WALT DISNEY CO/
Form 10-Q
May 15, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended March 31, 2003 Comm

Incorporated in Delaware I.R.

The Walt Disney Company
500 South Buena Vista Street, Burbank, California 91521

(818) 560-1000

Securities Registered Pursuant to Section 12(b) of the Act:

Title of class	Name of E on Which
Common Stock, $.01 par value	New York Pacific S

Indicate by check mark whether the registrant (1) has filed all reports required to be f 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter registrant was required to file such reports), and (2) has been subject to such filing requiremen

YES X NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rul

YES X NO

There were 2,043,210,611 shares of common stock outstanding as of April 30,

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE WALT DISNEY COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited; in millions, except per share data)

	Three Months Ended March 31,	
	2003	2002
Revenues	$ 6,332	$ 5,856
Costs and expenses	(5,779)	(5,251)
Amortization of intangible assets	(7)	(2)

Net interest expense	(178)	(158)
Equity in the income of investees	51	49
Income before income taxes and minority interests	419	494
Income taxes	(157)	(205)
Minority interests	(33)	(30)
Net income	$ 229	$ 259
Earnings per share (basic and diluted)	$ 0.11	$ 0.13
Average number of common and common equivalent shares outstanding:		
Diluted	2,043	2,045
Basic	2,042	2,039

See Notes to Condensed Consolidated Financial Statements

THE WALT DISNEY COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)

	March 31, 2003
	(unaudited)
ASSETS	
Current assets	
Cash and cash equivalents	$ 1,752
Receivables	4,382
Inventories	629
Television costs	619
Deferred income taxes	624
Other assets	659
Total current assets	8,665
Film and television costs	6,255
Investments	1,824

Parks, resorts and other property, at cost	
Attractions, buildings and equipment	19,178
Accumulated depreciation	(8,519)
	10,659
Projects in progress	1,312
Land	764
	12,735
Intangible assets, net	2,767
Goodwill	16,978
Other assets	1,532
	$ 50,756
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities	
Accounts payable and other accrued liabilities	$ 4,952
Current portion of borrowings	1,781
Unearned royalties and other advances	1,171
Total current liabilities	7,904
Borrowings	12,932
Deferred income taxes	2,720
Other long-term liabilities	3,199
Minority interests	491
Commitments and contingencies	
Stockholders' equity	
Preferred stock, $.01 par value	
Authorized - 100 million shares, Issued - none	
Common stock, $.01 par value	
Authorized - 3.6 billion shares, Issued - 2.1 billion shares	12,117
Retained earnings	13,035
Accumulated other comprehensive income (loss)	(115)
	25,037
Treasury stock, at cost, 86.7 million and 81.4 million shares	(1,527)
Shares held by TWDC Stock Compensation Fund II, at cost 6.6 million shares at September 30, 2002	-
	23,510
	$ 50,756

See Notes to Condensed Consolidated Financial Statements

THE WALT DISNEY COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in millions)

	Six Months Ended Ma	
	2003	-
NET INCOME	$ 485	$
OPERATING ITEMS NOT REQUIRING CASH		
Depreciation	530	
Equity in the income of investees	(141)	
Minority interests	55	
Amortization of intangible assets	12	

Write-off of aircraft leveraged lease investment	114	
Gain on sale of Knight-Ridder, Inc. shares	-	
Other	180	
CHANGES IN WORKING CAPITAL	(306)	
Cash provided by operations	929	
INVESTING ACTIVITIES		
Investments in parks, resorts and other property	(448)	
Acquisitions (net of cash acquired)	(28)	
Dispositions	-	
Proceeds from sale of investments	29	
Purchase of investments	(1)	
Other	(22)	
Cash used by investing activities	(470)	
FINANCING ACTIVITIES		
Borrowings	300	
Reduction of borrowings	(1,072)	
Commercial paper borrowings, net	1,226	
Exercise of stock options and other	29	
Dividends	(429)	
Cash provided by financing activities	54	
Increase in cash and cash equivalents	513	
Cash and cash equivalents, beginning of period	1,239	
Cash and cash equivalents, end of period	$ 1,752	$

See Notes to Condensed Consolidated Financial Statements

THE WALT DISNEY COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited; tabular dollars in millions, except per share data)

1. These condensed consolidated financial statements have been prepared in accordance with ge accounting principles (GAAP) for interim financial information and the instructions to Rule 10-01 Accordingly, they do not include all of the information and footnotes required by GAAP for comple In the opinion of management, all adjustments (consisting only of normal recurring adjustments) c fair presentation have been reflected in these condensed consolidated financial statements. Opera quarter are not necessarily indicative of the results that may be expected for the year ending Se Certain reclassifications have been made in the fiscal 2002 financial statements to conform to th presentation. For further information, refer to the consolidated financial statements and footno the Company's Annual Report on Form 10-K for the year ended September 30, 2002. In December 1999 (DFI), a subsidiary of Disney Vacation Development, Inc. and an indirect subsidiary of the Compan receivables sale transaction. In connection with this sale, DFI prepares separate financial stat separate assets and liabilities are also consolidated in these financial statements.

The terms "Company" and "we" and "our" are used in this report to refer collectively to th subsidiaries through which our various businesses are actually conducted.

2. The operating segments reported below are the segments of the Company for which separate f

available and for which segment operating income amounts are evaluated regularly by executive man
to allocate resources and in assessing performance.

	Three Months Ended March 31,		Six Month Ended March	
	2003	2002	2003	
Revenues:				
Media Networks	$ 2,485	$ 2,196	$ 5,725	$
Parks and Resorts	1,485	1,525	3,033	
Studio Entertainment				
Third parties	1,844	1,538	3,724	
Intersegment	18	17	29	
	1,862	1,555	3,753	
Consumer Products				
Third parties	518	597	1,316	
Intersegment	(18)	(17)	(29)	
	500	580	1,287	
	$ 6,332	$ 5,856	$ 13,798	$
Segment operating income:				
Media Networks	$ 232	$ 309	$ 457	$
Parks and Resorts	155	280	380	
Studio Entertainment	206	27	344	
Consumer Products	53	86	243	
	$ 646	$ 702	$ 1,424	$

THE WALT DISNEY COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited; tabular dollars in millions, except per share data)

The Company evaluates the performance of its operating segments based on segment operating
reconciliation of segment operating income to income before income taxes and minority interests i

	Three Months Ended March 31,		
	2003	2002	
Segment operating income	$ 646	$ 702	$
Corporate and unallocated shared expenses	(93)	(97)	
Amortization of intangible assets	(7)	(2)	
Net interest expense	(178)	(158)	
Equity in the income of investees	51	49	
Income before income taxes and minority interests	$ 419	$ 494	$

3. In November 2002, the Financial Accounting Standards Board (FASB) issued FASB Interpretati
Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedn
FIN 45 requires a guarantor to recognize a liability, at the inception of the guarantee, for the
it has undertaken in issuing the guarantee and also requires more detailed disclosures with respe
45 is effective for guarantees issued or modified starting January 1, 2003 and requires additiona

existing guarantees. The adoption of FIN 45 did not have a material impact on the Company's resu financial position. The Company has provided additional disclosure with respect to guarantees in

In January 2003, consensus was reached on EITF No. 00-21, Revenue Arrangements with Multi 00-21). EITF 00-21 provides guidance on how to determine whether an arrangement involving multip that such deliverables be accounted for separately. EITF 00-21 allows for prospective adoption f into after June 30, 2003 or adoption via a cumulative effect of a change in accounting principal. evaluating the impact the adoption of EITF 00-21 will have on its consolidated results of operati position.

