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 December 31, 2002 — Commission File Number 1-11605

I.R.S. Employer Identification No. 95-4545390

Incorporated in Delaware

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 Exchange on Which Registered
Common Stock, $.01 par value	New York Stock Exchange
	Pacific Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES X NO

There were 2,042,369,354 shares of common stock outstanding as of January 28, 2003.

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 December 31, 2002	Three Months Ended December 31, 2001
Revenues	$ 7,466	$ 7,016
Costs and expenses	(6,790)	(6,367)
Amortization of intangible assets	(5)	(3)
Net interest (expense) and other	(296)	55
Equity in the income of investees	90	70
Income before income taxes and minority interests	465	771
Income taxes	(187)	(299)
Minority interests	(22)	(34)
Net income	$ 256	$ 438
Earnings per share (basic and diluted)	$ 0.13	$ 0.21
Average number of common and common equivalent shares outstanding:		
Diluted	2,044	2,040
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)

	December 31, 2002	September 30, 2002
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,380	$ 1,239
Receivables	4,765	4,049
Inventories	631	697
Television costs	656	661
Deferred income taxes	624	624
Other assets	678	579
Total current assets	8,734	7,849
Film and television costs	6,185	5,959
Investments	1,810	1,810
Parks, resorts and other property, at cost		
Attractions, buildings and equipment	19,214	18,917
Accumulated depreciation	(8,350)	(8,133)
	10,864	10,784
Projects in progress	1,116	1,148
Land	733	848
	12,713	12,780
Intangible assets, net	2,764	2,776
Goodwill	16,978	17,083
Other assets	1,692	1,788
	$ 50,876	$ 50,045
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and other accrued liabilities	$ 5,675	$ 5,173
Current portion of borrowings	1,820	1,663
Unearned royalties and other advances	836	983
Total current liabilities	8,331	7,819
Borrowings	13,079	12,467
Deferred income taxes	2,611	2,597
Other long term-liabilities	3,111	3,283
Minority interests	459	434
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	12,097	12,107
Retained earnings	12,806	12,979
Accumulated other comprehensive (loss) income	(91)	(85)
	24,812	25,001
Treasury stock, at cost, 86.7 million and 81.4 million shares	(1,527)	(1,395)
Shares held by TWDC Stock Compensation Fund II, at cost 6.6 million shares at September 30, 2002	-	(161)
	23,285	23,445
	$ 50,876	$ 50,045

See Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended December 31,	
	2002	2001
NET INCOME	$ 256	$ 438
OPERATING ITEMS NOT REQUIRING CASH		
Depreciation	261	250
Equity in the income of investees	(90)	(70)
Minority interests	22	34
Amortization of intangible assets	5	3
Write-off of aircraft leveraged lease investment	114	-
Gain on sale of Knight-Ridder, Inc. shares	-	(216)
Other	(29)	361
CHANGES IN WORKING CAPITAL	(953)	(1,379)
Cash used by operations	(414)	(579)
INVESTING ACTIVITIES		
Investments in parks, resorts and other property	(193)	(237)
Acquisitions (net of cash acquired)	(23)	(2,845)
Proceeds from sale of investments	29	545
Other	-	(3)
Cash used by investing activities	(187)	(2,540)
FINANCING ACTIVITIES		
Borrowings	300	1,127
Reduction of borrowings	(943)	(1,024)
Commercial paper borrowings, net	1,367	3,666

Exercise of stock options and other	18	5
Dividends	-	(428)
Cash provided by financing activities	742	3,346
Increase in cash and cash equivalents	141	227
Cash and cash equivalents, beginning of period	1,239	618
Cash and cash equivalents, end of period	$ 1,380	$ 845

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 generally accepted accounting principles (GAAP) for interim financial information and the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been reflected in these condensed consolidated financial statements. Operating results for the quarter are not necessarily indicative of the results that may be expected for the year ending September 30, 2003. Certain reclassifications have been made in the fiscal 2002 financial statements to conform to the fiscal 2003 presentation. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 2002. In December 1999, DVD Financing, Inc. (DFI), a subsidiary of Disney Vacation Development, Inc. and an indirect subsidiary of the Company, completed a receivables sale transaction. In connection with this sale, DFI prepares separate financial statements, although its 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 the parent company and the subsidiaries through which our various businesses are actually conducted.

2. The operating segments reported below are the segments of the Company for which separate financial information is available and for which segment operating income amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance.

	Three Months Ended December 31,	
	2002	2001
Revenues:		
Media Networks	$ 3,240	$ 2,976
Parks and Resorts	1,548	1,433
Studio Entertainment		
Third parties	1,880	1,760
Intersegment	11	13
	1,891	1,773
Consumer Products		
Third parties	798	847
Intersegment	(11)	(13)
	787	834
	$ 7,466	$ 7,016
Segment operating income:		
Media Networks	$ 225	$ 242
Parks and Resorts	225	187
Studio Entertainment	138	149
Consumer Products	190	175
	$ 778	$ 753

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 and minority interests is as follows:

	Three Months Ended December 31,	
	2002	2001
Segment operating income	$ 778	$ 753
Corporate and unallocated shared expenses	(102)	(104)
Amortization of intangible assets	(5)	(3)
Net interest (expense) and other	(296)	55
Equity in the income of investees	90	70
Income before income taxes and minority interests	$ 465	$ 771

(unaudited; tabular dollars in millions, except per share data)

During the second quarter of fiscal 2003, the Company announced the reorganization of the Feature Animation group, including having Television Animation report in the Media Networks Segment. This reorganization is part of a drive to increase production of cartoon series for our cable and broadcast networks and will be reflected in the segment results in our March 31, 2003 Form 10-Q.

3. In November 2002, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (FIN 45). FIN 45 requires a guarantor to recognize a liability, at the inception of the guarantee, for the fair value of obligations it has undertaken in issuing the guarantee and also include more detailed disclosures with respect to guarantees. FIN 45 is effective for guarantees issued or modified starting January 1, 2003 and requires the additional disclosures for the period ended December 31, 2002. The Company does not expect that the provisions of FIN 45 will have a material impact on the Company's results of operations or financial position. The Company has provided additional disclosure with respect to guarantees in Note 12.

