The Walt Disney Company

ANNUAL REPORT 2001

CONTENT LISTING

FINANCIAL HIGHLIGHTS

(In millions, except per share data)	**2001**	2000
Revenues[1]	**$25,256**	$25,356
Segment operating income[1]	**4,038**	4,124
Diluted earnings per share before the cumulative effect of accounting changes, excluding restructuring and impairment charges and gain on the sale of businesses[1]	**0.72**	0.72
Cash flow from operations	**3,048**	3,755
Borrowings	**9,769**	9,461
Stockholders' equity	**22,672**	24,100

[1] Pro forma revenues, segment operating income and earnings per share reflect the sale of Fairchild Publications, the acquisition of Infoseek, the conversion of Internet Group common stock into Disney common stock and the closure of the GO.com portal business as if these events and the adoption of SOP 00-2 had occurred at the beginning of fiscal 2000, eliminating the one-time impact of those events.

Cover: Opening in June 2002 is the heartwarming Disney feature animated film, Lilo & Stitch.

LETTER TO SHAREHOLDERS

TO FELLOW DISNEY OWNERS AND CAST MEMBERS:

Like other fiscal years, 2001 was a year of many high points and many challenges. But all of it pales in significance in light of one date on the calendar – September 11, when those terrifying images of America under attack were seared into our collective consciousness. It was a day of unspeakable horror. It was a day that changed everything and nothing – "everything" the way an earthquake never leaves you as confident about the stability of the earth mass as before and "nothing" because this is our terra firma, our nation, and it will endure. Just as America will overcome, so too will American business, driven by our ingenuity and creative know-how. The challenges may be great. But so are the opportunities … opportunities that abound across this nation and, more and more so, around the world.

In the days and weeks following September 11, your company and its cast members responded in a wide range of ways. The Walt Disney Company Foundation/DisneyHand: Survivor Relief Fund was established, and collected more than $700,000 from cast members in addition to a corporate gift of $5 million. ABC News did an extraordinary job covering the crisis non-stop and commercial-free. New York's ESPN Zone handed out meals, bottled water and boxes of clothing to relief workers. Our Miramax film group organized and co-sponsored the *Concert for New York*, which raised more than $25 million for the Robin Hood Relief Fund. During the telethon, *America: A Tribute to Heroes*, which aired on all the networks including ABC, 650 reservationists at Walt Disney World took more than 40,000 calls offering donations. The manager of the Jersey City Disney Store, along with his family, spent the entire night of September 11 feeding emergency workers, while the Pentagon Disney Store cast members comforted and entertained anxious guests and their children with spontaneous storybook readings and play groups with Disney toys. The list goes on and on. You should simply know that, along with so many other Americans, the cast members of The Walt Disney Company made a difference.

1 *Disney Stars and Motor Cars, at the Disney-MGM Studios, is one of the 100 Years of Magic parades being held at Walt Disney World.*

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Looking forward, I would like to discuss the challenges that Disney currently faces, and then outline what I see as the many opportunities that will return us to solid and dependable growth.

The first area of challenge is at our parks. Disney theme parks are among the most distinctive and valuable venues in the travel and entertainment industries. This was certainly evident this past weekend when I spent the day at the Disneyland Resort in California to view the Christmas decorations at Disney's Grand Californian Hotel, to ride the "new" Haunted Mansion with its holiday *Nightmare Before Christmas* theming, and to shop at Downtown Disney. For good reason, most families share the vacation priorities of Barry Bonds, who, after setting the new major league homerun record, proclaimed, "I'm going to Disney World!"

But it's one thing to want to go to Walt Disney World or Disneyland and another thing to get there. We are now officially in a recession and people have less disposable income for travel. However, when the economy does come back, and as confidence in America's safety continues to grow, there is every reason to believe that the performance at our parks will be stronger than ever. This has been the pattern of every recession in the past. America and Americans always bounce back. And when they do, demand for Disney theme parks only increases. Time and again, we have found that people hardly ever actually cancel their Disney vacations … they only defer them until the time is right.

For prudent managers, it is not enough simply to wait for an economic and emotional recovery. So, we have been actively adjusting the operations of our parks to optimize bottom-line performance. We have also taken advantage of our broadcast holdings to promote the parks on the ABC network and our local television stations, and we have marketed price promotions, especially for local guests. Most important, we continue to offer an extraordinary entertainment experience. At Walt Disney World, in the fall, we began the *100 Years of Magic* celebration, which honors the 100th anniversary of the birth of Walt Disney. As I write this, I am at Disney World, and we are showing the press and the travel industry the new parades in each of the four theme parks and the new attractions. *100 Years of Magic* is an exciting entertainment event, and it reminds all of us inside and outside Disney of the company's roots and the decades-long appeal of what we do.