In January 2003, the FASB also issued FASB Interpretation No. 46, Consolidation of Variabl 46). FIN 46 requires that the holder of a variable interest evaluate whether or not a variable i consolidated. The consolidation provisions apply immediately for a variable interest entity crea 2003 and after June 15, 2003 for a variable interest entity created before February 1, 2003. Th provisions of FIN 46 in the third quarter of fiscal 2003. We do not expect that this adoption wi on the Company's results of operations or financial position.

THE WALT DISNEY COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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4. During the first quarter of fiscal 2003, the Company wrote-off its aircraft leveraged leas Airlines, which filed for bankruptcy protection resulting in an pre-tax charge of $114 million, o on the bankruptcy filing, we believe it is unlikely that the Company will recover this investment $114 million for the write-off is reported in "net interest expense" in the Condensed Consolidate As of March 31, 2003, our remaining aircraft leveraged lease investment totaled approximately $17 million and $56 million, reflected our investment with Delta Air Lines and FedEx, respectively. of the airline industry, we continue to monitor these investments, particularly Delta Air Lines. Air Lines to make their lease payments, or the termination of our lease through a bankruptcy proc material charge for the write-down of some or all of our investment and could accelerate income t

During the first quarter of fiscal 2002, the Company sold the remaining shares of Knight-R received in connection with the disposition of certain publishing operations in fiscal 1997. The million on the sale is included in "net interest expense" in the Condensed Consolidated Statement

5. The changes in the carrying amount of goodwill for the six months ended March 31, 2003 are

	Media Networks	Other	
Balance as of October 1, 2002	$ 17,008	$ 75	$
Goodwill acquired during the period	20	1	
ABC acquisition adjustment	(126)	-	
Balance as of March 31, 2003	$ 16,902	$ 76	$

During the first quarter of fiscal 2003, certain preacquisition tax contingencies related acquisition of Capital Cities/ABC, Inc. were favorably resolved. Reserves recorded for these exp against goodwill.

6. During the six months ended March 31, 2003, the Company increased its commercial paper bor $1.2 billion and issued global bonds with proceeds of $300 million. The global bonds have an eff 5.9%, and mature in fiscal 2018. During the six-month period, the Company repaid approximately $ which matured during the six-month period. Additionally, during the six-month period the Company approximately $892 million of debt assumed in the acquisition of ABC Family. As of March 31, 200 borrowings were approximately $1.9 billion.

7. Euro Disney S.C.A. operates the Disneyland Resort Paris on a 4,800-acre site near Paris, F accounts for its 39% interest using the equity method of accounting.

As of March 31, 2003, the total of the Company's investment and accounts and notes receiva totaled $518 million, including $179 million drawn under a line of credit that the Company has pr due in June 2004. As of March 31, 2003, this line of credit was fully drawn.

Due to a current slow-down in tourism and the potential impact of ongoing geopolitical unc 2003, the Company agreed with Euro Disney not to charge royalties and management fees for the per to September 30, 2003, to the extent needed for Euro Disney to comply with a bank covenant regard income. As a result of this action, the Company will not recognize additional royalties and mana three quarters of fiscal 2003. Additionally, for both fiscal 2003 and fiscal 2004, the Company a Disney to pay its royalties and management fees annually, instead of quarterly.

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During the last three quarters of fiscal 2002, royalties and management fees from Euro Disney tot million and $12 million, respectively.

In connection with the financial restructuring of Euro Disney in 1994, Euro Disney Associé wholly-owned affiliate of the Company, entered into a lease arrangement with a financing company of 12 years related to substantially all of the Disneyland Park assets, and then entered into a 1 with Euro Disney. Remaining lease rentals at March 31, 2003 of approximately $695 million receiv under the sublease approximate the amounts payable by Disney SNC under the lease. At the conclus Euro Disney will have the option of assuming Disney SNC's rights and obligations under the lease. exercise its option, Disney SNC may purchase the assets, continue to lease the assets or elect to which case Disney SNC would make a termination payment to the lessor equal to 75% of the lessor's related to the Disneyland Park assets, which payment would be approximately $1.2 billion; Disney lease the assets on behalf of the lessor to satisfy the remaining debt, with any excess proceeds

As of March 31, 2003, Euro Disney had, on a US GAAP basis, total assets of $3.2 billion an $3.2 billion, including borrowings totaling $2.5 billion.

8. Diluted earnings per share amounts are calculated using the treasury stock method and are average number of common and common equivalent shares outstanding during the period. For the quar and 2002, options for 223 million and 126 million shares, respectively, were excluded from the di calculation as they were anti-dilutive. For the six months ended March 31, 2003 and 2002, option million shares, respectively, were excluded.

9. Comprehensive income is as follows:

	Three Months Ended March 31,	
	2003	2002
Net income	$ 229	$ 259
Market value adjustments for investments and hedges, net of tax	(15)	(11)
Foreign currency translation, net of tax	(9)	(2)
Comprehensive income	$ 205	$ 246

10. The following table reflects pro forma net income and earnings per share had the Company e employee stock option expense based on the fair value methodology:

	Three Months Ended March 31,	
	2003	2002
Net income:		
As reported	$ 229	$ 259

Less stock option expense	(112)	(121)
Tax effect	42	46
Pro forma after stock option expense	$ 159	$ 184
Diluted earnings per share:		
As reported	$ 0.11	$ 0.13
Pro forma after option expense	$ 0.08	$ 0.09

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These pro forma amounts may not be representative of future disclosures since the estimate options is amortized to expense over the vesting period, and additional options may be granted in forma amounts assume that the Company had been following the fair value approach since the beginn

The Company grants restricted stock units to certain executives. Certain restricted stock achievement of defined performance conditions while, the remaining restricted stock units general and four years from the grant date. Restricted stock units are forfeited if the grantee terminat vesting. During the six months ended March 31, 2003, the Company granted 2,756,000 restricted st compensation expense of approximately $7.5 million. As of March 31, 2003, 3,978,000 restricted s outstanding and unearned stock compensation expense totaled approximately $64 million.

11. In December 1999, the Company established the TWDC Stock Compensation Fund II pursuant to program to acquire shares of Disney common stock for the purpose of funding certain future stock- fund was terminated on December 12, 2002. On that date, the 5,359,485 shares of Disney common st fund were transferred back to the Company and were classified as treasury stock.

12. The Company has exposure to various legal and other contingencies arising from the conduct

Litigation

Stephen Slesinger, Inc. v. The Walt Disney Company. In this lawsuit, filed on February 27 claims that a Company subsidiary defrauded it and breached a 1983 licensing agreement with respec Pooh properties, by failing to account for and pay royalties on revenues earned from the sale of videocassette and from the exploitation of Winnie the Pooh merchandising rights. The plaintiff se licensee's alleged breaches as well as confirmation of the plaintiff's interpretation of the lice respect to future activities. The plaintiff also seeks the right to terminate the agreement on th breaches. The Company disputes that the plaintiff is entitled to any damages or other relief of a termination of the licensing agreement. If each of the plaintiff's claims were to be confirmed in damages as argued by the plaintiff could total as much as several hundred million dollars and adv to the Company of any future exploitation of the licensed rights. However, given the number of ou uncertainty of their ultimate disposition, management is unable to predict the magnitude of any p the plaintiff's claims. On April 24, 2003, the Company removed the case from Los Angeles County United States District Court for the Central District of California, where no trial date has been

Milne and Disney Enterprises, Inc. v. Stephen Slesinger, Inc. On November 5, 2002, Clare A. A. Milne, author of the Winnie the Pooh books, and the Company's subsidiary Disney Enterprises against Stephen Slesinger, Inc. ("SSI") in the United States District Court for the Central Distr November 4, 2002, Ms. Milne served notices to SSI and the Company's subsidiary terminating A. A. rights to Winnie the Pooh, effective November 5, 2004, and granted all of those rights to the Com their lawsuit, Ms. Milne and the Company's subsidiary seek a declaratory judgment, under United S Ms. Milne's termination notices were valid; that SSI's rights to Winnie the Pooh in the United St effective November 5, 2004; that upon termination of SSI's rights in the United States, the 1983 is the subject of the Stephen Slesinger, Inc. lawsuit described above will terminate by operation November 5, 2004, SSI will be entitled to no further royalties for uses of Winnie the Pooh.

