

FOR IMMEDIATE RELEASE  
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**THE WALT DISNEY COMPANY REPORTS HIGHER EARNINGS FOR  
THE YEAR AND THE QUARTER ENDED SEPTEMBER 30, 2000**

BURBANK, Calif. – The Walt Disney Company today reported increased earnings for Disney (NYSE:DIS), as well as the consolidated Company which includes the Walt Disney Internet Group, for both the year and fourth quarter ended September 30, 2000.

**DISNEY RESULTS**

***Full Year Pro Forma EPS Excluding Retained Interest in the Internet Group Increased 42% to \$0.92. Including the Internet Group, EPS Increased 90% Over Prior-Year Pro Forma Amounts***

Disney revenues for the year increased 9% to \$25.0 billion and operating income increased 26% to \$4.0 billion on a pro forma basis. Net income and diluted earnings per share increased 44% and 42% to \$1.9 billion and \$0.92, respectively, excluding the retained interest in the Walt Disney Internet Group.

Including the retained interest in the Disney Internet Group, net income increased 89% to \$1.1 billion and diluted earnings per share increased 90% to \$0.55, on a pro forma basis. For the year, the retained

interest in the Disney Internet Group includes non-cash charges totaling \$648 million (\$0.30 per share) for amortization of intangible assets.

"2000 was a great year that exceeded expectations which can be attributed to the tremendous earnings power of Disney's diverse businesses," said Michael Eisner, chairman and CEO. " This year Media Networks turned in the most impressive gains, while Parks and Resorts registered its sixth consecutive year of record earnings. Looking ahead, we are focused on maintaining growth in these assets while positioning ourselves to better tap into the inherent strength of Studios and Consumer Products."

***Disney Reports Fourth Quarter EPS of \$0.20 Excluding its Interest in the Internet Group, an 82% Increase over Prior-Year Pro Forma Amounts. Including the Internet Group, Quarterly EPS Increased to \$0.11***

Disney revenues for the quarter increased 6% to \$6.0 billion and operating income increased to \$898 million on a pro forma basis, a 58% increase excluding restructuring charges in the prior-year quarter totaling \$132 million (\$0.04 per share). Net income increased 77% to \$417 million and diluted earnings per share increased to \$0.20, excluding the retained interest in the Disney Internet Group and the prior year restructuring charges.

Net income and diluted earnings per share increased to \$240 million and \$0.11, respectively, including the retained interest in the Disney Internet Group. For the quarter, Disney's retained interest in the Disney Internet Group includes non-cash charges totaling \$151 million (\$0.06 per share) for amortization of intangible assets.

Results for the year include the impact of the sale of the Company's stake in Eurosport, a European sports cable service, for \$155 million, which resulted in a \$93 million pre-tax gain and an after-tax gain of approximately \$0.02 per share. Results for the prior year include restructuring charges that were recorded in the fourth quarter totaling \$132 million (\$0.04 per share). Excluding these two non-recurring items, earnings per share excluding the retained interest in the Disney Internet Group increased 32% to \$0.90.

As-reported operating income, net income and diluted earnings per share for the year were \$4.3 billion, \$1.2 billion and \$0.57, respectively. The as-reported results include a \$243 million pre-tax gain on the sale of Fairchild Publications in the first quarter of the current year. The sale did not have a material impact on net income as income taxes on the transaction largely offset the pre-tax gain. The prior-year as-reported results related to the retained interest in the Disney Internet Group include a \$345 million gain on the sale of Starwave Corporation to Infoseek.

### **Basis of Presentation**

To enhance comparability, the Company has presented operating results for the current year and prior-year periods on a pro forma basis, which assumes that the acquisition of the remaining interest in Infoseek, and subsequent creation of the Disney Internet Group and the disposition of Fairchild Publications occurred at the beginning of fiscal 1999. The Company believes that pro forma results provide additional information useful in analyzing the underlying business results. Unless otherwise indicated, the following discussion reflects pro forma results.

## **Media Networks**

Media Networks posted record operating results for both the year and fourth quarter. Revenues for the year increased 21% to \$9.6 billion, and operating income grew 45% to \$2.3 billion. For the quarter, revenues increased 14% to \$2.2 billion, and operating income grew 26% to \$460 million.