Our Broadcasting business also faces challenges that were partly caused by the overall economic environment. Because of the softness in the economy, advertising rates were down for all of the broadcast networks. ABC was the number-one rated network in primetime during a very healthy overall ad market in 2000. But, this year, it has suffered the one-two punch of a down economy and a drop in ratings. This is why we are heavily focused on developing shows that will help propel ABC back to the top. Of course, there is no formula for creating great content. But, it is what we must do to reap the considerable rewards of owning a broadcast network. Both Bob Iger and I grew up professionally at ABC. This is a business we understand, and one of our top priorities is to develop the kinds of programming that will underpin resurgent long-range success. It is important to keep in mind that ABC remains number one during daytime and is building on that lead, while our news division is building as well, and is getting closer to being able to claim number-one bragging rights.

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

But primetime does present a problem, and we are determined to solve it. So here's a little primer on the network television business. It takes decades to build a daytime schedule. Daytime is about loyalty and familiarity and quality. Consequently, we are in a rather secure and enviable position as ABC continues to lead solidly when the sun is up. Similarly, in news, it takes years and years to establish the kind of loyalty and trust among the viewing audience that ABC News enjoys. And then there is primetime. You can move from the number-three or number-four network to the number-one network in two years by having one new hit, say, every six months. When I was at ABC in the '70s, we went from last to first. NBC in the '80s had the same kind of success and pushed ABC out of the leadership role. Under Bob Iger in the '90s, ABC recaptured the lead. Now we have to do it again.

The rules for network TV success have remained largely the same as long as there have been networks. But there is no question that the broader TV landscape has changed dramatically in the past two decades because of the advent of cable. In this regard, our company has a major advantage, since our broad range of cable programming services, including the recently added ABC Family, provide outlets both for original programs and for the multi-purposing of programs from our other networks. With ever-increasing consolidation among cable and satellite distributors in the U.S., the addition of ABC Family will further enhance our portfolio of programming services and allow us to reach all demographic groups with both broad-based and narrowly focused channels. Our last major acquisition, of course, was Cap Cities/ABC, which involved a remarkably seamless integration with Disney. Our acquisition of Fox Family in the U.S. and Fox Kids in Europe and Latin America will be even easier. These assets are completely complementary to our existing holdings, and they all go to Disney's "sweet spot" of entertainment for children and families. For this reason, I anticipate a remarkably swift integration into the company, followed by rapid growth and increases in profitability.

Looking at the rest of our company, a great number of steps have been taken to safeguard Disney during these anomalous days. During the year, we trimmed our workforce by approximately 4,000 positions, primarily through voluntary separations. Our Strategic Sourcing (i.e., buying stuff) initiative will save the company at least $200 million annually beginning this year through the implementation of more sensible purchasing policies. The Walt Disney Studios has cut its annual investment in live-action films by $600 million, in part by eliminating unproductive talent deals and streamlining the script development process.

abc family

Robert A. Iger
President and Chief Operating Officer

It's not just in the Studios where we're attacking costs. We have scaled back our Internet operations to core initiatives that we expect to achieve profitability by the end of this fiscal year. We have completed the several-year process of closing 51 Disney Stores that were achieving sub-par performance, with current plans to close about 50 more. We are continuing to review individual store performance and expect the number of North America stores to stabilize at a level of between 300 and 400.

None of these cost-cutting efforts represents a one-time approach. Rather, they are part of what has become an ingrained culture of ever-increasing efficiency. It's kind of like going on the treadmill and eating non-fat food. You never seem to get anywhere, but you stay healthier and more alive – and that is getting somewhere very important!

In addition to being lean and disciplined, we are mobilized on a number of fronts to seize and create a range of opportunities that we see across the country and around the world. Indeed, it is outside of the U.S. that some of the greatest growth opportunities can be found. For this reason, I thought it would be useful to survey our company's various strategic efforts under the headings of International and Domestic.

INTERNATIONAL

At the end of 1998, we added the Walt Disney International organization to coordinate and optimize our international operations. Our international expansion is occurring on three fronts. First, there is the creation and acquisition of new businesses. Second, there is the growth and increased penetration of existing businesses. Third, there is that culture of efficiency, which we have also exported overseas, with Walt Disney International consolidating numerous Disney office functions in countries around the world.

For our company, the primary driver for international success is the strength of our brands. This is most dramatically demonstrated by the strength of our mouse. It is virtually impossible to travel anywhere in the world and not see someone wearing a piece of clothing adorned with Mickey's beaming face. The world loves Mickey and Disney, but the fact is that, relative to what we have achieved in the United States, we still have enormous opportunities to increase per capita penetrations in most overseas markets.

The pervasiveness and potential of the Disney brand is demonstrated by a recent brand equity study. It concluded that, in the 14 primary world markets, 1.2 billion (that's not a typo and is indeed a "b" at the beginning of that word) consumers had used at least one Disney product over the preceding 12 months. This doesn't even include developing markets such as Russia and China. People around the world know and love what we offer. But outside of the U.S. and Canada, our penetration levels are much lower. In other words, if you're a shareholder standing somewhere in North America and are wondering where to find Disney's greatest growth prospects, just look to the east, west or south.

Consider what has been achieved in the past year with wireless phone technology in Asia. In 2000, we established a company called Disney Mobile in Japan, which entered into an agreement with NTT DoCoMo Wireless, allowing subscribers to pay roughly $1 to $3 a month for a range of Disney offerings on their cell phones.

