

FOR IMMEDIATE RELEASE

February 9, 2000

**THE WALT DISNEY COMPANY REPORTS
EARNINGS FOR THE QUARTER ENDED
DECEMBER 31, 1999**

BURBANK, Calif. – The Walt Disney Company today reported consolidated results attributable to its two classes of common stock, Disney and GO.com, for the quarter ended December 31, 1999.

DISNEY RESULTS

As the Company announced on January 24, 2000, on a pro forma basis, Disney revenues increased 5% to \$6.8 billion and operating income increased 8% to \$1.1 billion. Excluding the retained interest in GO.com, net income increased 7% to \$515 million and diluted earnings per share increased 9% to \$0.25. Non-cash amortization of intangible assets included in Disney's retained interest in GO.com amounted to \$168 million for the quarter. Including the retained interest in GO.com, adjusted to exclude amortization of intangible assets, net income and earnings per share were \$482 million and \$0.23, respectively. Including GO.com amortization of intangible assets, net income and earnings per share were \$324 million and \$0.16, respectively.

“As I outlined in our annual report to shareholders, the key to our success is the quality of our products,” said Michael D. Eisner, Disney chairman and CEO. “Much of the upside in our first quarter derived from outstanding new product. *Who Wants to Be a Millionaire* helped drive the ABC-TV network to number one in the TV ratings, *Toy Story 2* was a smashing film success, and our Epcot Millennium Celebration helped Walt Disney World achieve record attendance.

Regarding the Company’s tracking stock, Eisner added, “While we expect GO to continue to incur operating losses, we believe it has just begun to leverage the assets, creativity and promotional strength of The Walt Disney Company. GO’s increased strategic focus on the entertainment, recreation, leisure and lifestyle categories will play to those strengths. As broader bandwidth becomes more prevalent, we believe GO’s strategic advantages will become even more apparent.”

Basis of Presentation

As discussed in more detail below, the Company made certain changes to its segment and other disclosures and has presented pro forma amounts to enhance comparability. Unless otherwise indicated, comparisons reflect pro forma amounts for the current and prior-year periods. On January 24, 2000, the Company announced results for Disney excluding the impact of its retained interest in GO.com. The results released today and the discussion below are consistent with the information announced previously.

Media Networks

As presented in the accompanying Table A, Media Networks revenues for the quarter increased 19% to \$2.7 billion, and operating income was \$642 million, an increase of 73%.

Broadcasting results for the quarter were driven by increases at the ABC television network and the Company's owned television stations due to a strong advertising market and the success of *Who Wants to Be a Millionaire*. The network also benefited from increases in the news division, driven in part, by improved ratings for *Good Morning America*. Additionally, a strong advertising market resulted in growth at the radio network and stations.

The accompanying Table B presents operating income for Disney's overall cable television activities, which consist of Disney's cable networks and cable equity investments. Disney's share of operating income from cable television activities increased 31% to \$316 million for the quarter.

Cable television results for the quarter were driven by growth at the cable networks, reflecting increases at ESPN, driven by higher affiliate fees due to contractual rate increases and subscriber growth, and increased advertising revenues due to a strong advertising market, partially offset by higher programming costs. In addition, increases at E! Entertainment Television, Lifetime Television and The History Channel contributed to improved results.

Studio Entertainment

Revenues for the quarter were \$1.6 billion, a decrease of 10% compared to the prior-year quarter, and operating income was \$23 million,

compared to \$143 million for the prior-year quarter. Studio Entertainment results for the quarter were driven primarily by declines in worldwide home video and domestic theatrical motion picture distribution, partially offset by improvements in international theatrical motion picture distribution.

In worldwide home video, the current period's releases faced difficult comparisons to the prior year, which included the successful domestic release of *Lion King II: Simba's Pride* and the classic animated release of *The Little Mermaid* in international territories. In domestic theatrical motion picture distribution, the successful release of *Toy Story 2* was more than offset by the performance of *The Insider* and *Bicentennial Man*. Improvements in international theatrical motion picture distribution were driven primarily by *Tarzan* and *Toy Story 2*.

Theme Parks and Resorts

Theme Parks and Resorts posted record operating results for the quarter, with revenues increasing 9% to \$1.6 billion and operating income up 6% to \$363 million.