THE WALT DISNEY COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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In January 2003, SSI filed (a) an answer denying the material allegations of the complaint and (b declaration (i) that Ms. Milne's grant of rights to Disney Enterprises, Inc. is void and unenforc Disney Enterprises, Inc. remains obligated to pay SSI royalties under the 1983 licensing agreemen motion to dismiss the complaint or, in the alternative, for summary judgment. On May 8, 2003, th Milne's termination notices are invalid and dismissed SSI's counterclaim as moot.

Kohn v. The Walt Disney Company et al. On August 15, 2002, Aaron Kohn filed a class actio Company, its Chief Executive Officer and its Chief Financial Officer in the United States Distric District of California on behalf of a putative class consisting of purchasers of the Company's co 15, 1997 and May 15, 2002. Subsequently, at least nine substantially identical lawsuits were also each alleging that the defendants violated federal securities laws by not disclosing the pendency implications of the Stephen Slesinger, Inc. lawsuit described above prior to the Company's filing on Form 10-Q in May 2002. The plaintiffs claim that this alleged nondisclosure constituted a frau artificially inflated the Company's stock price, and contend that a decline in the stock price re disclosure. The plaintiffs seek compensatory damages and/or rescission for themselves and all mem class. On December 10, 2002, plaintiffs' motion to consolidate the related actions into a single their motion for appointment of lead plaintiffs and counsel was granted on February 21, 2003.

Management believes that it is not currently possible to estimate the impact, if any, that of these legal matters will have on the Company's results of operations, financial position or ca

The Company, together with, in some instances, certain of its directors and officers, is a in various other legal actions involving copyright, breach of contract and various other claims i its businesses. Management does not expect a material impact to its results of operations, finan flows by reason of these actions.

Contractual Guarantees

Commencing in 1994, the Company guaranteed certain special assessment and water/sewer reve the Celebration Community Development District and the Enterprise Community Development District Districts). The bond proceeds were used by the Districts to finance the construction of infrastr the water and sewer system in the mixed-use, residential community of Celebration, Florida (Celeb 2003, the remaining debt service obligation guaranteed by the Company was $115 million, of which principal.

In 1997, the Company guaranteed certain bond issuances by the Anaheim Public Authority for The guarantee also extends to interest that will total $298 million over the 40-year life of the were used by the City of Anaheim to finance construction of infrastructure and a public parking f Disneyland Resort. Revenues from sales, occupancy and property taxes from the Disneyland Resort used by the City of Anaheim to repay the bonds. In the event of a debt service shortfall, the Co to fund the shortfall. To the extent that subsequent tax revenues exceed the debt service payment the Company would be reimbursed for any previously funded shortfalls.

THE WALT DISNEY COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited; tabular dollars in millions, except per share data)

To date, tax revenues have exceeded the debt service payments for both the Celebration and

13. As a matter of course, the Company is regularly audited by federal, state and foreign tax to time, these audits result in proposed assessments. The Internal Revenue Service (IRS) has rec examination of the Company's federal income tax returns for 1993 through 1995. In connection wit IRS has proposed assessments that challenge certain of the Company's tax positions. The Company settlement of a number of proposed assessments, and is pursuing an administrative appeal before t remainder. If the remaining proposed assessments are upheld through the administrative and legal a material impact on the Company's earnings and cash flow. However, the Company believes that it

with applicable tax law and intends to defend its positions vigorously. The Company believes it for any reasonably foreseeable outcome related to these matters. Although their ultimate resolut additional cash tax payments, the Company does not anticipate any material earnings impact from t

14. In April 2003, the Company issued $1.3 billion of convertible senior notes due on April 15 interest at an annual rate of 2.125% and are redeemable at the Company's option any time after Ap of 100% of the principal amount of the notes. The notes are redeemable at the investor's option principal amount on April 15, 2008, April 15, 2013 and April 15, 2018, and upon the occurrence of changes, such as a change in control. The notes are convertible into Disney common stock, under an initial conversion rate of 33.9443 shares of common stock per $1,000 principal amount of notes an initial conversion price of $29.46. The conversion rate is subject to adjustment if certain e

15. On April 14, 2003, the Company signed an agreement with Arturo Moreno for the sale of the team. The sale is expected to close in May 2003. The Company does not expect a material gain fr

THE WALT DISNEY COMPANY
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SEASONALITY

The Company's businesses are subject to the effects of seasonality. Consequently, the oper months ended March 31, 2003 for each business segment, and for the Company as a whole, are not ne results to be expected for the full year.

Media Networks revenues are influenced by advertiser demand and the seasonal nature of pro peak in the spring and fall.

Studio Entertainment revenues fluctuate based upon the timing of theatrical motion picture and television releases. Release dates for theatrical, home video and television products are det factors, including timing of vacation and holiday periods and competition in the market.

Parks and Resorts revenues fluctuate with changes in theme park attendance and resort occu seasonal nature of vacation travel. Peak attendance and resort occupancy generally occur during t school vacations occur and during early-winter and spring holiday periods.

Consumer Products revenues are influenced by seasonal consumer purchasing behavior and the theatrical releases.

RESULTS OF OPERATIONS

Net income for the quarter decreased 12%, or $30 million, to $229 million, and earnings pe $0.02, to $0.11 compared to the prior-year quarter. Results for the current quarter reflected lo income and higher net interest expense. Decreased segment operating income reflected lower Parks Networks and Consumer Products results, partially offset by improvements at Studio Entertainment. unallocated shared expenses were relatively flat from the prior-year quarter as additional costs resource information technology systems were offset by lower costs from brand promotion initiativ investees was also comparable to the prior-year quarter as increases at the cable equity investme losses at Euro Disney.

Net interest expense is as follows:

	Three Months Ended March 31,		E
(unaudited, in millions)	2003	2002	2003
Interest expense	$ (172)	$ (182)	$ (359
Interest and investment income (loss)	(6)	24	(115
Net interest expense	$ (178)	$ (158)	$ (474

Interest expense for the three months ended March 31, 2003 was lower primarily due to lowe and lower interest rates. Interest and investment income (loss) for the three months reflected i current period compared to investment gains in the prior-year quarter.

THE WALT DISNEY COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS-(continued)

For the six months, net income decreased 30% or $212 million, to $485 million, and earning or $0.10, to $0.24 compared to the prior-year period. Results for the current period included th aircraft leveraged lease investment with United Airlines ($114 million or $0.04 per share). Resu period include a gain on the sale of the Company's remaining shares of Knight-Ridder, Inc. ($216 share). Excluding the year-over-year impact of the United Airlines charge and Knight-Ridder gain period reflected lower segment operating income, partially offset by higher equity in the income corporate and unallocated shared expenses. Decreased segment operating income reflected lower Me Resorts and Consumer Products results, partially offset by stronger performance at Studio Enterta equity in the income of investees improvements reflected higher advertising revenues at the cable partially offset by higher Euro Disney losses. The decrease in corporate and unallocated shared due to lower brand promotion initiatives, partially offset by additional costs for finance and hu technology systems.

Pension and post-retirement medical benefit plan costs have increased significantly in fis changes in actuarial assumptions and higher healthcare costs. The majority of these costs are bo Resorts segment. We expect that these costs will significantly increase in fiscal 2004, as well. 2004 increase is due primarily to a decrease in the discount rate used to measure the present val as well as the actual performance of plan assets, which has been below the long-term expected per generally decreasing returns of the financial markets overall. The decrease in the discount rate declining interest rates.