1 Mickey and Minnie join Roy E. Disney, Vice Chairman of The Walt Disney Company, and Toshio Kagami (far right), President of the Oriental Land Co., Ltd., in celebrating the opening of Tokyo DisneySea.

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Cell phones in Japan are dazzling mini-computers, featuring a wealth of services that are not yet available here. The Disney Mobile deal took off at the light speed of cellular transmission, and we already have more than two million subscribers, who are able to play Disney games, send Disney greeting cards, hear Disney ring tones and download special Disney promotions. Early in 2002, Disney Mobile will expand to Taiwan, Hong Kong, Korea, England, Austria and Germany (with European subscribers getting to choose from 100 Disney ringtones!). And, presumably, this is just the beginning. There is every reason to expect that, as cell phone technology in other parts of the world becomes more sophisticated, we will see these and further enhanced opportunities emerge elsewhere, including the United States. Packs of kids will be walking down the streets of Chicago, not talking to each other, but talking to kids in another part of town as they play computer games, check movie times, sports scores and maybe even their Disney stock price.

Japan was the scene of another tremendous success story in 2001 – the opening of the Tokyo DisneySea theme park, adjacent to Tokyo Disneyland. DisneySea is certainly a crown jewel in the sparkling creative bundle of projects your company has built. As my wife and I stood at the entrance to that park at the opening on September 4, we had the feeling we were seeing something of such significance that we literally could not speak … something that usually isn't a problem for me. Since the park opened, both Tokyo parks have achieved attendance levels that have greatly exceeded our projections, with Tokyo Disneyland setting a new record for the year. We expect our royalties from Oriental Land Company to increase by 80 percent thanks to Tokyo DisneySea and our two Disney-themed hotels. Beyond the direct economic benefit for our company, these spectacular theme parks play a major role in defining the Disney brand in this important market.

Also in Asia, work is progressing on Hong Kong Disneyland. What a site! I think this will be the most spectacular park location we have anywhere in the world. Maybe I'm too enthusiastic, but looking back across the bay to central Hong Kong is awesome. During a recent trip, we all got on a bus for a one-day excursion among the 90 million people who live in Guangdong province just north of Hong Kong. I was impressed with the warmth of the people, the height of the skyscrapers, and the live seafood and frogs for sale in the grocery section at the local Wal-Mart. You can expect me to be writing about this project for a good four more years, as I will keep trying to think of new ways to describe its enormous significance as a beachhead for the Disney brand in the most populous nation on earth.

On the immediate horizon is an all-new theme park adjacent to Disneyland Paris, called Walt Disney Studios Paris. This park is modeled after the Disney-MGM Studios at Walt Disney World and will give guests a behind-the-scenes look at film, television, music and animation production. In the process, we will offer them the thrills of *Catastrophe Canyon*, a stunt show spectacular and the inverted loops of the *Rock 'n Roller Coaster Starring Aerosmith*. Disneyland Resort Paris is already the most visited tourist destination in Europe. With the creation of this park, our Paris property will become a true multi-day resort, offering a tremendous range of entertainment experiences just outside one of the greatest cities in the world.

I must take a moment, at the risk of writing too long a letter, to comment on our parks in general. We have just completed one of the most ambitious building periods in any company's history. Through the efforts of Walt Disney Imagineers and architects around the world, we have created the highest level of construction quality and innovation for people's enjoyment ever. I'm sure I will have to fight the editor of this annual report to leave in this somewhat over-the-top enthusiasm, but if it is here, you'll know I won the argument. I can say this because around the world we have established four Disney destinations, not just theme parks. From Florida with its four theme parks, two water parks, 25 hotels, entertainment venues and an actual town, to Anaheim with its new second theme park, Disney's California Adventure, hotels and entertainment complex, to France and its (soon-to-be) two theme parks and entertainment complex and hotels, to Tokyo with the same, we have established spectacular three-dimensional environments where one generation can pass the Disney baton to another. We have invested the intellectual and financial capital. Now we can spend the next decades enjoying the returns.

1 Michael Eisner visits the Hong Kong Disneyland site on Lantau Island.

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Disney Consumer Products has also been adversely affected by the economic downturn and the international markets are a key to the turnaround of this business. In 2001, new direct-to-retail licensing agreements were made with some of the leading retailers in Europe, including H&M, Tesco and C&A. There are now 211 international Disney Stores, including a new flagship store that was recently opened in Milan. In Japan, we concluded an agreement to sell the Japanese Disney Stores to our colleagues at Oriental Land Company, who will continue to operate the business under a licensing arrangement with us.

And, among the products that we will be offering at retail overseas and domestically will be the Baby Einstein line of merchandise. In November, we acquired this great company from its founders. Baby Einstein's innovative and educational videos, books and toys for infants and young children are an ideal fit for our company and should benefit substantially from our worldwide distribution and marketing resources.

