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Contact: John Dreyer
(818) 560-5300

THE WALT DISNEY COMPANY REPORTS EARNINGS FOR THE QUARTER ENDED DECEMBER 31, 2001

BURBANK, Calif. – The Walt Disney Company today reported earnings for the quarter ended December 31, 2001.

On an as-reported basis, revenues decreased 5% to $7.0 billion and segment operating income decreased 39% to $753 million. Net income and earnings per share were $438 million and $0.21, respectively for the quarter, flat to the prior-year amounts adjusted for the impact of the new goodwill and intangible asset accounting rules. The current period includes the operations of ABC Family and the incremental interest expense for acquisition-related borrowings beginning October 24, 2001, the acquisition date. Results for the current quarter also include a $216 million pre-tax gain on the sale of investments discussed more fully below. Excluding this gain, earnings per share for the quarter were $0.15.

Pro forma revenues decreased 7% to $7.1 billion and segment operating income decreased 42% to $757 million. Pro forma net income and earnings per share excluding the investment gain were $297 million and $0.15, respectively, down 55% and 52%, respectively, from the prior-year amounts adjusted to exclude restructuring and impairment charges, gain on the sale of business and the cumulative effect of accounting changes. Including the gain on the sale of investments, pro forma earnings per share for the quarter were $0.21.

See Table B for a reconciliation of as-reported earnings per share to pro forma earnings per share.

"This quarter's results are an indication of how we are managing through challenging times while building for the future," said Michael D. Eisner, chairman and CEO of The Walt Disney Company. "Our efforts during this period are being guided by two overarching goals – to achieve the greatest possible efficiencies in our operations and to continue to create great content that will further strengthen our unmatched entertainment brands."

"With this in mind, we are integrating our newly acquired ABC Family and Fox Kids International businesses with our other strong television assets, we acquired the broadcast rights for the NBA and we exceeded our cost savings goals across our businesses. As this year progresses and the economy begins to rebound, we expect to be well positioned for a renewal of the strong growth that has long been associated with our Company."

Basis of Presentation

To enhance comparability, the Company has presented operating results on a pro forma basis, which assumes the events discussed below occurred at the beginning of fiscal 2001, eliminating the one-time impacts of those events.

The Company acquired Fox Family Worldwide Inc. (subsequently re-named ABC Family Worldwide) on October 24, 2001. In March 2001, the Company closed the GO.com portal business and converted its Internet

Group common stock into Disney common stock. Additionally, on October 1, 2001, the Company adopted new goodwill and intangible asset accounting rules, and accordingly, no longer amortizes substantially all of its intangible assets.

The acquisition of ABC Family resulted in a $5.2 billion increase in borrowings, consisting of outstanding debt of ABC Family and new short- and long-term debt issuances. Pro forma net interest and other has been adjusted as if these incremental borrowings had been outstanding as of the beginning of fiscal 2001.

The Company believes that pro forma results provide additional information useful in analyzing the underlying business results. However, pro forma results are not necessarily indicative of the combined results that would have occurred had these events actually occurred at the beginning of fiscal 2001, nor are they necessarily indicative of future results.

Operating Results

Unless otherwise noted, the following discussion reflects pro forma results.

Media Networks

Media Networks revenues for the quarter decreased 3% to $3.0 billion and segment operating income decreased 58% to $246 million. See Table A for further detail of Media Networks results.

Broadcasting results for the quarter reflected the soft advertising market, higher primetime programming costs and lower ratings at the ABC television network. The soft advertising market also unfavorably impacted the Company’s owned television and radio stations.

Disney’s share of operating income from cable television activities, which consists of Disney’s cable networks and cable equity investments, increased 3% for the quarter to $361 million. See Table A for a detail of operating income from cable television activities.

Cable television results for the quarter reflected higher cable network affiliate revenues driven by contractual rate adjustments, partially offset by higher programming costs and the weak advertising market.

Parks and Resorts

Parks and Resorts revenues for the quarter decreased 17% to $1.4 billion and segment operating income decreased 51% to $187 million.

Parks and Resorts results for the quarter reflected lower attendance, spending and hotel occupancy at the Walt Disney World Resort and higher costs at the Disneyland Resort due to the addition of Disney's California Adventure and associated resort expansion, partially offset by cost savings at the Walt Disney World Resort and increased attendance and occupied room nights at the Disneyland Resort. At the Walt Disney World Resort, decreased attendance, spending and hotel occupancy were primarily due to cancellations, deferrals and reduced travel resulting from continued softness in the economy and the events of September 11th. Higher costs and increased attendance and occupied room nights at the Disneyland Resort were due to the addition of Disney's California Adventure, Downtown Disney and Disney's Grand Californian Hotel, all of which opened during the second quarter of the prior year. Cost savings at the Walt Disney World Resort reflected accelerated productivity and cost reduction initiatives in response to attendance and occupancy declines.