In January 2003, the FASB issued EITF No. 00-21, Revenue Arrangements with Multiple Deliverables (EITF 00-21). EITF 00-21 provides guidance on how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. EITF 00-21 will be effective for arrangements entered into after June 30, 2003. The Company is evaluating the impact of its adoption on its consolidated results of operations and financial position.

4. During the quarter, the Company wrote off its aircraft leveraged lease investment with United Airlines, resulting in an after-tax charge of $83 million, or $0.04 per share. Based on United's recent bankruptcy filing, the Company believes it is unlikely that it will recover this investment. The pre-tax charge of $114 million for the write-off is reported in "net interest expense and other" in the Condensed Consolidated Statements of Income. Given the current status of the airline industry, we continue to monitor our other investments in commercial aircraft leasing transactions, which aggregate approximately $176 million.

During the first quarter of fiscal 2002, the Company sold the remaining shares of Knight-Ridder, Inc. that it had received in connection with the disposition of certain publishing operations in fiscal 1997. The pre-tax gain of $216 million on the sale is reported in "net interest expense and other" in the Condensed Consolidated Statements of Income.

5. The changes in the carrying amount of goodwill for the quarter ended December 31, 2002 are as follows:

	Media Networks	Other	Total
Balance as of October 1, 2002	$ 17,008	$ 75	$ 17,083
Goodwill acquired during the period	20	1	21
ABC acquisition adjustment	(126)	-	(126)
Balance as of December 31, 2002	$ 16,902	$ 76	$ 16,978

During the quarter, certain preacquisition tax contingencies related to the Company's 1996 acquisition of Capital Cities/ABC, Inc. were favorably resolved. Reserves recorded for these exposures were reversed against goodwill.

6. During the quarter, the Company increased its commercial paper borrowings by $1.4 billion and issued global bonds with net proceeds totaling $300 million. The global bonds have an effective interest rate of 5.9%, and mature in fiscal 2017. During the quarter, the Company repaid approximately $43 million of term debt, which matured during the quarter. Additionally, the Company called and repaid approximately $892 million of debt assumed in the acquisition of ABC Family. As of December 31, 2002, total commercial paper borrowings were $2.1 billion.

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

As of December 31, 2002, the total of the Company's investment, accounts and notes receivable from Euro Disney totaled $496 million, including $118 million that Euro Disney has drawn under a $172 million line of credit with the Company. It is expected that Euro Disney will draw additional amounts under the credit line during fiscal 2003.

In connection with the financial restructuring of Euro Disney in 1994, Euro Disney Associés S.N.C. (Disney SNC), a wholly-owned affiliate of the Company, entered into a lease arrangement with a noncancelable term of 12 years related to substantially all of the Disneyland Park assets, and then entered into a 12-year sublease agreement with Euro Disney. Remaining lease rentals at December 31, 2002 of approximately $689 million receivable from Euro Disney under the sublease approximate the amounts payable by Disney SNC under the lease. At the conclusion of the sublease term, Euro Disney will have the option to assume Disney SNC's rights and obligations under the lease. If Euro Disney does not exercise its option, Disney SNC may purchase the assets, continue to lease the assets or elect to terminate the lease, in which case Disney SNC would make a termination payment to the lessor equal to 75% of the lessor's then outstanding debt related to the Disneyland Park assets, which is estimated to be $1.2 billion; Disney SNC could then sell or lease the assets on behalf of the lessor to satisfy the remaining debt, with any excess proceeds payable to Disney SNC.

As of December 31, 2002, Euro Disney had, on a US GAAP basis, total assets of $3.1 billion and total liabilities of $3.0 billion, including borrowings totaling $2.3 billion.

8. Diluted earnings per share amounts are calculated using the treasury stock method and are based upon the weighted average number of common and common equivalent shares outstanding during the period. For the quarter ended December 2002 and 2001, options for 200 million and 164 million shares, respectively, were excluded from the Disney diluted earnings per share calculation as they were anti-dilutive.

9. Comprehensive income is as follows:

	Three Months Ended December 31,	
	2002	2001

Net income	$ 256	$ 438
Market value adjustments for investments and hedges, net of tax	(18)	27
Foreign currency translation, net of tax	12	40
Comprehensive income	$ 250	$ 505

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

	Three Months Ended December 31,	
	2002	2001
Net income:		
As reported	$ 256	$ 438
Less stock option expense	(111)	(109)
Tax Effect	41	40
Pro forma after stock option expense	$ 186	$ 369
Diluted earnings per share:		
As reported	0.13	0.21
Pro forma after option expense	0.09	0.18

These pro forma amounts may not be representative of future disclosures since the estimated fair value of stock options is amortized to expense over the vesting period, and additional options may be granted in future years. The pro forma amounts assume that the Company had been following the fair value approach since the beginning of fiscal 1996.

11. In December 1999, the Company established the TWDC Stock Compensation Fund II pursuant to the repurchase program to acquire shares of company common stock for the purpose of funding certain future stock-based compensation. The fund was terminated on December 12, 2002. On that date, the 5,359,485 shares of Disney common stock still owned by the 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 of its business.

Litigation

Stephen Slesinger, Inc. v. The Walt Disney Company. In this lawsuit, filed on February 27, 1991 and pending in the Los Angeles County Superior Court, the plaintiff claims that a Company subsidiary defrauded it and breached a 1983 licensing agreement with respect to certain Winnie the Pooh properties, by failing to account for and pay royalties on revenues earned from the sale of Winnie the Pooh movies on videocassette and from the exploitation of Winnie the Pooh merchandising rights. The plaintiff seeks damages for the licensee's alleged breaches as well as confirmation of the plaintiff's interpretation of the licensing agreement with respect to future activities. The plaintiff also seeks the right to terminate the agreement on the basis of the alleged breaches. The Company disputes that the plaintiff is entitled to any damages or other relief of any kind, including termination of the licensing agreement. If each of the plaintiff's claims were to be confirmed in a final judgment, damages as argued by the plaintiff could total as much as several hundred million dollars and adversely impact the value to the Company of any future exploitation of the licensed rights. However, given the number of outstanding issues and the uncertainty of their ultimate disposition, management is unable to predict the magnitude of any potential determination of the plaintiff's claims. The trial date is currently scheduled for March 2003, although the court has indicated its intent to vacate the March date and set a new date.