Theme Parks and Resorts results benefited from increased guest spending, growth in occupied room nights and record attendance at Walt Disney World, improved results at Disney Cruise Line and higher guest spending at Disneyland, partially offset by lower attendance at Disneyland. Increased guest spending and record attendance at Walt Disney World were driven by the ongoing Millennium Celebration. Higher occupied room nights reflected the opening of the All Star Movies Resort in the second quarter of the prior year. Disney Cruise Line results reflected a

full quarter of operations from both cruise ships, the Disney Magic and the Disney Wonder, compared to just the Disney Magic in the prior year.

Lower attendance at Disneyland was driven by weakness in international visitation. Revenue gains at Walt Disney World were partially offset by incremental operating costs associated with the Millennium Celebration.

Consumer Products

Consumer Products revenues for the quarter were \$903 million, down 6% from the prior-year quarter, and operating income was \$207 million, down 29%. Results for the quarter were driven by declines in merchandise licensing domestically and in Latin America and Europe, and softer publishing results in Europe. These declines were partially offset by improvements at Disney Interactive, primarily driven by the success of the *Who Wants to Be a Millionaire* video game and the *Toy Story 2* action game.

Corporate and Other Activities

Corporate and other activities improved over the prior-year quarter, principally due to increased income from equity investments, including E! Entertainment Television, Lifetime Television and The History Channel.

Net Interest Expense

Net interest expense increased 18% to \$193 million, due primarily to non-cash charges related to certain financial instruments and higher interest rates, partially offset by lower average debt balances in the current quarter.

Retained Interest in GO.com

The net loss related to the retained interest in GO.com increased 14% to \$191 million, reflecting increased operating losses at GO.com. Revenues

at GO.com increased 13% to \$126 million, driven by a 47% increase in Internet revenues, partially offset by a 15% decrease in Direct Marketing revenues. Revenue gains were more than offset by higher costs and expenses, which were driven by continued investment in Internet and Direct Marketing operations and infrastructure, combined with higher sales and marketing expenditures.

As-Reported Results

On an as-reported basis, revenues, operating income, net income and earnings per share were \$6.8 billion, \$1.4 billion, \$356 million and \$0.17, respectively. As-reported results include a pretax gain of \$243 million on the sale of Fairchild Publications in the quarter, discussed more fully below. The sale did not have a material impact on net income, however, as income taxes on the transaction largely offset the pre-tax gain. The as-reported results related to the retained interest in GO.com include a \$345 million gain on the sale of Starwave Corporation to Infoseek Corporation in the prior-year quarter.

CONSOLIDATED RESULTS

Consolidated results reflect the operations of Disney, which are discussed in this release, and the operations of GO.com, which were discussed in a separate release issued today.

On a pro forma basis, revenues increased 5% to \$6.9 billion and operating income increased 3% to \$808 million. Excluding amortization of intangible assets, net income increased 3% to \$587 million. Including amortization of intangible assets, net income increased 1% to \$250 million.

On an as-reported basis, revenues, operating income and net income were \$6.9 billion, \$1.2 billion and \$315 million, respectively.

STOCK REPURCHASES

The Company repurchased 2.6 million Disney shares for approximately \$75 million during the quarter. The purchases were effected through open market purchases under the Company's existing stock repurchase program. As of December 31, 1999, the Company was authorized to repurchase approximately 396 million additional shares.

PUBLISHING DISPOSITIONS

During the quarter, the Company completed its sale of Fairchild Publications, which it had acquired in connection with the 1996 acquisition of ABC, Inc.

In January 2000, the Company reached a definitive agreement with EMMIS Communications Corporation for the sale of *Los Angeles Magazine*.

DISNEY AND GO.COM REPORTING

On November 17, 1999, stockholders of The Walt Disney Company and Infoseek Corporation approved the Company's acquisition of the remaining interest in Infoseek Corporation that the Company did not already own.

The acquisition was effected by the creation and issuance of a new class of common stock, called "GO.com" common stock (NYSE:GO), and resulted in the creation of GO.com, which comprises the Company's Internet businesses as well as its direct marketing operations. Shares of the Company's existing common stock were reclassified as "Disney" common stock (NYSE:DIS), and track the financial performance of the Company's

businesses other than GO.com, plus Disney's retained interest of approximately 72% in GO.com.