One of Consumer Products' businesses – Publishing – is perhaps our longest-running international success story, having begun in the early 1930s, and encapsulates why Disney's potential is so enormous overseas. We are now the world's largest publisher of children's books and magazines, putting out publications that are read by 100 million people in 55 languages in 74 countries. To kids everywhere, Mickey Mouse is not an American character. He is whatever they are – Belgian, Brazilian or Bengali. And, this goes for Donald Duck, Goofy, Winnie the Pooh – also known as Donarudo Dakku, Gao Fei and Kubus Puchatek – and all the rest. They provide us a connection with consumers everywhere that gives us an incredible advantage in the marketplace … wherever that marketplace happens to be.

Walt Disney Studios has been number one at the international box office five of the last seven years, grossing more than $1 billion for seven years in a row – a completely unmatched record. We also continue to be the number-one video distributor internationally. One Studio business that illustrates the eternal Disney truth that great content leads to new opportunities is Walt Disney Theatrical, which currently produces two live stage musicals in England, two in Germany, one in Spain, one in Canada and one in the Netherlands. Of course, all these shows are great, but arguably the most unusual one is the stage play in Berlin, because it is a production of *Hunchback of Notre Dame*. Unlike our other shows, all of which had their initial runs on Broadway, this is the premiere production of *Hunchback*. By the way, we now have plans to produce an English language version for ABC's *Wonderful World of Disney*, so this is one Disney stage show that is going to be "exported" to America.

Television represents one of our greatest growth opportunities overseas and has major significance in developing and growing the Disney brand. We have aggressively built up the Disney Channel Worldwide business so that it now comprises 12 channels, with Brazil and Portugal having been added in 2001. These channels reach more than 15 million subscribers in 56 territories. The first international channels we started are already profitable and the overall business will be in the black by 2003. Complementing our Disney Channel holdings will be our recent acquisition of a majority interest in Fox Kids International, which will be appropriately renamed. This cable- and satellite-delivered family program service already reaches more than 24 million additional homes in Europe and 10 million in Latin America. Since Disney Channel is a premium cable service and Fox Kids is an advertiser-supported service, together they comprise a perfect fit, providing us with an enormous reach among our prime Disney audience around the world.

1 *Disney books and magazines are available in 55 languages in 74 countries.*

To demonstrate the progress we are making in China, we just returned to the most-watched national television network in China – CCTV1 – with a regularly scheduled Mickey Mouse animation program at 6:00 p.m. In addition, Disney.com became available on the Chinese Internet, bringing Disney entertainment and news to more than 20 million Internet users in that nation.

Then there is my favorite radio station, Radio Disney, which has proved tremendously successful in the U.S. and is now starting to go abroad, beginning with an Argentina station that launched in 2001. And, don't forget that Disney is not our only brand that is embraced by media consumers overseas, since ESPN is also a major success story, with its programming now reaching more than 125 countries. And the launch of ESPN Classic in Europe will expand its presence even further.

DOMESTIC

Of course, our domestic business is what you're used to hearing me expound about and, to be sure, it remains the bulk of what we do.

Certainly, the big event of our domestic theme parks this year was the expansion of the world's very first theme park – Disneyland – with the addition of a second park – Disney's California Adventure – a shopping district – Downtown Disney – and a magnificent resort hotel – Disney's Grand Californian. Put them all together and we now have a fantastic destination resort. Unfortunately, we launched it in a year of abnormal rain (for Southern California), a softening economy, a California energy crisis and, of course, the uncertainty following September 11. Unlike Tokyo DisneySea, the crowds that the expansion has attracted have not been of the magnitude we had hoped for in its inaugural year. But we now have a vastly improved asset in Anaheim, which – as the economy improves, and the lights stay on, and the *Bug's Life* children's land opens this fall, and *The Twilight Zone Tower of Terror* opens in a few years – will turn the park, like our others, into the blockbuster we all know it is. As Richard Corliss of *Time* magazine wrote, "At this splendid Disney adventure, visitors need never stop glowing."

I have already mentioned the *100 Years of Magic* celebration that will be enhancing our Walt Disney World properties in 2002. Further down the road, in 2003, we will be unveiling *Mission: Space*, sponsored by Compaq. For the price of admission to Epcot, this amazing "E ticket" attraction will allow guests to experience what it's like to travel beyond earth's gravitational pull. Considering that, in 2001, Dennis Tito spent $20 million for a similar outer space experience, our guests will be getting quite a bargain! I rode it in test phase. No comment other than to say I'm still walking!

At Disney Consumer Products, significant new models of doing business are being developed. As in Europe, we are pursuing direct-to-retail relationships with major apparel retailers, such as JCPenney and Kmart. Working with these leading companies, we will have more control over the quality, creativity and presentation of Disney-branded merchandise. Also during the year, we established two major global relationships to produce Disney-branded food products – with Coca-Cola's Minute Maid unit for non-carbonated children's beverages and Kellogg's for breakfast foods. These arrangements will allow us to work closely with these great companies to create innovative and healthy products that reflect the fun and fantasy of Disney.