Broadcasting results for both the year and fourth 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 continued success of *Who Wants to Be a Millionaire*. For the year, growth at the network and stations also reflected higher overall ratings on network programming. The television stations also benefited from higher spot advertising rates driven by ABC placing first in both the February and May sweeps. At the conclusion of the 1999/2000 season, ABC was the number-one-rated network in total households and the key adult 18-49 year old demographic. Additionally, the strong advertising market resulted in growth at the radio networks and stations for the year.

Disney's share of operating income from cable television activities, which consists of Disney's cable networks and cable equity investments, increased 25% to \$1.2 billion for the year and increased 7% to \$240 million for the fourth quarter.

Cable television results for both the year and fourth quarter were driven by higher affiliate revenue due to subscriber growth and contractual rate increases and increased advertising revenues driven by a strong advertising market. In addition, profit increases from cable equity

investments, including A&E Television, Lifetime Television, E! Entertainment Television and The History Channel, contributed to improved results. These increases were partially offset by higher programming costs at ESPN, principally due to increased sports rights fees, and by start-up costs associated with the launch of various international Disney Channels, as well as the January launch of SoapNet.

Cable television results for the year also benefited from the Eurosport gain.

### **Parks & Resorts**

Parks & Resorts posted record operating results for both the year and fourth quarter. Revenues for the year increased 11% to \$6.8 billion and operating income grew 10% to \$1.6 billion. For the quarter, revenues increased 10% to \$1.7 billion and operating income grew 10% to \$362 million.

Parks & Resorts results for both the year and fourth quarter were driven by increased guest spending and record theme park attendance at Walt Disney World, increased guest spending and higher attendance at Disneyland, and improved performance at the Disney Cruise Line, partially offset by increased costs at Walt Disney World and Disneyland. At Walt Disney World, higher guest spending, record theme park attendance and associated operating costs were driven by the ongoing Millennium Celebration. At Disneyland, attendance gains and increased guest spending reflected the 45<sup>th</sup> Anniversary Celebration and the strength of the annual passport program. Higher operating costs at Disneyland were driven by increased volume as well as pre-opening costs at Disney's

California Adventure. Improved results at Disney Cruise Line were driven by full-year operations of both cruise ships, the *Disney Magic* and the *Disney Wonder*, compared to just the *Disney Magic* for the first three and a half quarters of the prior year.

Parks & Resorts for the year also benefited from record occupied room nights at Walt Disney World, reflecting the opening of Disney's All-Star Movies Resort in the second quarter of the prior year.

### **Studio Entertainment**

Revenues for the year decreased 3% to \$6.0 billion and operating income decreased 29% to \$110 million. For the fourth quarter, revenues decreased 2% to \$1.5 billion and operating income was \$87 million, compared to an \$84 million operating loss in the prior-year quarter.

Studio Entertainment results for the year were driven primarily by declines in worldwide home video and network television production, partially offset by improvements in international theatrical motion picture distribution.

In worldwide home video, the continued success of *Tarzan* faced difficult comparisons to the prior year, which included the combination of *Lion King II: Simba's Pride*, *Mulan* and Disney/Pixar's *A Bug's Life*. The current year benefited from the roll-out of the Gold Collection animated library titles on VHS and DVD. The decline in network television production reflected *Home Improvement* in the prior year. Improvements in international theatrical motion picture distribution were driven primarily by the success of *Tarzan*, *The Sixth Sense* and Disney/Pixar's *Toy Story 2*.

Studio Entertainment results for the fourth quarter were driven primarily by improvements in domestic theatrical motion picture distribution and domestic home video, partially offset by declines in international home video and network television distribution.

Growth in domestic theatrical motion picture distribution was primarily driven by improved live action film titles compared to the prior-year quarter, which included *The 13<sup>th</sup> Warrior*, *Mumford* and *Mystery Alaska*. Improvements in domestic home video were driven by the strong performance of animated film titles, including *Little Mermaid II: Return to the Sea*, *Buzz Lightyear: Star Command* and *The Tigger Movie*. In international home video, the continued success of *Tarzan* on VHS and DVD faced difficult comparisons to the prior-year quarter, which included the combination of *A Bug's Life*, *Lion King II: Simba's Pride*, *Mulan* and *Armageddon*. Declines in network television distribution were driven by higher domestic syndication in the prior-year quarter.

### **Consumer Products**

Revenues for the year decreased 6% to \$2.6 billion and operating income decreased 20% to \$454 million. Revenues for the fourth quarter decreased 7% to \$628 million and operating income increased 25% to \$100 million. The prior year included charges recorded in the fourth quarter for write-downs of underutilized assets and inventory.