Milne and Disney Enterprises, Inc. v. Stephen Slesinger, Inc. On November 5, 2002, Clare Milne, the granddaughter of A. A. Milne, author of the Winnie the Pooh books, and the Company's subsidiary Disney Enterprises, Inc. filed a complaint against Stephen Slesinger, Inc. ("SSI") in the United States District Court for the Central District of California. On November 4, 2002, Ms. Milne served notices to SSI and the Company's subsidiary terminating A. A. Milne's prior grant of rights to Winnie the Pooh, effective November 5, 2004, and granted all of those rights to the Company's subsidiary. In their lawsuit, Ms. Milne and the Company's subsidiary seek a declaratory judgment, under United States copyright law, that Ms. Milne's termination notices were valid; that SSI's rights to Winnie the Pooh in the United States will terminate effective November 5, 2004; that upon termination of SSI's rights in the United States, the 1983 licensing agreement that is the subject of the Stephen Slesinger, Inc. lawsuit described above will terminate by operation of law; and that, as of November 5, 2004, SSI will be entitled to no further royalties for uses of Winnie the Pooh. In January 2003, SSI filed an answer denying the material allegations of the complaint, and counterclaims seeking a declaration that Ms. Milne's grant of rights to Disney Enterprises is void and unenforceable, and that Disney Enterprises remains obligated to pay SSI royalties under the 1983 licensing agreement. SSI also filed a motion to dismiss the complaint or, in the alternative, for summary judgment.

Kohn v. The Walt Disney Company et al. On August 15, 2002, Aaron Kohn filed a class action lawsuit against the Company, its Chief Executive Officer and its Chief Financial Officer in the United States District Court for the Central District of California on behalf of a putative class consisting of purchasers of the Company's common stock between August 15, 1997 and May 15, 2002. Subsequently, at least nine substantially identical lawsuits were also filed in the same court, each alleging that the defendants violated federal securities laws by not disclosing the pendency and potential implications of the Stephen Slesinger, Inc. lawsuit described above prior to the Company's filing of its quarterly report on Form 10-Q in May 2002. The plaintiffs claim that this alleged nondisclosure constituted a fraud on the market that artificially inflated the Company's stock price, and contend that a decline in the stock price resulted from the May 2002 disclosure. The plaintiffs seek compensatory damages and/or rescission for themselves and all members of their defined class. Several of the plaintiffs filed motions asking the court to appoint lead plaintiffs and counsel, and to consolidate the related actions into a single case. On December 10, 2002, the motion to consolidate the cases was granted, but the motions to appoint lead plaintiffs and counsel were denied. On December 16, 2002, the plaintiffs filed another motion proposing new candidates to serve as lead plaintiffs, and for appointment of lead counsel.

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

The Company, together with, in some instances, certain of its directors and officers, is a defendant or co-defendant in various legal actions involving copyright, breach of contract and various other claims incident to the conduct of its businesses. Management does not expect a material impact to its results of operations, financial position or cash flows by reason of these actions.

Contractual Guarantees

Commencing in 1994, the Company guaranteed certain special assessment and water/sewer revenue bond series issued by the Celebration Community Development District and the Enterprise Community Development District (collectively, the "Districts"). The bond proceeds were used by the Districts to finance the construction of infrastructure improvements and the water and sewer system in the mixed-use, residential community of Celebration, Florida ("Celebration"). As of December 31, 2002, the remaining debt service obligation guaranteed by the Company under the guarantees is $115 million, of which $67 million is principal.

In 1997, the Company guaranteed certain bond issuances by the Anaheim Public Authority for a total of $111 million. The guarantee also extends to interest that will total $319 million over the life of the bond. The bond proceeds were used by the City of Anaheim to finance construction of infrastructure within the Anaheim Resort area and a public parking facility. Revenues from sales, occupancy and property taxes from the Disneyland Resort and non-Disney hotels are used by the City of Anaheim to repay the bonds. The Company has guaranteed the bonds and in the event of a debt service shortfall, will be responsible to fund such shortfall. To the extent that subsequent tax revenues exceed the debt service payments in subsequent periods, the Company would be reimbursed for any previously funded shortfalls.

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

13. As a matter of course, the Company is regularly audited by both Federal, state and foreign tax authorities. From time to time, these audits result in proposed assessments. Among current audits, the Internal Revenue Service (IRS) is in the final stages of its examination of the Company's federal income tax returns for 1993 through 1995. In connection with this examination, the IRS has proposed assessments that challenge certain of the Company's tax positions which, if upheld through the administrative and legal process, could have a material impact on the Company's earnings and cash flow. The Company believes that its tax positions comply with applicable tax law and it intends to defend its positions vigorously. The Company believes it has adequately provided for any reasonably foreseeable outcome related to these matters, and it does not anticipate any material earnings impact from their ultimate resolution. During fiscal year 2002, the Company negotiated the settlement of a number of proposed assessments, and it continues to pursue favorable settlement of the remaining items.

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 operating results for the quarter ended December 31, 2002 for each business segment, and for the Company as a whole, are not necessarily indicative of results to be expected for the full year.

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

Studio Entertainment revenues fluctuate based upon the timing of theatrical motion picture, home video (VHS and DVD) and television releases. Release dates for theatrical, home video and television products are determined by several 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 occupancy resulting from the seasonal nature of vacation travel. Peak attendance and resort occupancy generally occur during the summer months when school vacations occur and during early-winter and spring holiday periods.