An area of great potential growth is our Interactive games business. Here, technology is opening up new entertainment possibilities for us as the capabilities of gaming platforms keep increasing. Of course, people don't generally think of Disney as a high-tech company … at least, we didn't think they did until we saw an article in *Wired* magazine that asked Internet users in the 10 biggest markets of the world to rate 250 tech brands. Disney ranked in the top 10 in every one of the nations surveyed … and in the top five in eight of them. Remember, this survey rated tech brands among tech users. These people should know what they're talking about, and they ranked Disney higher than brands such as Intel in Germany, Panasonic in Japan and Microsoft in England. I never used to be a believer in this kind of research, but I think I'll be a convert going forward. Clearly, the cutting-edge technology of Interactive games is a natural fit for our company. For example, we are currently working on a game called *Kingdom Hearts*, which Square Soft of Japan is developing with us. It creates a dazzling and imaginative interactive Disney universe on the screen, and will be available for PlayStation 2 later this year.

1. *Kids will enjoy taking care of their teeth when they use oral care products featuring Disney characters from Gillette's Oral-B brand.*
2. *Breakfast foods produced by the Kellogg Company will showcase Disney characters and themes.*

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I've already mentioned the measures being taken at the ABC Network. However, our cable holdings are performing well. This is in part because Disney Channel is not advertiser supported, and in part because these assets are so strong. And, the addition of ABC Family will further solidify our presence on cable. We have interests in the premier sites for history with The History Channel, for culture with A&E, for entertainment with E! and for women with Lifetime. And of course we own 100 percent of SoapNet, a cable channel that airs daytime serials during primetime. Then there is the category of sports, which is all but owned by ESPN, ESPN2, ESPN Classic and ESPNEWS. Indeed, ESPN continues to be an extraordinary asset. In this age when brand recognition is so valuable, we clearly own the two strongest brands in the entire field of entertainment – Disney and ESPN. Which brings me to the family audience, for which we have Disney Channel, Toon Disney and now ABC Family, which has a reach of 81 million households. Whereas broadcast networks face the daunting challenge of creating programming for all tastes, cable channels are able to cultivate devoted viewership because they can tailor programming for specific tastes. In this realm, we truly have the field covered.

Finally, there is our Studios unit, which had an excellent year and I believe is poised for even greater success. The combined grosses of Walt Disney Pictures, Touchstone Pictures, Miramax and Dimension films have made us number one at the U.S. box office for six of the past seven years, at the international box office for five of the last seven years and in domestic home video for the last 13 years.

In live action for 2002, Touchstone will have the next film from M. Night Shyamalan, who directed *The Sixth Sense* and *Unbreakable*. This one is called *Signs* and stars Mel Gibson. Also from Touchstone is *Bad Company*, starring Chris Rock. *Reign of Fire* about real live dragons is in post production. Among the offerings from Walt Disney Pictures will be *The Rookie* about a 38-year-old high school baseball coach who tries out for the major leagues, and *Country Bears*, which is a really hysterical film that is based on the classic theme park attraction at Walt Disney World and Tokyo Disneyland. Our Walt Disney Pictures live-action franchise has been a particular success story, with films like *The Kid* and *Remember The Titans* and this past summer's surprise hit (it was a surprise to the industry, not to us) *The Princess Diaries*.

Then there's Miramax, which continues to amaze. In 2001, they released a remarkable range of successful films – from *Bridget Jones's Diary* to *Spy Kids* to *The Others* to *Scary Movie 2*. And, for 2002, they have what looks to be their best slate of movies ever, including films based on the critically-acclaimed bestsellers, *The Shipping News* and *Cold Mountain* starring Tom Cruise, plus Martin Scorsese's period epic, *Gangs of New York*.

Home Entertainment is performing increasingly well, in part because of the rapid growth of DVD. *Snow White and the Seven Dwarfs* was a hit on DVD, *Pearl Harbor* will be one of the leading video releases of the year and our Disney Video Premieres continue to be an outstanding business. *Lady and the Tramp II: Scamp's Adventure* sold more than 10 million units worldwide and, in 2002, we will have two more Disney Video Premiere animated releases – *Cinderella II: Dreams Come True* and *101 Dalmatians II*.

With regard to theatrical animation releases, 2002 also looks to be particularly strong. Of course, the fiscal year started off with *Monsters, Inc.*, produced with our partners at Pixar, and it is an instant classic and true franchise. In January, we are re-releasing *Beauty and the Beast* in IMAX® and other large format theaters. I've seen it projected that way. It's like a whole new movie. And it will feature a witty and moving sequence never before seen – *Human Again*, in which the Beast's servants dream of what it would be like to return to their human forms. In February, we have the sequel to *Peter Pan* – called *Return to Never Land*. I just walked out of a screening. It's a hit, he said confidently! For summer, there is the extremely funny, endearing and original *Lilo & Stitch*, which is shown on the cover of this report. It must be great. We wouldn't put it there if it weren't. And for the fall, we have the graphically cutting-edge, futuristic adaptation of Robert Louis Stevenson's classic *Treasure Island*, called *Treasure Planet*.

WISE WORDS

As it turns out, I am putting the final touches on this letter on December 5, Walt Disney's 100th birthday. Of course, Walt has always been a guiding light for this company, all the more so during these challenging times. Consider what he had to say during another troubling time, on March 1, 1941: "Once a man has tasted freedom he will never be content to be a slave. That is why I believe that this frightfulness we see everywhere today is only temporary. Tomorrow will be better for as long as America keeps alive the ideals of freedom and a better life."