Parks and Resorts results for the quarter benefited from higher royalties generated by increased attendance at the Tokyo Disney Resort, reflecting the addition of Tokyo DisneySea and the Tokyo DisneySea Hotel MiraCosta, which opened during the fourth quarter of the prior year.

Studio Entertainment

Studio Entertainment revenues and segment operating income for the quarter decreased 2% to $1.8 billion and $149 million, respectively.

Studio Entertainment results for the quarter were primarily driven by decreases in worldwide theatrical motion picture distribution, partially offset by an increase in domestic home video. The theatrical success of Disney / Pixar's *Monsters, Inc.* was more than offset by the impact of marketing costs spent on films not yet released and on films released late in the quarter. In addition, the current period live-action slate faced difficult comparisons to the prior year, which included *Remember the Titans* and *Unbreakable*. Domestic home video performance reflected the strong VHS and DVD performance of *Snow White and the Seven Dwarfs, The Princess Diaries* and *Pearl Harbor* compared to the prior year which included Disney / Pixar's *Toy Story 2*.

Consumer Products

Revenues for the quarter decreased 8% to $835 million and segment operating income decreased 2% to $175 million.

Consumer Products results for the quarter were driven by decreases at Disney Interactive, partially offset by increases at the Disney Stores. Declines at Disney Interactive reflected weaker performing personal computer CD-ROM titles, due in part to softening in the personal computer market. Increases at the Disney Stores reflected lower advertising costs and positive comparative store sales in Japan and North America. Increased comparative store sales in North America were driven by strong holiday sales.

Corporate and Unallocated Shared Expenses

Corporate and unallocated shared expense increased 28% to $104 million for the quarter. The increase for the quarter was driven by strategic initiatives designed to promote the Disney brand as well as costs for new financial and human resources information technology systems, which when fully implemented, will improve productivity and reduce costs.

Net Interest Expense and Other

Net interest expense and other for the quarter included a $216 million gain on the sale of the remaining shares of Knight-Ridder, Inc. that the Company received in connection with the disposition of certain publishing operations in fiscal 1997. Excluding the Knight-Ridder gain, net interest expense and other was $173 million compared to $165 million in the prior year.

Equity in the Income of Investees

Income from equity investees, consisting primarily of Euro Disney, A&E Television, Lifetime Television and E! Entertainment Television, decreased 19% to $70 million for the quarter. The decrease reflected declines at the cable services resulting from the soft advertising market.

Fox Family Acquisition

On October 24, 2001 the Company acquired Fox Family Worldwide, Inc. (FFW) for $5.2 billion, consisting of $2.9 billion in cash plus the assumption of $2.3 billion in debt. The Company funded the acquisition primarily with short- and long-term debt issuances. Following the closing of the acquisition, the Company changed FFW's name to ABC Family Worldwide, Inc. Among the businesses acquired was the Fox Family Channel, which has been changed to ABC Family Channel, a programming service that currently reaches approximately 84 million cable and satellite television subscribers throughout the U.S.; a 76% interest in Fox Kids Europe, which reaches more than 28 million subscribers across Europe; Fox Kids channels in Latin America, and the Saban library and entertainment production businesses.

Accounting Changes

Effective October 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (SFAS 142). As a result of adopting SFAS 142, a substantial amount of the Company's intangible assets is no longer amortized. Pursuant to SFAS 142, intangible assets that are no longer subject to amortization must be periodically tested for impairment. The results for the quarter reflect the Company's assessments related to each reporting unit's intangible asset categorization and impairment review, which indicated that the Company's intangible assets were not impaired.

Effective October 1, 2000, the Company adopted AICPA Statement of Position No. 00-2, *Accounting by Producers or Distributors of Films* (SOP 00-2), and Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), and recorded one-time after-tax charges for the adoption of the standards totaling $228 million (or $0.11 per share) and $50 million (or $0.02 per share), respectively in the prior-year quarter.

FORWARD-LOOKING STATEMENTS

Management believes certain statements in this press release 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. 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 and actions relating to the Company's strategic sourcing initiative, as well as from developments beyond the Company's control, including international, political and military developments that may affect travel and leisure businesses generally; changes in domestic and global economic conditions that may, among other things, affect the performance of the Company's theatrical and home entertainment releases, the advertising market for broadcast and cable television programming and consumer products. Changes in domestic competitive conditions and technological developments may also affect performance of all significant Company businesses.

