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

FORM 10-Q

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

For the Quarter Ended March 31, 2003 — Commission File Number 1-11605

Incorporated in Delaware — I.R.S. Employer Identification No. 95-4545390

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

(818) 560-1000

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

Title of class	Name of 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 2,043,210,611 shares of common stock outstanding as of April 30, 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 March 31, 2003	Three Months Ended March 31, 2002	Six Months Ended March 31, 2003	Six Months Ended March 31, 2002
Revenues	$ 6,332	$ 5,856	$ 13,798	$ 12,872
Costs and expenses	(5,779)	(5,251)	(12,569)	(11,618)
Amortization of intangible assets	(7)	(2)	(12)	(5)
Net interest expense	(178)	(158)	(474)	(103)
Equity in the income of investees	51	49	141	119
Income before income taxes and minority interests	419	494	884	1,265
Income taxes	(157)	(205)	(344)	(504)
Minority interests	(33)	(30)	(55)	(64)
Net income	$ 229	$ 259	$ 485	$ 697
Earnings per share (basic and diluted)	$ 0.11	$ 0.13	$ 0.24	$ 0.34
Average number of common and common equivalent shares outstanding:				
Diluted	2,043	2,045	2,043	2,043

Basic	2,042	2,039	2,042	2,039

See Notes to Condensed Consolidated Financial Statements

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

	March 31, 2003	September 30, 2002
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,752	$ 1,239
Receivables	4,382	4,049
Inventories	629	697
Television costs	619	661
Deferred income taxes	624	624
Other assets	659	579
Total current assets	8,665	7,849
Film and television costs	6,255	5,959
Investments	1,824	1,810
Parks, resorts and other property, at cost		
Attractions, buildings and equipment	19,178	18,917
Accumulated depreciation	(8,519)	(8,133)
	10,659	10,784
Projects in progress	1,312	1,148
Land	764	848
	12,735	12,780
Intangible assets, net	2,767	2,776
Goodwill	16,978	17,083
Other assets	1,532	1,788
	$ 50,756	$ 50,045
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and other accrued liabilities	$ 4,952	$ 5,173
Current portion of borrowings	1,781	1,663
Unearned royalties and other advances	1,171	983
Total current liabilities	7,904	7,819
Borrowings	12,932	12,467
Deferred income taxes	2,720	2,597
Other long-term liabilities	3,199	3,283
Minority interests	491	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	12,117	12,107
Retained earnings	13,035	12,979
Accumulated other comprehensive income (loss)	(115)	(85)
	25,037	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)

	23,510	23,445
	$ 50,756	$ 50,045

See Notes to Condensed Consolidated Financial Statements

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

	Six Months Ended March 31, 2003	2002
NET INCOME	$ 485	$ 697
OPERATING ITEMS NOT REQUIRING CASH		
Depreciation	530	506
Equity in the income of investees	(141)	(119)
Minority interests	55	64
Amortization of intangible assets	12	5
Write-off of aircraft leveraged lease investment	114	-
Gain on sale of Knight-Ridder, Inc. shares	-	(216)
Other	180	561
CHANGES IN WORKING CAPITAL	(306)	(818)
Cash provided by operations	929	680
INVESTING ACTIVITIES		
Investments in parks, resorts and other property	(448)	(486)
Acquisitions (net of cash acquired)	(28)	(2,845)
Dispositions	-	16
Proceeds from sale of investments	29	598
Purchase of investments	(1)	(3)
Other	(22)	(11)
Cash used by investing activities	(470)	(2,731)
FINANCING ACTIVITIES		
Borrowings	300	2,905
Reduction of borrowings	(1,072)	(1,147)
Commercial paper borrowings, net	1,226	1,947
Exercise of stock options and other	29	25
Dividends	(429)	(428)
Cash provided by financing activities	54	3,302
Increase in cash and cash equivalents	513	1,251
Cash and cash equivalents, beginning of period	1,239	618
Cash and cash equivalents, end of period	$ 1,752	$ 1,869

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.

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

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 March 31, 2003	Three Months Ended March 31, 2002	Six Months Ended March 31, 2003	Six Months Ended March 31, 2002
Revenues:				
Media Networks	$ 2,485	$ 2,196	$ 5,725	$ 5,172
Parks and Resorts	1,485	1,525	3,033	2,958
Studio Entertainment				
Third parties	1,844	1,538	3,724	3,298
Intersegment	18	17	29	30
	1,862	1,555	3,753	3,328
Consumer Products				
Third parties	518	597	1,316	1,444
Intersegment	(18)	(17)	(29)	(30)
	500	580	1,287	1,414
	$ 6,332	$ 5,856	$ 13,798	$ 12,872
Segment operating income:				
Media Networks	$ 232	$ 309	$ 457	$ 551
Parks and Resorts	155	280	380	467
Studio Entertainment	206	27	344	176
Consumer Products	53	86	243	261
	$ 646	$ 702	$ 1,424	$ 1,455