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

RESULTS OF OPERATIONS

Net income for the quarter decreased 42%, or $182 million, to $256 million, and earnings per share decreased 38%, or $0.08, to $0.13 compared to the prior-year quarter. Results for the current quarter include the write-off of our aircraft leveraged lease investment with United Airlines ($114 million or $0.04 per share). Based on United's recent bankruptcy filing, the Company believes it is unlikely that it will recover this investment. Results for the prior-year quarter include a gain on the sale of the Company's remaining shares of Knight-Ridder, Inc. ($216 million or $0.06 per share).

Excluding the year-over-year impact of the United charge and Knight-Ridder gain, results for the current quarter reflected higher segment operating income and equity in the income of investees, partially offset by higher interest expense. Increased segment operating income reflected higher Parks and Resorts and Consumer Products results, partially offset by declines at Media Networks and Studio Entertainment. Higher equity in the income of investees was primarily due to an increase in advertising revenue at the cable channel investments.

Net interest expense and other is as follows:

	Three Months Ended December 31, 2002	Three Months Ended December 31, 2001
(in millions)		
Interest expense	$ (187)	$ (169)
Interest and investment income (loss)	(109)	224
Net interest (expense) and other	$ (296)	$ 55

Interest and investment income and loss include the $114 million United write-off in the current quarter and the $216 million Knight-Ridder gain in the prior-year quarter. Higher interest expense was primarily due to a full quarter of the incremental borrowings from the ABC

Family acquisition which closed midway through the prior-year quarter. Decreased corporate and unallocated expense primarily relates to the absence of certain costs reflected in the prior year for brand promotion initiatives that have concluded, partially offset by increased costs for new finance and human resource information technology systems intended to improve productivity and reduce costs.

Business Segment Results

(in millions)	Three Months Ended December 31,		
Revenues:	2002	2001	% Change
Media Networks	$ 3,240	$ 2,976	9%
Parks and Resorts	1,548	1,433	8%
Studio Entertainment	1,891	1,773	7%
Consumer Products	787	834	(6)%
	$ 7,466	$ 7,016	6%
Segment operating income:			
Media Networks	$ 225	$ 242	(7)%
Parks and Resorts	225	187	20%
Studio Entertainment	138	149	(7)%
Consumer Products	190	175	9%
	$ 778	$ 753	3%

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

	Three Months Ended December 31,		
(in millions)	2002	2001	% Change
Segment operating income	$ 778	$ 753	3%
Corporate and unallocated shared expenses	(102)	(104)	(2)%
Amortization of intangible assets	(5)	(3)	67%
Net interest (expense) and other	(296)	55	n/m
Equity in the income of investees	90	70	29%
Income before income taxes and minority interests	$ 465	$ 771	(40)%

Segment earnings before interest, income taxes, depreciation and amortization (EBITDA) which is segment operating income adjusted to exclude depreciation is as follows:

	Three Months Ended December 31,		
(in millions)	2002	2001	% Change
Media Networks	$ 267	$ 288	(7)%
Parks and Resorts	395	348	14%
Studio Entertainment	147	160	(8)%
Consumer Products	205	188	9%
	$ 1,014	$ 984	3%

We believe that segment EBITDA provides additional information useful in analyzing the underlying business results. However, segment EBITDA is a non-GAAP financial metric and should be considered in addition to, not as a substitute for, reported segment operating income.

Media Networks

The following table provides supplemental revenue and operating income detail for the Media Networks segment:

(in millions) Three Months Ended December 31,	2002	2001	% Change
Revenues:			
Broadcasting	$ 1,564	$ 1,464	7%
Cable Networks	1,676	1,512	11%
	$ 3,240	$ 2,976	9%
Segment operating income (loss):			
Broadcasting	$ 38	$ (77)	n/m
Cable Networks	187	319	(41)%
	$ 225	$ 242	(7)%

Media Networks revenues increased 9%, or $264 million, to $3.2 billion, driven by increases of $100 million at Broadcasting and $164 million at the Cable Networks. The increase at Broadcasting was primarily driven by higher advertising revenues due to an improved advertising marketplace and performance at the ABC television network. Revenues at the Company's owned television and radio stations also increased due to the stronger advertising market, with higher political advertising contributing to the increased revenues at the owned television stations. Revenues at the Cable Networks increased due to higher advertising and affiliate revenue. Higher affiliate revenues reflected subscriber growth at the Disney Channel and contractual rate increases.

Segment operating income decreased 7%, or $17 million, to $225 million, driven by decreases of $132 million at the Cable Networks, due to higher programming costs partially offset by an increase of $115 million at Broadcasting due to higher revenues. Costs and expenses, which consist primarily of programming rights costs and amortization, production costs, distribution and selling expenses and labor costs, increased 10%, or $281 million, due primarily to higher sports programming costs relating to National Football League (NFL), National Basketball Association (NBA), Major League Baseball (MLB) and National Hockey League (NHL) at the Cable Networks.

The Company has various contractual commitments for the purchase of broadcast rights for sports and other programming, including NFL, NBA, MLB, NHL and various college football conference and bowl games. The costs of these contracts have increased significantly in recent years. We have implemented a variety of strategies, including marketing efforts, to reduce the impact of the higher costs. The impact of these contracts on the Company's results over the remaining term of the contracts is dependent upon a number of factors, including the strength of advertising markets, 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 gross revenues to estimated total gross revenues over the remaining contract period. The Company's contract to broadcast the NFL is for an eight-year term commencing with the 1998 season. The initial five-year period was non-cancelable and ended with the telecast of the 2003 Pro Bowl. The remaining three years are subject to cancellation at the option of the NFL during February 2003. Programming rights costs for the initial five-year period have been charged to expense based upon the ratio of current period's gross revenues to estimated total revenues for that period of time. Estimates of total gross revenues can change significantly and, accordingly, they are reviewed periodically and amortization and carrying amounts are adjusted, if necessary. Such adjustments could have a material effect on the Company's results of operations in future periods.