Business Segment Results

(unaudited, in millions)	Three Months Ended March 31,			Six
Revenues:	2003	2002	% Change	2003
Media Networks	$ 2,485	$ 2,196	13 %	$ 5,725
Parks and Resorts	1,485	1,525	(3)%	3,033
Studio Entertainment	1,862	1,555	20 %	3,753
Consumer Products	500	580	(14)%	1,287
	$ 6,332	$ 5,856	8 %	$ 13,798
Segment operating income:				
Media Networks	$ 232	309	(25)%	$ 457
Parks and Resorts	155	280	(45)%	380
Studio Entertainment	206	27	n/m	344
Consumer Products	53	$ 86	(38)%	243
	$ 646	$ 702	(8)%	$ 1,424

The Company evaluates the performance of its operating segments based on segment operating table reconciles segment operating income to income before income taxes and minority interests.

(unaudited, in millions)	Three Months Ended March 31,			Six M
	2003	2002	% Change	2003
Segment operating income	$ 646	$ 702	(8)%	$ 1,424
Corporate and unallocated shared expenses	(93)	(97)	4 %	(195)
Amortization of intangible assets	(7)	(2)	n/m	(12)

Net interest expense	(178)	(158)	(13)%	(474)
Equity in the income of investees	51	49	4 %	141
Income before income taxes and minority interests	$ 419	$ 494	(15)%	$ 884

THE WALT DISNEY COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS-(continued)

Depreciation expense is as follows:
(unaudited, in millions)

	Three Months Ended March 31,		Six M M
	2003	2002	2003
Media Networks	$ 43	$ 45	$ 85
Parks and Resorts	170	161	340
Studio Entertainment	10	10	19
Consumer Products	18	16	33
Segment depreciation expense	241	232	477
Corporate	28	24	53
Total depreciation expense	$ 269	$ 256	$ 530

Segment depreciation expense is included in segment operating income and corporate depreciat
corporate and unallocated shared expenses.

Business Segment Results - Three Months

Media Networks

The following table provides supplemental revenue and operating income detail for the Medi

(unaudited, in millions)

Three Months Ended March 31,	2003	2002	% Change
Revenues:			
Broadcasting	$ 1,407	$ 1,240	13%
Cable Networks	1,078	956	13%
	$ 2,485	$ 2,196	13%
Segment operating income:			
Broadcasting	$ (105)	$ (13)	n/m
Cable Networks	337	322	5%
	$ 232	$ 309	(25)%

Media Networks revenues increased 13%, or $289 million, to $2.5 billion, driven by increas
Broadcasting and $122 million at the Cable Networks. Increased Broadcasting revenue was driven p
of $153 million at the ABC television network and $17 million at the Company's owned and operated
at the television network and stations were primarily driven by higher advertising revenues, refl
to an active scatter market, and in part to the Super Bowl, partially offset by decreases because
preemptions due to war coverage. Revenues at the Cable Networks increased primarily due to incre
higher affiliate and advertising revenue. Higher affiliate revenues reflected contractual rate i
growth. These increases were partially offset by the impact of the bankruptcy filing of a cable
America as discussed below.

THE WALT DISNEY COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS-(continued)

Segment operating income decreased 25%, or $77 million, to $232 million, driven by decreas Broadcasting, due to higher programming and production costs, partially offset by an increase of Networks due to higher revenues, partially offset by higher programming costs. Costs and expense primarily of programming rights costs and amortization, production costs, distribution and sellin costs, increased 19%, or $366 million, due to higher programming costs at the television network higher primetime series costs and at ESPN due to National Football League (NFL) and National Bask programming. Cost increases also reflected higher marketing costs at ABC Family related to brand

The Company has various contractual commitments for the purchase of broadcast rights for s programming, including NFL, NBA, MLB, NHL and various college football conference and bowl games. contracts have increased significantly in recent years. We have implemented a variety of strateg efforts, to reduce the impact of the higher costs. The impact of these contracts on the Company' remaining term of the contracts is dependent upon a number of factors, including the strength of effectiveness of marketing efforts and the size of viewer audiences.

The costs of these contracts are charged to expense based on the ratio of each period's gr total gross revenues over the remaining contract period. Estimates of total gross revenues can c accordingly, they are reviewed periodically and amortization and carrying amounts are adjusted, i adjustments could have a material effect on the Company's results of operations in future periods period of the Company's contract to broadcast the NFL was non-cancelable and ended with the telec Bowl. In February 2003, the NFL exercised its option to extend the contract for an additional th telecast of the 2006 Pro Bowl. Programming rights for the initial five-year period have been cha estimates of total revenues for that period of time.

Consolidation in the cable and satellite distribution industry may affect the Company's ab maintain terms of the distribution of its Cable Network services that are as favorable as those c

The Company has a significant cable affiliate in Latin America that filed for bankruptcy p This resulted in a reduction of revenues for the Latin American Disney Channel and ESPN services.

Parks and Resorts

Revenues decreased 3%, or $40 million, to $1.5 billion, driven primarily by decreases of $ Disney World Resort and $13 million from Euro Disney, partially offset by an increase of $5 milli Resort. The revenue decrease at Walt Disney World reflected decreased theme park attendance and partially offset by higher guest spending. Decreased attendance and hotel occupancy at Walt Disn disruption in travel and tourism generally due to concerns about world events and softness in the the timing of the Easter holiday, which occurred during the third quarter of the current year ver prior year. Increased guest spending at Walt Disney World reflected ticket and other price incre the prior year, as well as a reduction in certain promotional programs. The decrease in revenues royalties and management fees due to the cessation of billing and recognition of revenues commenc (see Note 7). At Disneyland, the revenue increase was primarily due to higher hotel occupancy an

THE WALT DISNEY COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
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Segment operating income decreased 45%, or $125 million, to $155 million, reflecting highe Disney World and Disneyland resorts, and lower revenues. Costs and expenses, which consist princ merchandise, food and beverages sold, depreciation, repairs and maintenance, entertainment and ma

expense, increased by 7%, or $85 million, for the quarter. Costs and expenses at both resorts re on information systems and increased costs for refurbishments, employee benefits, insurance, depr costs, partially offset by the impact of ongoing cost management efforts.

Studio Entertainment

Revenues increased 20%, or $307 million, to $1.9 billion, driven by an increase of $257 mi video, $55 million in worldwide theatrical motion picture distribution and $25 million in televis Increases at worldwide home video reflected strong DVD and VHS sales of Sweet Home Alabama, Signs Island of Lost Dreams, compared to the prior-year quarter. In worldwide theatrical motion pictur increases reflected the strong performances of Bringing Down the House, Chicago and Shanghai Knig prior-year quarter. Increases in television distribution revenues reflected higher network and sy current quarter.

Segment operating income increased from $27 million to $206 million due to revenue growth and television distribution. Cost and expenses, which consist primarily of production cost amort selling expenses, product costs and participation costs, increased 8% or $128 million, driven by home video and worldwide theatrical motion picture distribution, partially offset by decreases in distribution. Higher costs in worldwide home video were due primarily to higher distribution exp Home Alabama, and 101 Dalmatians II: Patch's London Adventure. Cost increases in worldwide theat distribution reflected higher distribution expenses for current-quarter titles including Chicago, Shanghai Knights and The Recruit. Declines at television distribution reflected lower amortizati titles.

Consumer Products

Revenues decreased 14%, or $80 million, to $500 million, reflecting decreases of $64 milli $15 million at Buena Vista Games (previously Disney Interactive). The declines at the Disney Sto comparative store sales and fewer stores, as a result of store closures and the sale of the Disne in the third quarter of the prior year. The decrease at Buena Vista Games was due to weaker perf current quarter compared to the prior-year quarter, which included Monsters, Inc. titles.