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 March 31, 2003	Three Months Ended March 31, 2002	Six Months Ended March 31, 2003	Six Months Ended March 31, 2002
Segment operating income	$ 646	$ 702	$ 1,424	$ 1,455
Corporate and unallocated shared expenses	(93)	(97)	(195)	(201)
Amortization of intangible assets	(7)	(2)	(12)	(5)
Net interest expense	(178)	(158)	(474)	(103)
Equity in the income of investees	51	49	141	119
Income before income taxes and minority interests	$ 419	$ 494	$ 884	$ 1,265

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 requires more detailed disclosures with respect to guarantees. FIN 45 is effective for guarantees issued or modified starting January 1, 2003 and requires additional disclosures for existing guarantees. The adoption of FIN 45 did not 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, consensus was reached on 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 requires that such deliverables be accounted for separately. EITF 00-21 allows for prospective adoption for arrangements entered into after June 30, 2003 or adoption via a cumulative effect of a change in accounting principal. The Company is evaluating the impact the adoption of EITF 00-21 will have on its consolidated results of operations and financial position.

In January 2003, the FASB also issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46). FIN 46 requires that the holder of a variable interest evaluate whether or not a variable interest entity should be consolidated. The consolidation provisions apply immediately for a variable interest entity created after January 31, 2003 and after June 15, 2003 for a variable interest entity created before February 1, 2003. The Company will adopt the provisions of FIN 46 in the third quarter of fiscal 2003. We do not expect that this adoption will have a material impact on the Company's results of operations or financial position.

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

4. During the first quarter of fiscal 2003, the Company wrote-off its aircraft leveraged lease investment with United Airlines, which filed for bankruptcy protection resulting in an pre-tax charge of $114 million, or $0.04 per share. Based on the bankruptcy filing, we believe it is unlikely that the Company will recover this investment. The pre-tax charge of $114 million for the write-off is reported in "net interest expense" in the Condensed Consolidated Statements of Income. As of March 31, 2003, our remaining aircraft leveraged lease investment totaled approximately $175 million, of which $119 million and $56 million, reflected our investment with Delta Air Lines and FedEx, respectively. Given the current status of the airline industry, we continue to monitor these investments, particularly Delta Air Lines. The inability of Delta Air Lines to make their lease payments, or the termination of our lease through a bankruptcy proceeding, could result in a material charge for the write-down of some or all of our investment and could accelerate income tax payments.

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 included in "net interest expense" in the Condensed Consolidated Statements of Income.

5. The changes in the carrying amount of goodwill for the six months ended March 31, 2003 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 March 31, 2003	$ 16,902	$ 76	$ 16,978

During the first quarter of fiscal 2003, 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 six months ended March 31, 2003, the Company increased its commercial paper borrowings by approximately $1.2 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 2018. During the six-month period, the Company repaid approximately $180 million of term debt, which matured during the six-month period. Additionally, during the six-month period the Company called and repaid approximately $892 million of debt assumed in the acquisition of ABC Family. As of March 31, 2003, total commercial paper borrowings were approximately $1.9 billion.

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

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

Due to a current slow-down in tourism and the potential impact of ongoing geopolitical uncertainties, on March 28, 2003, the Company agreed with Euro Disney not to charge royalties and management fees for the period from January 1, 2003 to September 30, 2003, to the extent needed for Euro Disney to comply with a bank covenant regarding its operating income. As a result of this action, the Company will not recognize additional royalties and management fees for the last three quarters of fiscal 2003. Additionally, for both fiscal 2003 and fiscal 2004, the Company agreed to allow Euro Disney to pay its royalties and management fees annually, instead of quarterly.

During the last three quarters of fiscal 2002, royalties and management fees from Euro Disney totaled $6 million, $9 million and $12 million, respectively.

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 financing company 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 March 31, 2003 of approximately $695 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 of assuming 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 payment would be approximately $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 March 31, 2003, Euro Disney had, on a US GAAP basis, total assets of $3.2 billion and total liabilities of $3.2 billion, including borrowings totaling $2.5 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 quarters ended March 31, 2003 and 2002, options for 223 million and 126 million shares, respectively, were excluded from the diluted earnings per share calculation as they were anti-dilutive. For the six months ended March 31, 2003 and 2002, options for 211 million and 145

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million shares, respectively, were excluded.

