FOR IMMEDIATE RELEASE

August 1, 2002

THE WALT DISNEY COMPANY REPORTS EARNINGS FOR THE QUARTER AND NINE MONTHS ENDED JUNE 30, 2002

BURBANK, Calif. – The Walt Disney Company today reported earnings for the quarter and nine months ended June 30, 2002.

On an as-reported basis, revenues for the quarter decreased 3% to $5.8 billion and segment operating income decreased 26% to $828 million. Net income and earnings per share were $364 million and $0.18, respectively, for the quarter, compared to earnings and earnings per share adjusted to reflect the new goodwill and intangible asset accounting rules of $527 million and $0.25, respectively, in the prior-year quarter.

For the nine months, as-reported revenues decreased 4% to $18.7 billion and segment operating income decreased 32% to $2.3 billion. Net income and earnings per share were $1.1 billion and $0.52, respectively, for the nine months, compared to earnings and earnings per share of $703 million and $0.33, respectively, in the prior-year period, which exclude the cumulative effect of accounting changes and have been adjusted to reflect the new goodwill and intangible asset accounting rules. The nine-month period results included the operations of ABC Family, acquired on October 24, 2001, and incremental interest expense for borrowings related to that acquisition, as well as a $216 million pre-tax gain on the sale of investments recorded in the first quarter of the current fiscal year ($0.07 per share). The prior-year period included restructuring and impairment charges totaling $1.3 billion ($0.48 per share).

On a pro forma basis, revenues for the quarter and nine months were $5.8 billion and $18.7 billion, respectively, down 6% from the prior-year periods. For the quarter and nine months, pro forma earnings were $343 million ($0.17 per share) and $899 million ($0.44 per share), respectively, as compared to $610 million ($0.29 per share) and $1.8 billion ($0.85 per share), respectively, for the prior-year periods.

See Table C for a reconciliation of as-reported earnings per share to pro forma earnings per share and Basis of Presentation below. For the third quarter of the current year, as-reported and pro forma results were the same in all respects.

"Challenging times consistently create future opportunities for Disney, which has the staying power of global brands, leading market share, efficient operations and solid financials," said Michael D. Eisner, chairman and CEO of The Walt Disney Company. "The quarter was hampered by some external factors and some performance issues that we are addressing, however, over the longer term, the Disney recipe of high quality content leveraged across our broad range of businesses forms the foundation for future growth. Our most recent example of this is the creation of a new franchise with *Lilo & Stitch*, which introduced title characters with widespread and, we expect, enduring appeal that will foster revenue growth across our business units for years to come."

Stock Option Accounting

"The Walt Disney Company is in favor of expensing stock options and calls for consistent and clear guidelines to be adopted by both F.A.S.B. and International Accounting Standards Board so that all companies use the same methods to both value and expense options and so that investors may interpret those expenses with confidence as to how they are derived," Eisner said. “In the meantime, we will include supplementary financial tables on a quarterly basis that provide this information (See Table D).”

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. The acquisition 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. 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.

Additionally, we have presented pro forma earnings adjusted to exclude restructuring and impairment charges, gain on the sale of businesses and the cumulative effect of accounting changes. Current year pro forma earnings have also been adjusted to exclude the first quarter investment gain.

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.

Current Outlook

The down turn in the international and domestic travel and tourism industry as well as the economy as a whole is impacting the Company's businesses and accordingly, attendance and occupancy at its domestic parks and resorts continues to be negatively impacted. Additionally, the Company is experiencing softness, thus far in the fourth quarter, in attendance and advanced reservation trends at domestic and international theme parks. Given these trends the Company currently expects that earnings and earnings per share for the fourth quarter will likely be somewhat lower than prior-year pro forma amounts.

Operating Results

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

Parks and Resorts

Parks and Resorts revenues for the quarter decreased 5% to $1.8 billion and segment operating income decreased 17% to $467 million.

Parks and Resorts results for the quarter reflected lower theme park attendance and guest spending at both the Walt Disney World Resort and Disneyland Resort. At both the Walt Disney World Resort and Disneyland Resort, lower theme park attendance reflected decreases in domestic and international visitation resulting from the continued softness in the travel and tourism industry and in the economy as a whole, partially offset by strong local attendance due to the success of the Annual Passport Program and other local ticketing initiatives. Lower guest spending at both Walt

Disney World and Disneyland was due primarily to a higher mix of local guests, which tend to spend less per visit, in combination with various other promotional programs.