Consolidation in the cable and satellite distribution industry may affect the Company's ability to obtain and maintain terms of the distribution of its various cable and satellite programming services that are as favorable as those currently in place.

The Company has a significant cable distributor in Latin America that is experiencing financial difficulties and has indicated that it may file for bankruptcy protection. An unfavorable outcome of this situation could result in a reduction of revenues for the Latin American Disney Channel and ESPN Services, which form part of the Media Networks segment.

Parks and Resorts

Revenues increased 8%, or $115 million, to $1.5 billion, driven primarily by increases of $86 million at the Walt Disney World Resort and $38 million at the Disneyland Resort. Revenue increases at both Walt Disney World and Disneyland were driven by higher guest spending and theme park attendance. Higher guest spending at Walt Disney World reflected increased visitation by international and domestic tourists who on average spend more per visit than local guests, as well as ticket and other price increases in the fourth quarter of the prior year. At Disneyland, higher guest spending was driven by ticket price increases in the second quarter of the prior year and reduced promotional programs during the quarter. Increased attendance for the quarter at Walt Disney World reflected cancellations, deferrals and reduced travel in the prior-year quarter. At the Disneyland Resort, higher attendance was driven by strong local attendance, reflecting the continued success of the Annual Passport program, as well as the opening of "a bug's land" at Disney's California Adventure in the current quarter and increased visitation by international tourists.

Segment operating income increased 20%, or $38 million, to $225 million, reflecting revenue increases at both the Walt Disney World Resort and the Disneyland Resort, partially offset by higher costs. Costs and expenses, which consist principally of labor, costs of merchandise, food and beverages sold, depreciation, repairs and maintenance, entertainment and marketing and sales expense, increased by 6%, or $77 million for the quarter. Higher costs and expenses reflected higher operating costs and marketing expenses at both the Walt Disney World Resort and the Disneyland Resort. Higher operating costs at the Walt Disney World and the Disneyland Resorts were driven by increased guest volume, as well as higher insurance and employee benefits costs.

Studio Entertainment

Revenues increased 7%, or $118 million, to $1.9 billion, driven by an increase of $50 million in worldwide home video, $41 million in worldwide motion picture distribution and $23 million in music distribution. Worldwide home video results reflected strong DVD and VHS performances of Lilo & Stitch and Beauty & the Beast, as well as strong sales of other DVD live-action titles, compared to the prior year period which included Snow White and the Seven Dwarfs, The Princess Diaries and Pearl Harbor. In worldwide motion picture distribution, the revenue increases reflected the performance of The Santa Clause 2, Sweet Home Alabama and Signs compared to the prior-year period which included Disney/Pixar's Monsters, Inc. and Atlantis. The increase in music distribution revenues reflected stronger performances of current soundtracks and the release of Rascal Flatts compared to no significant releases in the prior-year period.

Segment operating income decreased 7%, or $11 million, to $138 million, driven by declines in worldwide theatrical motion picture distribution due to increased costs, partially offset by revenue growth in worldwide home video. Costs and expenses, which consist primarily of production cost and amortization, distribution and selling expenses, product costs and participation costs, increased 8%, or $129 million. Cost increases in worldwide theatrical motion picture distribution reflected higher distribution and amortization costs for current period titles including Treasure Planet, The Hot Chick and The Santa Clause 2, partially offset by lower participation expenses due to Disney/Pixar's Monsters, Inc., which was released in the prior-year period. In worldwide home video, cost increases reflected higher distribution and amortization costs for Lilo & Stitch and Beauty & the Beast.

Consumer Products

Revenues decreased 6%, or $47 million, to $787 million, primarily reflecting a decline of $76 million at the Disney Stores, partially offset by growth of $30 million in merchandise licensing. The declines at the Disney Stores were due to lower comparative store sales and fewer stores, as a result of store closures and the sale of the Disney Store business in Japan in the third quarter of the prior year. The increase in licensing revenue was primarily due to higher revenues from our toy licensees due in large part to contractually guaranteed minimum royalties.

Operating income increased 9%, or $15 million, to $190 million, reflecting increases at Licensing, Interactive and Publishing, partially offset by decreases at the Disney Stores. Costs and expenses, which consist primarily of labor, product costs, including product development costs, distribution and selling expenses and leasehold expenses, decreased 9%, or $62 million, primarily driven by lower costs at the Disney Stores resulting from lower sales volume and product development and marketing costs savings at Interactive.

STOCK OPTION ACCOUNTING

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

(in millions)	Three Months Ended December 31, 2002	2001
Net income:		
As reported	$ 256	$ 438
Less stock option expense	(111)	(109)
Tax Effect	41	40
Pro forma after stock option expense	$ 186	$ 369
Diluted earnings per share:		
As reported	0.13	0.21
Pro forma after option expense	0.09	0.18

These pro forma amounts may not be representative of future disclosures since the estimated fair value of stock options is amortized to expense over the vesting period and additional options may be granted in future years. The pro forma amounts assume that the Company had been following the fair value approach since the beginning of fiscal 1996.

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

Disney Share Price	Total In-the-Money Options	Incremental Diluted Shares (1)	Percentage of Average Shares Outstanding	Hypothetical Q3 2002 EPS Impact (3)
$ 17.21	3 million	-- (2)	-	$ 0.00
25.00	97 million	9 million	0.46%	(0.01)
30.00	127 million	19 million	0.95%	(0.01)
40.00	198 million	43 million	2.09%	(0.01)
50.00	206 million	60 million	2.92%	(0.01)

(1) Represents the incremental impact on fully diluted shares outstanding assuming the average share prices indicated, using the treasury stock method. Under the treasury stock method, the tax effected proceeds that would be received from the exercise of all in-the-money options are assumed to be used to repurchase shares.
(2) Fully diluted shares outstanding for the quarter ended December 31, 2002 total 2,044 million and include the dilutive impact of in-the-money options at the average share price for the period of $17.21. At the average share price of $17.21, the dilutive impact of in-the-money options was 2 million shares for the quarter.
(3) Based upon Q1 2003 earnings of $256 million, or $0.13 per share.