9. Comprehensive income is as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2003	2002	2003	2002
Net income	$ 229	$ 259	$ 485	$ 697
Market value adjustments for investments and hedges, net of tax	(15)	(11)	(33)	16
Foreign currency translation, net of tax	(9)	(2)	3	38
Comprehensive income	$ 205	$ 246	$ 455	$ 751

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 March 31,		Six Months Ended March 31,	
	2003	2002	2003	2002
Net income:				
As reported	$ 229	$ 259	$ 485	$ 697
Less stock option expense	(112)	(121)	(223)	(230)
Tax effect	42	46	83	86
Pro forma after stock option expense	$ 159	$ 184	$ 345	$ 553
Diluted earnings per share:				
As reported	$ 0.11	$ 0.13	$ 0.24	$ 0.34
Pro forma after option expense	$ 0.08	$ 0.09	$ 0.17	$ 0.27

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.

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

11. In December 1999, the Company established the TWDC Stock Compensation Fund II pursuant to the Company's repurchase program to acquire shares of Disney 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, 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. On April 24, 2003, the Company removed the case from Los Angeles County Superior Court to the United States District Court for the Central District of California, where no trial date has been set.

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 (a) an answer denying the material allegations of the complaint and (b) counterclaims seeking a declaration (i) that Ms. Milne's grant of rights to Disney Enterprises, Inc. is void and unenforceable and (ii) that Disney Enterprises, Inc. 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. On May 8, 2003, the Court ruled that Milne's termination notices are invalid and dismissed SSI's counterclaim as moot.

Kohn v. The Walt Disney Company et al. On August 15, 2002, Aaron Kohn filed a class 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. On December 10, 2002, plaintiffs' motion to consolidate the related actions into a single case was granted, and their motion for appointment of lead plaintiffs and counsel was granted on February 21, 2003.

Management believes that it is not currently possible to estimate the impact, if any, that 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 other 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 March 31, 2003, the remaining debt service obligation guaranteed by the Company was $115 million, of which $67 million was 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 $298 million over the 40-year life of the bond. The bond proceeds were used by the City of Anaheim to finance construction of infrastructure and a public parking facility adjacent to the Disneyland Resort. 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. In the event of a debt service shortfall, the Company will be responsible to fund the 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, 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 federal, state and foreign tax authorities. From time to time, these audits result in proposed assessments. The Internal Revenue Service (IRS) has recently completed 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. The Company has negotiated the settlement of a number of proposed assessments, and is pursuing an administrative appeal before the IRS with regard to the remainder. If the remaining proposed assessments are upheld through the administrative and legal process, they could have a material impact on the Company's earnings and cash flow. However, the Company believes that its tax positions comply with applicable tax law and intends to defend its positions vigorously. The Company believes it has adequately provided for any reasonably foreseeable outcome related to these matters. Although their ultimate resolution will likely require additional cash tax payments, the Company does not anticipate any material earnings impact from these matters.

14. In April 2003, the Company issued $1.3 billion of convertible senior notes due on April 15, 2023. The notes bear interest at an annual rate of 2.125% and are redeemable at the Company's option any time after April 15, 2008 at a price of 100% of the principal amount of the notes. The notes are redeemable at the investor's option at a price of 100% of principal amount on April 15, 2008, April 15, 2013 and April 15, 2018, and upon the occurrence of certain fundamental

changes, such as a change in control. The notes are convertible into Disney common stock, under certain circumstances, at an initial conversion rate of 33.9443 shares of common stock per $1,000 principal amount of notes. This is equivalent to an initial conversion price of $29.46. The conversion rate is subject to adjustment if certain events occur.

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

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 six months ended March 31, 2003 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 12%, or $30 million, to $229 million, and earnings per share decreased 15%, or $0.02, to $0.11 compared to the prior-year quarter. Results for the current quarter reflected lower segment operating income and higher net interest expense. Decreased segment operating income reflected lower Parks and Resorts, Media Networks and Consumer Products results, partially offset by improvements at Studio Entertainment. Corporate and unallocated shared expenses were relatively flat from the prior-year quarter as additional costs for new finance and human resource information technology systems were offset by lower costs from brand promotion initiatives. Income from equity investees was also comparable to the prior-year quarter as increases at the cable equity investments were offset by higher losses at Euro Disney.

Net interest expense is as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
(unaudited, in millions)	2003	2002	2003	2002
Interest expense	$ (172)	$ (182)	$ (359)	$ (351)
Interest and investment income (loss)	(6)	24	(115)	248
Net interest expense	$ (178)	$ (158)	$ (474)	$ (103)

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

For the six months, net income decreased 30% or $212 million, to $485 million, and earnings per share decreased 29%, or $0.10, to $0.24 compared to the prior-year period. Results for the current period included the write-off of our aircraft leveraged lease investment with United Airlines ($114 million or $0.04 per share). Results for the prior-year period 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 Airlines charge and Knight-Ridder gain, results for the current period reflected lower segment operating income, partially offset by higher equity in the income of investees and lower corporate and unallocated shared expenses. Decreased segment operating income reflected lower Media Networks, Parks and Resorts and Consumer Products results, partially offset by stronger performance at Studio Entertainment. The increase in equity in the income of investees improvements reflected higher advertising revenues at the cable channel investments, partially offset by higher Euro Disney losses. The decrease in corporate and unallocated shared expenses was primarily due to lower brand promotion initiatives, partially offset by additional costs for finance and human resource information technology systems.