Results for both the year and fourth quarter reflected declines in worldwide merchandise licensing, and increased advertising costs, partially offset by increases at the Disney Stores, reflecting the prior-year write-downs.

Results for the year benefited from improvements at Disney Interactive, primarily driven by the success of the *Who Wants to Be a Millionaire* video games, *Pooh* learning titles and the *Toy Story 2* action game, partially offset by softer publishing results domestically and in Europe.

### **Corporate and Other Activities**

Net expense associated with corporate and other activities decreased \$33 million to \$91 million for the year and increased \$51 million to \$63 million for the fourth quarter. Both the year and the quarter reflected increased income from cable equity investments, including Lifetime Television, The History Channel, A&E Television and E! Entertainment Television. Fourth quarter increases in cable equity income were more than offset by the impact of certain one-time benefits in the prior-year fourth quarter.

### **Net Interest Expense**

Net interest expense decreased 13% to \$523 million for the year and 19% to \$84 million for the quarter, due to lower average debt balances, partially offset by higher interest rates in the current year. Lower average debt balances were driven by strong cash flow which resulted in a \$2.1 billion reduction in debt levels for the year. The year also reflected gains from the sale of certain investments.

### **Stock Repurchases**

The Company repurchased 1.0 million Disney shares for approximately \$40 million during the quarter. For the year, the Company has purchased a total of 4.9 million shares for approximately \$155 million. Also during the quarter, the Company repurchased 0.9 million Walt

Disney Internet Group shares for approximately \$11 million. The purchases were effected through open market transactions under the Company's existing stock repurchase program. As of September 30, 2000, the Company was authorized to repurchase approximately 394 million additional Disney shares and approximately 4 million Disney Internet Group Shares.

### **Retained Interest in the Disney Internet Group**

Net loss related to the retained interest in the Disney Internet Group, excluding non-cash amortization of intangible assets, increased to \$155 million from \$94 million for the year and decreased to \$33 million from \$35 million for the quarter on a pro forma basis, reflecting increased Disney Internet Group operating losses. Disney's retained interest in the Disney Internet Group for the year and fourth quarter includes Disney's share (\$28 million) of a gain on the sale of Ultraseek Corp., a subsidiary that provides intranet search software. The Ultraseek gain more than offset higher Internet Group operating losses for the fourth quarter. Disney Internet Group revenues for the year increased 13% to \$392 million, driven by a 39% increase in Internet revenues, partially offset by a 23% decrease in Direct Marketing revenues. Revenues at the Disney Internet Group for the quarter decreased 6% to \$82 million, driven by a 33% decrease in Direct Marketing revenues partially offset by a 9% increase in Internet revenues. The revenue increase for the year was more than offset by higher costs and expenses, which were driven by continued investment in Web site technology and new product initiatives, growth in infrastructure due to expansion of the business, ongoing enhancements to existing Web sites, the

redesign of the GO.com Web site, increased sales and marketing costs due to the expansion of the Internet Group's commerce and media businesses, a non-cash charge to reflect the impairment of certain intangible assets and operating costs at toysmart.com until its closure in June 2000. Net loss related to the retained interest in the Disney Internet Group was \$785 million and \$177 million for the year and the quarter, respectively, including non-cash amortization of intangible assets of \$648 million and \$151 million for the year and the quarter, respectively.

### **Attribution of Operating Results**

In addition to the consolidated results of operations for The Walt Disney Company, the Company has also presented the operating results attributable to the Disney common stock (NYSE:DIS). This statement serves the special purpose of reflecting the allocation of revenues and expenses to the Disney common stock under the Company's Common Stock Policies. Disney's earnings represent the results of all of its operations, and as a separate line item, the portion of the net loss of The Walt Disney Internet Group ("WDIG") attributed to Disney under the Company's Common Stock Policies. For fiscal 2000 and the fourth quarter, the Disney statement reflects approximately 71% of WDIG's net loss. Both the Disney and WDIG common stocks are classes of common stock issued by The Walt Disney Company.

