

FOR IMMEDIATE RELEASE

February 6, 2001

**THE WALT DISNEY COMPANY REPORTS HIGHER EARNINGS  
BEFORE ACCOUNTING CHANGES**

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 (Internet Group), for the quarter ended December 31, 2000. The company also announced share repurchases totaling \$235 million during the quarter.

**DISNEY RESULTS**

***First Quarter EPS Excluding the Retained Interest in the Internet Group and the Cumulative Effect of Accounting Changes Increased 22% to \$0.28. Including the Internet Group, EPS before the Cumulative Effect of Accounting Changes Increased 23% Over Prior-Year Pro Forma Amounts***

Disney revenues for the quarter increased 7% to \$7.3 billion and segment operating income increased 12% to \$1.3 billion on a pro forma basis. Net income and diluted earnings per share, excluding the retained interest in the Internet Group and the cumulative effect of accounting changes increased 27% and 22% to \$594 million and \$0.28, respectively.

Including the retained interest in the Internet Group, net income before the cumulative effect of accounting changes increased 23% to \$341 million and diluted earnings per share increased 23% to \$0.16, on a pro forma basis. For the quarter, the retained interest in the Internet Group includes non-cash charges totaling \$127 million (\$0.06 per share) for amortization of intangible assets and Disney's share of Internet Group impairment losses totaling \$182 million (\$81 million or \$0.04 per share).

"I am pleased with the strength of our results in the first quarter," said Michael D. Eisner, chairman and chief executive officer of The Walt Disney Company. "Once again, Parks & Resorts proved itself to be an extraordinary driver of higher earnings. Significantly, these earnings came not only from our established theme park businesses, but from our new cruise line business as well. Parks & Resorts is an area of ongoing excitement as we are about to open Disney's California Adventure theme park adjacent to the original Disneyland. Additionally, we were encouraged by the strong results from our Home Video business and particularly the accelerated growth that we saw in the DVD market."

"Looking forward, we believe that our recent move to focus on our core Internet holdings will help us maintain the growth of Disney's bottom line. "

### **Basis of Presentation**

To enhance comparability, the Company has presented segment operating results for the prior-year quarter on a pro forma basis, which assumes that the acquisition of the remaining interest in Infoseek, subsequent creation of the Internet Group and the disposition of Fairchild

Publications occurred at the beginning of fiscal 2000. Additionally, prior-year pro forma segment operating results for the Studio Entertainment segment have been restated to reflect the impact of the Film Accounting change discussed more fully below. The Company believes that pro forma results provide additional information useful in analyzing the underlying business results. However, the pro forma results are not necessarily indicative of the combined results that would have occurred had these events actually occurred at the beginning of fiscal 2000, nor are they necessarily indicative of future results. Unless otherwise indicated, the following discussion reflects pro forma results for the prior-year quarter.

### **Parks & Resorts**

Parks & Resorts posted record segment operating results for the quarter, with revenues increasing 9% to \$1.7 billion. Segment operating income increased 6% to \$385 million.

Parks & Resorts results were driven by increased guest spending and record theme park attendance at Walt Disney World, record theme park attendance at Disneyland and continued growth at the Disney Cruise Line, partially offset by increased costs both at Walt Disney World and Disneyland. At Disneyland, record attendance reflected the continued success of the 45th Anniversary celebration, the “Believe... in Holiday Magic” fireworks spectacular and the continued strength of the annual pass program. Increased costs at Disneyland were driven by the pre-opening costs at Disney’s California Adventure.

Disney Cruise Line’s continued growth reflected the strength of the 7-day cruise package that was introduced in the fourth quarter of the prior

year. Also, Parks & Resorts benefited from higher royalties earned from revenues generated by record attendance at the Tokyo Disneyland theme park reflecting new theme park attractions.

### **Media Networks**

Media Networks revenues for the quarter increased 6% to \$2.9 billion while segment operating income decreased 8% to \$590 million.

Broadcasting results for the quarter reflected declines at the ABC television network due to a soft first quarter advertising marketplace, lower ratings and higher programming costs, substantially offset by the impact of more episodes of *Who Wants to Be a Millionaire*, which was aired only during the November sweeps in the prior-year quarter. Additionally, higher prime time advertising rates driven by strong upfront sales also benefited the quarter.