Pension and post-retirement medical benefit plan costs have increased significantly in fiscal 2003 due primarily to changes in actuarial assumptions and higher healthcare costs. The majority of these costs are borne by the Parks and Resorts segment. We expect that these costs will significantly increase in fiscal 2004, as well. The projected fiscal 2004 increase is due primarily to a decrease in the discount rate used to measure the present value of plan obligations, as well as the actual performance of plan assets, which has been below the long-term expected performance, reflecting generally decreasing returns of the financial markets overall. The decrease in the discount rate assumption reflects declining interest rates.

Business Segment Results

(unaudited, in millions)	Three Months Ended March 31,			Six Months Ended March 31,		
Revenues:	2003	2002	% Change	2003	2002	% Change
Media Networks	$ 2,485	$ 2,196	13 %	$ 5,725	$ 5,172	$ 11 %
Parks and Resorts	1,485	1,525	(3)%	3,033	2,958	3 %
Studio Entertainment	1,862	1,555	20 %	3,753	3,328	13 %
Consumer Products	500	580	(14)%	1,287	1,414	(9)%
	$ 6,332	$ 5,856	8 %	$ 13,798	$ 12,872	$ 7 %
Segment operating income:						
Media Networks	$ 232	309	(25)%	$ 457	$ 551	$ (17)%
Parks and Resorts	155	280	(45)%	380	467	(19)%
Studio Entertainment	206	27	n/m	344	176	95 %
Consumer Products	53	$ 86	(38)%	243	261	(7)%
	$ 646	$ 702	(8)%	$ 1,424	$ 1,455	$ (2)%

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 March 31,			Six Months Ended March 31,		
(unaudited, in millions)	2003	2002	% Change	2003	2002	% Change
Segment operating income	$ 646	$ 702	(8)%	$ 1,424	$ 1,455	(2)%
Corporate and unallocated shared expenses	(93)	(97)	4 %	(195)	(201)	3 %
Amortization of intangible assets	(7)	(2)	n/m	(12)	(5)	n/m
Net interest expense	(178)	(158)	(13)%	(474)	(103)	n/m
Equity in the income of investees	51	49	4 %	141	119	18 %
Income before income taxes and minority interests	$ 419	$ 494	(15)%	$ 884	$ 1,265	(30)%

Depreciation expense is as follows:

(unaudited, in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2003	2002	2003	2002
Media Networks	$ 43	$ 45	$ 85	$ 91
Parks and Resorts	170	161	340	322
Studio Entertainment	10	10	19	21
Consumer Products	18	16	33	29
Segment depreciation expense	241	232	477	463
Corporate	28	24	53	43
Total depreciation expense	$ 269	$ 256	$ 530	$ 506

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

Business Segment Results - Three Months

Media Networks

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

(unaudited, in millions) Three Months Ended March 31,	2003	2002	% Change
Revenues:			
Broadcasting	$ 1,407	$ 1,240	13%
Cable Networks	1,078	956	13%
	$ 2,485	$ 2,196	13%

Segment operating income:			
Broadcasting	$ (105)	$ (13)	n/m
Cable Networks	337	322	5%
	$ 232	$ 309	(25)%

Media Networks revenues increased 13%, or $289 million, to $2.5 billion, driven by increases of $167 million at Broadcasting and $122 million at the Cable Networks. Increased Broadcasting revenue was driven primarily by an increase of $153 million at the ABC television network and $17 million at the Company's owned and operated stations. The increases at the television network and stations were primarily driven by higher advertising revenues, reflecting higher rates due to an active scatter market, and in part to the Super Bowl, partially offset by decreases because of regular programming preemptions due to war coverage. Revenues at the Cable Networks increased primarily due to increases at ESPN due to higher affiliate and advertising revenue. Higher affiliate revenues reflected contractual rate increases and subscriber growth. These increases were partially offset by the impact of the bankruptcy filing of a cable affiliate in Latin America as discussed below.

Segment operating income decreased 25%, or $77 million, to $232 million, driven by decreases of $92 million at Broadcasting, due to higher programming and production costs, partially offset by an increase of $15 million at the Cable Networks due to higher revenues, partially offset by higher programming costs. Costs and expenses, which consist primarily of programming rights costs and amortization, production costs, distribution and selling expenses and labor costs, increased 19%, or $366 million, due to higher programming costs at the television network due to the Super Bowl and higher primetime series costs and at ESPN due to National Football League (NFL) and National Basketball Association (NBA) programming. Cost increases also reflected higher marketing costs at ABC Family related to branding initiatives.