Editor's Note: The Company makes available its quarterly earnings releases, annual report to shareholders, fact book and SEC filings on its Investor Relations Web site located at http://www.disney.com/investors

The Walt Disney Company
AS-REPORTED CONSOLIDATED STATEMENTS OF INCOME
(unaudited; in millions, except per share data)

	Quarter Ended December 31	
	2001	2000
Revenues	$ 7,048	$ 7,433
Costs and expenses	(6,399)	(6,283)
Amortization of intangible assets	(3)	(293)
Gain on sale of business	–	22
Net interest (expense) and other	55	(109)
Equity in the income of investees	70	82
Restructuring and impairment charges	–	(194)
Income before income taxes, minority interests and the cumulative effect of accounting changes	771	658
Income taxes	(299)	(386)
Minority interests	(34)	(30)
Income before the cumulative effect of accounting changes	438	242
Cumulative effect of accounting changes:		
Film accounting	–	(228)
Derivative accounting	–	(50)
Net income (loss)	$ 438	$ (36)
Earnings (loss) attributed to:		
Disney Common Stock (1)	$ 438	$ 63
Internet Group Common Stock	–	(99)
	$ 438	$ (36)
Earnings (loss) per share before the cumulative effect of accounting changes attributed to:		
Disney Common Stock (basic and diluted)	$ 0.21	$ 0.16
Internet Group Common Stock (basic and diluted)	$ n/a	$ (2.29)
Earnings (loss) per share including the cumulative effect of accounting changes attributed to:		
Disney Common Stock (basic and diluted) (1)	$ 0.21	$ 0.03
Internet Group Common Stock (basic and diluted)	$ n/a	$ (2.29)
Earnings attributed to Disney common stock before the cumulative effect of accounting changes adjusted for the impact of SFAS 142 in fiscal 2001	$ 438	$ 440
Earnings per share attributed to Disney common stock before the cumulative effect of accounting changes adjusted for the impact of SFAS 142 in fiscal 2001	$ 0.21	$ 0.21
Average number of common and common equivalent shares outstanding:		
Disney:		
Diluted	2,040	2,103
Basic	2,039	2,082
Internet Group (basic and diluted)	n/a	43

(1) The per share impacts of the film and derivative accounting changes for the quarter ended December 31, 2000 were ($0.11) and ($0.02), respectively.

The Walt Disney Company
PRO FORMA CONSOLIDATED STATEMENTS OF INCOME
(unaudited; in millions, except per share data)

	Quarter Ended December 31 2001	Quarter Ended December 31 2000
Revenues	$ 7,079	$ 7,577
Costs and expenses	(6,426)	(6,353)
Amortization of intangible assets	(3)	(8)
Gain on sale of business	–	22
Net interest (expense) and other	43	(165)
Equity in the income of investees	70	86
Restructuring and impairment charges	–	(194)
Income before income taxes, minority interests and the cumulative effect of accounting changes	763	965
Income taxes	(296)	(405)
Minority interests	(34)	(31)
Income before the cumulative effect of accounting changes	433	529
Cumulative effect of accounting changes:		
Film accounting	–	(228)
Derivative accounting	–	(50)
Net income	$ 433	$ 251
Earnings per share before the cumulative effect of accounting changes (basic and diluted)	$ 0.21	$ 0.25
Earnings per share including the cumulative effect of accounting changes (basic and diluted) (1)	$ 0.21	$ 0.12
Earnings before the cumulative effect of accounting changes, excluding the investment gain in fiscal 2002, restructuring and impairment charges and gain on the sale of business	$ 297	$ 657
Earnings per share before the cumulative effect of accounting changes, excluding the investment gain in fiscal 2002, restructuring and impairment charges and gain on the sale of business (basic and diluted)	$ 0.15	$ 0.31
Average number of common and common equivalent shares outstanding:		
Diluted	2,040	2,111
Basic	2,039	2,090

(1) The per share impacts of the film and derivative accounting changes for the quarter ended December 31, 2000 were ($0.11) and ($0.02), respectively.