Disney's share of operating income from cable television activities, which consists of Disney's cable networks and cable equity investments, increased 3% to \$324 million for the quarter.

Cable television results for the quarter reflected substantial profit increases from cable equity investments, driven by strong advertising sales due to higher ratings and increased affiliate revenues at A&E Television, Lifetime Television and The History Channel, and higher affiliate revenues at the cable networks driven by contractual rate increases and subscriber growth, as well as the continuing conversion of the Disney Channel from a premium to a basic service. These increases were partially offset by the soft advertising market, higher programming costs at ESPN and start-up costs at SoapNet, which was launched in the second quarter of the prior year.

## **Studio Entertainment**

Revenues for the quarter increased 15% to \$1.9 billion and segment operating income was \$152 million, compared to an segment operating loss of \$45 million in the prior-year quarter.

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

Growth in worldwide home video reflected strong VHS and DVD sales driven by the successful worldwide releases of *Disney/Pixar's Toy Story 2*, including the *Toy Story/Toy Story 2* DVD multipacks; stronger performing live-action titles, including *Shanghai Noon*, *Gone in 60 Seconds* and *Keeping the Faith*; *Fantasia 2000* and the successful international performance of *The Little Mermaid II: Return to the Sea*. Improvements in theatrical motion picture distribution reflected the performances of *Remember the Titans*, *Unbreakable*, *The Emperor's New Groove* and *102 Dalmatians* domestically, partially offset by difficult comparisons in international theatrical distribution due to the prior-year quarter performance of *Tarzan* and *The Sixth Sense*.

## **Consumer Products**

Revenues for the quarter decreased 6% to \$828 million and segment operating income decreased 13% to \$177 million.

Results for the quarter were driven by declines at the Disney Stores, primarily in North America, reflecting lower comparative store sales, and decreased margins as a result of product markdowns due to the weak

holiday market throughout the retail industry, and in worldwide merchandise licensing as well as increased advertising costs.

These declines were partially offset by improvements at Disney Interactive driven by the continued success of the *Who Wants to Be a Millionaire* video games and the release of the *102 Dalmatians*, *Aladdin*, *The Little Mermaid II: Return to the Sea* and *The Emperor's New Groove* action games.

### **Corporate and Unallocated Shared Expenses**

Corporate and unallocated shared expenses increased 76% to \$79 million for the quarter, driven by start-up costs for the Disney Club that was launched during the quarter and costs associated with several strategic initiatives designed to improve overall company-wide efficiency, including Strategic Sourcing and a move to Shared Services.

### **Net Interest Expense**

Net interest expense decreased 39% to \$118 million for the quarter, driven by lower debt balances and gains from the sale of investments, as well as a non-cash charge in the prior year related to certain financial instruments. Lower average debt balances were driven by a \$2.1 billion reduction in debt that occurred in fiscal 2000.

### **Equity in the Income of Investees**

Income from equity investees increased 65% to \$86 million for the quarter, due to excellent performance at A&E Television, The History Channel, Lifetime Television and E! Entertainment Television, as discussed more fully above.

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

Net loss related to the retained interest in the Internet Group, increased 32% to \$253 million, due principally to a non-cash impairment charge of \$182 million.

Internet revenues for the quarter increased 9% and Direct Marketing revenues decreased 22%, resulting in a total decrease in Internet Group revenues of 5% to \$127 million.

Segment operating loss decreased 12% to \$73 million, driven by the elimination of operating costs at toymart.com due to its closure in June 2000, increased revenues at the Disney-branded, ESPN-branded and ABC-branded Web sites, improved margins at both the Disney-branded and ABC-branded Web sites, partially offset by decreased revenues at GO.com.

The Internet Group's net loss for the quarter includes non-cash charges for amortization of intangible assets of \$182 million and investment impairment, totaling \$182 million, primarily on the Inktomi shares it received in the July 2000 sale of its subsidiary Ultraseek, and a pre-tax gain of \$22 million (after-tax loss of \$6 million) on the sale of Infoseek Japan K.K.

Through December 31, 2000, the Internet Group has sold roughly 40% of its Inktomi shares for \$120 million. However, during the quarter, the stock price of Inktomi shares declined, like those of many technology companies, and, as a result, the Internet Group recorded the impairment charge.