Media Networks

Media Networks revenues for the quarter decreased 10% to $2.1 billion and segment operating income decreased 40% to $288 million. See Table A for further detail of Media Networks results.

Broadcasting results for the quarter reflected lower advertising revenues due to lower ratings, lower advertising rates and higher programming costs at the ABC television network and the impact of the weak advertising market at the Company's owned television stations. Ratings declines at the ABC television network also resulted in reduced advertising inventory available to be sold in the scatter market. Additionally, the prior-year quarter benefited from a gain from the sale of certain film and television properties at ABC Family. These decreases were partially offset by insurance proceeds related to the loss of a broadcast tower in the terrorist attack on the World Trade Center.

Disney's share of operating income from cable television activities, which consists of Disney's cable networks and cable equity investments, decreased 25% for the quarter to $234 million. See Table B for a detail of operating income from cable television activities.

Cable television results for the quarter reflected a decline in revenues and higher uncollectable accounts from Adelphia Communications Company in the United States and KirchMedia & Company in Germany, both of which have experienced financial difficulties; higher expenses at Lifetime Television, and the weak advertising market at both ESPN and the cable equity investments. Additionally, the quarter reflected the write-down of an investment in a Latin American cable operator, which the Company received in connection with the ABC acquisition. These decreases were partially offset by higher cable network affiliate revenues driven by contractual rate adjustments and subscriber growth.

Studio Entertainment

Studio Entertainment revenues for the quarter increased 3% to $1.4 billion and segment operating income decreased 66% to $22 million.

Studio Entertainment results for the quarter were primarily driven by decreases in domestic theatrical motion picture distribution and international home video, partially offset by increased domestic television distribution revenues.

Despite the strong box office performance of *Lilo and Stitch*, which was released late in the quarter and the continued success of *The Rookie*, which was released during the second quarter of the current year, domestic theatrical motion picture results for the current quarter were impacted by weaker performing live-action titles, including *Bad Company*, compared to the prior-year quarter, which included *Pearl Harbor* and *Spy Kids*. Results for the quarter also reflected higher marketing and distribution costs for films not yet released. International home video reflected weaker performing direct-to-video titles in the current year, which included *Cinderella II: Dreams Come True* and *Hunchback of Notre Dame II* compared to *Lady and the Tramp II: Scamp's Adventure*, *Little Mermaid II: Return to the Sea* and *The Tigger Movie* in the prior year. The improvement in domestic television distribution reflected the stronger performance of live-action titles and higher syndication revenues in the current quarter.

Consumer Products

Revenues for the quarter decreased 13% to $457 million and segment operating income decreased 16% to $51 million.

Consumer Products results for the quarter were driven by lower worldwide merchandise licensing revenues and decreases at Disney Interactive due to weaker performing personal computer CD-ROM and video game titles. These declines were partially offset by increases at the Disney Catalog due to cost reductions and the Disney Store primarily driven by favorable comparative store sales in North America.

On April 1, 2002, the Company completed the sale of its Disney Store Japan business to Oriental Land Co. and realized a pre-tax gain of $34 million ($0.01 per share). The gain is reported as a gain on the sale of business in the condensed consolidated statements of income and is not included in segment operating income.

Corporate and Unallocated Shared Expenses

Corporate and unallocated shared expense decreased 19% to $76 million for the quarter. The decrease for the quarter reflected a gain on the sale of certain properties in the U.K., partially offset by costs for new financial and human resources information technology systems intended to improve productivity and reduce costs.

Net Interest Expense and Other

Net interest expense and other increased 38% to $185 million for the quarter on a pro forma basis. The increase for the quarter reflected prior-year gains on the sale of certain investments, partially offset by lower interest rates. On an as-reported basis, net interest expense and other increased from $80 million to $185 million from the prior-year quarter, primarily reflecting the absence of ABC Family acquisition borrowings during the prior-year period.

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 50% to $44 million for the quarter. The decrease primarily reflected higher advertising costs at Lifetime Television and declines at A&E Television and the other cable affiliates driven by the soft advertising market. Additionally, the quarter reflected the write-down of an investment in a Latin American cable operator.

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 are no longer amortized. Pursuant to SFAS 142, intangible assets that are no longer subject to amortization must be periodically tested for impairment. During the first quarter, the Company made its assessments related to each reporting unit's intangible asset categorization and performed an 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 fiscal year 2001.