As my own personal observance of Walt's birthday, I have been listening to a series of interviews that he conducted between 1956 and 1961. They provide revealing insights into his genius and also into the fact that this company has been tested many times throughout the years. Again and again during these interviews, Walt talks about precarious periods that he and his brother Roy went through. First they lost the rights to their star character, Oswald the Lucky Rabbit … but then came Mickey Mouse. Later, they were struggling to make a profit with their shorts … but then came *The Three Little Pigs*. Subsequently, they went into enormous debt to make *Snow White* … but the film went on to become the biggest box office hit of the year.

Then came World War II and the disappearance of their international markets. Around this time, they took the company public, issuing stock that plunged from an initial price of $25 a share to $3 a share … then the stock steadily rose on the strength of such films as *Cinderella*, *Peter Pan* and *20,000 Leagues Under the Sea*. Next came Disneyland, which sucked up the company's capital and even required Walt to cash out his personal life insurance policy … needless to say, Disneyland went on to become a complete sensation. Of course, in the early '80s, long after Walt and Roy were gone, the company again encountered problems and was on the verge of being sold off in pieces by corporate raiders.

1 The company's founders, Roy and Walt Disney.

All of these difficulties – and many more – are generally forgotten because, in the end, The Walt Disney Company has only grown stronger and more vital. And it has always done so through the power of its product. With this in mind, we are taking appropriate measures to ride out the current turbulence before ultimately moving on to new levels of success.

Of course, you can never predict an entertainment phenomenon like *Monsters, Inc.* or Tokyo DisneySea or *Toy Story* or *The Lion King* or *Home Improvement* or Disneyland or *Cinderella* or *Snow White* or *Three Little Pigs* or Mickey Mouse. But, at this company, they do come along with remarkable regularity.

In closing this letter, I want to make clear my disappointment with the fact that the overall equity value of the company as I am writing this has not risen as it has in the past. It doesn't work to point out the tremendous value creation during most of the years since 1984 nor the enormous growth of Disney to become a worldwide media company. We are a public company, and we want you to own a growth company. At the same time, I don't think about The Walt Disney Company quarter to quarter. I think about The Walt Disney Company quarter to quarter to quarter to quarter to quarter; in other words, over the long term. It is important for this great institution to always be positioned for the future, to spend the needed capital, to steer the prudent and moral course, to make sure we are here to entertain another day. I think therefore we are poised for another growth spurt as investors around the world recognize what we've done and where we are headed creatively and how strong our brand and balance sheet are.

I cannot guarantee what our growth will be. But I do respond with a knowing smile to financial analysts, Disney family members, large investors and journalists when asked. We believe we are on the right track. Frankly, with the Disney brand and the great assets of our company, it isn't easy to fail. It's much easier to succeed. And we will.

Sincerely,

Michael D. Eisner
Chairman and CEO
December 5, 2001

FINANCIAL REVIEW

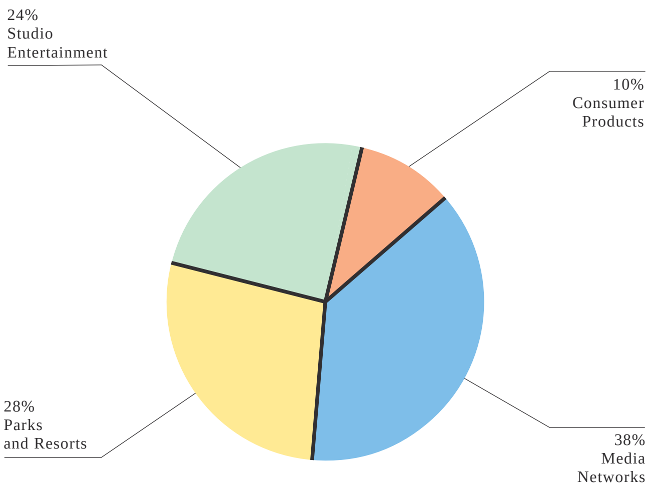
I. OVERVIEW

The Walt Disney Company's primary financial goals are to maximize its earnings and cash flow and to allocate capital profitably toward growth initiatives that will drive long-term shareholder value. In pursuing these goals, the company focuses on further developing its powerful brands, programming, and character franchises while creating products and services infused with the Disney hallmarks of quality and creative excellence.

II. RECENT PERFORMANCE

While as-reported results were below prior year, on a pro forma basis, excluding restructuring and impairment charges, the company delivered segment operating income and earnings for fiscal 2001 that were roughly on par with the prior year, despite a weakened economy and a fourth quarter that was impacted significantly by the events of September 11 and their aftermath.[1]

THE WALT DISNEY COMPANY FISCAL 2001 REVENUES



Total Revenues: $25.3 billion

The company's diversified mix of businesses helps mitigate the effects of the current weak economy and, over the longer term, the enduring appeal of Disney's assets provides the basis for sustained growth. Disney's portfolio of business can be categorized in four ways.