### **CONSOLIDATED RESULTS**

***Full Year Net Income Excluding Non-Cash Amortization of Intangible Assets Increases 30% to \$2.1 Billion on a Pro Forma Basis. As-Reported Net Income Adjusted to Exclude Amortization and Prior-Year Starware Gain Up 27% to \$2.1 Billion***

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

On a pro forma basis, revenues for the year increased 9% to \$25.4 billion and operating income increased 39% to \$2.9 billion. The current year and fourth quarter include a \$153 million gain on the sale of Ultraseek and the prior year and fourth quarter include restructuring charges totaling \$132 million. The Ultraseek gain had a \$39 million impact on net income. Excluding non-cash amortization of intangible assets, net income increased 30% to \$2.1 billion on a pro forma basis. Including non-cash amortization of intangible assets, net income increased 158% to \$832 million. On an as-reported basis, revenues, operating income and net income excluding non-cash amortization were \$25.4 billion, \$3.2 billion and \$2.1 billion, respectively. Including amortization, net income was \$920 million.

Compared to prior-year pro forma amounts, revenues for the quarter increased 6% to \$6.1 billion and operating income increased to \$736 million. Excluding non-cash amortization of intangible assets, net income was \$465 million. Including non-cash amortization of intangible assets, net income was \$167 million.

### **ACCOUNTING CHANGES**

Effective October 1, 2000, the Company adopted two new accounting pronouncements, AICPA Statement of Position 00-2, *Accounting by Producers or Distributors of Films* (Film Accounting) and Statement of Financial Accounting Standards No. 133, *Accounting for Derivative*

*Instruments and Hedging Activities (Derivative Accounting).* The Company's results of operations and financial position will reflect the impact of the new standards commencing October 1, 2000 and the Company will record a one-time after-tax charge for the initial adoption of the standards totaling \$221 million for Film Accounting and \$51 million for Derivative Accounting in its financial statements for the quarter ended December 31, 2000.

*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>*

**INCOME STATEMENT OF THE DISNEY COMMON STOCK**  
**For the Year Ended September 30**  
(Unaudited; in millions, except per share data)

	Pro Forma		As Reported	
	2000	1999	2000	1999
Revenues	\$ 25,020	\$ 23,052	\$ 25,034	\$ 23,229
Costs and expenses	(20,538)	(19,272)	(20,551)	(19,416)
Amortization of intangible assets	(442)	(448)	(442)	(451)
Restructuring charges	-	(132)	-	(132)
Gain on sale of Fairchild	-	-	243	-
Operating income	4,040	3,200	4,284	3,230
Corporate and other activities	(91)	(124)	(93)	(124)
Gain on sale of Eurosport	93	-	93	-
Net interest expense	(523)	(600)	(525)	(605)
Income before income taxes, minority interests and retained interest in the Internet Group	3,519	2,476	3,759	2,501
Income taxes	(1,458)	(1,040)	(1,695)	(1,051)
Minority interests	(127)	(91)	(127)	(91)
Income before retained interest in the Internet Group	1,934	1,345	1,937	1,359
Net loss related to retained interest in the Internet Group <sup>(1)</sup>	(785)	(736)	(741)	(59)
Net income attributed to Disney Common Stock	<u>\$ 1,149</u>	<u>\$ 609</u>	<u>\$ 1,196</u>	<u>\$ 1,300</u>
Earnings per share attributed to Disney Common Stock: <sup>(2)</sup>				
Diluted	<u>\$ 0.55</u>	<u>\$ 0.29</u>	<u>\$ 0.57</u>	<u>\$ 0.62</u>
Basic	<u>\$ 0.55</u>	<u>\$ 0.30</u>	<u>\$ 0.58</u>	<u>\$ 0.63</u>
Earnings per share attributed to Disney Common Stock excluding retained interest in the Internet Group: <sup>(2)</sup>				
Diluted	<u>\$ 0.92</u>	<u>\$ 0.65</u>	<u>\$ 0.92</u>	<u>\$ 0.65</u>
Basic	<u>\$ 0.93</u>	<u>\$ 0.65</u>	<u>\$ 0.93</u>	<u>\$ 0.66</u>
Average number of common and common equivalent shares outstanding:				
Diluted	<u>2,103</u>	<u>2,083</u>	<u>2,103</u>	<u>2,083</u>
Basic	<u>2,074</u>	<u>2,056</u>	<u>2,074</u>	<u>2,056</u>
(1) Amounts include non-cash amortization of intangible assets as follows:	<u>\$ 648</u>	<u>\$ 658</u>	<u>\$ 564</u>	<u>\$ 234</u>

(2) Disney is a class of common stock of the Walt Disney Company. Income attributed to Disney Common Stock should be reviewed in conjunction with the consolidated results of operations for the Walt Disney Company presented elsewhere herein.