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)

	Three Months Ended June 30		Nine Months Ended June 30	
	2002	2001	2002	2001
Revenues	$ 5,795	$ 5,960	$ 18,667	$ 19,386
Costs and expenses	(5,043)	(4,932)	(16,661)	(16,292)
Amortization of intangible assets	(9)	(145)	(14)	(622)
Gain on sale of business	34	–	34	22
Net interest expense and other	(185)	(80)	(288)	(287)
Equity in the income of investees	44	86	163	234
Restructuring and impairment charges	–	(138)	–	(1,328)
Income before income taxes, minority interests and the cumulative effect of accounting changes	636	751	1,901	1,113
Income taxes	(253)	(339)	(757)	(963)
Minority interests	(19)	(20)	(83)	(83)
Income before the cumulative effect of accounting changes	364	392	1,061	67
Cumulative effect of accounting changes:				
Film accounting	–	–	–	(228)
Derivative accounting	–	–	–	(50)
Net income (loss)	$ 364	$ 392	$ 1,061	$ (211)
Earnings (loss) attributed to:				
Disney common stock	$ 364	$ 392	$ 1,061	$ (94)
Internet Group common stock	–	–	–	(117)
	$ 364	$ 392	$ 1,061	$ (211)
Earnings (loss) per share before the cumulative effect of accounting changes attributed to:				
Disney common stock (basic and diluted)	$ 0.18	$ 0.19	$ 0.52	$ 0.09
Internet Group common stock (basic and diluted)	$ n/a	$ n/a	$ n/a	$ (2.72)
Earnings (loss) per share including the cumulative effect of accounting changes attributed to:				
Disney common stock: [(1)]				
Diluted	$ 0.18	$ 0.19	$ 0.52	$ (0.04)
Basic	$ 0.18	$ 0.19	$ 0.52	$ (0.05)
Internet Group common stock (basic and diluted)	$ n/a	$ n/a	$ n/a	$ (2.72)
Earnings attributed to Disney common stock before the cumulative effect of accounting changes adjusted for the impact of SFAS 142 in fiscal 2001	$ 364	$ 527	$ 1,061	$ 703
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				
Diluted	$ 0.18	$ 0.25	$ 0.52	$ 0.33
Basic	$ 0.18	$ 0.25	$ 0.52	$ 0.34
Average number of common and common equivalent shares outstanding:				
Disney:				
Diluted	2,046	2,107	2,044	2,103
Basic	2,041	2,091	2,040	2,085
Internet Group (basic and diluted)	n/a	n/a	n/a	43

(1) The per share impacts of the film and derivative accounting changes for the nine-month period were ($0.11) and ($0.02), respectively.

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

	Three Months Ended June 30		Nine Months Ended June 30	
	2002	2001	2002	2001
Revenues	$ 5,795	$ 6,147	$ 18,698	$ 19,883
Costs and expenses	(5,043)	(5,072)	(16,688)	(16,606)
Amortization of intangible assets	(9)	(5)	(14)	(18)
Gain on sale of business	34	–	34	22
Net interest expense and other	(185)	(134)	(300)	(450)
Equity in the income of investees	44	88	163	241
Restructuring and impairment charges	–	(138)	–	(466)
Income before income taxes, minority interests and the cumulative effect of accounting changes	636	886	1,893	2,606
Income taxes	(253)	(343)	(754)	(1,031)
Minority interests	(19)	(20)	(83)	(83)
Income before the cumulative effect of accounting changes	364	523	1,056	1,492
Cumulative effect of accounting changes:				
Film accounting	–	–	–	(228)
Derivative accounting	–	–	–	(50)
Net income	$ 364	$ 523	$ 1,056	$ 1,214
Earnings per share before the cumulative effect of accounting changes (basic and diluted)	$ 0.18	$ 0.25	$ 0.52	$ 0.71
Earnings per share including the cumulative effect of accounting changes (basic and diluted) (1)	$ 0.18	$ 0.25	$ 0.52	$ 0.58
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	$ 343	$ 610	$ 899	$ 1,791
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:				
Diluted	$ 0.17	$ 0.29	$ 0.44	$ 0.85
Basic	$ 0.17	$ 0.29	$ 0.44	$ 0.86
Average number of common and common equivalent shares outstanding:				
Diluted	2,046	2,107	2,044	2,108
Basic	2,041	2,091	2,040	2,090

(1) The per share impacts of the film and derivative accounting changes for the nine-month period were ($0.11) and ($0.02), respectively.