Segment operating income decreased 38%, or $33 million, to $53 million, reflecting decreas Store. Costs and expenses, which primarily consist of labor, product costs, including product de distribution and selling expenses and leasehold expenses, decreased 10%, or $47 million, primaril volume at the Disney Store and decreased product development and marketing costs at Buena Vista G

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Business Segment Results - Six Months

Media Networks

The following table provides supplemental revenue and operating income detail for the Medi

(unaudited, in millions) Six Months Ended March 31,	2003	2002	% Chang
Revenues:			
Broadcasting	$ 2,971	$ 2,704	10%
Cable Networks	2,754	2,468	12%
	$ 5,725	$ 5,172	11%

Segment operating income:			
Broadcasting	$ (67)	$ (90)	26%
Cable Networks	524	641	(18)%
	$ 457	$ 551	(17)%

Media Networks revenues increased 11%, or $553 million, to $5.7 billion, driven by increas Broadcasting and $286 million at the Cable Networks. Increased Broadcasting revenue was primaril of $171 million at the ABC television network and $45 million at the owned and operated televisio increases at the television network and the owned and operated television stations were driven pr advertising revenues reflecting higher rates due to an active scatter market and in part to the S offset by decreases because of regular programming preemptions due to war coverage. Increases at driven by higher affiliate and advertising revenues primarily at ESPN. Higher affiliate revenue growth and contractual rate increases. These increases were partially offset by the impact of th cable affiliate in Latin America.

Segment operating income decreased 17%, or $94 million, to $457 million, driven by decreas Cable Networks, due to higher programming costs, partially offset by an increase of $23 million a higher revenues. Costs and expenses increased 14%, or $647 million, driven by higher sports prog due to NFL and NBA broadcasts.

Parks and Resorts

Revenues increased 3%, or $75 million, to $3.0 billion, driven primarily by increases of $ Disney World Resort and $43 million at the Disneyland Resort, partially offset by a decrease of $ revenue increases at the Walt Disney World and Disneyland resorts were driven by higher guest spe well as higher theme park attendance and hotel occupancy at Disneyland, partially offset by lower and hotel occupancy at Walt Disney World. Higher guest spending at Walt Disney World reflected t increases in the fourth quarter of the prior year and a reduction in certain promotional programs guest spending was driven by ticket price increases in the second quarter of the prior year. In Disneyland Resort reflected the continued success of the Annual Passport program. The decrease i Disney included lower royalties and management fees due to the cessation of billing and recogniti with the second quarter of the current year (see Note 7).

Segment operating income decreased 19%, or $87 million, to $380 million, reflecting higher by revenue increases. Costs and expenses increased by 7%, or $162 million. Higher costs and exp were driven by higher spending on information systems and increased costs for employee benefits, and marketing costs, as well as increased guest volume, partially offset by the impact of ongoing efforts.

Studio Entertainment

Revenues increased 13% or $425 million, to $3.8 billion, driven by an increase of $307 mil video, $83 million in worldwide theatrical motion picture distribution and $30 million in televis Worldwide home video results reflected stronger DVD and VHS sales of Lilo & Stitch, Beauty & the Alabama compared to the prior-year period, which included Pearl Harbor, Snow White and the Seven worldwide theatrical motion picture distribution, revenue increases reflected strong performances Chicago and Sweet Home Alabama. Increases in television distribution revenues reflected higher n revenues in the current period.

Segment operating income increased from $176 million to $344 million, due to revenue growt and television distribution, partially offset by increased costs of worldwide theatrical motion p Cost and expenses increased 8%, or $257 million, driven by increases in worldwide home video and motion picture distribution, partially offset by decreases in television distribution. Higher co video reflected higher distribution and selling expenses for current-period titles, including Lil the Beast. Increases in worldwide theatrical motion picture distribution reflected higher distri current-period titles, which included Treasure Planet, Chicago and The Santa Clause 2 and higher Treasure Planet and Santa Clause 2, partially offset by lower participation costs. In television declines reflected lower amortization costs of live-action titles for the current period.

Consumer Products

Revenues decreased 9%, or $127 million, to $1.3 billion, reflecting declines of $142 milli and $15 million at Buena Vista Games, partially offset by increases of $32 million in merchandise at the Disney Store is due to the sale of the Disney Store business in Japan as well as lower com fewer stores in North America. The decrease at Buena Vista Games is due to higher sales in the p reflecting the strong performance of Monsters, Inc. titles. The increase in merchandise licensin higher revenues from toy licensees, due in part to higher contractually guaranteed minimum royalt quarter.

Operating income decreased 7%, or $18 million, to $243 million, reflecting declines at the offset by increases in merchandise licensing due to increased sales and lower costs at Buena Vist expenses decreased 9%, or $109 million, primarily driven by lower costs at the Disney Store refle and reduced product development and marketing expenses at Buena Vista Games.

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STOCK OPTION ACCOUNTING

The following table reflects pro forma net income and earnings per share had the Company e option expense based on the fair value methodology:

(unaudited, in million, except per share data)	Three Months Ended March 31, 2003	2002	
Net income:			
As reported	$ 229	$ 259	$
Less stock option expense	(112)	(121)	
Tax effect	42	46	
Pro forma after stock option expense	$ 159	$ 184	$
Diluted earnings per share:			
As reported	$ 0.11	$ 0.13	$
Pro forma after option expense	$ 0.08	$ 0.09	$

These pro forma amounts may not be representative of future disclosures since the estimate options is amortized to expense over the vesting period and additional options may be granted in forma amounts assume that the Company had been following the fair value approach since the beginn

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

Disney	Total In-the-Money	Incremental Diluted Shares	Percentage of Average Shares

Share Price	Options	(1)	Outstanding	
$ 17.00	10 million	--(2)	--	$
25.00	123 million	15 million	0.74%	
30.00	152 million	27 million	1.32%	
40.00	222 million	53 million	2.59%	
50.00	230 million	71 million	3.48%	

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

(2) Fully diluted shares outstanding for the quarter ended March 31, 2003 total 2,043 million impact of in-the-money options at the average share price for the period of $17.00. At th of $17.00, the dilutive impact of in-the-money options was 1 million shares for the quarte

(3) Based upon Q2 2003 earnings of $229 million, or $0.11 per share.

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FINANCIAL CONDITION

For the six months ended March 31, 2003, cash provided by operations improved by $249 mill $680 million in the prior-year quarter, reflecting the timing of the collection of accounts recei accounts payable.

During the six months ended March 31, 2003, the Company invested $448 million in parks, re properties. Investments in parks, resorts and other properties by segment are as follows:

	Six Months Ended Marc	
(unaudited, in millions)	2003	20
Media Networks	$ 60	$
Parks and Resorts	255	
Studio Entertainment	24	
Consumer Products	15	
Corporate and unallocated shared expenditures	94	
	$ 448	$

During the six months ended March 31, 2003, the Company's borrowing activity was as follow

(unaudited, in millions)	Additions	Payme
Commercial paper borrowings (net change for the six months)	$ 1,226	$
US medium term notes and other USD denominated debt	300	
European medium term notes	-	(
Other	-	
Debt repaid in connection with the ABC Family acquisition	-	(

	$ 1,526	$ (1,

During the six months ended March 31, 2003, the Company increased its commercial paper bor $1.2 billion and issued global bonds with proceeds of $300 million. The global bonds have an eff 5.9%, and mature in fiscal 2018. During the six-month period, the Company repaid approximately $ which matured during the period. Additionally, during the six-month period the Company called an $892 million of debt assumed in the acquisition of ABC Family.