FINANCIAL CONDITION

For the fiscal quarter ended December 31, 2002, cash used by operations improved by $165 million to $414 million from a use of $579 million in the prior-year quarter, reflecting higher pre-tax income before the write down of our United aircraft leveraged lease investment in the current quarter and the gain on the sale of Knight-Ridder stock in the prior-year quarter, as well as the timing of the collection of accounts receivable.

During the three months ended December 31, 2002, the Company invested $193 million in parks, resorts and other properties. Investments in parks, resorts and other properties by segment are as follows:

(in millions)	Three Months Ended December 31 2002	2001
Media Networks	$ 28	$ 25
Parks and Resorts	125	151
Studio Entertainment	7	5
Consumer Products	7	10
Corporate and unallocated shared expenditures	26	46
	$ 193	$ 237

During the quarter, the Company's borrowing activity was as follows (in millions):

	Additions	Payments	Total
Commercial paper borrowings (net change for the quarter)	$ 1,367	$ -	$ 1,367
US medium term notes and other USD denominated debt	300	-	300
European medium term notes	-	(43)	(43)
Other	-	(8)	(8)
Debt repaid in connection with the ABC Family acquisition	-	(892)	(892)
	$ 1,667	$ (943)	$ 724

During the fiscal quarter ended December 31, 2002, the Company increased its commercial paper borrowings by $1.4 billion and issued global bonds with proceeds of $300 million. The global bonds have an effective interest rate of 5.9%, and mature in fiscal 2017. During the quarter, the Company repaid approximately $43 million of term debt, which matured during the quarter. Additionally, during the quarter the Company called and repaid approximately $892 million of debt assumed in the acquisition of ABC Family.

Commercial paper borrowings outstanding as of December 31, 2002 totaled $2.1 billion, with maturities of up to one year, supported by a $2.25 billion bank facility that expires in 2003 and a $2.25 billion bank facility that expires in 2005. The Company is in the process of renewing the facility that expires in February 2003 and expects to complete such renewal prior to its expiration. Net commercial paper borrowings (total commercial paper less money market securities held by the Company) at December 31, 2002 totaled approximately $1.7 billion. These bank facilities allow for borrowings at LIBOR-based rates plus a spread, depending upon the Company's public debt rating. As of December 31, 2002, the Company had not borrowed any amounts under these bank facilities.

The Company has a 39% interest in Euro Disney S.C.A., which operates the Disneyland Resort Paris. As of December 31, 2002, Euro Disney has drawn $118 million under a $172 million line of credit with the Company, and it is expected that Euro Disney will draw additional amounts under the credit line during fiscal 2003. As of December 31, 2002, Euro Disney had, on a US GAAP basis, total assets of $3.1 billion and total liabilities of $3.0 billion, including borrowings of $2.3 billion.

At December 31, 2002, contractual commitments for sports programming rights totaled $10.2 billion, primarily for NFL, NBA, college football, MLB and NHL. Total contractual commitments to purchase broadcast programming totaled $13.1 billion, including approximately $957 million for available programming.

Contractual commitments relating to broadcast programming rights are payable as follows (in millions):

2003	$ 2,555
2004	3,148
2005	2,873
2006	2,241
2007	1,020
Thereafter	1,248
	$ 13,085

We expect that the ABC Television Network, ESPN, ABC Family, The Disney Channels and the Company's television and radio stations will continue to enter into programming commitments to purchase broadcast rights for various feature films, sports and other programming.

As disclosed in the Notes to the Condensed Consolidated Financial Statements (see Notes 12 and 13), the Company has exposure for certain legal and tax matters. Management believes that it is currently not possible to estimate the impact, if any, that the ultimate resolution of these matters will have on the Company's financial position or cash flows.

The Company declared a $429 million dividend ($0.21 per share) on December 3, 2002 related to fiscal 2002, which was paid January 9, 2003 to shareholders of record on December 13, 2002. The Company paid a $428 million dividend ($0.21 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 liquid assets, operating cash flows, access to debt and equity capital markets and borrowing capacity, taken together, provide adequate resources to fund ongoing operating requirements and future capital expenditures related to the expansion of existing businesses and development of new projects. However, the Company's operating cash flow and access to the capital markets can be impacted by macroeconomic factors outside of its control. In addition to macroeconomic factors, the Company's borrowing costs can be impacted by short and long-term debt ratings assigned by independent rating agencies, which are based, in significant part, on the Company's performance as measured by certain credit measures such as interest coverage and leverage ratios. On October 4, 2002, Standard & Poor's Ratings Services lowered its long-term ratings on the Company to BBB+ from A- and removed the Company's ratings from CreditWatch where they were placed with negative implications on August 2, 2002. At the same time, the A-2 short-term corporate credit rating, which was not on CreditWatch, was affirmed. The rating agency affirmed that our current outlook is stable. On October 18, 2002, Moody's Investors Service downgraded the Company's long-term debt rating to Baa1 from A3. The Company's short-term rating of P2 was affirmed and the outlook is stable.

OTHER MATTERS

Accounting Policies and Estimates

We believe that the application of the following accounting policies, which are important to our financial position and results of operations, requires significant judgments and estimates on the part of management. For a summary of all of our accounting policies, including the accounting policies discussed below, see Note 2 of the Consolidated Financial 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-year sports rights over the applicable product life cycle based upon the ratio of the current period's gross revenues to the estimated remaining total gross revenues. These estimates are calculated on an individual production basis for film and television and on an individual contract basis for sports rights. Estimates of total gross revenues can change due to a variety of factors, including the level of market acceptance, advertising rates and subscriber fees.

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

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

Revenue Recognition

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

We record reductions to revenues for estimated future returns of merchandise, primarily home video, DVD and software products, and for customer programs and sales incentives. These estimates are based upon historical return experience, current economic trends and projections of customer demand for and acceptance of our products. Differences may result in the amount and timing of our revenue for any period if actual performance varies from our estimates.