In addition to reporting consolidated results of operations for The Walt Disney Company, the Company now also separately reports operating results, including earnings (loss) per share, for GO.com and Disney.

SEGMENT AND DISCLOSURE CHANGES AND PRO FORMA PRESENTATION

During the quarter, the Company made certain changes to its business segment and other disclosures:

- The merger of television production activities of the Walt Disney Studios with those of the ABC television network was completed during the quarter. Accordingly, television production activities formerly reported in Studio Entertainment are now reported in the Media Networks segment.

Prior-year amounts used for comparative purposes have been restated to reflect the current presentation.

To enhance comparability, the Company has presented operating results for the current and prior period on a pro forma basis, which assumes that the acquisition of the remaining interest in Infoseek and subsequent creation of GO.com and the disposition of Fairchild Publications had occurred at the beginning of fiscal 1999.

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 prior to its fiscal 2000 year end, including further 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 changes in global economic conditions that may, among other things, affect the international performance of the Company's theatrical and home video releases, television programming and consumer products and, in addition, uncertainties associated with the Internet. Changes in domestic competitive and economic conditions 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.go.com/investors>

DISNEY COMBINED STATEMENTS OF INCOME
For the Quarter Ended December 31
(Unaudited, in millions, except per share data)

	Pro forma		As-Reported	
	1999	1998	1999	1998
REVENUES	\$ 6,816	\$6,481	\$ 6,830	\$6,521
COSTS AND EXPENSES	(5,581)	(5,334)	(5,594)	(5,371)
AMORTIZATION OF INTANGIBLE ASSETS	(111)	(107)	(111)	(108)
GAIN ON SALE OF FAIRCHILD	—	—	243	—
OPERATING INCOME	1,124	1,040	1,368	1,042
CORPORATE AND OTHER ACTIVITIES	7	(21)	5	(21)
NET INTEREST EXPENSE	<u>(193)</u>	<u>(163)</u>	<u>(195)</u>	<u>(163)</u>
INCOME BEFORE INCOME TAXES, MINORITY INTERESTS AND RETAINED INTEREST IN GO.COM	938	856	1,178	858
INCOME TAXES	(392)	(352)	(629)	(366)
MINORITY INTERESTS	<u>(31)</u>	<u>(22)</u>	<u>(31)</u>	<u>(22)</u>
INCOME BEFORE RETAINED INTEREST IN GO.COM	515	482	518	470
NET (LOSS) INCOME RELATED TO RETAINED INTEREST IN GO.COM	<u>(191)</u>	<u>(168)</u>	<u>(162)</u>	<u>152</u>
NET INCOME	\$ <u>324</u>	\$ <u>314</u>	\$ <u>356</u>	\$ <u>622</u>
EARNINGS PER SHARE:				
Diluted	\$ <u>0.16</u>	\$ <u>0.15</u>	\$ <u>0.17</u>	\$ <u>0.30</u>
Basic	\$ <u>0.16</u>	\$ <u>0.15</u>	\$ <u>0.17</u>	\$ <u>0.30</u>
EARNINGS PER SHARE EXCLUDING RETAINED INTEREST IN GO.COM				
Diluted	\$ <u>0.25</u>	\$ <u>0.23</u>	\$ <u>0.25</u>	\$ <u>0.23</u>
Basic	\$ <u>0.25</u>	\$ <u>0.24</u>	\$ <u>0.25</u>	\$ <u>0.23</u>
Average number of common and common equivalent shares outstanding:				
Diluted	<u>2,081</u>	<u>2,076</u>	<u>2,081</u>	<u>2,076</u>
Basic	<u>2,064</u>	<u>2,050</u>	<u>2,064</u>	<u>2,050</u>

DISNEY SEGMENT RESULTS
For The Quarter Ended December 31
(Unaudited, in millions)