## **Accounting Changes**

Effective October 1, 2000, the Company adopted AICPA Statement of Position No. 00-2, *Accounting by Producers or Distributors of Films* (SOP 00-2) and FASB Statement No. 133 *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), and recorded one-time after-tax charges for the adoption of the standards totaling \$228 million (\$0.11 per share) and \$50 million (\$0.02 per share), respectively, during the quarter ended December 31, 2000.

### **Stock Repurchases**

During the quarter the Company repurchased 7.3 million Disney shares and 1.8 million Internet Group shares for approximately \$225 million and \$10 million, respectively. The purchases were effected through open market transactions under the Company's existing stock repurchase program. As of December 31, 2000, the Company was authorized to repurchase approximately 387 million additional Disney shares and approximately 2.3 million of the Internet Group Shares.

## **CONSOLIDATED RESULTS**

***Net Income for the Quarter, Excluding Accounting Changes, Non-cash Amortization of Intangible Assets and Impairment Losses, Increased 19% to \$645 million.***

Revenues for the quarter increased 7% to \$7.4 billion for the quarter. Excluding non-cash amortization of intangible assets and non-cash impairment losses, net income before the cumulative effect of accounting changes increased 19% to \$645 million compared to prior-year pro forma amounts. Including non-cash amortization of intangible assets and the

impairment losses, net income before the cumulative effect of accounting changes was \$242 million.

The current quarter includes a pre-tax gain of \$22 million on the sale of Infoseek Japan K.K. (after-tax loss of \$6 million), impairment charges of \$182 million on certain investments held by the Internet Group and one-time after-tax charges for the initial adoption of SOP 00-2 and SFAS 133 of \$228 million and \$50 million, respectively. The first quarter of the prior-year includes a \$243 million pre-tax gain on the sale of Fairchild Publications.

## **CONVERSION OF INTERNET GROUP COMMON STOCK**

As previously mentioned, the Company will convert all of the issued and outstanding Internet Group common stock to Disney common stock. In accordance with the terms of the Company's certificate of incorporation, each outstanding share of Internet Group common stock will be converted into 0.19353 of a share of Disney common stock as of March 20, 2001. The Company will effect the conversion of the Internet Group common stock via the issuance of approximately 8 million shares of Disney common stock. Upon conversion of the Internet Group common stock, The Walt Disney Company will have only one class of common stock, Disney common stock, and will no longer report separate financial statements for the Internet Group or separate financial results attributed to Disney common stock and will only report consolidated results of operations, including earnings per share, for The Walt Disney Company. The Company will not have a separate earnings release for the Internet Group,

however, Internet Group results for the quarter have been included in this earnings release at Exhibit I.

The closing of the GO.com property will result in non-recurring charges in the second quarter of the current fiscal year. Such charges are expected to include a non-cash write-off of intangible assets (estimated at \$790 million, \$0.37 per share) and costs related to severance, fixed-asset write-offs and other items (expected to total between \$25 million and \$50 million).

On a pro forma basis for fiscal year 2000, which assumes that the acquisition of Infoseek Corporation, the sale of Fairchild Publications, the issuance of the shares for the conversion of the Internet Group common stock, the closing of the GO.com property and the adoption of new film accounting rules occurred at the beginning of the period, and excluding the one-time impact of those events, consolidated earnings per share excluding amortization of intangible assets would have been \$1.01. Pro forma earnings per share with amortization would have been \$0.73.

The Company has presented similar pro forma results for fiscal year 2000 on a quarterly basis as well as pro forma results for the three months ended December 31, 2000 at Exhibit II.

## FORWARD-LOOKING STATEMENTS

Management believes certain statements in the 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 2001 year end, including further restructuring of 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.com/investors>*

INCOME STATEMENT OF THE DISNEY COMMON STOCK  
For the Quarter Ended December 31  
(unaudited; in millions, except per share data)

