FOR IMMEDIATE RELEASE

May 12, 2004

THE WALT DISNEY COMPANY REPORTS HIGHER RESULTS FOR THE QUARTER AND SIX MONTHS ENDED MARCH 31, 2004

- EPS for the second fiscal quarter grew 73% versus the prior year, led by segment operating income growth at the Media Networks, Parks and Resorts and Consumer Products segments, partially offset by a decline at Studio Entertainment

- Cash flow from operations for the first half of the year was $2.5 billion, well more than double the prior-year period. Free cash flow for the first half of the year totaled $2.0 billion compared to $481 million for the first half of the prior year

BURBANK, Calif. – The Walt Disney Company today reported earnings for the quarter and six months ended March 31, 2004.

Diluted earnings per share for the second quarter were $0.26, up 73% from $0.15 in the prior-year second quarter.

For the six month period, diluted earnings per share were $0.59, which was an increase of $0.38 from the prior-year period before the cumulative effect of an accounting change. Earnings per share for the first quarter of the prior year included an approximately $0.04 negative impact due to the write-off of an aircraft leveraged lease investment.

"Disney is benefiting from the unique strengths of the Company's assets as well as the long-term growth strategies we've put in place as we are seeing solid growth in attendance at our theme parks from both domestic and international visitors, in global sales of DVDs and in the financial results of our Media Networks businesses," said Michael Eisner, Disney chief executive officer. "Disney's talented and experienced management team is committed to creating the best in quality family entertainment while maintaining an unwavering focus on increasing earnings, cash flow and returns on invested capital."

Revenues, segment operating income, income before the cumulative effect of accounting change, net income and diluted earnings per share amounts for the quarter and six months are as follows (in millions, except per share amounts):

	Three Months Ended March 31,			Six Months Ended March 31,		
	2004(1)	2003(2)	Change	2004(1)	2003(2)	Change
Revenues	$ 7,189	$ 6,500	11 %	$ 15,738	$ 13,670	15 %
Segment operating income	1,120	814	38 %	2,391	1,296	84 %
Income before the cumulative effect of accounting change	$ 537	$ 314	71 %	$ 1,225	$ 421	191 %
Net income	$ 537	$ 314	71 %	$ 1,225	$ 350	250 %
Diluted earnings per share before the cumulative effect of accounting change	$ 0.26	$ 0.15	73 %	$ 0.59	$ 0.21	181 %
Diluted earnings per share	$ 0.26	$ 0.15	73 %	$ 0.59	$ 0.17	247 %

(1) As discussed further below, the Company adopted FIN 46R and as a result, consolidated the balance sheets of Euro Disney and Hong Kong Disneyland as of March 31, 2004. FIN 46R requires that Euro Disney and Hong Kong Disneyland's operating results continue to be accounted for on the equity method for the three and six-month periods ended March 31, 2004. The Company will consolidate their income and cash flow statements beginning April 1, 2004, the beginning of the Company's fiscal third quarter.

(2) The Company adopted EITF No. 00-21, *Revenue Arrangements with Multiple Deliverables* (EITF 00-21) effective at the beginning of fiscal 2003. Accordingly, the prior-year second quarter and year-to-date results have been restated to reflect the implementation of EITF 00-21.

Fiscal 2004 Outlook

Barring negative changes in the environment and given the strength of our recent results and the positive trends we are seeing in our businesses, we now believe that we will deliver growth in earnings for the full year of 50% or more excluding the potential impact from items like the sale of the Disney Stores, versus the $0.65 reported last year. We are also keeping an eye on the exposure we have from airline lease investments made in the early nineties, which could impact our outlook as discussed more fully in our quarterly report on Form 10-Q. We are also expecting to deliver double-digit average annual earnings growth from 2004 through at least 2007.

Operating Results

<u>Studio Entertainment</u>

Studio Entertainment revenues increased 16% to $2.2 billion and segment operating income decreased 26% to $153 million.

The decline in segment operating income for the quarter primarily reflected declines in worldwide theatrical motion picture distribution, partially offset by increases in worldwide home entertainment. Current quarter theatrical results reflected higher film write-downs and higher marketing and distribution costs for films released after the quarter-end. In addition, results reflected the performance during the quarter of *Cold Mountain, Hidalgo* and *Miracle,* compared to the prior-year quarter which included the stronger overall performance of *Chicago, Bringing Down the House* and *Shanghai Knights.* Increases in worldwide home entertainment reflected higher DVD sales. The current quarter results included *The Lion King 1½*, *Finding Nemo*, *Pirates of the Caribbean* and *Brother Bear* as compared to the prior-year quarter, which included *Signs*, *Sweet Home Alabama* and *101 Dalmatians II: Patch's London Adventure*.