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. 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. The initial five-year period of the Company's contract to broadcast the NFL was non-cancelable and ended with the telecast of the 2003 Pro Bowl. In February 2003, the NFL exercised its option to extend the contract for an additional three years ending with the telecast of the 2006 Pro Bowl. Programming rights for the initial five-year period have been charged to expense based on estimates of total revenues for that period of time.

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

The Company has a significant cable affiliate in Latin America that filed for bankruptcy protection in March 2003. This resulted in a reduction of revenues for the Latin American Disney Channel and ESPN services.

Parks and Resorts

Revenues decreased 3%, or $40 million, to $1.5 billion, driven primarily by decreases of $29 million at the Walt Disney World Resort and $13 million from Euro Disney, partially offset by an increase of $5 million at the Disneyland Resort. The revenue decrease at Walt Disney World reflected decreased theme park attendance and hotel occupancy, partially offset by higher guest spending. Decreased attendance and hotel occupancy at Walt Disney World Resort reflected disruption in travel and tourism generally due to concerns about world events and softness in the economy as a whole, and the timing of the Easter holiday, which occurred during the third quarter of the current year versus the second quarter of the prior year. Increased guest spending at Walt Disney World reflected ticket and other price increases in the fourth quarter of the prior year, as well as a reduction in certain promotional programs. The decrease in revenues from Euro Disney included lower royalties and management fees due to the cessation of billing and recognition of revenues commencing with the current quarter (see Note 7). At Disneyland, the revenue increase was primarily due to higher hotel occupancy and theme park attendance.

Segment operating income decreased 45%, or $125 million, to $155 million, reflecting higher costs at both the Walt Disney World and Disneyland resorts, and lower revenues. 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 7%, or $85 million, for the quarter. Costs and expenses at both resorts reflected higher spending on information systems and increased costs for refurbishments, employee benefits, insurance, depreciation and marketing costs, partially offset by the impact of ongoing cost management efforts.

Studio Entertainment

Revenues increased 20%, or $307 million, to $1.9 billion, driven by an increase of $257 million in worldwide home video, $55 million in worldwide theatrical motion picture distribution and $25 million in television distribution. Increases at worldwide home video reflected strong DVD and VHS sales of Sweet Home Alabama, Signs and Spy Kids 2: The Island of Lost Dreams, compared to the prior-year quarter. In worldwide theatrical motion picture distribution, revenue increases reflected the strong performances of Bringing Down the House, Chicago and Shanghai Knights compared to the prior-year quarter. Increases in television distribution revenues reflected higher network and syndication revenues in the current quarter.

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

Consumer Products

Revenues decreased 14%, or $80 million, to $500 million, reflecting decreases of $64 million at the Disney Store and $15 million at Buena Vista Games (previously Disney Interactive). The declines at the Disney Store 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 decrease at Buena Vista Games was due to weaker performances by titles in the current quarter compared to the prior-year quarter, which included Monsters, Inc. titles.

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

Business Segment Results - Six Months

Media Networks

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

(unaudited, in millions) Six Months Ended March 31,	2003	2002	% Change
Revenues:			
Broadcasting	$ 2,971	$ 2,704	10%
Cable Networks	2,754	2,468	12%
	$ 5,725	$ 5,172	11%
Segment operating income:			
Broadcasting	$ (67)	$ (90)	26%
Cable Networks	524	641	(18)%
	$ 457	$ 551	(17)%

Media Networks revenues increased 11%, or $553 million, to $5.7 billion, driven by increases of $267 million at Broadcasting and $286 million at the Cable Networks. Increased Broadcasting revenue was primarily driven by an increase of $171 million at the ABC television network and $45 million at the owned and operated television stations. The increases at the television network and the owned and operated television stations were driven primarily by higher advertising revenues reflecting higher rates due to an active scatter market and in part to the Super Bowl, partially offset by decreases because of regular programming preemptions due to war coverage. Increases at the Cable Networks were driven by higher affiliate and advertising revenues primarily at ESPN. Higher affiliate revenues reflected subscriber growth and contractual rate increases. These increases were partially offset by the impact of the bankruptcy filing of a cable affiliate in Latin America.

Segment operating income decreased 17%, or $94 million, to $457 million, driven by decreases of $117 million at the Cable Networks, due to higher programming costs, partially offset by an increase of $23 million at Broadcasting due to higher revenues. Costs and expenses increased 14%, or $647 million, driven by higher sports programming costs principally due to NFL and NBA broadcasts.