	<u>2000</u>	<u>1999 (Pro Forma)</u>	<u>1999 (As Reported)</u>
Revenues	\$ 7,306	\$ 6,816	\$ 6,830
Costs and expenses	(6,081)	(5,699)	(5,641)
Amortization of intangible assets	(111)	(111)	(111)
Gain on sale of Fairchild	-	-	243
Net interest expense	(118)	(193)	(195)
Equity in the income of investees	86	52	52
Income before income taxes, minority interests, retained interest in the Internet Group and the cumulative effect of accounting changes	1,082	865	1,178
Income taxes	(458)	(365)	(629)
Minority interests	(30)	(31)	(31)
Income before retained interest in the Internet Group and the cumulative effect of accounting changes	594	469	518
Net loss related to retained interest in the Internet Group <sup>(1)</sup>	(253)	(191)	(162)
Income attributed to Disney Common Stock before the cumulative effect of accounting changes	341	278	356
Cumulative effect of accounting changes:			
Film accounting	(228)	-	-
Derivative accounting	(50)	-	-
Net income	\$ 63	\$ 278	\$ 356
Earnings per share attributed to Disney Common Stock before the cumulative effect of accounting changes: <sup>(2)</sup>			
Diluted	\$ 0.16	\$ 0.13	\$ 0.17
Basic	\$ 0.16	\$ 0.13	\$ 0.17
Cumulative effect of accounting changes per diluted share:			
Film accounting	\$ (0.11)	\$ -	\$ -
Derivative accounting	(0.02)	-	-
	\$ (0.13)	\$ -	\$ -

INCOME STATEMENT OF THE DISNEY COMMON STOCK  
For the Quarter Ended December 31  
(unaudited; in millions, except per share data)

	<u>2000</u>	<u>1999 (Pro Forma)</u>	<u>1999 (As Reported)</u>
Earnings per share attributed to Disney Common Stock: <sup>(2)</sup>			
Diluted	\$ <u>0.03</u>	\$ <u>0.13</u>	\$ <u>0.17</u>
Basic	\$ <u>0.03</u>	\$ <u>0.13</u>	\$ <u>0.17</u>
Earnings per share attributed to Disney Common Stock excluding retained interest in the Internet Group and the cumulative effect of accounting changes: <sup>(2)</sup>			
Diluted	\$ <u>0.28</u>	\$ <u>0.23</u>	\$ <u>0.25</u>
Basic	\$ <u>0.29</u>	\$ <u>0.23</u>	\$ <u>0.25</u>
Average number of common and common equivalent shares outstanding:			
Diluted	<u>2,103</u>	<u>2,081</u>	<u>2,081</u>
Basic	<u>2,082</u>	<u>2,064</u>	<u>2,064</u>
(1) Amounts include non-cash amortization of intangible assets as follows:	\$ <u>127</u>	\$ <u>163</u>	\$ <u>89</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.

**SEGMENT RESULTS ATTRIBUTED TO DISNEY**  
**For the Quarter Ended December 31**  
**(unaudited, in millions)**

	2000	1999 (Pro Forma)	% Change	1999 (As Reported)
<b>Revenues:</b>				
Media Networks	\$ 2,906	\$ 2,753	6 %	\$ 2,753
Parks & Resorts	1,722	1,577	9 %	1,577
Studio Entertainment	1,850	1,603	15 %	1,603
Consumer Products	828	883	(6)%	897
	<u>\$ 7,306</u>	<u>\$ 6,816</u>	7 %	<u>\$ 6,830</u>
<b>Segment operating income (loss): <sup>(1)</sup></b>				
Media Networks	\$ 590	\$ 640	(8)%	\$ 640
Parks & Resorts	385	363	6 %	363
Studio Entertainment <sup>(2)</sup>	152	(45)	n/m	28
Consumer Products	177	204	(13)%	205
	<u>\$ 1,304</u>	<u>\$ 1,162</u>	12%	<u>\$ 1,236</u>

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

	2000	1999 (Pro Forma)	1999 (As Reported)
Segment operating income	\$ 1,304	\$ 1,162	\$ 1,236
Amortization of intangible assets	(111)	(111)	(111)
Corporate and unallocated shared expenses	(79)	(45)	(47)
Gain on sale of Fairchild	-	-	243
Net interest expense	(118)	(193)	(195)
Equity in the income of investees	86	52	52
Income before income taxes, minority interests, retained interest in the Internet Group and the cumulative effect of accounting changes	<u>\$ 1,082</u>	<u>\$ 865</u>	<u>\$ 1,178</u>

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

	2000	1999 (Pro Forma)	1999 (As Reported)
Media Networks	\$ 628	\$ 674	\$ 674
Parks & Resorts	528	502	502
Studio Entertainment	165	(30)	43
Consumer Products	198	230	231
	<u>\$ 1,519</u>	<u>\$ 1,376</u>	<u>\$ 1,450</u>

