal 2008. Related after-tax interest expense of $12 million for fiscal 2008 and $21 million for fiscal 2007 and 2006 has been added back for the calculation of diluted earnings per share.

[2]Total earnings per share may not equal the sum of the column due to rounding.

ORGANIZATION OF INFORMATION

Management's Discussion and Analysis provides a narrative on the Company's financial performance and condition that should be read in conjunction with the accompanying financial statements. It includes the following sections:

- Consolidated Results
- Business Segment Results – 2008 vs. 2007
- Non-Segment Items – 2008 vs. 2007
- Pension and Benefit Costs
- Business Segment Results – 2007 vs. 2006
- Non-Segment Items – 2007 vs. 2006
- Liquidity and Capital Resources
- Contractual Obligations, Commitments, and Off Balance Sheet Arrangements
- Accounting Policies and Estimates
- Accounting Changes
- Forward-Looking Statements

CONSOLIDATED RESULTS

2008 vs. 2007

Revenues for the year increased 7%, or $2.3 billion, to $37.8 billion; net income decreased 6%, or $260 million, to $4.4 billion; and diluted earnings per share increased 1% to $2.28.

Net income for the current year included certain items that affected comparability, including an accounting gain related to the acquisition of the Disney Stores North America and a gain on the sale of movies.com (together $0.01 per diluted share), the favorable resolution of certain prior-year income tax matters ($0.03 per diluted share), and a bad debt charge for a receivable from Lehman Brothers ($0.03 per diluted share). These items collectively resulted in a net benefit of $0.01 per diluted share. Fiscal 2007 included gains from the sales of E! Entertainment and Us Weekly ($0.31 per diluted share), favorable resolution of certain prior-year income tax matters ($0.03 per diluted share), income from the discontinued operations of the ABC Radio business ($0.01 per diluted share) and an equity-based compensation plan modification charge ($0.01 per diluted share). Including the impact of rounding, these items collectively resulted in a net benefit of $0.33 per diluted share.

The decrease in net income for the current year was the result of gains in the prior year from the sale of E! Entertainment and Us Weekly and a decrease in operating income at the Studio Entertainment segment, partially offset by higher operating income at the Media Networks, Parks and Resorts and Consumer Products segments. The increase in diluted earnings per share was driven by a decrease in weighted average shares outstanding. Earnings growth at the operating segments was primarily due to increases in affiliate and advertising revenues at our cable businesses, higher guest spending and attendance at Walt Disney World Resort and Disneyland Resort Paris, and strong sales of licensed products at Consumer Products. The decrease at Studio Entertainment was primarily due to a decrease in home entertainment.

2007 vs. 2006

Revenues for the year increased 5%, or $1.8 billion, to $35.5 billion; net income increased 39%, or $1.3 billion, to $4.7 billion; and diluted earnings per share increased 37% to $2.25.

As discussed above, net income for fiscal 2007 included certain items which affected comparability. Net income for fiscal 2006 also included certain items which affected comparability, including income from the discontinued operations of the ABC Radio business ($0.03 per diluted share), gains on sales of a Spanish cable equity investment and Discover Magazine (together $0.02 per diluted share), favorable resolution of certain prior-year income tax matters ($0.02 per diluted share) and a net benefit associated with the completion of the Pixar acquisition ($0.01 per diluted share). Including the impact of rounding, these items collectively benefited diluted earnings per share by $0.09.

Growth in fiscal 2007 was driven by the E! and Us Weekly gains discussed above and higher operating income at the Media Networks, Studio Entertainment and Parks and Resorts segments. Growth at the operating segments was primarily due to higher affiliate and advertising revenues at our cable businesses, improved home entertainment performance driven by the success of *Cars* and *Pirates of the Caribbean: Dead Man's Chest*, strong sales of ABC Studios productions, increased guest spending and theme park attendance at Walt Disney World and Disneyland Resort Paris and lower costs for sports programming due to fewer hours at the ABC Television Network.

BUSINESS SEGMENT RESULTS – 2008 vs. 2007

(in millions)	2008	2007	2006	% change 2008 vs. 2007	% change 2007 vs. 2006
Revenues:					
Media Networks	**$16,116**	$15,104	$14,186	**7%**	6%
Parks and Resorts	**11,504**	10,626	9,925	**8%**	7%
Studio Entertainment	**7,348**	7,491	7,529	**(2)%**	(1)%
Consumer Products	**2,875**	2,289	2,107	**26%**	9%
	$37,843	$35,510	$33,747	**7%**	5%
Segment operating income[(1)]:					
Media Networks	**$ 4,755**	$ 4,275	$ 3,481	**11%**	23%
Parks and Resorts	**1,897**	1,710	1,534	**11%**	11%
Studio Entertainment	**1,086**	1,195	728	**(9)%**	64%
Consumer Products	**718**	631	607	**14%**	4%
	$ 8,456	$ 7,811	$ 6,350	**8%**	23%

(1) Segment operating income includes equity in the income of investees. In the Business Segment results discussion, equity in the income of investees is included in segment operating income but does not affect segment revenues or costs and expenses.