Media Networks

Media Networks revenues for the quarter increased 7% to $2.8 billion, and segment operating income increased 76% to $704 million. See Table A for further detail of Media Networks results.

Cable Networks contributed $171 million of the increase in segment operating income, primarily due to higher affiliate revenue at ESPN. Cable results also benefited from higher advertising revenues and the favorable impact of a bankruptcy settlement with a cable operator in Latin America, partially offset by higher programming costs. Higher affiliate revenue at ESPN was due primarily to contractual rate adjustments.

During the quarter, the Company reached a settlement with DirecTV Latin America, the Company's major distributor in that region, which had declared bankruptcy in fiscal 2003. As a result of the settlement, the Company received payment for receivables that had been fully reserved in the second quarter of the prior year and prior period revenues that had not been previously recognized.

Broadcasting contributed $133 million of the increase in segment operating income, primarily due to higher advertising rates received in the upfront sales market and the absence of the Super Bowl in the current-year quarter, partially offset by the impact of lower ratings at the ABC television network.

Parks and Resorts

Parks and Resorts revenue for the quarter increased 12% to $1.7 billion and segment operating income increased 21% to $188 million.

The increase in revenue at Parks and Resorts reflected higher theme park attendance and hotel occupancy at the Walt Disney World Resort. Higher visitation from both domestic and international tourists as well as residents reflected the continued success of Mission: SPACE, Mickey's PhilharMagic and Disney's Pop Century Resort and improvements in travel and tourism as well as the impact of promotional programs offered during the quarter.

The revenue increases were partially offset by higher operating costs due primarily to higher volume-related and employee benefit costs, and increased depreciation expense. Increased depreciation was driven by investments in new resort properties and theme park attractions including Disney's Pop Century Resort, Mission: SPACE and Mickey's PhilharMagic and information technology systems.

Parks and Resorts results also reflected higher theme park attendance, hotel occupancy and guest spending at the Disneyland Resort. Higher theme park attendance and hotel occupancy at the Disneyland Resort were driven by promotional programs offered during the quarter. These increases were more than offset by higher operating costs primarily due to fixed asset retirements and higher volume-related, marketing and employee benefits costs.

Higher employee benefits costs at both Walt Disney World and Disneyland reflected increased pension and post-retirement medical costs, which grew by $34 million across the entire segment. On a full year basis, we expect that these costs will increase by approximately $137 million over the prior year.

Consumer Products

Revenues for the quarter increased 2% to $512 million and segment operating income increased 42% to $75 million.

Results for the quarter were driven by improvements at the Disney Store and at Publishing, partially offset by a decrease at Buena Vista Games. The improvement at the Disney Store reflected decreased losses due to overhead savings and gross margin improvements at continuing stores in North America as well as the impact of the closure of underperforming stores. Publishing growth reflected strong performance of *Finding Nemo* products and *W.i.t.c.h.* magazine sales in Europe. The decrease at Buena Vista Games was due to a contract termination payment received in the prior-year quarter. Licensing results for the quarter increased modestly versus the prior-year quarter as the current quarter reflected strong sales of the Disney Princess line and continued strong performance of direct-to-retail license agreements in Europe.

Corporate and Unallocated Shared Expenses

Corporate and unallocated shared expenses decreased 12% to $82 million for the quarter. The decrease for the quarter reflected adjustments to litigation reserves, partially offset by administrative cost increases.

Net Interest Expense

Net interest expense was as follows:

(in millions)	Quarter Ended March 31, 2004	Quarter Ended March 31, 2003
Interest expense	$ (140)	$ (172)
Interest and investment income (loss)	(7)	(6)
Net interest expense	$ (147)	$ (178)

Interest expense decreased by 19% to $140 million primarily reflecting lower average debt balances.

Equity in the Income of Investees

Income from equity investees, consisting primarily of Euro Disney, A&E Television, Lifetime Television and E! Entertainment Television, increased 51% to $77 million for the quarter primarily due to higher affiliate and advertising revenue at Lifetime, A&E, E!, and the History Channel, partially offset by a decline at Euro Disney due to higher costs.