(2) Pro forma segment operating income has been adjusted to reflect the impact of SOP 00-2. The respective adjustments for the year will (decrease) increase segment operating income as follows:

Quarter ended	
December 31, 1999	\$ (73)
March 31, 2000	37
June 30, 2000	-
September 30, 2000	(14)
	<u>\$ (50)</u>

**Table A**

**MEDIA NETWORKS**  
(unaudited, in millions)

	Quarter Ended December 31		
	2000	1999	% Change
Revenues:			
Broadcasting	\$ 1,723	\$ 1,715	n/m
Cable Networks	1,183	1,038	14 %
	<u>\$ 2,906</u>	<u>\$ 2,753</u>	6 %
Segment operating income: <sup>(1)</sup>			
Broadcasting	\$ 309	\$ 345	(10)%
Cable Networks	281	295	(5)%
	<u>\$ 590</u>	<u>\$ 640</u>	(8)%

(1) Amounts exclude intangible asset amortization

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

	Quarter Ended December 31		
	2000	1999	% Change
Operating income:			
Cable Networks	\$ 281	\$ 295	(5)%
Equity investments:			
A&E, Lifetime and E! Entertainment Television	185	150	23 %
Other	59	18	n/m
	<u>525</u>	<u>463</u>	13 %
Partner share of operating income	<u>(201)</u>	<u>(149)</u>	(35)%
Disney share of operating income	<u>\$ 324</u>	<u>\$ 314</u>	3 %

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

The Walt Disney Company  
CONSOLIDATED STATEMENTS OF INCOME  
For the Quarter Ended December 31  
(unaudited; in millions, except per share data)

	2000	1999 (Pro Forma)	1999 (As Reported)
Revenues	\$ 7,433	\$ 6,950	\$ 6,940
Costs and expenses	(6,283)	(5,918)	(5,842)
Amortization of intangible assets	(293)	(344)	(226)
Gain on sale of Fairchild	-	-	243
Gain on sale of Infoseek Japan K.K.	22	-	-
Net interest expense	(121)	(193)	(197)
Equity in the income of investees	82	52	11
Internet impairment losses	(182)	-	-
Income before income taxes, minority interests and the cumulative effect of accounting changes	658	547	929
Income taxes	(386)	(319)	(590)
Minority interests	(30)	(24)	(24)
Income before the cumulative effect of accounting changes	242	204	315
Cumulative effect of accounting changes:			
Film accounting	(228)	-	-
Derivative accounting	(50)	-	-
Net (loss) income	<u>\$ (36)</u>	<u>\$ 204</u>	<u>\$ 315</u>
Earnings (loss) attributed to:			
Disney Common Stock <sup>(1)</sup>	\$ 63	\$ 278	\$ 356
Internet Group Common Stock	(99)	(74)	(41)
	<u>\$ (36)</u>	<u>\$ 204</u>	<u>\$ 315</u>
Earnings (loss) per share before the cumulative effect of accounting changes:			
Disney Common Stock <sup>(1)</sup>			
Diluted	\$ 0.16	\$ 0.13	\$ 0.17
Basic	\$ 0.16	\$ 0.13	\$ 0.17
Internet Group Common Stock (basic and diluted)	<u>\$ (2.29)</u>	<u>\$ (1.73)</u>	<u>\$ (0.95)</u>
Cumulative effect of accounting changes per diluted Disney share:			
Film accounting	\$ (0.11)	\$ -	\$ -
Derivative accounting	(0.02)	-	-
	<u>\$ (0.13)</u>	<u>\$ -</u>	<u>\$ -</u>

The Walt Disney Company  
CONSOLIDATED STATEMENTS OF INCOME  
For the Quarter Ended December 31  
(unaudited; in millions, except per share data)