1. Businesses facing near-term external challenges outside the company's control: These operations are well positioned for a rapid rebound when the economy recovers and once trends in tourism return to normal. For example, while a weakened economy – exacerbated by a sharp decline in travel in the weeks immediately after September 11 – led to declining performance for Parks and Resorts, this segment is poised to grow rapidly once the economy rebounds. The company's television stations and radio operations are affected by the soft ad market, but continue to enjoy strong market share and will benefit from improvement in the external environment.

2. Businesses with fundamental challenges for which management is aggressively implementing turnaround plans: While it is expected that the advertising market will recover, management is focused on improving ratings at the ABC Television Network. ABC has already begun to see better results in certain key dayparts like morning, daytime and late night. Similarly, efforts to reinvigorate Disney Consumer Products also continue as the company has taken a number of important steps to improve the performance in this segment, most importantly a reorganization of the merchandise licensing business.

[1] A more detailed description of 2001 results can be found in the section of this Annual Report titled Management's Discussion and Analysis of Financial Condition and Results of Operations.

3. Established businesses that remain strong and provide a solid foundation of earnings despite the economic downturn: While some businesses face near-term challenges, others, including cable networks and Studio Entertainment, provided robust financial performance in 2001 and will be key drivers of Disney's growth going forward.

4. New initiatives that the company believes will help drive long-term growth and value: Exciting new cable properties like ABC Family, SoapNet and Toon Disney are expected to contribute to the company's success in the U.S. in the years to come. Outside the U.S., the company has launched a host of expansion initiatives, including new Disney parks and resorts in Tokyo, Paris and Hong Kong, the development of new Disney Channels around the world, and the recent acquisition of Fox Kids Europe. As a whole, Disney's businesses outside the U.S. and Canada constituted 17 percent of total revenues in 2001. Given the global appeal of Disney's brands and assets, international expansion continues to be one of the most exciting potential sources of long-term growth for the company.

III. SHAREHOLDER VALUE

Over the past three years, the company has systematically increased its emphasis on cash flow and capital returns for each of its major business units. These metrics, along with a continued focus on ongoing earnings growth, are the primary financial measures used to track and evaluate segment performance and are incorporated in the annual budgeting process, monthly reports, strategic plans and, ultimately, are factored into executive compensation.

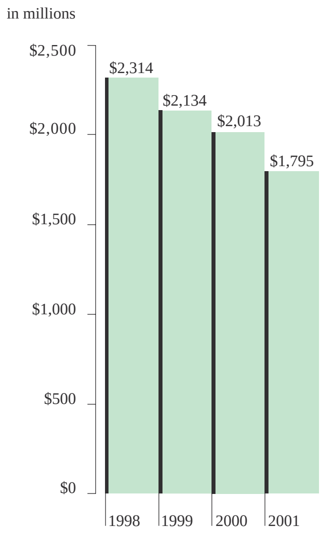
Thomas O. Staggs
Senior Executive Vice President and Chief Financial Officer,
The Walt Disney Company

The company believes that this focus on the fundamental drivers of shareholder value will have a positive impact on its ongoing operations and financial results. For example, Disney Parks and Resorts have been and will continue to be among the most important symbols of Disney magic, product quality, and guest experience. They are also an important source of future earnings and cash flow growth and are being managed to maximize both of these important aspects of value.

In Studio Entertainment, a successful creative effort coupled with decreased film spending resulted in a 2001 live-action film slate that earned a return on investment above the company's cost of capital. At the same time, Disney continued to deliver pictures that audiences loved, as evidenced by the company's consistent position as number one or number two in annual market share since 1990.

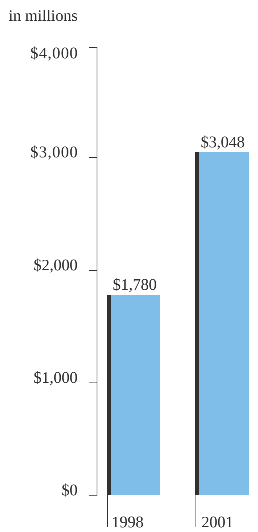
The successful reinvestment of earnings into new and existing businesses is an important source of ongoing shareholder value. However, as Disney has just completed a period of sizable investment in domestic parks and resorts expansion and, given the company's strengthened focus on increasing returns on invested capital, the annual level of capital spending has contracted. For fiscal 2002, capital expenditures are expected to decline by more than $500 million from 2001 levels.

CAPITAL EXPENDITURES SINCE 1998



The shareholder value program has already shown signs of success. Over the past years, after-tax cash flow from operations has increased from approximately $1.8 billion in 1998 to just over $3 billion in 2001, an annual growth rate of nearly 20 percent.

CASH FLOW FROM OPERATIONS



Deducting capital expenditures from these figures shows that over the same period, after-tax free cash flow has grown by almost $1.8 billion.