FIN 46

In December 2003, the Financial Accounting Standards Board amended FASB Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46) by issuing FIN 46R which generally deferred the effective date of FIN 46 to March 31, 2004. The Company adopted FIN 46R and, as a result, consolidated the balance sheets of Euro Disney and Hong Kong Disneyland on March 31, 2004. See Table D for the condensed consolidating balance sheet of the Company, reflecting the impact of consolidating Euro Disney and Hong Kong Disneyland as of March 31, 2004. Under FIN 46R, the operating results of Euro Disney and Hong

Kong Disneyland continue to be accounted for on the equity method for the six-month period ended March 31, 2004. The Company will consolidate the income and cash flow statements of Euro Disney and Hong Kong Disneyland beginning April 1, 2004.

The recognition of additional liabilities as a result of consolidating Euro Disney and Hong Kong Disneyland does not result in any incremental increase in the level of claims on the general assets of the Company and its other subsidiaries; rather, the additional liabilities represent claims against the additional assets recognized by the Company as a result of the consolidations. Conversely, the additional assets recognized as a result of consolidating Euro Disney and Hong Kong Disneyland do not represent additional assets of the Company that could be used to satisfy claims by the creditors of the Company and its other subsidiaries.

Quarterly results for fiscal 2003 and the first two quarters of fiscal 2004, as if the Company had consolidated the income statements of Euro Disney and Hong Kong Disneyland commencing at the beginning of fiscal 2003, are presented at Table C.

Balance Sheet and Cash Flow

Total borrowings and net borrowings are detailed below (in millions):

	March 31, 2004	Sept. 30, 2003	Change
Amounts including Euro Disney and Hong Kong Disneyland(1):			
Current portion of borrowings(2)	$ 5,354	$ 2,457	$ 2,897
Long-term borrowings	9,961	10,643	(682)
Total borrowings	15,315	13,100	2,215
Cash and cash equivalents	(3,148)	(1,583)	(1,565)
Net borrowings (3)	$ 12,167	$ 11,517	$ 650
Net borrowings (3)	$ 12,167	$ 11,517	$ 650
Less: net borrowings of Euro Disney and Hong Kong Disneyland(1)	(2,372)	–	(2,372)
Net borrowings excluding Euro Disney and Hong Kong Disneyland (4)	$ 9,795	$ 11,517	$ (1,722)

(1) As discussed above, pursuant to FIN 46R, the Company consolidated the balance sheets of Euro Disney and Hong Kong Disneyland as of March 31, 2004.
(2) All of Euro Disney's borrowings totaling $2.3 billion are classified as current liabilities in the condensed consolidated balance sheet as they are subject to acceleration if an agreement with their lenders and the Company is not achieved by May 31, 2004.
(3) Net borrowings is a non-GAAP financial metric. See the discussion of non-GAAP financial metrics that follows.
(4) Net borrowings excluding Euro Disney and Hong Kong Disneyland is a non-GAAP financial metric. See the discussion of non-GAAP financial metrics that follows below.

Excluding the impact of consolidating Euro Disney and Hong Kong Disneyland, net borrowings decreased from $11.5 billion at September 30, 2003 to $9.8 billion at March 31, 2004 driven by strong free cash flow for the six months ended March 31, 2004.

Cash provided by operations and free cash flow for the six months ended March 31, 2004 are detailed below (in millions):

	Six Months Ended March 31, 2004	Six Months Ended March 31, 2003	Change
Cash provided by operations	$ 2,504	$ 929	$ 1,575
Investments in parks, resorts and other property	(468)	(448)	(20)
Free cash flow [(1)]	$ 2,036	$ 481	$ 1,555

(1) Free cash flow is a non-GAAP financial metric. See the discussion of non-GAAP financial metrics that follows below.

The increase in free cash flow for the six months as compared to the prior-year period was due primarily to higher earnings, lower film and television production spending and decreased funding to Euro Disney through its line of credit.

Investments in parks, resorts and other property were primarily for new rides and attractions at the theme parks and company-wide information technology projects. Capital expenditures by business segment are as follows (in millions):

	Six Months Ended March 31, 2004	Six Months Ended March 31, 2003
Media Networks	$ 75	$ 60
Parks and Resorts	301	255
Studio Entertainment	16	24
Consumer Products	6	15
Corporate and unallocated shared expenditures	70	94
	$ 468	$ 448