Parks and Resorts

Revenues increased 3%, or $75 million, to $3.0 billion, driven primarily by increases of $57 million at the Walt Disney World Resort and $43 million at the Disneyland Resort, partially offset by a decrease of $21 from Euro Disney. The revenue increases at the Walt Disney World and Disneyland resorts were driven by higher guest spending at both resorts, as well as higher theme park attendance and hotel occupancy at Disneyland, partially offset by lower theme park attendance and hotel occupancy at Walt Disney World. Higher guest spending at Walt Disney World reflected ticket and other price increases in the fourth quarter of the prior year and a reduction in certain promotional programs. At Disneyland, higher guest spending was driven by ticket price increases in the second quarter of the prior year. Increased attendance at the Disneyland Resort reflected the continued success of the Annual Passport program. The decrease in revenues from Euro Disney included lower royalties and management fees due to the cessation of billing and recognition of revenues commencing with the second quarter of the current year (see Note 7).

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

Studio Entertainment

Revenues increased 13% or $425 million, to $3.8 billion, driven by an increase of $307 million in worldwide home video, $83 million in worldwide theatrical motion picture distribution and $30 million in television distribution. Worldwide home video results reflected stronger DVD and VHS sales of Lilo & Stitch, Beauty & the Beast and Sweet Home Alabama compared to the prior-year period, which included Pearl Harbor, Snow White and the Seven Dwarfs and Atlantis. In worldwide theatrical motion picture distribution, revenue increases reflected strong performances of The Santa Clause 2, Chicago and Sweet Home Alabama. Increases in television distribution revenues reflected higher network and syndication revenues in the current period.

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

Consumer Products

Revenues decreased 9%, or $127 million, to $1.3 billion, reflecting declines of $142 million at the Disney Store and $15 million at Buena Vista Games, partially offset by increases of $32 million in merchandise licensing. The decline at the Disney Store is due to the sale of the Disney Store business in Japan as well as lower comparative store sales and fewer stores in North America. The decrease at Buena Vista Games is due to higher sales in the prior-year period, reflecting the strong performance of Monsters, Inc. titles. The increase in merchandise licensing reflects primarily higher revenues from toy licensees, due in part to higher contractually guaranteed minimum royalties during the first quarter.

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

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:

	Three Months Ended March 31,		Six Months Ended March 31,	
(unaudited, in million, except per share data)	2003	2002	2003	2002
Net income:				

As reported	$ 229	$ 259	$ 485	$ 697
Less stock option expense	(112)	(121)	(223)	(230)
Tax effect	42	46	83	86
Pro forma after stock option expense	$ 159	$ 184	$ 345	$ 553
Diluted earnings per share:				
As reported	$ 0.11	$ 0.13	$ 0.24	$ 0.34
Pro forma after option expense	$ 0.08	$ 0.09	$ 0.17	$ 0.27

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 Q2 2003 EPS Impact (3)
$ 17.00	10 million	--(2)	--	$ 0.00
25.00	123 million	15 million	0.74%	(0.00)
30.00	152 million	27 million	1.32%	(0.00)
40.00	222 million	53 million	2.59%	(0.00)
50.00	230 million	71 million	3.48%	(0.00)

(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 March 31, 2003 total 2,043 million and include the dilutive impact of in-the-money options at the average share price for the period of $17.00. At the average share price of $17.00, the dilutive impact of in-the-money options was 1 million shares for the quarter.

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

FINANCIAL CONDITION

For the six months ended March 31, 2003, cash provided by operations improved by $249 million to $929 million from $680 million in the prior-year quarter, reflecting the timing of the collection of accounts receivable and payment of accounts payable.

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

	Six Months Ended March 31,	
(unaudited, in millions)	2003	2002
Media Networks	$ 60	$ 59
Parks and Resorts	255	291
Studio Entertainment	24	24
Consumer Products	15	22
Corporate and unallocated shared expenditures	94	90
	$ 448	$ 486

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

(unaudited, in millions)	Additions	Payments	Total
Commercial paper borrowings (net change for the six months)	$ 1,226	$ -	$ 1,226
US medium term notes and other USD			

denominated debt	300	(41)	259
European medium term notes	-	(127)	(127)
Other	-	(12)	(12)
Debt repaid in connection with the ABC Family acquisition	-	(892)	(892)
	$ 1,526	$ (1,072)	$ 454

During the six months ended March 31, 2003, the Company increased its commercial paper borrowings by approximately $1.2 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 2018. During the six-month period, the Company repaid approximately $180 million of term debt, which matured during the period. Additionally, during the six-month period the Company called and repaid approximately $892 million of debt assumed in the acquisition of ABC Family.