	<u>2000</u>	<u>1999 (Pro Forma)</u>	<u>1999 (As Reported)</u>
Earnings (loss) per share attributed to:			
Disney Common Stock <sup>(1)</sup>			
Diluted	\$ <u>0.03</u>	\$ <u>0.13</u>	\$ <u>0.17</u>
Basic	\$ <u>0.03</u>	\$ <u>0.13</u>	\$ <u>0.17</u>
Internet Group Common Stock (basic and diluted)	\$ <u>(2.29)</u>	\$ <u>(1.73)</u>	\$ <u>(0.95)</u>
 Earnings per share attributed to Disney Common Stock excluding retained interest in the Internet Group and the cumulative effect of accounting changes:			
Diluted	\$ <u>0.28</u>	\$ <u>0.23</u>	\$ <u>0.25</u>
Basic	\$ <u>0.29</u>	\$ <u>0.23</u>	\$ <u>0.25</u>
 Average number of common and common equivalent shares outstanding:			
Disney			
Diluted	<u>2,103</u>	<u>2,081</u>	<u>2,081</u>
Basic	<u>2,082</u>	<u>2,064</u>	<u>2,064</u>
Internet Group (basic and diluted)	<u>43</u>	<u>43</u>	<u>43</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 72% thereafter.

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

	2000	1999 (Pro Forma)	% Change	1999 (As Reported)
<b>Revenues:</b>				
Media Networks	\$ 2,906	\$ 2,753	6 %	\$ 2,753
Parks & Resorts	1,722	1,577	9 %	1,577
Studio Entertainment	1,850	1,603	15 %	1,603
Consumer Products	828	883	(6)%	897
Internet Group	127	134	(5)%	110
	<u>\$ 7,433</u>	<u>\$ 6,950</u>	7 %	<u>\$ 6,940</u>
<b>Segment operating income (loss): <sup>(1)</sup></b>				
Media Networks	\$ 590	\$ 640	(8)%	\$ 640
Parks & Resorts	385	363	6 %	363
Studio Entertainment <sup>(2)</sup>	152	(45)	n/m	28
Consumer Products	177	204	(13)%	205
Internet Group	(73)	(83)	12 %	(89)
	<u>\$ 1,231</u>	<u>\$ 1,079</u>	14 %	<u>\$ 1,147</u>

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

	2000	1999 (Pro Forma)	1999 (As Reported)
Segment operating income	\$ 1,231	\$ 1,079	\$ 1,147
Amortization of intangible assets	(293)	(344)	(226)
Corporate and unallocated shared expenses	(81)	(47)	(49)
Gain on sale of Fairchild	-	-	243
Gain on sale of Infoseek Japan K.K.	22	-	-
Net interest expense	(121)	(193)	(197)
Equity in the income of investees	82	52	11
Internet impairment losses	(182)	-	-
Income before income taxes, minority interests, and the cumulative effect of accounting changes	<u>\$ 658</u>	<u>\$ 547</u>	<u>\$ 929</u>

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

	2000	1999 (Pro Forma)	1999 (As Reported)
Media Networks	\$ 628	\$ 674	\$ 674
Parks & Resorts	528	502	502
Studio Entertainment	165	(30)	43
Consumer Products	198	230	231
Internet Group	(63)	(76)	(84)
	<u>\$ 1,456</u>	<u>\$ 1,299</u>	<u>\$ 1,366</u>

- (2) Pro forma segment operating income has been adjusted to reflect the impact of SOP 00-2. The respective adjustments for the year will (decrease) increase segment operating income as follows:

Quarter ended	
December 31, 1999	\$ (73)
March 31, 2000	37
June 30, 2000	-
September 30, 2000	(14)
	<u>\$ (50)</u>

# EXHIBITS

**COMBINED STATEMENTS OF OPERATIONS OF THE  
 WALT DISNEY INTERNET GROUP**  
 For the Quarter Ended December 31  
 (unaudited; in thousands, except per share data)