INCOME STATEMENT OF THE DISNEY COMMON STOCK  
For the Quarter Ended September 30  
(Unaudited; in millions, except per share data)

	2000	1999 (Pro Forma)	1999 (As Reported)
Revenues	\$ 6,034	\$ 5,693	\$ 5,744
Costs and expenses	(5,025)	(5,005)	(5,039)
Amortization of intangible assets	(111)	(119)	(119)
Restructuring charges	—	(132)	(132)
Operating income	898	437	454
Corporate and other activities	(63)	(12)	(12)
Gain on sale of Eurosport	—	—	—
Net interest expense	(84)	(104)	(106)
Income before income taxes, minority interests and retained interest in the Internet Group	751	321	336
Income taxes	(312)	(144)	(146)
Minority interests	(22)	(22)	(22)
Income before retained interest in the Internet Group	417	155	168
Net loss related to retained interest in the Internet Group <sup>(1)</sup>	(177)	(203)	(83)
Net income attributed to Disney Common Stock	\$ 240	\$ (48)	\$ 85
Earnings per share attributed to Disney Common Stock: <sup>(2)</sup>			
Diluted	\$ 0.11	\$ (0.02)	\$ 0.04
Basic	\$ 0.12	\$ (0.02)	\$ 0.04
Earnings per share attributed to Disney Common Stock excluding retained interest in the Internet Group: <sup>(2)</sup>			
Diluted	\$ 0.20	\$ 0.07	\$ 0.08
Basic	\$ 0.20	\$ 0.08	\$ 0.08
Average number of common and common equivalent shares outstanding:			
Diluted	2,115	2,082	2,082
Basic	2,083	2,062	2,062

(1) Amounts include non-cash amortization of intangible assets as follows:

\$ 151	\$ 167	\$ 69
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(2) Disney is a class of common stock of the Walt Disney Company. Income attributed to Disney Common Stock should be reviewed in conjunction with the consolidated results of operations for the Walt Disney Company presented elsewhere herein.

**SEGMENT RESULTS ATTRIBUTED TO DISNEY**  
**For the Year Ended September 30**  
**(Unaudited, in millions)**

	Pro Forma			As Reported	
	2000	1999	% Change	2000	1999
<b>Revenues:</b>					
Media Networks	\$ 9,615	\$ 7,970	21 %	\$ 9,615	\$ 7,970
Studio Entertainment	5,994	6,166	(3)%	5,994	6,166
Parks & Resorts	6,803	6,139	11 %	6,803	6,139
Consumer Products	2,608	2,777	(6)%	2,622	2,954
	<u>\$ 25,020</u>	<u>\$ 23,052</u>	9 %	<u>\$ 25,034</u>	<u>\$ 23,229</u>
<b>Operating income (loss): <sup>(1)</sup></b>					
Media Networks	\$ 2,298	\$ 1,580	45 %	\$ 2,298	\$ 1,580
Studio Entertainment	110	154	(29)%	110	154
Parks & Resorts	1,620	1,479	10 %	1,620	1,479
Consumer Products	454	567	(20)%	455	600
Amortization of intangible assets	(442)	(448)	1 %	(442)	(451)
	<u>4,040</u>	<u>3,332</u>	21 %	<u>4,041</u>	<u>3,362</u>
Gain on sale of Fairchild	-	-	n/m	243	-
Restructuring changes	-	(132)	n/m	-	(132)
Operating income	<u>\$ 4,040</u>	<u>\$ 3,200</u>	26 %	<u>\$ 4,284</u>	<u>\$ 3,230</u>

(1) Segment results exclude intangible asset amortization. Segment EBITDA, which also excludes depreciation, is as follows:

Media Networks	\$ 2,438	\$ 1,711
Studio Entertainment	164	218
Parks & Resorts	2,201	1,977
Consumer Products	558	690
	<u>\$ 5,361</u>	<u>\$ 4,596</u>

**NOTE:** During the first quarter of the current year, 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 first quarter of the current year. 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.