Commercial paper borrowings outstanding as of March 31, 2003 totaled approximately $1.9 bi up to one year, supported by a $2.25 billion bank facility that expires in 2004 and another $2.25 that expires in 2005. Net commercial paper borrowings (total commercial paper less money market Company) at March 31, 2003 totaled approximately $1.3 billion. These bank facilities allow for b rates plus a spread, depending upon the Company's public debt rating. As of March 31, 2003, the any amounts under these bank facilities. The Company also has the ability to have up to $350 mil issued under the $2.25 billion facility expiring in 2004 which if utilized reduces available borr facility. As of March 31, 2003, $56 million of letters of credit had been issued under this faci was available for borrowing.

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The Company has a 39% interest in Euro Disney S.C.A., which operates the Disneyland Resort 2003, Euro Disney has drawn $179 million under a line of credit with the Company, due in June 200 the line of credit was fully drawn down. Euro Disney had, on a US GAAP basis, total assets of $3 liabilities of $3.2 billion, including borrowings totaling $2.5 billion as of March 31, 2003.

In connection with the financial restructuring of Euro Disney in 1994, Euro Disney Associé wholly-owned affiliate of the Company, entered into a lease arrangement with a financing company of 12 years related to substantially all of the Disneyland Park assets, and then entered into a 1 with Euro Disney. Remaining lease rentals at March 31, 2003 of approximately $695 million receiv under the sublease approximate the amounts payable by Disney SNC under the lease. At the conclus Euro Disney will have the option of assuming Disney SNC's rights and obligations under the lease. exercise its option, Disney SNC may purchase the assets, continue to lease the assets or elect to which case Disney SNC would make a termination payment to the lessor equal to 75% of the lessor's related to the Disneyland Park assets, which payment would be approximately $1.2 billion; Disney lease the assets on behalf of the lessor to satisfy the remaining debt, with any excess proceeds The Company believes that it is unlikely that Disney SNC would be required to pay the 75% lease t currently expect that Euro Disney will assume the finance lease by exercising the assumption opti sublease terms in order for Euro Disney to continue its business.

At March 31, 2003, contractual commitments to purchase broadcast programming rights totale $954 million for available programming and $9.8 billion for sports programming rights, primarily football, MLB and NHL.

Contractual commitments relating to broadcast programming rights are payable as follows (u

2003	$ 1,756
2004	3,168
2005	2,910
2006	2,289
2007	1,068
Thereafter	1,177
	$ 12,368

We expect that the ABC television network, ESPN, ABC Family, The Disney Channels and the C radio stations will continue to enter into programming commitments to purchase broadcast rights f

sports and other programming.

As disclosed in Note 4 to the Condensed Consolidated Financial Statements, based on United filling, the Company believes it is unlikely that it will recover this investment. The pre-tax c the write-off is reported in "net interest expense" in the Condensed Consolidated Statements of I 2003, the aircraft leveraged lease investment totaled approximately $175 million, of which $119 m reflected our investment with Delta Air Lines, and FedEx, respectively. Given the current status we continue to monitor our other investments in commercial aircraft leasing transactions, particu The inability of Delta Air Lines to make their lease payments, or the termination of our leases t proceeding, could result in a material charge for the write-down of some or all our investment an tax payments.

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As disclosed in the Notes to the Condensed Consolidated Financial Statements (see Notes 12 exposure for certain legal and tax matters. Management believes that it is currently not possibl if any, that the ultimate resolution of these matters will have on the Company's financial positi

The Company declared a $429 million dividend ($0.21 per share) on December 3, 2002 related paid on January 9, 2003 to shareholders of record on December 13, 2002. The Company paid a $428 m per share) during the first quarter of fiscal 2002 applicable to fiscal 2001.

We believe that the Company's financial condition is strong and that its cash, other liqui flows, access to debt and equity capital markets and borrowing capacity, taken together, provide fund ongoing operating requirements and future capital expenditures related to the expansion of e development of new projects. However, the Company's operating cash flow and access to the capital by macroeconomic factors outside of its control. In addition to macroeconomic factors, the Compan be impacted by short and long-term debt ratings assigned by independent rating agencies, which ar part, on the Company's performance as measured by certain credit measures such as interest covera On October 4, 2002, Standard & Poor's Ratings Services lowered its long-term ratings on the Compa on March 20, 2003, Standard & Poor's placed the BBB+ long-term corporate credit rating of the Com negative implications. At the same time, Standard & Poors affirmed its A-2 short-term corporate c Company. On October 18, 2002, Moody's Investors Service downgraded the Company's long-term debt affirmed the P2 short-term rating and indicated that our outlook was stable.

OTHER MATTERS

Accounting Policies and Estimates

We believe that the application of the following accounting policies, which are important and results of operations, requires significant judgments and estimates on the part of management of our accounting policies, including the accounting policies discussed below, see Note 2 of the Statements in the 2002 Annual Report.

Film and Television Revenues and Costs

We expense the cost of film and television production and participations as well as multi- the applicable product life cycle based upon the ratio of the current period's gross revenues to total gross revenues. These estimates are calculated on an individual production basis for film a individual contract basis for sports rights. Estimates of total gross revenues can change due to including the level of market acceptance, advertising rates and subscriber fees.

For film and television productions, estimated remaining gross revenue from all sources in be earned within ten years of the date of the initial theatrical release for film productions. Fo include revenues that will be earned within 10 years of the delivery of the first episode, or if years from the date of delivery of the most recent episode. For acquired film libraries, remainin amounts to be earned for up to 20 years from the date of acquisition.

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Television network and station rights for theatrical movies, series and other programs are on the number of times the program is expected to be shown. Estimates of usage of television netw programming can change based on competition and audience acceptance. Accordingly, revenue estimat reviewed periodically and are revised if necessary. A change in revenue projections or planned u on our results of operations.

Costs of film and television productions and programming costs for our television and cabl valuation adjustments pursuant to the applicable accounting rules. The values of the television p rights are reviewed using a daypart methodology. The Company's dayparts are early morning, dayti time, news, children's and sports. A daypart is defined as an aggregation of programs broadcast of day or programs of a similar type. Estimated values are based upon assumptions about future de conditions. If actual demand or market conditions are less favorable than our projections, film, programming cost write-downs may be required.

Revenue Recognition

The Company has revenue recognition policies for its various operating segments, which are circumstances of each business. See Note 2 of the Consolidated Financial Statements in the 2002 summary of these revenue recognition policies.

We record reductions to revenues for estimated future returns of merchandise, primarily ho products, and for customer programs and sales incentives. These estimates are based upon histori current economic trends and projections of customer demand for and acceptance of our products. Di the amount and timing of our revenue for any period if actual performance varies from our estimat

Goodwill, Intangible Assets, Long-lived Assets and Investments

Goodwill and other intangible assets must be tested for impairment on an annual basis. We testing as of September 30, 2002 and determined that there were no impairment losses related to g intangible assets. In assessing the recoverability of goodwill and other intangible assets, proj estimated future cash flows and other factors are made to determine the fair value of the respect estimates or related projections change in the future, we may be required to record impairment ch

For purposes of performing the impairment test for goodwill and other intangible assets as established the following reporting units: Cable Networks, Television Broadcasting, Radio, Studio Products and Parks and Resorts.

For purposes of performing our impairment test, we used a present value technique (discoun determine fair value for all of the reporting units except for the Television Broadcasting Group. Broadcasting reporting unit includes the ABC television network and owned and operated television businesses have been grouped together because their respective cash flows are dependant on one an our impairment test, we used an operating income multiple to value the owned and operated televis revenue multiple to value the television network. We did not use a present value technique or a to value the television network as a present value technique would not capture the full fair valu network and there have been no recent comparable sale transactions for a television network.

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We applied what we believe to be the most appropriate valuation methodologies for each of we had established different reporting units or utilized different valuation methodologies the im resulted in different results.