	2000	1999 (Pro Forma)	1999 (As Reported)
Revenues	\$ 127,013	\$ 133,607	\$ 110,138
Costs and expenses			
Cost of revenues	(87,108)	(96,480)	(79,931)
Sales and marketing	(72,483)	(77,252)	(66,984)
Other operating <sup>(1)</sup>	(30,501)	(35,670)	(47,212)
Depreciation	(10,015)	(6,804)	(4,923)
Corporate and unallocated shared expenses	(1,875)	(1,805)	(1,805)
Total costs and expenses	<u>(201,982)</u>	<u>(218,011)</u>	<u>(200,855)</u>
Amortization of intangible assets	(182,250)	(233,169)	(114,516)
Gain on sale of Infoseek Japan K.K	21,748	-	-
Net interest expense	(2,426)	(390)	(1,818)
Equity in the loss of investees	(4,078)	-	(40,966)
Impairment losses	(181,838)	-	-
Loss before income taxes and minority interests	<u>(423,813)</u>	<u>(317,963)</u>	<u>(248,017)</u>
Income tax benefit	72,085	45,468	38,443
Minority interests	-	7,119	7,108
Net loss	<u>\$ (351,728)</u>	<u>\$ (265,376)</u>	<u>\$ (202,466)</u>
Net loss attributed to:			
Disney common stock	<u>\$ (252,632)</u>	<u>\$ (191,265)</u>	<u>\$ (161,886)</u>
Internet Group common stock <sup>(2) (3)</sup>	<u>\$ (99,096)</u>	<u>\$ (74,111)</u>	<u>\$ (40,580)</u>
Loss per share attributed to the Internet Group common stock: <sup>(2) (3)</sup>			
Diluted and Basic	<u>\$ (2.29)</u>	<u>\$ (1.73)</u>	<u>\$ (0.95)</u>
Loss per share attributed to the Internet Group common stock excluding amortization of intangibles: <sup>(2) (3)</sup>			
Diluted and Basic	<u>\$ (1.12)</u>	<u>\$ (0.30)</u>	<u>\$ (0.24)</u>
Average number of common and common equivalent shares outstanding: <sup>(4)</sup>			
Diluted and Basic	<u>43,363</u>	<u>42,834</u>	<u>42,834</u>

(1) Includes charges for acquired in-process research and development expenditures of \$23,322 in As-reported results for the quarter ended December 31, 1999.

(2) As-reported amounts for the quarter ended December 31, 1999 reflect results for the period from November 18, 1999 (date of issuance of Internet Group common stock) through December 31, 1999.

(3) Walt Disney Internet Group is a class of common stock of The Walt Disney Company. Losses attributed to the Walt Disney Internet Group common stock should be reviewed in conjunction with the consolidated results of operations for The Walt Disney Company presented elsewhere herein.

(4) Total shares amount to 153,907 and 153,378 shares for 2001 and 2000, respectively, including 110,544 shares attributed to Disney.

**WALT DISNEY INTERNET GROUP SEGMENT RESULTS**  
**For the Quarter Ended December 31**  
(unaudited, in thousands)

	<u>2000</u>	<u>1999 (Pro Forma)</u>	<u>% Change</u>	<u>1999 (As Reported)</u>
Revenues:				
Internet:				
Media	\$ 50,165	\$ 52,405	(4)%	\$ 30,647
Commerce	30,618	21,623	42 %	19,912
	<u>80,783</u>	<u>74,028</u>	9 %	<u>50,559</u>
Direct Marketing	46,230	59,579	(22)%	59,579
	<u>\$ 127,013</u>	<u>\$ 133,607</u>	(5)%	<u>\$ 110,138</u>
Segment operating loss: <sup>(1)</sup>				
Internet	\$ (67,417)	\$ (75,896)	11 %	\$ (82,209)
Direct Marketing	(5,677)	(6,703)	15 %	(6,703)
	<u>\$ (73,094)</u>	<u>\$ (82,599)</u>	12 %	<u>\$ (88,912)</u>

The Company evaluates the performance of its operating segments based on segment operating results. A reconciliation of combined segment operating loss to combined loss before income taxes and minority interests is as follows:

	<u>2000</u>	<u>1999 (Pro Forma)</u>	<u>1999 (As Reported)</u>
Segment operating loss	\$ (73,094)	\$ (82,599)	\$ (88,912)
Amortization of intangible assets	(182,250)	(233,169)	(114,516)
Corporate and unallocated shared expenses	(1,875)	(1,805)	(1,805)
Gain on sale of Infoseek Japan K.K.	21,748	-	-
Net interest expense	(2,426)	(390)	(1,818)
Equity in the loss of investees	(4,078)	-	(40,966)
Impairment losses	(181,838)	-	-
Loss before income taxes and minority interests	<u>\$ (423,813)</u>	<u>\$ (317,963)</u>	<u>\$ (248,017)</u>

(1) Segment results exclude intangible asset amortization and the gain on the sale of Infoseek Japan K.K. Segment EBITDA, which also excludes depreciation, is as follows:

	<u>2000</u>	<u>1999 (Pro Forma)</u>	<u>1999 (As Reported)</u>
Internet	\$ (58,093)	\$ (70,044)	\$ (78,238)
Direct Marketing	(4,986)	(5,751)	(5,751)
	<u>\$ (63,079)</u>	<u>\$ (75,795)</u>	<u>\$ (83,989)</u>

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

Quarter ended	Dec 31 1999	Mar 31 2000	Jun 30 2000	Sep 30 2000	Total 2000	Dec 31 2000
<b>Revenues:</b>						
Media Networks	\$ 2,753	\$ 2,397	\$ 2,270	\$ 2,195	\$ 9,615	\$ 2,906
Parks & Resorts	1,577	1,571	1,940	1,715	6,803	1,722
Studio Entertainment	1,603	1,662	1,246	1,500	6,011	1,850
Consumer Products	883	576	508	624	2,591	828
Internet Group	112	81	70	73	336	116
	<u>\$ 6,928</u>	<u>\$ 6,287</u>	<u>\$ 6,034</u>	<u>\$ 6,107</u>	<u>\$ 25,356</u>	<u>\$ 7,422</u>
<b>Segment Operating Income:</b>						
Media Networks	\$ 640	\$ 536	\$ 662	\$ 460	\$ 2,298	\$ 590
Parks & Resorts	363	330	565	362	1,620	385
Studio Entertainment	(45)	46	(1)	76	76	152
Consumer Products	204	80	57	97	438	177
Internet Group	(74)	(114)	(71)	(80)	(339)	(52)
	<u>1,088</u>	<u>878</u>	<u>1,212</u>	<u>915</u>	<u>4,093</u>	<u>1,252</u>
Amortization of Intangible Assets	(163)	(166)	(162)	(142)	(633)	(150)
Corporate and unallocated share expenses	(47)	(101)	(82)	(122)	(352)	(81)
Gain on sale of Ultraseek	-	-	-	153	153	-
Gain on sale of Eurosport	-	-	93	-	93	22
Net interest expense	(193)	(126)	(124)	(111)	(554)	(121)
Equity in the income of investees	52	63	81	53	249	82
Internet impairment losses	-	-	-	-	-	(182)
Income before income taxes, minority interests and accounting changes	737	548	1,018	746	3,049	822
Income taxes	(328)	(251)	(446)	(377)	(1,402)	(397)
Minority interests	(24)	(20)	(42)	(21)	(107)	(30)
Net income	<u>\$ 385</u>	<u>\$ 277</u>	<u>\$ 530</u>	<u>\$ 348</u>	<u>\$ 1,540</u>	<u>\$ 395</u>
<b>Earnings per share:</b>						
Diluted	<u>\$ 0.18</u>	<u>\$ 0.13</u>	<u>\$ 0.25</u>	<u>\$ 0.16</u>	<u>\$ 0.73</u>	<u>\$ 0.19</u>
Basic	<u>\$ 0.19</u>	<u>\$ 0.13</u>	<u>\$ 0.25</u>	<u>\$ 0.17</u>	<u>\$ 0.74</u>	<u>\$ 0.19</u>
<b>Earnings per share excluding amortization of intangible assets:</b>						
Diluted	<u>\$ 0.26</u>	<u>\$ 0.21</u>	<u>\$ 0.32</u>	<u>\$ 0.23</u>	<u>\$ 1.01</u>	<u>\$ 0.25</u>
Basic	<u>\$ 0.26</u>	<u>\$ 0.21</u>	<u>\$ 0.32</u>	<u>\$ 0.23</u>	<u>\$ 1.03</u>	<u>\$ 0.26</u>
<b>Average number of common and common equivalent shares outstanding:</b>						
Diluted	<u>2,089</u>	<u>2,111</u>	<u>2,123</u>	<u>2,123</u>	<u>2,111</u>	<u>2,111</u>
Basic	<u>2,072</u>	<u>2,077</u>	<u>2,086</u>	<u>2,091</u>	<u>2,082</u>	<u>2,090</u>

Pro forma results assume that the acquisition of Infoseek Corporation, the sale of Fairchild Publications, the issuance of shares for the conversion of the Internet Group common stock, the closing of the GO.com property

and the adoption of new film accounting rules occurred at the beginning of fiscal 2000 excluding the one-time impact of those events.