SEGMENT RESULTS ATTRIBUTED TO DISNEY  
For the Quarter Ended September 30  
(Unaudited, in millions)

	2000	1999 (Pro Forma)	% Change	1999 (As Reported)
<b>Revenues:</b>				
Media Networks	\$ 2,195	\$ 1,929	14 %	\$ 1,929
Studio Entertainment	1,496	1,529	(2)%	1,529
Parks & Resorts	1,715	1,563	10 %	1,563
Consumer Products	628	672	(7)%	723
	<u>\$ 6,034</u>	<u>\$ 5,693</u>	6 %	<u>\$ 5,744</u>
<b>Operating income (loss): <sup>(1)</sup></b>				
Media Networks	\$ 460	\$ 364	26 %	\$ 364
Studio Entertainment	87	(84)	n/m	(84)
Parks & Resorts	362	328	10 %	328
Consumer Products	100	80	25 %	97
Amortization of intangible assets	(111)	(119)	7 %	(119)
Restructuring changes	-	(132)	n/m	(132)
Operating income	<u>\$ 898</u>	<u>\$ 437</u>	n/m	<u>\$ 454</u>

(1) Segment results exclude intangible asset amortization. Segment EBITDA, which also excludes depreciation, is as follows:

Media Networks	\$ 496	\$ 398
Studio Entertainment	101	(65)
Parks & Resorts	505	459
Consumer Products	124	103
	<u>\$ 1,226</u>	<u>\$ 895</u>

**NOTE:** During the first quarter of the current year, 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 first quarter of the current year. 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.

**Table A**

MEDIA NETWORKS  
(Unaudited, in millions)

	Year Ended September 30		
	2000	1999	% Change
Revenues:			
Broadcasting	\$ 6,160	\$ 5,100	21 %
Cable Networks	3,455	2,870	20 %
	\$ 9,615	\$ 7,970	21 %
Operating income: <sup>(1)</sup>			
Broadcasting	\$ 1,241	\$ 637	95 %
Cable Networks	1,057	943	12 %
	\$ 2,298	\$ 1,580	45 %

  

	Quarter Ended September 30		
	2000	1999	% Change
Revenues:			
Broadcasting	\$ 1,284	\$ 1,145	12 %
Cable Networks	911	784	16 %
	\$ 2,195	\$ 1,929	14 %
Operating income: <sup>(1)</sup>			
Broadcasting	\$ 234	\$ 142	65 %
Cable Networks	226	222	2 %
	\$ 460	\$ 364	26 %

(1) Amounts exclude intangible asset amortization

**Table B**

**CABLE TELEVISION ACTIVITIES**  
(Unaudited, in millions)

	Year Ended September 30		
	2000	1999	% Change
Operating income:			
Cable Networks	\$ 1,057	\$ 943	12 %
Equity investments:			
A&E, Lifetime and E! Entertainment Television	614	480	28 %
Other (1)	211	37	n/m
	<u>1,882</u>	<u>1,460</u>	29 %
Partner share of operating income	<u>(639)</u>	<u>(462)</u>	(38)%
Disney share of operating income	<u>\$ 1,243</u>	<u>\$ 998</u>	25 %
	Quarter Ended September 30		
	2000	1999	% Change
Operating income:			
Cable Networks	\$ 226	\$ 222	2 %
Equity investments:			
A&E, Lifetime and E! Entertainment Television	113	98	15 %
Other	36	4	n/m
	<u>375</u>	<u>324</u>	16 %
Partner share of operating income	<u>(135)</u>	<u>(99)</u>	36 %
Disney share of operating income	<u>\$ 240</u>	<u>\$ 225</u>	7 %

(1) The current year includes a pre-tax gain of \$93 million from the sale of Eurosport

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 Year Ended September 30  
(Unaudited, in millions)