	Pro Forma		% Change	As-Reported	
	1999	1998		1999	1998
Revenues:					
Media Networks	\$ 2,737	\$ 2,308	19 %	\$ 2,737	\$ 2,308
Studio Entertainment	1,599	1,773	(10)%	1,599	1,773
Theme Parks & Resorts	1,577	1,442	9 %	1,577	1,442
Consumer Products	<u>903</u>	<u>958</u>	(6)%	<u>917</u>	<u>998</u>
	<u>\$ 6,816</u>	<u>\$ 6,481</u>	5 %	<u>\$ 6,830</u>	<u>6,521</u>
Operating Income (Loss): ⁽¹⁾					
Media Networks	\$ 642	\$ 371	73 %	\$ 642	\$ 371
Studio Entertainment	23	143	(84)%	23	143
Theme Parks & Resorts	363	343	6 %	363	343
Consumer Products	207	290	(29)%	208	293
Amortization of Intangible Assets	<u>(111)</u>	<u>(107)</u>	(4)%	<u>(111)</u>	<u>(108)</u>
	1,124	1,040	8 %	1,125	1,042
Gain on Sale of Fairchild	<u> </u>	<u> </u>		<u>243</u>	<u> </u>
Operating Income	<u>\$ 1,124</u>	<u>\$ 1,040</u>	8 %	<u>\$ 1,368</u>	<u>\$ 1,042</u>

(1) Segment results exclude intangible asset amortization and include depreciation as follows:

Media Networks	\$ 34	\$ 31	\$ 34	\$ 31
Studio Entertainment	15	16	15	16
Theme Parks & Resorts	139	120	139	120
Consumer Products	<u>26</u>	<u>31</u>	<u>26</u>	<u>31</u>
	<u>\$ 214</u>	<u>\$ 198</u>	<u>\$ 214</u>	<u>\$ 198</u>

Table A**MEDIA NETWORKS**
(Unaudited; in millions)

	Quarter Ended December 31		
	1999	1998	% Change
Revenues:			
Broadcasting	\$ 1,715	\$ 1,515	13 %
Cable Networks	<u>1,022</u>	<u>793</u>	29 %
	\$ <u>2,737</u>	\$ <u>2,308</u>	19 %
Operating Income: ⁽¹⁾			
Broadcasting	\$ 345	\$ 148	133 %
Cable Networks	<u>297</u>	<u>223</u>	33 %
	\$ <u>642</u>	\$ <u>371</u>	73 %

(1) Amounts exclude intangible asset amortization

Table B

CABLE TELEVISION ACTIVITIES
(Unaudited; in millions)

	Quarter Ended December 31		
	1999	1998	% Change
Operating Income:			
Cable Networks	\$ 297	\$ 223	33 %
Equity Investments:			
A&E, Lifetime and E! Entertainment Television	150	102	47 %
Other	<u>18</u>	<u>17</u>	6 %
	465	342	36 %
Partner Share of Operating Income	<u>(149)</u>	<u>(100)</u>	(49)%
Disney Share of Operating Income	<u>\$ 316</u>	<u>\$ 242</u>	31 %

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 "Operating Income" in the 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 "Corporate and Other Activities" in the statements of income.

The Walt Disney Company
CONSOLIDATED STATEMENTS OF INCOME
For the Quarter Ended December 31
(Unaudited, in millions)

	Pro forma		As-Reported	
	1999	1998	1999	1998
REVENUES	\$ 6,942	\$6,593	\$ 6,932	\$ 6,597
COSTS AND EXPENSES	(5,790)	(5,475)	(5,785)	(5,451)
AMORTIZATION OF INTANGIBLE ASSETS	(344)	(334)	(226)	(108)
GAIN ON SALE OF FAIRCHILD	-	-	243	-
GAIN ON SALE OF STARWAVE	<u>-</u>	<u>-</u>	<u>-</u>	<u>345</u>
OPERATING INCOME	808	784	1,164	1,383
CORPORATE AND OTHER ACTIVITIES	5	(23)	3	(38)
EQUITY IN INFOSEEK LOSS	-	-	(41)	(84)
NET INTEREST EXPENSE	<u>(193)</u>	<u>(162)</u>	<u>(197)</u>	<u>(164)</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	620	599	929	1,097
INCOME TAXES	(346)	(329)	(590)	(453)
MINORITY INTERESTS	<u>(24)</u>	<u>(22)</u>	<u>(24)</u>	<u>(22)</u>
NET INCOME	\$ <u>250</u>	\$ <u>248</u>	\$ <u>315</u>	\$ <u>622</u>