Goodwill, Intangible Assets, Long-lived Assets and Investments

Goodwill and other intangible assets must be tested for impairment on an annual basis. During the quarter, we completed our impairment testing and determined that there were no impairment losses related to goodwill and other intangible assets. In assessing the recoverability of goodwill and other intangible assets, projections regarding estimated future cash flows and other factors are made to determine the fair value of the respective assets. If these estimates or related projections change in the future, we may be required to record impairment charges for these assets.

Long-lived assets include certain long-term investments. The fair value of the long-term investments is dependent on the performance of the companies we invest in, as well as volatility inherent in the external markets for these investments. In assessing potential impairment for these investments, we will consider these factors as well as forecasted financial performance of our investees. If these forecasts are not met, impairment charges may be required.

Contingencies and Litigation

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

Income Tax Audits

As a matter of course, the Company is regularly audited by both Federal, state and foreign tax authorities. From time to time, these audits result in proposed assessments. Among current audits, the Internal Revenue Service (IRS) is in the final stages of its examination of the Company's federal income tax returns for 1993 through 1995. In connection with this examination, the IRS has proposed assessments that challenge certain of the Company's tax positions which, if upheld through the administrative and legal process, could have a material impact on the Company's earnings and cash flow. The Company believes that its tax positions comply with applicable tax law and it intends to defend its positions vigorously. The Company believes it has adequately provided for any reasonably foreseeable outcome related to these matters, and it does not anticipate any material earnings impact from their ultimate resolution. During fiscal year 2002, the Company negotiated the settlement of a number of proposed assessments, and it continues to pursue favorable settlement of the remaining items.

Accounting Changes

In November 2002, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (FIN 45). FIN 45 requires a guarantor to recognize a liability, at the inception of the guarantee, for the fair value of obligations it has undertaken in issuing the guarantee and also include more detailed disclosures with respect to guarantees. FIN 45 is effective for guarantees issued or modified starting January 1, 2003 and requires the additional disclosures for the period ended December 31, 2002. The Company does not expect that the provisions of FIN 45 will have a material impact on the Company's results of operations or financial position. The Company has provided additional disclosure with respect to guarantees in Note 12 to the Condensed Consolidated Financial Statements.

In January 2003, the FASB issued EITF No. 00-21, Revenue Arrangements with Multiple Deliverables (EITF 00-21). EITF 00-21 provides guidance on how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. EITF 00-21 will be effective for arrangements entered into after June 30, 2003. The Company is evaluating the impact of its adoption on its consolidated results of operations and financial position.

MARKET RISK

Interest Rate Risk Management

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

We use interest rate swaps and other instruments to manage net exposure to interest rate changes related to our borrowings and investments and to lower the Company's overall borrowing costs. We do not enter into interest rate swaps for speculative purposes. Significant interest rate risk management instruments held by the Company during the quarter included receive-fixed and pay-fixed swaps. Receive-fixed swaps, which expire in one to 30 years, effectively convert medium- and long-term obligations to LIBOR-indexed variable rate instruments. Pay-fixed swaps, which expire in one to two 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 risks associated with changing foreign exchange rates. Our objective is to reduce earnings and cash flow volatility associated with foreign exchange rate changes to allow management to focus its attention on our core business issues and challenges. Accordingly, the Company enters into various contracts that change in value as foreign exchange rates change to protect the value of its existing foreign currency assets and liabilities, commitments and anticipated foreign currency revenues. By policy, we maintain hedge coverage between minimum and maximum percentages of its anticipated foreign exchange exposures for periods of up to five years. The gains and losses on these contracts offset changes in the value of the related exposures. It is our policy to enter into foreign currency transactions only to the extent considered necessary to meet these objectives. 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 hedge probable, but not firmly committed, revenues. We also use forward contracts to hedge foreign currency assets and liabilities. These forward and option contracts generally mature within five years. While these hedging instruments are subject to fluctuations in value, such fluctuations should offset changes in the value of the underlying exposures being hedged. The principal currencies hedged are the European euro, Japanese yen, British pound and Canadian dollar. Cross-currency swaps are used to hedge foreign currency-denominated borrowings.

Other Derivatives

The Company holds warrants in both public and private companies. These warrants, although not designated as hedging instruments, are deemed derivatives if they contain a net-share settlement clause. During the quarter, the Company recorded the change in fair value of certain of these instruments to current earnings.

FORWARD LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 (the Act) provides a safe harbor for "forward- looking statements" made by or on behalf of the Company. We may from time to time make written or oral statements that are "forward-looking" including statements contained in this report and other filings with the Securities and Exchange Commission and in reports to our shareholders. All statements that express expectations and projections with respect to future matters may be affected by changes in the Company's strategic direction, as well as by developments beyond the Company's control. These developments may include changes in global, political or 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, regulatory and other uncertainties associated with the Internet and other technological developments; and the launching or prospective development of new business initiatives. All forward-looking statements are made on the basis of management's views and assumptions, as of the time the statements are made, regarding future events and business performance. There can be no assurance, however, that our expectations will necessarily come to pass.

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

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

PART I. FINANCIAL INFORMATION

Item 4. Controls and Procedures

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

Based on their evaluation as of January 29, 2003, the principal executive officer and principal financial officer of the Company have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934) are effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, 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 internal controls or in other factors that could significantly affect those controls subsequent to the date of their most recent evaluation.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Stephen Slesinger, Inc. v. The Walt Disney Company. In this lawsuit, filed on February 27, 1991 and pending in the Los Angeles County Superior Court, the plaintiff claims that a Company subsidiary defrauded it and breached a 1983 licensing agreement with respect to certain Winnie the Pooh properties, by failing to account for and pay royalties on revenues earned from the sale of Winnie the Pooh movies on videocassette and from the exploitation of Winnie the Pooh merchandising rights. The plaintiff seeks damages for the licensee's alleged breaches as well as confirmation of the plaintiff's interpretation of the licensing agreement with respect to future activities. The plaintiff also seeks the right to terminate the agreement on the basis of the alleged breaches. The Company disputes that the plaintiff is entitled to any damages or other relief of any kind, including termination of the licensing agreement. If each of the plaintiff's claims were to be confirmed in a final judgment, damages as argued by the plaintiff could total as much as several hundred million dollars and adversely impact the value to the Company of any future exploitation of the licensed rights. However, given the number of outstanding issues and the uncertainty of their ultimate disposition, management is unable to predict the magnitude of any potential determination of the plaintiff's claims. The trial date is currently scheduled for March 2003, although the court has indicated its intent to vacate the March date and set a new date.