Euro Disney

During November 2003, Euro Disney obtained waivers from its lenders, effective through March 31, 2004, with respect to debt covenants for fiscal 2003. On March 22, 2004, Euro Disney obtained an extension of these waivers through May 31, 2004. The waivers are expected to give Euro Disney, its lenders and the Company time to find a resolution to Euro Disney's financial situation. In conjunction with the extension, the Company agreed to replace its supplemental €45 million subordinated credit facility, which expired on March 31, 2004, with a €25 million ($31 million at March 31, 2004 exchange rates) subordinated credit facility, which will expire on May 31, 2004. Additionally, Euro Disney agreed not to allow the outstanding balance of its €168 million ($207 million at March 31, 2004 exchange rates) line of credit with the Company to fall below €110 million during the extension period. As of March 31, 2004, Euro Disney had borrowed €110 million ($136 million at March 31, 2004 exchange rates) on this credit line. This line of credit is excluded from the Company's balance sheet as it is eliminated when consolidating Euro Disney. As of May 7, 2004, Euro Disney had not borrowed any amounts under the €25 million subordinated credit facility and the balance of the €168 million credit facility was €125 million ($149 million at May 7, 2004 exchange rates).

Euro Disney is currently engaged in discussions with its lenders and the Company to obtain supplemental financing to address its cash requirements. Such financing may include an extension or change in the terms associated with the Company's credit line and/or additional commitments from the Company. If a resolution to Euro Disney's future financing needs is not obtained by May 31, 2004 and assuming the waiver period is not extended again, the waivers would expire and Euro Disney's lenders could accelerate the maturity of Euro Disney's debt. Should that occur, Euro Disney would be unable to meet all of its debt obligations. The

Company believes that Euro Disney will ultimately obtain the requisite loan modifications and additional financing; however, there can be no assurance that this will be the case. Should Euro Disney be unable to obtain loan modifications and/or additional financing, the assets of Euro Disney could become impaired, potentially resulting in corresponding charges in our consolidated financial statements.

Non-GAAP Financial Metrics

This earnings release presents net borrowings, net borrowings excluding Euro Disney and Hong Kong Disneyland, free cash flow and aggregate segment operating income which are important financial metrics for the Company but are not GAAP-defined metrics.

<u>Net borrowings</u> – The Company believes that net borrowings provide investors with useful information regarding our financial condition. Net borrowings reflects the subtraction of cash and cash equivalents from total borrowings. Since we earn interest income on our cash balances that offsets a portion of the interest expense we pay on our borrowings, net borrowings can be used as a measure to gauge net interest expense. In addition, a portion of our cash and cash equivalents is available to repay outstanding indebtedness when the indebtedness matures or when other circumstances arise. However, we may not immediately apply cash and cash equivalents to the reduction of debt, nor do we expect that we would use all of our available cash and cash equivalents to repay debt in the ordinary course of business.

Net borrowings excluding Euro Disney and Hong Kong Disneyland – The Company uses net borrowings excluding Euro Disney and Hong Kong Disneyland to evaluate claims on the general assets of the Company separate from the claims on the assets of Euro Disney and Hong Kong Disneyland. The Company believes that this information is useful to investors because it allows investors to evaluate the effects on our borrowings and cash and cash equivalents resulting from the adoption of FIN 46R. In addition, it allows investors to evaluate the claims on our general assets separate from the claims on the assets of the separate entities, and it gives investors the opportunity to evaluate the ability to satisfy debt obligations from the assets that actually back its obligations.

The following table reconciles net borrowings excluding Euro Disney and Hong Kong Disneyland to total borrowings and net borrowings (in millions):

	Amounts excluding Euro Disney and Hong Kong Disneyland	Euro Disney and Hong Kong Disneyland	Total TWDC
Current portion of borrowings	$ 3,092	$ 2,262	$ 5,354
Long-term borrowings	9,577	384	9,961
Total borrowings	12,669	2,646	15,315
Cash and cash equivalents	(2,874)	(274)	(3,148)
Net borrowings	$ 9,795	$ 2,372	$ 12,167

Free cash flow - The Company uses free cash flow (cash flow from operations less investments in parks, resorts and other property), among other measures, to evaluate the ability of its operations to generate cash that is available for purposes other than capital expenditures.

Management believes free cash flow provides investors with an important perspective on the cash available to service debt, make strategic acquisitions and investments and pay dividends.

Aggregate segment operating income - The Company evaluates the performance of its operating segments based on segment operating income, and management uses aggregate segment operating income as a measure of the performance of operating businesses separate from non-operating factors. The Company believes that aggregate segment operating income assists investors by allowing them to evaluate changes in the operating results of the Company's portfolio of businesses separate from non-operational factors that affect net income, thus providing separate insight into both operations and the other factors that affect reported results.