The Walt Disney Company
SEGMENT RESULTS
For the Quarter Ended June 30
(unaudited, in millions)

	As Reported		Pro Forma		%
	2002	2001	2002	2001	Change
Revenues:					
Media Networks	$ 2,126	$ 2,169	$ 2,126	$ 2,350	(10)%
Parks and Resorts	1,847	1,946	1,847	1,946	(5)%
Studio Entertainment	1,365	1,327	1,365	1,327	3 %
Consumer Products	457	518	457	524	(13)%
	$ 5,795	$ 5,960	$ 5,795	$ 6,147	(6)%
Segment operating income: (1)					
Media Networks	$ 288	$ 439	$ 288	$ 483	(40)%
Parks and Resorts	467	560	467	560	(17)%
Studio Entertainment	22	65	22	65	(66)%
Consumer Products	51	58	51	61	(16)%
	$ 828	$ 1,122	$ 828	$ 1,169	(29)%

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:

	As Reported		Pro Forma	
	2002	2001	2002	2001
Segment operating income	$ 828	$ 1,122	$ 828	$ 1,169
Corporate and unallocated shared expenses	(76)	(94)	(76)	(94)
Amortization of intangible assets	(9)	(145)	(9)	(5)
Gain on sale of business	34	–	34	–
Net interest expense and other	(185)	(80)	(185)	(134)
Equity in the income of investees	44	86	44	88
Restructuring and impairment charges	–	(138)	–	(138)
Income before income taxes, minority interests and the cumulative effect of accounting changes	$ 636	$ 751	$ 636	$ 886

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

	As Reported		Pro Forma	
	2002	2001	2002	2001
Media Networks	$ 334	$ 482	$ 334	$ 530
Parks and Resorts	629	731	629	731
Studio Entertainment	35	76	35	76
Consumer Products	66	78	66	81
	$ 1,064	$ 1,367	$ 1,064	$ 1,418

The Walt Disney Company
SEGMENT RESULTS
For the Nine Months Ended June 30
(unaudited, in millions)

	As Reported		Pro Forma		%
	2002	2001	2002	2001	Change
Revenues:					
Media Networks	$ 7,298	$ 7,394	$ 7,328	$ 7,866	(7)%
Parks and Resorts	4,805	5,320	4,805	5,320	(10)%
Studio Entertainment	4,693	4,694	4,693	4,694	–
Consumer Products	1,871	1,978	1,872	2,003	(7)%
	$ 18,667	$ 19,386	$ 18,698	$ 19,883	(6)%
Segment operating income: (1)					
Media Networks	$ 839	$ 1,410	$ 843	$ 1,577	(47)%
Parks and Resorts	934	1,273	934	1,273	(27)%
Studio Entertainment	198	381	198	381	(48)%
Consumer Products	312	314	312	330	(5)%
	$ 2,283	$ 3,378	$ 2,287	$ 3,561	(36)%

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:

	As Reported		Pro Forma	
	2002	2001	2002	2001
Segment operating income	$ 2,283	$ 3,378	$ 2,287	$ 3,561
Corporate and unallocated shared expenses	(277)	(284)	(277)	(284)
Amortization of intangible assets	(14)	(622)	(14)	(18)
Gain on sale of business	34	22	34	22
Net interest expense and other	(288)	(287)	(300)	(450)
Equity in the income of investees	163	234	163	241
Restructuring and impairment charges	–	(1,328)	–	(466)
Income before income taxes, minority interests and the cumulative effect of accounting changes	$ 1,901	$ 1,113	$ 1,893	$ 2,606

(1) Segment EBITDA is as follows:

	As Reported		Pro Forma	
	2002	2001	2002	2001
Media Networks	$ 976	$ 1,542	$ 981	$ 1,715
Parks and Resorts	1,418	1,726	1,418	1,726
Studio Entertainment	232	416	232	416
Consumer Products	356	383	356	399
	$ 2,982	$ 4,067	$ 2,987	$ 4,256

Table A

MEDIA NETWORKS
(unaudited, in millions)

Quarter Ended June 30	Pro Forma 2002	Pro Forma 2001	% Change
Revenues:			
Broadcasting	$ 1,203	$ 1,432	(16)%
Cable Networks	923	918	1%
	$ 2,126	$ 2,350	(10)%
Segment operating income:			
Broadcasting	$ 76	$ 242	(69)%
Cable Networks	212	241	(12)%
	$ 288	$ 483	(40)%

Nine Months Ended June 30	Pro Forma 2002	Pro Forma 2001	% Change
Revenues:			
Broadcasting	$ 3,913	$ 4,747	(18)%
Cable Networks	3,415	3,119	9%
	$ 7,328	$ 7,866	(7)%
Segment operating (loss) income:			
Broadcasting	$ (13)	$ 696	n / m
Cable Networks	856	881	(3)%
	$ 843	$ 1,577	(47)%