Long-lived assets include certain long-term investments. The fair value of the long-term i the performance of the companies we invest in, as well as volatility inherent in the external mar investments. In assessing potential impairment for these investments, we will consider these fac forecasted financial performance of our investees. If these forecasts are not met, impairment ch

Contingencies and Litigation

We are currently involved in certain legal proceedings and, as required, have accrued our costs for the resolution of these claims. This estimate has been developed in consultation with based upon an analysis of potential results, assuming a combination of litigation and settlement possible, however, that future results of operations for any particular quarterly or annual perio affected by changes in our assumptions or the effectiveness of our strategies related to these pr

Income Tax Audits

As a matter of course, the Company is regularly audited by federal, state and foreign tax time, these audits result in proposed assessments. The Internal Revenue Service (IRS) has recent examination of the Company's federal income tax returns for 1993 through 1995. In connection wit IRS has proposed assessments that challenge certain of the Company's tax positions. The Company settlement of a number of proposed assessments, and is pursuing an administrative appeal before t remainder. If the remaining proposed assessments are upheld through the administrative and legal a material impact on the Company's earnings and cash flow. The Company believes that its tax pos applicable tax law and intends to defend its positions vigorously. The Company believes it has a any reasonably foreseeable outcome related to these matters. Although their ultimate resolution additional cash tax payments the Company does not anticipate any material earnings impact from th

Accounting Changes

In November 2002, the Financial Accounting Standards Board (FASB) issued FASB Interpretati Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedn FIN 45 requires a guarantor to recognize a liability, at the inception of the guarantee, for the it has undertaken in issuing the guarantee and also requires more detailed disclosures with respe 45 is effective for guarantees issued or modified starting January 1, 2003 and requires additiona existing guarantees. The adoption of FIN 45 did not have a material impact on the Company's resu financial position. The Company has provided additional disclosure with respect to guarantees in Consolidated Financial Statements.

In January 2003, consensus was reached on EITF No. 00-21, Revenue Arrangements with Multi 00-21). EITF 00-21 provides guidance on how to determine whether an arrangement involving multip that such deliverable be accounted for separately. EITF 00-21 allows for prospective adoption fo into after June 30, 2003 or adoption via a cumulative effect of a change in accounting principal Company is evaluating the impact the adoption of EITF 00-21 will have on its consolidated results financial position.

In January 2003, the FASB also issued FASB Interpretation No. 46, Consolidation of Variabl 46). FIN 46 requires that the holder of a variable interest evaluate whether or not a variable i consolidated. The consolidation provisions apply immediately for a variable interest entity crea 2003 and after June 15, 2003 for a variable interest entity created before February 1, 2003. Th provisions of FIN 46 in the third quarter of fiscal 2003. We do not expect that this adoption wi on the Company's results of operations or financial position.

MARKET RISK

Interest Rate Risk Management

The Company is exposed to the impact of interest rate changes. Our objective is to manage rate changes on earnings and cash flows and on the market value of the Company's investments and fixed-rate debt as a percentage of our net debt between a minimum and maximum percentage, which i

We use interest rate swaps and other instruments to manage net exposure to interest rate c borrowings and investments and to lower the Company's overall borrowing costs. We do not enter i for speculative purposes. Significant interest rate risk management instruments held by the Comp included receive-fixed and pay-fixed swaps. Receive-fixed swaps, which expire in one to 19 years medium- and long-term obligations to LIBOR-indexed variable rate instruments. Pay-fixed swaps, w years, effectively convert floating-rate obligations to fixed-rate instruments.

Foreign Exchange Risk Management

The Company transacts business in virtually every part of the world and is subject to risk foreign exchange rates. Our objective is to reduce earnings and cash flow volatility associated rate changes to allow management to focus its attention on our core business issues and challenge Company enters into various contracts that change in value as foreign exchange rates change to pr existing foreign currency assets and liabilities, commitments and anticipated foreign currency re maintain hedge coverage between minimum and maximum percentages of anticipated foreign exchange e up to five years. The gains and losses on these contracts offset changes in the value of the rel our policy to enter into foreign currency transactions only to the extent considered necessary to The Company does not enter into foreign currency transactions for speculative purposes.

We use forward and option strategies that provide for the sale of foreign currencies to he firmly committed, revenues. We also use forward contracts to hedge foreign currency assets and li and option contracts generally mature within five years. While these hedging instruments are sub value, such fluctuations should offset changes in the value of the underlying exposures being hed currencies hedged are the European euro, Japanese yen, British pound and Canadian dollar. Cross- to hedge foreign currency-denominated borrowings.

Other Derivatives

The Company holds warrants in both public and private companies. These warrants, although instruments, are deemed derivatives if they contain a net-share settlement clause or satisfy othe During the quarter, the Company recorded the change in fair value of certain of these instruments

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FORWARD LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 (the Act) provides a safe harbor for statements" made by or on behalf of the Company. We may from time to time make written or oral s "forward-looking" including statements contained in this report and other filings with the Securi Commission and in reports to our shareholders. All statements that express expectations and proje future matters may be affected by changes in the Company's strategic direction, as well as by dev Company's control. These developments may include international, political, health concern and m may affect travel and leisure businesses generally; changes in domestic and global, economic cond other things, affect the international performance of the Company's theatrical and home video rel programming and consumer products; regulatory and other uncertainties associated with the Interne developments; and the launching or prospective development of new business initiatives. All forw are made on the basis of management's views and assumptions, as of the time the statements are ma events and business performance. There can be no assurance, however, that our expectations will

Factors that may affect forward-looking statements. For an enterprise as large and comple range of factors could materially affect future developments and performance. A list of such fac Company's Annual Report on Form 10-K for the year ended September 30, 2002 under the heading "Fac forward-looking statements."

PART I. FINANCIAL INFORMATION

Item 3. Quantitative and Qualitative Disclosures about Market Risk. See Item 2. Management's D Financial Condition and Results of Operations.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures. We have established disclosure cont ensure that material information relating to the Company, including its consolidated subsidiaries officers who verify the Company's financial reports and to other members of senior management and

Based on their evaluation as of May 7, 2003, the principal executive officer and principal Company have concluded that the Company's disclosure controls and procedures (as defined in Rules under the Securities Exchange Act of 1934) are effective to ensure that the information required Company in the reports that it files or submits under the Securities Exchange Act of 1934 is reco summarized and reported within the time periods specified in SEC rules and forms.

(b) Changes in Internal Controls. There were no significant changes in the Company's inte factors that could significantly affect those controls subsequent to the date of their most recen

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Stephen Slesinger, Inc. v. The Walt Disney Company. In this lawsuit, filed on February 27 claims that a Company subsidiary defrauded it and breached a 1983 licensing agreement with respec Pooh properties, by failing to account for and pay royalties on revenues earned from the sale of videocassette and from the exploitation of Winnie the Pooh merchandising rights. The plaintiff se licensee's alleged breaches as well as confirmation of the plaintiff's interpretation of the lice respect to future activities. The plaintiff also seeks the right to terminate the agreement on th breaches. The Company disputes that the plaintiff is entitled to any damages or other relief of a termination of the licensing agreement. If each of the plaintiff's claims were to be confirmed in damages as argued by the plaintiff could total as much as several hundred million dollars and adv to the Company of any future exploitation of the licensed rights. However, given the number of ou uncertainty of their ultimate disposition, management is unable to predict the magnitude of any p the plaintiff's claims. On April 24, 2003, the Company removed the case from Los Angeles County United States District Court for the Central District of California, where no trial date has been

Milne and Disney Enterprises, Inc. v. Stephen Slesinger, Inc. On November 5, 2002, Clare of A. A. Milne, author of the Winnie the Pooh books, and the Company's subsidiary Disney Enterpri complaint against Stephen Slesinger, Inc. ("SSI") in the United States District Court for the Cen California. On November 4, 2002, Ms. Milne served notices to SSI and the Company's subsidiary ter prior grant of rights to Winnie the Pooh, effective November 5, 2004, and granted all of those ri subsidiary. In their lawsuit, Ms. Milne and the Company's subsidiary seek a declaratory judgment, copyright law, that Ms. Milne's termination notices were valid; that SSI's rights to Winnie the P will terminate effective November 5, 2004; that upon termination of SSI's rights in the United St agreement that is the subject of the Stephen Slesinger, Inc. lawsuit described above will termina and that, as of November 5, 2004, SSI will be entitled to no further royalties for uses of Winnie 2003, SSI filed (a) an answer denying the material allegations of the complaint and (b) countercl declaration (i) that Ms. Milne's grant of rights to Disney Enterprises, Inc. is void and unenforc Disney Enterprises, Inc. remains obligated to pay SSI royalties under the 1983 licensing agreemen motion to dismiss the complaint or, in the alternative, for summary judgment. On May 8, 2003, th Milne's termination notices are invalid and dismissed SSI's counterclaims as moot.