These measures should be used in conjunction with GAAP financial measures and are not presented as alternative measures of borrowings, cash flow or net income as determined in accordance with GAAP. Net borrowings, net borrowings excluding Euro Disney and Hong Kong Disneyland, free cash flow and aggregate segment operating income as we have calculated them may not be comparable to similarly titled measures reported by other companies.

FORWARD-LOOKING STATEMENTS

Management believes certain statements in this earnings release may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are made on the basis of management's views and assumptions regarding future events and business performance as of the time the statements are made and management does not undertake any obligation to update these statements. Actual results may differ materially from those expressed or implied. Such differences may result from actions taken by the Company, including restructuring or strategic initiatives and information technology improvements, as well as from developments beyond the Company's control, including international, political, health concern and military developments that may affect travel and leisure businesses generally and changes in domestic and global economic conditions that may, among other things, affect the performance of the Company's theatrical and home entertainment releases, the advertising market for broadcast and cable television programming, expenses of providing medical and pension benefits and demand for consumer products. Changes in domestic competitive conditions and technological developments may also affect performance of all significant company businesses.

Additional factors are set forth in the Company's Annual Report on Form 10-K for the year ended September 30, 2003 under the heading "Factors that may affect forward-looking statements."

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2004	2003	2004	2003
Revenues	$ 7,189	$ 6,500	$ 15,738	$ 13,670
Costs and expenses	(6,153)	(5,786)	(13,537)	(12,581)
Restructuring and impairment charges	(3)	–	(3)	–
Net interest expense	(147)	(178)	(295)	(474)
Equity in the income of investees	77	51	174	141
Income before income taxes, minority interests and the cumulative effect of accounting change	963	587	2,077	756
Income taxes	(357)	(219)	(767)	(296)
Minority interests	(69)	(54)	(85)	(39)
Income before the cumulative effect of accounting change	537	314	1,225	421
Cumulative effect of accounting change	–	–	–	(71)
Net income	$ 537	$ 314	$ 1,225	$ 350
Earnings per share before the cumulative effect of accounting change:				
Diluted(1)	$ 0.26	$ 0.15	$ 0.59	$ 0.21
Basic	$ 0.26	$ 0.15	$ 0.60	$ 0.21
Earnings per share:				
Diluted(1)	$ 0.26	$ 0.15	$ 0.59	$ 0.17
Basic	$ 0.26	$ 0.15	$ 0.60	$ 0.17
Average number of common and common equivalent shares outstanding:				
Diluted	2,110	2,043	2,104	2,043
Basic	2,048	2,042	2,047	2,042

(1) The calculation of diluted earnings per share assumes the conversion of the Company's convertible senior notes issued in April 2003, and adds back interest expense (net of tax) of $5 million and $10 million for the quarter and six months ended March 31, 2004, respectively.

The Walt Disney Company
SEGMENT RESULTS
(unaudited, in millions)

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003	Change	Six Months Ended March 31, 2004	Six Months Ended March 31, 2003	Change
Revenues:						
Media Networks	$ 2,846	$ 2,653	7 %	$ 5,960	$ 5,597	6 %
Parks and Resorts	1,669	1,485	12 %	3,300	3,033	9 %
Studio Entertainment	2,162	1,862	16 %	5,126	3,753	37 %
Consumer Products	512	500	2 %	1,352	1,287	5 %
	$ 7,189	$ 6,500	11 %	$ 15,738	$ 13,670	15 %
Segment operating income:						
Media Networks	$ 704	$ 400	76 %	$ 1,048	$ 329	219 %
Parks and Resorts	188	155	21 %	420	380	11 %
Studio Entertainment	153	206	(26)%	611	344	78 %
Consumer Products	75	53	42 %	312	243	28 %
	$ 1,120	$ 814	38 %	$ 2,391	$ 1,296	84 %

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

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003	Six Months Ended March 31, 2004	Six Months Ended March 31, 2003
Segment operating income	$ 1,120	$ 814	$ 2,391	$ 1,296
Corporate and unallocated shared expenses	(82)	(93)	(185)	(195)
Amortization of intangible assets	(2)	(7)	(5)	(12)
Restructuring and impairment charges	(3)	-	(3)	-
Net interest expense	(147)	(178)	(295)	(474)
Equity in the income of investees	77	51	174	141
Income before income taxes, minority interests and the cumulative effect of accounting change	$ 963	$ 587	$ 2,077	$ 756

Depreciation expense is as follows:

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003	Six Months Ended March 31, 2004	Six Months Ended March 31, 2003
Media Networks	$ 42	$ 43	$ 84	$ 85
Parks and Resorts	181	170	358	340
Studio Entertainment	6	10	10	19
Consumer Products	13	18	26	33
Segment depreciation expense	242	241	478	477
Corporate	37	28	74	53
Total depreciation expense	$ 279	$ 269	$ 552	$ 530

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

The Walt Disney Company
CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)

	March 31, 2004 (unaudited)	September 30, 2003
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,148	$ 1,583
Receivables	4,612	4,238
Inventories	742	703
Television costs	754	568
Deferred income taxes	675	674
Other assets	817	548
Total current assets	10,748	8,314
Film and television costs	6,022	6,205
Investments	1,256	1,849
Parks, resorts and other property, at cost		
Attractions, buildings and equipment	24,785	19,499
Accumulated depreciation	(11,516)	(8,794)
	13,269	10,705
Projects in progress	1,871	1,076
Land	1,138	897
	16,278	12,678
Intangible assets, net	2,775	2,786
Goodwill	16,966	16,966
Other assets	1,051	1,190
	$ 55,096	$ 49,988
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and other accrued liabilities	$ 5,738	$ 5,044
Current portion of borrowings	5,354	2,457
Unearned royalties and other advances	1,684	1,168
Total current liabilities	12,776	8,669
Borrowings	9,961	10,643
Deferred income taxes	2,894	2,712
Other long term liabilities	3,972	3,745
Minority interests	733	428
Commitments and contingencies		
Shareholders' equity		
Preferred stock, $.01 par value		
Authorized – 100 million shares, Issued – none	—	—
Common stock		
Common stock – Disney, $.01 par value		
Authorized – 3.6 billion shares, Issued – 2.1 billion shares	12,327	12,154
Common stock – Internet Group, $.01 par value		
Authorized – 1.0 billion shares, Issued – none	—	—
Retained earnings	14,612	13,817
Accumulated other comprehensive loss	(653)	(653)
	26,286	25,318
Treasury stock, at cost, 86.7 million shares	(1,526)	(1,527)
	24,760	23,791
	$ 55,096	$ 49,988

The Walt Disney Company
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in millions)

	Six Months Ended March 31, 2004	Six Months Ended March 31, 2003
OPERATING ACTIVITIES		
Net income	$ 1,225	$ 350
Depreciation	552	530
Amortization of intangible assets	5	12
Deferred income taxes	199	141
Equity in the income of investees	(174)	(141)
Cash distributions received from equity investees	175	168
Write-off of aircraft leveraged lease	–	114
Minority interests	85	39
Change in film and television costs	243	(165)
Changes in noncurrent assets and liabilities, and other	245	36
	1,330	734
Changes in working capital	(51)	(155)
Cash provided by operations	2,504	929
INVESTING ACTIVITIES		
Investments in parks, resorts and other property	(468)	(448)
Other	39	(22)
Cash used by investing activities	(429)	(470)
FINANCING ACTIVITIES		
Borrowings	–	300
Reduction of borrowings	(1,117)	(1,072)
Commercial paper borrowings, net	622	1,226
Dividends	(430)	(429)
Exercise of stock options and other	141	29
Cash (used by) provided by financing activities	(784)	54
Increase in cash and cash equivalents	1,291	513
Cash and cash equivalents due to the consolidation of Euro Disney and Hong Kong Disneyland	274	–
Cash and cash equivalents, beginning of period	1,583	1,239
Cash and cash equivalents, end of period	$ 3,148	$ 1,752

MEDIA NETWORKS
(unaudited, in millions)

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003	Change
Revenues:			
Broadcasting	$ 1,338	$ 1,407	(5)%
Cable Networks	1,508	1,246	21 %
	$ 2,846	$ 2,653	7 %
Segment operating income (loss):			
Broadcasting	$ 28	$ (105)	n/m
Cable Networks	676	505	34 %
	$ 704	$ 400	76 %
Depreciation expense:			
Broadcasting	$ 25	$ 24	4 %
Cable Networks	17	19	(11)%
	$ 42	$ 43	(2)%

	Six Months Ended March 31, 2004	Six Months Ended March 31, 2003	Change
Revenues:			
Broadcasting	$ 2,892	$ 2,971	(3)%
Cable Networks	3,068	2,626	17 %
	$ 5,960	$ 5,597	6 %
Segment operating income (loss):			
Broadcasting	$ 176	$ (67)	n/m
Cable Networks	872	396	120 %
	$ 1,048	$ 329	219 %
Depreciation expense:			
Broadcasting	$ 50	$ 44	14 %
Cable Networks	34	41	(17)%
	$ 84	$ 85	(1)%