	Pro Forma		As Reported	
	2000	1999	2000	1999
Revenues	\$ 25,412	\$ 23,400	\$ 25,402	\$ 23,435
Costs and expenses	(21,326)	(19,828)	(21,321)	(19,715)
Amortization of intangible assets	(1,351)	(1,362)	(1,233)	(456)
Gain on sale of Ultraseek	153	-	153	-
Gain on sale of Fairchild	-	-	243	-
Gain on sale of Starwave	-	-	-	345
Restructuring charges	-	(132)	-	(132)
Operating income	<u>2,888</u>	<u>2,078</u>	<u>3,244</u>	<u>3,477</u>
Corporate and other activities	(103)	(131)	(105)	(140)
Gain on sale of Eurosport	93	-	93	-
Equity in Infoseek loss	-	-	(41)	(322)
Net interest expense	<u>(554)</u>	<u>(595)</u>	<u>(558)</u>	<u>(612)</u>
Income before income taxes and minority interests	2,324	1,352	2,633	2,403
Income taxes	(1,385)	(941)	(1,606)	(1,014)
Minority interests	(107)	(88)	(107)	(89)
Net income	<u>\$ 832</u>	<u>\$ 323</u>	<u>\$ 920</u>	<u>\$ 1,300</u>
Earnings (loss) attributed to:				
Disney Common Stock <sup>(1)</sup>	\$ 1,149	\$ 609	\$ 1,196	\$ 1,300
Internet Group Common Stock	(317)	(286)	(276)	-
	<u>\$ 832</u>	<u>\$ 323</u>	<u>\$ 920</u>	<u>\$ 1,300</u>
Earnings (loss) per share attributed to:				
Disney Common Stock <sup>(1)</sup>				
Diluted	\$ 0.55	\$ 0.29	\$ 0.57	\$ 0.62
Basic	<u>\$ 0.55</u>	<u>\$ 0.30</u>	<u>\$ 0.58</u>	<u>\$ 0.63</u>
Internet Group Common Stock (basic and diluted)	<u>\$ (7.10)</u>	<u>\$ (6.66)</u>	<u>\$ (6.18)</u>	<u>\$ n/a</u>
Earnings per share attributed to Disney Common Stock excluding retained interest in the Internet Group:				
Diluted	\$ 0.92	\$ 0.65	\$ 0.92	\$ 0.65
Basic	<u>\$ 0.93</u>	<u>\$ 0.65</u>	<u>\$ 0.93</u>	<u>\$ 0.66</u>
Average number of common and common equivalent shares outstanding:				
Disney				
Diluted	2,103	2,083	2,103	2,083
Basic	<u>2,074</u>	<u>2,056</u>	<u>2,074</u>	<u>2,056</u>
Internet Group (basic and diluted)	<u>45</u>	<u>43</u>	<u>45</u>	<u>n/a</u>

(1) Including Disney's retained interest in the Internet Group. Disney's retained interest in the Internet Group reflects 100% of Internet Group losses through November 17, 1999, and approximately 71% thereafter.

**The Walt Disney Company**  
**CONSOLIDATED STATEMENTS OF INCOME**  
For the Quarter Ended September 30  
(Unaudited, in millions)

	2000	1999 (Pro Forma)	1999 (As Reported)
Revenues	\$ 6,116	\$ 5,780	\$ 5,791
Costs and expenses	(5,210)	(5,171)	(5,136)
Amortization of intangible assets	(323)	(351)	(124)
Gain on sale of Ultraseek	153	-	-
Restructuring changes	-	(132)	(132)
Operating income	736	126	399
Corporate and other activities	(69)	(14)	(15)
Equity in Infoseek loss	-	-	(76)
Net interest expense	(111)	(103)	(108)
Income before income taxes and minority interest	556	9	200
Income taxes	(368)	(116)	(95)
Minority interests	(21)	(19)	(20)
Net income	\$ 167	\$ (126)	\$ 85
Earnings (loss) attributed to:			
Disney Common Stock <sup>(1)</sup>	\$ 240	\$ (48)	\$ 85
Internet Group Common Stock	(73)	(78)	-
	\$ 167	\$ (126)	\$ 85
Earnings (loss) per share attributed to:			
Disney Common Stock <sup>(1)</sup>			
Diluted	\$ 0.11	\$ (0.02)	\$ 0.04
Basic	\$ 0.12	\$ (0.02)	\$ 0.04
Internet Group Common Stock (basic and diluted)	\$ (1.61)	\$ (1.84)	\$ n/a
Earnings per share attributed to Disney excluding retained interest in the Internet Group:			
Diluted	\$ 0.20	\$ 0.07	\$ 0.08
Basic	\$ 0.20	\$ 0.08	\$ 0.08
Average number of common and common equivalent shares outstanding:			
Disney			
Diluted	2,115	2,082	2,082
Basic	2,083	2,062	2,062
Internet Group (basic and diluted)	45	43	n/a

(1) Including Disney's retained interest in the Internet Group. Disney's retained interest in the Internet Group reflects 100% of Internet Group losses through November 17, 1999, and approximately 71% thereafter.