Table B

CABLE TELEVISION ACTIVITIES
(unaudited, in millions)

Quarter Ended June 30		Pro Forma 2002		Pro Forma 2001	% Change
Operating income:					
Cable Networks	$	212	$	241	(12)%
Equity investments:					
A&E, Lifetime and E! Entertainment Television		168		207	(19)%
Other		15		54	(72)%
		395		502	(21)%
Partner share of operating income		(161)		(192)	16%
Disney share of operating income	$	234	$	310	(25)%

Nine months Ended June 30		Pro Forma 2002		Pro Forma 2001	% Change
Operating income:					
Cable Networks	$	856	$	881	(3)%
Equity investments:					
A&E, Lifetime and E! Entertainment Television		462		563	(18)%
Other		116		176	(34)%
		1,434		1,620	(11)%
Partner share of operating income		(489)		(588)	17%
Disney share of operating income	$	945	$	1,032	(8)%

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 C

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 and restructuring and impairment charges and gain on the sale of business (unaudited).

	Three Months Ended June 30		Nine months Ended June 30	
	2002	2001	2002	2001
As-reported earnings (loss) per share attributed to Disney common stock	$ 0.18	$ 0.19	$ 0.52	$ (0.04)
Adjustment to attribute 100% of Internet Group operating results to Disney common stock (72% included in as-reported amounts)	--	--	--	(0.06)
Adjustment to exclude GO.com restructuring and impairment charges	--	--	--	0.40
Adjustment to exclude pre-closure GO.com portal operating results and amortization of intangible assets	--	--	--	0.09
Adjustment to reflect the impact of the new SFAS 142 accounting rules	--	0.06	--	0.19
Adjustment to exclude the cumulative effect of accounting changes	--	--	--	0.13
Pro forma earnings per share before the cumulative effect of accounting changes	0.18	0.25	0.52	0.71
Adjustment to exclude restructuring and impairment charges	--	0.04	--	0.14
Adjustment to exclude gain on the sale of business	(0.01)	--	(0.01)	--
Adjustment to exclude fiscal 2002 investment gain	--	--	(0.07)	--
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	$ 0.17	$ 0.29	$ 0.44	$ 0.85

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

Table D

The following table reflects pro forma net income and earnings (loss) per share had the Company elected to adopt the fair value approach of Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (in millions, except for per share data):

	Three Months Ended June 30		Nine Months Ended June 30	
	2002	2001	2002	2001
Net income (loss) attributed to Disney Common stock:				
As reported	$ 364	$ 392	$ 1,061	$ (94)
Pro forma after option expense	284	315	837	(302)
Diluted earnings (loss) per share attributed to Disney common stock:				
As reported	0.18	0.19	0.52	(0.04)
Pro forma after option expense	0.14	0.15	0.41	(0.14)

These pro forma amounts may not be representative of future disclosures since the estimated fair value of stock options is amortized to expense over the vesting period, and additional options may be granted in future years. The pro forma amounts assume that the Company had been following the fair value approach since the beginning of fiscal 1996. If the Company had adopted the fair value approach at the beginning of fiscal 2002 under current rules, the impact to earnings per share for both the quarter and nine months would have been $0.01.

Fully diluted shares outstanding and diluted earnings per share include the effect of in-the-money stock options calculated based on the average share price for the period. The dilution from employee options increases as the Company's share price increases, as shown below:

Disney Share Price	**Total In-the-Money Options**	**Incremental Diluted Shares (1)**	**Percentage of Average Shares Outstanding**	**Hypothetical Q3 2002 EPS Impact (3)**
$ 22.79	96 mil	-- **(2)**		$ 0.00
25.00	103 mil	5 mil	0.24%	0.00
30.00	135 mil	16 mil	0.78%	0.00
40.00	210 mil	41 mil	2.00%	(0.01)
50.00	218 mil	60 mil	2.93%	(0.01)

(1) Represents the incremental impact on fully diluted shares outstanding assuming the average share prices indicated, using the treasury stock method. Under the treasury stock method, the tax effected proceeds that would be received from the exercise of all in-the-money options are assumed to be used to repurchase shares

(2) Fully diluted shares outstanding for the quarter ended June 30, 2002 total 2,046 million and include the dilutive impact of in-the-money options at the average share price for the period of $22.79. At the average share price of $22.79, the dilutive impact of in-the-money options was 5 million shares for the quarter.

(3) Based upon Q3 2002 earnings of $364 or $0.18 per share