Table B

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 approach methodology:

(unaudited, in millions)	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003	Six Months Ended March 31, 2004	Six Months Ended March 31, 2003
Net income:				
As reported	$ 537	$ 314	$ 1,225	$ 350
Pro forma after option expense	473	244	1,104	210
Diluted earnings per share:				
As reported	0.26	0.15	0.59	0.17
Pro forma after option expense	0.23	0.12	0.53	0.10

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 and assumes conversion of the Company's convertible senior notes. The dilution from employee options increases as the Company's share price increases, as shown below:

Average Disney Share Price	**Total In-the-Money Options**	**Incremental Diluted Shares (1)**	**Percentage of Average Shares Outstanding**	**Hypothetical Q2 2004 EPS Impact (3)**
$ 25.18	138 mil	– (2)	–	$ 0.000
30.00	165 mil	14 mil	0.64%	(0.002)
40.00	228 mil	41 mil	1.92%	(0.005)
50.00	236 mil	60 mil	2.82%	(0.007)

(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 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, 2004 total 2,110 million and include the dilutive impact of in-the-money options at the average share price for the period of $25.18 and assumes conversion of the convertible senior notes. At the average share price of $25.18, the dilutive impact of in-the-money options was 17 million shares for the quarter.

(3) Based upon Q2 2004 earnings of $537 million or $0.26 diluted earnings per share.

Table C

The Walt Disney Company

QUARTERLY CONSOLIDATED INCOME STATEMENT WORKSHEET

(unaudited, in millions, except per share data)

As discussed earlier in this release, the Company adopted FIN 46R and as a result consolidated the balance sheets of Euro Disney and Hong Kong Disneyland as of March 31, 2004. Beginning April 1, 2004, the Company will consolidate the income and cash flow statements. This supplemental worksheet presents quarterly operating results as if the Company had consolidated the income statements of Euro Disney and Hong Kong Disneyland commencing at the beginning of fiscal 2003.

	Three Months Ended Dec 31, 2002	Three Months Ended Mar 31, 2003	Three Months Ended June 30, 2003	Three Months Ended Sept 30, 2003	Year Ended Sept 30, 2003
Revenues:					
Media Networks	$ 2,944	$ 2,653	$ 2,709	$ 2,635	$ 10,941
Parks and Resorts	1,808	1,702	2,014	1,960	7,484
Studio Entertainment	1,891	1,862	1,440	2,171	7,364
Consumer Products	787	500	497	560	2,344
	$ 7,430	$ 6,717	$ 6,660	$ 7,326	$ 28,133
Segment operating income (loss):					
Media Networks	$ (71)	$ 400	$ 586	$ 298	$ 1,213
Parks and Resorts	230	112	390	267	999
Studio Entertainment	138	206	71	205	620
Consumer Products	190	53	39	102	384
	487	771	1,086	872	3,216
Corporate and unallocated shared expenses	(102)	(93)	(100)	(148)	(443)
Amortization of intangible assets	(5)	(7)	(2)	(4)	(18)
Gain on the sale of business	-	-	16	-	16
Net interest expense	(319)	(205)	(213)	(157)	(894)
Equity in the income of investees	97	78	99	84	358
Restructuring and impairment charges	-	-	(15)	(1)	(16)
Income before income taxes, minority interests and cumulative effect of accounting change	158	544	871	646	2,219
Income taxes	(77)	(219)	(322)	(171)	(789)
Minority interests	26	(11)	(47)	(60)	(92)
Income before cumulative effect of accounting change	107	314	502	415	1,338
Cumulative effect of accounting change	(71)	—	—	-	(71)
Net income	$ 36	$ 314	$ 502	$ 415	$ 1,267
Earnings per share before cumulative effect of accounting change:					
Diluted (1)	$ 0.05	$ 0.15	$ 0.24	$ 0.20	$ 0.65
Basic	$ 0.05	$ 0.15	$ 0.25	$ 0.20	$ 0.65
Earnings per share after cumulative effect of accounting change:					
Diluted (1)	$ 0.02	$ 0.15	$ 0.24	$ 0.20	$ 0.62
Basic	$ 0.02	$ 0.15	$ 0.25	$ 0.20	$ 0.62

(1) The calculation of diluted earnings per share assumes the conversion of the Company's convertible senior notes issued in April 2003, and adds back interest expense (net of tax) of $4 million, $6 million and $10 million for the third quarter, fourth quarter and year, respectively.