Commercial paper borrowings outstanding as of March 31, 2003 totaled approximately $1.9 billion, with maturities of up to one year, supported by a $2.25 billion bank facility that expires in 2004 and another $2.25 billion bank facility that expires in 2005. Net commercial paper borrowings (total commercial paper less money market securities held by the Company) at March 31, 2003 totaled approximately $1.3 billion. These bank facilities allow for borrowings at LIBOR-based rates plus a spread, depending upon the Company's public debt rating. As of March 31, 2003, the Company had not borrowed any amounts under these bank facilities. The Company also has the ability to have up to $350 million of letters of credit issued under the $2.25 billion facility expiring in 2004 which if utilized reduces available borrowing under this facility. As of March 31, 2003, $56 million of letters of credit had been issued under this facility, thus $2.19 billion was available for borrowing.

The Company has a 39% interest in Euro Disney S.C.A., which operates the Disneyland Resort Paris. As of March 31, 2003, Euro Disney has drawn $179 million under a line of credit with the Company, due in June 2004. As of March 31, 2003, the line of credit was fully drawn down. Euro Disney had, on a US GAAP basis, total assets of $3.2 billion and total liabilities of $3.2 billion, including borrowings totaling $2.5 billion as of March 31, 2003.

In connection with the financial restructuring of Euro Disney in 1994, Euro Disney Associés S.N.C. (Disney SNC), a wholly-owned affiliate of the Company, entered into a lease arrangement with a financing company 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 March 31, 2003 of approximately $695 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 of assuming 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 payment would be approximately $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. The Company believes that it is unlikely that Disney SNC would be required to pay the 75% lease termination penalty, as we currently expect that Euro Disney will assume the finance lease by exercising the assumption option in accordance with the sublease terms in order for Euro Disney to continue its business.

At March 31, 2003, contractual commitments to purchase broadcast programming rights totaled $12.4 billion, including $954 million for available programming and $9.8 billion for sports programming rights, primarily NFL, NBA, college football, MLB and NHL.

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

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

We expect that the ABC television network, ESPN, ABC Family, The Disney Channels and the 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 Note 4 to the Condensed Consolidated Financial Statements, based on United Airline's bankruptcy filling, 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" in the Condensed Consolidated Statements of Income. As of March 31, 2003, the aircraft leveraged lease investment totaled approximately $175 million, of which $119 million and $56 million, reflected our investment with Delta Air Lines, and FedEx, respectively. Given the current status of the airline industry, we continue to monitor our other investments in commercial aircraft leasing transactions, particularly Delta Air Lines. The inability of Delta Air Lines to make their lease payments, or the termination of our leases through a bankruptcy proceeding, could result in a material charge for the write-down of some or all our investment and could accelerate income tax payments.

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 on 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+. Subsequently, on March 20, 2003, Standard & Poor's placed the BBB+ long-term corporate credit rating of the Company on Credit Watch with negative implications. At the same time, Standard & Poors affirmed its A-2 short-term corporate credit rating on the Company. On October 18, 2002, Moody's Investors Service downgraded the Company's long-term debt rating to Baa1 from A3, affirmed the P2 short-term rating and indicated that our outlook was stable.

OTHER MATTERS

Accounting Policies and Estimates

We believe that the application of the following accounting policies, which are important 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.

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

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. We completed our impairment testing as of September 30, 2002 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.

For purposes of performing the impairment test for goodwill and other intangible assets as required by SFAS 142, we established the following reporting units: Cable Networks, Television Broadcasting, Radio, Studio Entertainment, Consumer Products and Parks and Resorts.

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

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

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 federal, state and foreign tax authorities. From time to time, these audits result in proposed assessments. The Internal Revenue Service (IRS) has recently completed 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. The Company has negotiated the settlement of a number of proposed assessments, and is pursuing an administrative appeal before the IRS with regard to the remainder. If the remaining proposed assessments are upheld through the administrative and legal process, they 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 intends to defend its positions vigorously. The Company believes it has adequately provided for any reasonably foreseeable outcome related to these matters. Although their ultimate resolution will likely require additional cash tax payments the Company does not anticipate any material earnings impact from these matters.

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 requires more detailed disclosures with respect to guarantees. FIN 45 is effective for guarantees issued or modified starting January 1, 2003 and requires additional disclosures for existing guarantees. The adoption of FIN 45 did not 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, consensus was reached on 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 requires that such deliverable be accounted for separately. EITF 00-21 allows for prospective adoption for arrangements entered into after June 30, 2003 or adoption via a cumulative effect of a change in accounting principal as of June 30, 2003. The Company is evaluating the impact the adoption of EITF 00-21 will have on its consolidated results of operations and financial position.

In January 2003, the FASB also issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46). FIN 46 requires that the holder of a variable interest evaluate whether or not a variable interest entity should be consolidated. The consolidation provisions apply immediately for a variable interest entity created after January 31, 2003 and after June 15, 2003 for a variable interest entity created before February 1, 2003. The Company will adopt the provisions of FIN 46 in the third quarter of fiscal 2003. We do not expect that this adoption will have a material impact on the Company's results of operations or financial position.