THE WALT DISNEY COMPANY SEGMENT RESULTS
For the Quarter Ended December 31
(unaudited, in millions)

	Pro Forma 2001	Pro Forma 2000	% Change	As Reported 2001	As Reported 2000
Revenues:					
Media Networks	$ 3,006	$ 3,099	(3)%	$ 2,976	$ 2,967
Parks and Resorts	1,433	1,724	(17)%	1,433	1,724
Studio Entertainment	1,805	1,850	(2)%	1,805	1,850
Consumer Products	835	904	(8)%	834	892
	$ 7,079	$ 7,577	(7)%	$ 7,048	$ 7,433
Segment operating income: (1)					
Media Networks	$ 246	$ 591	(58)%	$ 242	$ 526
Parks and Resorts	187	384	(51)%	187	384
Studio Entertainment	149	152	(2)%	149	152
Consumer Products	175	178	(2)%	175	169
	$ 757	$ 1,305	(42)%	$ 753	$ 1,231

The Company evaluates the performance of its operating segments based on segment operating income. A reconciliation of segment operating income to income before income taxes, minority interests and the cumulative effect of accounting changes is as follows:

	Pro Forma 2001	Pro Forma 2000	As Reported 2001	As Reported 2000
Segment operating income	$ 757	$ 1,305	$ 753	$ 1,231
Corporate and unallocated shared expenses	(104)	(81)	(104)	(81)
Amortization of intangible assets	(3)	(8)	(3)	(293)
Gain on sale of business	–	22	–	22
Net interest (expense) and other	43	(165)	55	(109)
Equity in the income of investees	70	86	70	82
Restructuring and impairment charges	–	(194)	–	(194)
Income before income taxes, minority interests and the cumulative effect of accounting changes	$ 763	$ 965	$ 771	$ 658

(1) Segment earnings before interest, income taxes, depreciation and amortization (EBITDA) is as follows:

	Pro Forma 2001	Pro Forma 2000	As Reported 2001	As Reported 2000
Media Networks	$ 293	$ 637	$ 288	$ 571
Parks and Resorts	348	527	348	527
Studio Entertainment	160	165	160	165
Consumer Products	188	202	188	193
	$ 989	$ 1,531	$ 984	$ 1,456

Table A

MEDIA NETWORKS
(unaudited, in millions)

	Pro Forma		
Quarter Ended December 31	2001	2000	% Change
Revenues:			
Broadcasting	$ 1,476	$ 1,802	(18)%
Cable Networks	1,530	1,297	18 %
	$ 3,006	$ 3,099	(3)%
Segment operating income (loss):			
Broadcasting	$ (76)	$ 287	n / m
Cable Networks	322	304	6 %
	$ 246	$ 591	(58)%

CABLE TELEVISION ACTIVITIES
(unaudited, in millions)

	Pro Forma		
Quarter Ended December 31	2001	2000	% Change
Operating income:			
Cable Networks	$ 322	$ 304	6 %
Equity investments:			
A&E, Lifetime and E! Entertainment Television	166	186	(11)%
Other	65	66	(2)%
	553	556	(1)%
Partner share of operating income	(192)	(206)	7 %
Disney share of operating income	$ 361	$ 350	3 %

Note: Amounts presented in this table represent 100% of the operating income for all of the Company's cable businesses. The Disney share of operating income represents the Company's ownership interest in cable television operating income. Cable networks are reported in "Segment operating income" in the consolidated statements of income. Equity investments are accounted for under the equity method and the Company's proportionate share of the net income of its cable equity investments is reported in "Equity in the income of investees" in the consolidated statements of income.

Table B

The following table provides a reconciliation of as-reported earnings per share attributed to Disney common stock to pro forma earnings per share before the cumulative effect of accounting changes, excluding the investment gain in fiscal 2002, restructuring and impairment charges and gain on the sale of business (unaudited).

	Quarter Ended December 31	
	2001	2000
As-reported earnings per share attributed to Disney common stock	$ 0.21	$ 0.03
Adjustment to attribute 100% of Internet Group operating results to Disney common stock (72% included in as-reported amounts)	–	(0.05)
Adjustment to exclude pre-closure GO.com portal operating results and amortization of intangible assets	–	0.07
Adjustment to reflect the impact of the new SFAS 142 accounting rules	–	0.07
Adjustment to exclude the cumulative effect of accounting changes	–	0.13
Pro forma earnings per share before the cumulative effect of accounting changes	0.21	0.25
Adjustment to exclude restructuring and impairment charges	–	0.06
Adjustment to exclude fiscal 2002 investment gain	(0.06)	–
Pro forma earnings per share before the cumulative effect of accounting changes, excluding the investment gain in fiscal 2002, restructuring and impairment charges and gain on the sale of business	$ 0.15	$ 0.31

The impact on fiscal 2001 of the gain on sale of business and the pro forma impact of ABC Family had less than $0.01 impact.