Table C

The Walt Disney Company

QUARTERLY CONSOLIDATED INCOME STATEMENT WORKSHEET - continued

(unaudited, in millions, except per share data)

As discussed earlier in this release, the Company adopted FIN 46R and as a result consolidated the balance sheets of Euro Disney and Hong Kong Disneyland as of March 31, 2004. Beginning April 1, 2004, the Company will consolidate the income and cash flow statements. This supplemental worksheet presents quarterly operating results as if the Company had consolidated the income statements of Euro Disney and Hong Kong Disneyland commencing at the beginning of fiscal 2003.

	Three Months Ended Dec 31, 2003	Three Months Ended Mar 31, 2004	Six Months Ended Mar 31, 2004
Revenues:			
Media Networks	$ 3,114	$ 2,846	$ 5,960
Parks and Resorts	1,944	1,940	3,884
Studio Entertainment	2,964	2,162	5,126
Consumer Products	840	512	1,352
	$ 8,862	$ 7,460	$ 16,322
Segment operating income:			
Media Networks	$ 344	$ 704	$ 1,048
Parks and Resorts	238	139	377
Studio Entertainment	458	153	611
Consumer Products	237	75	312
	1,277	1,071	2,348
Corporate and unallocated shared expenses	(103)	(82)	(185)
Amortization of intangible assets	(3)	(2)	(5)
Restructuring and impairment charges	–	(3)	(3)
Net interest expense	(181)	(183)	(364)
Equity in the income of investees	113	124	237
Income before income taxes and minority interests	1,103	925	2,028
Income taxes	(410)	(357)	(767)
Minority interests	(5)	(31)	(36)
Net income	$ 688	$ 537	$ 1,225
Earnings per share:			
Diluted [(1)]	$ 0.33	$ 0.26	$ 0.59
Basic	$ 0.34	$ 0.26	$ 0.60

(1) The calculation of diluted earnings per share assumes the conversion of the Company's convertible senior notes issued in April 2003, and adds back interest expense (net of tax) of $5 million, $5 million and $10 million for the first quarter, second quarter and six months ended March 31, 2004, respectively.

Table D

The Walt Disney Company

CONDENSED CONSOLIDATING BALANCE SHEET WORKSHEET

(unaudited, in millions, except per share data)

As discussed earlier in this release, the Company adopted FIN 46R and as a result consolidated the balance sheets of Euro Disney and Hong Kong Disneyland as of March 31, 2004. This supplemental worksheet presents the condensed consolidating balance sheet of the Company, reflecting the impact of consolidating the balance sheets of Euro Disney and Hong Kong Disneyland as of March 31, 2004.

	TWDC before Euro Disney and Hong Kong Disneyland	Euro Disney, Hong Kong Disneyland and Adjustments	TWDC
Cash and cash equivalents	$ 2,874	$ 274	$ 3,148
Other current assets	7,418	182	7,600
Total current assets	10,292	456	10,748
Investments	1,880	(624)	1,256
Fixed assets	12,500	3,778	16,278
Intangible assets	2,775	—	2,775
Goodwill	16,966	—	16,966
Other assets	7,002	71	7,073
Total assets	$ 51,415	$ 3,681	$ 55,096
Current portion of borrowings[1]	$ 3,092	$ 2,262	$ 5,354
Other current liabilities	6,742	680	7,422
Total current liabilities	9,834	2,942	12,776
Borrowings	9,577	384	9,961
Deferred income taxes	2,894	—	2,894
Other long-term liabilities	3,836	136	3,972
Minority interest	514	219	733
Shareholders' equity	24,760	—	24,760
Total liabilities and shareholders' equity	$ 51,415	$ 3,681	$ 55,096

(1) All of Euro Disney's borrowings are classified as current as they are subject to acceleration if an agreement with their lenders and the Company is not achieved by May 31, 2004.

Management believes that recognition of additional liabilities as a result of consolidating Euro Disney and Hong Kong Disneyland does not result in any incremental increase in the level of claims on the general assets of the Company and its other subsidiaries; rather, they represent claims against the additional assets recognized by the Company as a result of the consolidations. Conversely, we believe that additional assets recognized as a result of consolidating Euro Disney and Hong Kong Disneyland do not represent additional assets of the Company that could be used to satisfy claims by the creditors of the Company and its other subsidiaries.