MARKET RISK

Interest Rate Risk Management

The Company is exposed to the impact of interest rate changes. Our objective is to manage 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 19 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 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 or satisfy other relevant criteria. 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 international, political, health concern and military developments that may affect travel and leisure businesses generally; changes in domestic and 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; 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."

PART I. FINANCIAL INFORMATION

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

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 May 7, 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, 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. On April 24, 2003, the Company removed the case from Los Angeles County Superior Court to the United States District Court for the Central District of California, where no trial date has been set.

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 (a) an answer denying the material allegations of the complaint and (b) counterclaims seeking a declaration (i) that Ms. Milne's grant of rights to Disney Enterprises, Inc. is void and unenforceable and (ii) that Disney Enterprises, Inc. 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. On May 8, 2003, the Court ruled that Milne's termination notices are invalid and dismissed SSI's counterclaims as moot.

Kohn v. The Walt Disney Company et al. On August 15, 2002, Aaron Kohn filed a class 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. On December 10, 2002, plaintiffs' motion to consolidate the related actions into a single case was granted, and their motion for appointment of lead plaintiffs and counsel was granted on February 21, 2003.

Item 1. Legal Proceedings - (continued)

In re The Walt Disney Company Derivative Litigation. William and Geraldine Brehm and 13 other individuals filed an amended and consolidated complaint on May 28, 1997 in the Delaware Court of Chancery seeking, among other things, a declaratory judgment against each of the Company's directors as of December 1996 that the Company's 1995 employment agreement with its former president, Michael S. Ovitz, was void, or alternatively that Mr. Ovitz's termination should be deemed a termination "for cause" and any severance payments to him forfeited. On October 8, 1998, the Delaware Court of Chancery dismissed all counts of the amended complaint. Plaintiffs appealed, and on February 9, 2000, the Supreme Court of Delaware affirmed the dismissal but ruled also that plaintiffs should be permitted to file an amended complaint in accordance with the Court's opinion. The plaintiffs filed their amended complaint on January 3, 2002. On February 6, 2003, the Company's directors' motion to dismiss the amended complaint was converted by the Court to a motion for summary judgment and the plaintiffs were permitted to take discovery. The Company and its directors answered the amended complaint on April 1, 2003.

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 other 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.

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

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

Description of Matter

1. Election of Directors

	Votes Cast For	Authority Withheld
John E. Bryson	1,599,361,911	162,810,545
Roy E. Disney	1,684,194,532	77,977,924
Michael D. Eisner	1,639,472,917	122,699,539
Judith L. Estrin	1,607,060,491	155,111,965
Stanley P. Gold	1,676,423,240	85,749,216
Robert A. Iger	1,647,809,544	114,362,912
Monica C. Lozano	1,602,335,405	159,837,051
Robert W. Matschullat	1,637,628,008	124,544,448
George J. Mitchell	1,657,781,812	104,390,644
Thomas S. Murphy	1,684,004,718	78,167,738
Leo J. O'Donovan, S.J.	1,605,848,370	156,324,086
Raymond L. Watson	1,593,769,776	168,402,680
Gary L. Wilson	1,680,075,422	82,097,034

		For	Against	Abstentions	Broker Non-Votes
2.	Ratification of PricewaterhouseCoopers LLP as independent accountants	1,620,128,988	121,463,417	20,580,051	-
3.	Approval of the amended and restated 1997 non-employee director's stock and deferred compensation plan	1,664,588,520	68,253,272	29,330,664	-
4.	Stockholder proposal relating to labor standards for China	117,001,380	1,130,981,366	107,497,934	406,691,776
5.	Stockholder proposal relating to theme park safety reporting	108,388,032	1,156,121,198	91,017,785	406,645,441
6.	Stockholder proposal relating to executive compensation	187,804,646	1,105,006,684	62,715,049	406,646,077
7.	Stockholder proposal relating to stock options	188,005,322	1,107,027,062	60,504,412	406,635,660

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

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

99(a) Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Michael D. Eisner.

99(b) Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Thomas O. Staggs.

(b) Reports on Form 8-K

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

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

(2) Current report on Form 8-K dated February 19, 2003, setting forth the amended Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of Wells Fargo Bank, N.A. under the Company's senior debt securities indenture.

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

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, Senior Executive Vice President
and Chief Financial Officer)

May 15, 2003
Burbank, California

CERTIFICATIONS

I, Michael D. Eisner, Chairman of the Board and Chief Executive Officer of The Walt Disney 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: May 15, 2003

By: /s/ MICHAEL D. EISNER

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

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: May 15, 2003

By: /s/ THOMAS O. STAGGS

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