Milne and Disney Enterprises, Inc. v. Stephen Slesinger, Inc. On November 5, 2002, Clare Milne, the granddaughter of A. A. Milne, author of the Winnie the Pooh books, and the Company's subsidiary Disney Enterprises, Inc. filed a complaint against Stephen Slesinger, Inc. ("SSI") in the United States District Court for the Central District of California. On November 4, 2002, Ms. Milne served notices to SSI and the Company's subsidiary terminating A. A. Milne's prior grant of rights to Winnie the Pooh, effective November 5, 2004, and granted all of those rights to the Company's subsidiary. In their lawsuit, Ms. Milne and the Company's subsidiary seek a declaratory judgment, under United States copyright law, that Ms. Milne's termination notices were valid; that SSI's rights to Winnie the Pooh in the United States will terminate effective November 5, 2004; that upon termination of SSI's rights in the United States, the 1983 licensing agreement that is the subject of the Stephen Slesinger, Inc. lawsuit described above will terminate by operation of law; and that, as of November 5, 2004, SSI will be entitled to no further royalties for uses of Winnie the Pooh. In January 2003, SSI filed an answer denying the material allegations of the complaint, and counterclaims seeking a declaration that Ms. Milne's grant of rights to Disney Enterprises is void and unenforceable, and that Disney Enterprises remains obligated to pay SSI royalties under the 1983 licensing agreement. SSI also filed a motion to dismiss the complaint or, in the alternative, for summary judgment.

Kohn v. The Walt Disney Company et al. On August 15, 2002, Aaron Kohn filed a class action lawsuit against the Company, its Chief Executive Officer and its Chief Financial Officer in the United States District Court for the Central District of California on behalf of a putative class consisting of purchasers of the Company's common stock between August 15, 1997 and May 15, 2002. Subsequently, at least nine substantially identical lawsuits were also filed in the same court, each alleging that the defendants violated federal securities laws by not disclosing the pendency and potential implications of the Stephen Slesinger, Inc. lawsuit described above prior to the Company's filing of its quarterly report on Form 10-Q in May 2002. The plaintiffs claim that this alleged nondisclosure constituted a fraud on the market that artificially inflated the Company's stock price, and contend that a decline in the stock price resulted from the May 2002 disclosure. The plaintiffs seek compensatory damages and/or rescission for themselves and all members of their defined class. Several of the plaintiffs filed motions asking the court to appoint lead plaintiffs and counsel, and to consolidate the related actions into a single case. On December 10, 2002, the motion to consolidate the cases was granted, but the motions to appoint lead plaintiffs and counsel were denied. On December 16, 2002, the plaintiffs filed another motion proposing new candidates to serve as lead plaintiffs, and for appointment of lead counsel.

Galluscio v. Eisner et al. On December 4, 2002, Dominic Galluscio filed a shareholder derivative lawsuit in Delaware Chancery Court claiming that the Company's current directors failed to reserve adequately for the claims in the Stephen Slesinger, Inc. lawsuit described above, causing the Company's financial results to be overstated, so as to benefit top executives whose compensation is determined in part based upon the Company's

financial performance. The director defendants and the Company (which is a nominal defendant) filed answers to the complaint on January 17, 2003 denying the material allegations of the complaint.

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

The Company, together with, in some instances, certain of its directors and officers, is a defendant or co-defendant in various other legal actions involving copyright, breach of contract and various other claims incident to the conduct of its businesses. Management does not expect the Company to suffer any material liability by reason of such actions.

PART II. OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10(a) Non-employee Director's Retirement Policy

(b) Reports on Form 8-K

The following current report on Form 8-K was filed by the Company during the Company's first fiscal quarter:

(1) Current report on Form 8-K dated November 7, 2002, set forth (a) the earnings release for the fiscal year ended September 30, 2002 and (b) text of the conference call concerning the earnings release.

SIGNATURE

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

THE WALT DISNEY COMPANY

(Registrant)

By: /s/ THOMAS O. STAGGS

THOMAS O. STAGGS
(Thomas O. Staggs, Senior Executive Vice President
and Chief Financial Officer)

February 4, 2003
Burbank, California

CERTIFICATIONS

I, Michael D. Eisner, Chairman of the Board and Chief Executive Officer of The Walt Disney Company (the "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 material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements 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 this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the 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 maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

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

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days 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 disclosure controls and 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 evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the 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 a significant role in the registrant's internal controls; and

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

Date: February 4, 2003

By: /s/ MICHAEL D. EISNER

Michael D. Eisner
Chairman of the Board
and Chief Executive Officer

Executive

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Walt Disney Company (the "Company") on Form 10-Q for the fiscal quarter ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael D. Eisner, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ MICHAEL D. EISNER

Michael D. Eisner
Chairman of the Board
and Chief Executive Officer
February 4, 2003

CERTIFICATIONS

I, Thomas O. Staggs, Senior Executive Vice President and Chief Financial Officer of The Walt Disney Company (the "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 material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements 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 this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the 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 maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

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

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days 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 disclosure controls and 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 evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the 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 a significant role in the registrant's internal controls; and

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

Date: February 4, 2003

By: /s/ THOMAS O. STAGGS

Thomas O. Staggs
Senior Executive Vice President
and Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Walt Disney Company (the "Company") on Form 10-Q for the fiscal quarter ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas O. Staggs, Senior Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ THOMAS O. STAGGS

Thomas O. Staggs
Senior Executive Vice President
and Chief Financial Officer
February 4, 2003