Kohn v. The Walt Disney Company et al. On August 15, 2002, Aaron Kohn filed a class actio Company, its Chief Executive Officer and its Chief Financial Officer in the United States Distric District of California on behalf of a putative class consisting of purchasers of the Company's co 15, 1997 and May 15, 2002. Subsequently, at least nine substantially identical lawsuits were also each alleging that the defendants violated federal securities laws by not disclosing the pendency implications of the Stephen Slesinger, Inc. lawsuit described above prior to the Company's filing on Form 10-Q in May 2002. The plaintiffs claim that this alleged nondisclosure constituted a frau artificially inflated the Company's stock price, and contend that a decline in the stock price re disclosure. The plaintiffs seek compensatory damages and/or rescission for themselves and all mem class. On December 10, 2002, plaintiffs' motion to consolidate the related actions into a single their motion for appointment of lead plaintiffs and counsel was granted on February 21, 2003.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings - (continued)

In re The Walt Disney Company Derivative Litigation. William and Geraldine Brehm and 13 o an amended and consolidated complaint on May 28, 1997 in the Delaware Court of Chancery seeking, declaratory judgment against each of the Company's directors as of December 1996 that the Company agreement with its former president, Michael S. Ovitz, was void, or alternatively that Mr. Ovitz' deemed a termination "for cause" and any severance payments to him forfeited. On October 8, 1998, Chancery dismissed all counts of the amended complaint. Plaintiffs appealed, and on February 9, of Delaware affirmed the dismissal but ruled also that plaintiffs should be permitted to file an accordance with the Court's opinion. The plaintiffs filed their amended complaint on January 3, 2003, the Company's directors' motion to dismiss the amended complaint was converted by the Court judgment and the plaintiffs were permitted to take discovery. The Company and its directors answ complaint on April 1, 2003.

Management believes that it is not currently possible to estimate the impact, if any, that of these legal matters will have on the Company's results of operations, financial position or ca

The Company, together with, in some instances, certain of its directors and officers, is a in various other legal actions involving copyright, breach of contract and various other claims i its businesses. Management does not expect a material impact to its results of operations, finan flows by reason of these actions.

PART II. OTHER INFORMATION (continued)

ITEM 4. Submission of Matters to a Vote of Security Holders

The following matters were submitted to a vote of security holders during the Company's an meeting of shareholders held on March 19, 2003.

Description of Matter

1. Election of Directors	Votes Cast For	Authorit Withheld
John E. Bryson	1,599,361,911	162,810,5
Roy E. Disney	1,684,194,532	77,977,9
Michael D. Eisner	1,639,472,917	122,699,5
Judith L. Estrin	1,607,060,491	155,111,9
Stanley P. Gold	1,676,423,240	85,749,2
Robert A. Iger	1,647,809,544	114,362,9
Monica C. Lozano	1,602,335,405	159,837,0
Robert W. Matschullat	1,637,628,008	124,544,4
George J. Mitchell	1,657,781,812	104,390,6
Thomas S. Murphy	1,684,004,718	78,167,7
Leo J. O'Donovan, S.J.	1,605,848,370	156,324,0
Raymond L. Watson	1,593,769,776	168,402,6
Gary L. Wilson	1,680,075,422	82,097,0

	For	Against	Abstentions
2. Ratification of PricewaterhouseCoopers LLP as independent accountants	1,620,128,988	121,463,417	20,580,0
3. Approval of the amended and restated 1997 non-employee director's stock and deferred compensation plan	1,664,588,520	68,253,272	29,330,6
4. Stockholder proposal relating to labor standards for China	117,001,380	1,130,981,366	107,497,9

5.	Stockholder proposal relating to theme park safety reporting	108,388,032	1,156,121,198	91,017,7
6.	Stockholder proposal relating to executive compensation	187,804,646	1,105,006,684	62,715,0
7.	Stockholder proposal relating to stock options	188,005,322	1,107,027,062	60,504,4

PART II. OTHER INFORMATION (continued)

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10(a) Consulting Agreement, dated as of February 22, 2003, between the Company and Louis

99(a) Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 90 Act of 2002 by Michael D. Eisner.

99(b) Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 90 Act of 2002 by Thomas O. Staggs.

(b) Reports on Form 8-K

The following current report on Form 8-K was filed by the Company during the Company's sec

(1) Current report on Form 8-K dated January 30, 2003, including (a) the Company's earn quarter ended December 31, 2002 and (b) the text of the conference call concerning

(2) Current report on Form 8-K dated February 19, 2003, setting forth the amended Form under the Trust Indenture Act of 1939 of Wells Fargo Bank, N.A. under the Company's

(3) Current Report on Form 8-K dated March 19, 2003, set forth (a) the Company's press annual shareholders meeting and (b) the prepared text of presentations made at the

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has du be signed on its behalf by the undersigned thereunto duly authorized.

THE WALT DISNEY COMPANY
(Registrant)

By:

/s/ THOMAS O. STAGGS
(Thomas O. Staggs, Senior Executi
and Chief Financial Officer)

May 15, 2003
Burbank, California

CERTIFICATIONS

I, Michael D. Eisner, Chairman of the Board and Chief Executive Officer of The Walt Disney Compan

certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a mate state a material fact necessary to make the statements made, in light of the circumstances u were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in report, fairly present in all material respects the financial condition, results of operatio registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and mainta controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registr

   a) designed such disclosure controls and procedures to ensure that material information rel including its consolidated subsidiaries, is made known to us by others within those enti the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclo procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent ev registrant's auditors and the audit committee of registrant's board of directors (or persons functions):

   a) all significant deficiencies in the design or operation of internal controls which could registrant's ability to record, process, summarize and report financial data and have id registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whe significant changes in internal controls or in other factors that could significantly affect subsequent to the date of our most recent evaluation, including any corrective actions with deficiencies and material weaknesses.

Date: May 15, 2003

By: /s/ MICHAEL D. EI

Michael D. Eisner
Chairman of the B
and Chief Execut

CERTIFICATIONS

I, Thomas O. Staggs, Senior Executive Vice President and Chief Financial Officer of The Walt Disn "Company"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a mate state a material fact necessary to make the statements made, in light of the circumstances u were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in report, fairly present in all material respects the financial condition, results of operatio

registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and mainta controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registr

   a) designed such disclosure controls and procedures to ensure that material information rel including its consolidated subsidiaries, is made known to us by others within those enti the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclo procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent ev registrant's auditors and the audit committee of registrant's board of directors (or persons functions):

   a) all significant deficiencies in the design or operation of internal controls which could registrant's ability to record, process, summarize and report financial data and have id registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whe significant changes in internal controls or in other factors that could significantly affect subsequent to the date of our most recent evaluation, including any corrective actions with deficiencies and material weaknesses.

Date: May 15, 2003

By: /s/ THOMAS O. STA

Thomas O. Staggs
Senior Executive
and Chief Finan
Officer