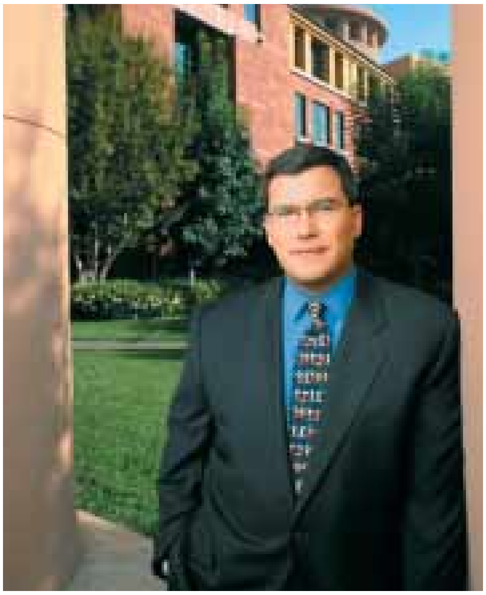
Beyond investing its cash flow in new and existing businesses, the company looks for acquisitions that can create additional value for shareholders. In October 2001, Disney acquired Fox Family Worldwide for $5.2 billion. This acquisition includes the Fox Family Channel, a programming service now known as ABC Family that currently reaches 81 million cable and satellite television subscribers throughout the U.S.; a 76 percent interest in Fox Kids Europe, which reaches more than 24 million subscribers across Europe; Fox Kids channels in Latin America; and the Saban Library and Entertainment Production businesses. These businesses represent an important strategic extension of the company's programming assets and reach.

Disney also seeks to increase returns through the repurchase of its own stock. In 2001, the company invested a total of $1.1 billion to purchase 63.9 million shares of Disney common stock at an average price of $16.62 per share. Since 1983, the company has repurchased nearly 549 million shares at a total cost of just under $4.4 billion. At the November 30 stock price, these shares represent a market value of more than $11 billion.

DISNEY SHARE REPURCHASE SINCE 1983

IV. OPERATING EFFICIENCIES

The company continually strives to improve the efficiency of its operations. As part of those efforts, management set out to reduce overall company costs by $500 million by the end of 2001 and has met that target. The goal was met through cost-saving measures in each of Disney's business units and through corporatewide initiatives, including a strategic sourcing effort in purchasing, consolidation of accounting and finance functions and increased shared services across operating functions. In response to the softening in the economy that took place in 2001, Disney announced in March the elimination of approximately 4,000 full-time jobs through a combination of voluntary and involuntary reductions. These reductions should ultimately result in an additional $350 million in annual savings to the company. Disney is committed to an ongoing evaluation of its cost base even as it continues to invest for growth.



Peter E. Murphy
Senior Executive Vice President and Chief Strategic Officer,
The Walt Disney Company

V. CAPITAL STRUCTURE

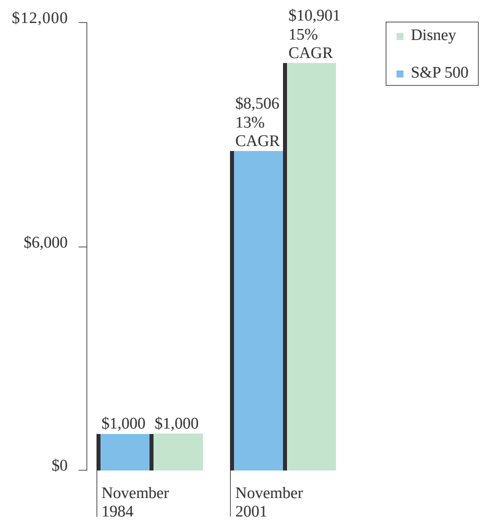
The company seeks to manage its debt balances and interest rate risk to reduce its overall cost of capital, balanced against the primary goal of maintaining the strength, flexibility, and liquidity of Disney's balance sheet. As of November 30, 2001, the company's net debt balances were approximately $14.5 billion, including borrowings to finance the acquisition of Fox Family Worldwide.

The strength of the company's balance sheet reflects Disney's position as a premier global media and entertainment company with diversified sources of revenue and cash flow, unique brand franchises and prudent financial policies. This strength, coupled with the power of the Disney brand around the world, enables the company to access the global capital markets on an opportunistic basis at attractive borrowing rates. By carefully balancing its proportion of fixed- versus floating-rate interest obligations, the company has also enjoyed reduced debt service costs as a result of the reduction in overall market interest rates over the past year. Management believes that the company's cash flow and earnings potential will contribute to even greater financial strength and flexibility going forward.

VI. INVESTOR RETURNS

The Walt Disney Company is committed to maximizing the long-term value of its brands, characters, programming franchises and other assets, and has thereby provided strong investor returns over time. An investment of $1,000 in Disney stock made shortly after Michael Eisner took office as chairman and CEO of the company in 1984, including reinvestment of dividends, was worth $10,901 on November 30, 2001, representing a 15 percent compound annual return over that period. Through careful stewardship of the company's unparalleled assets and a relentless focus on driving future earnings and cash flow growth and increasing capital returns, The Walt Disney Company is well positioned to deliver attractive returns for decades to come.

$1,000 INVESTED IN DISNEY VS. S&P 500



Disney HAND

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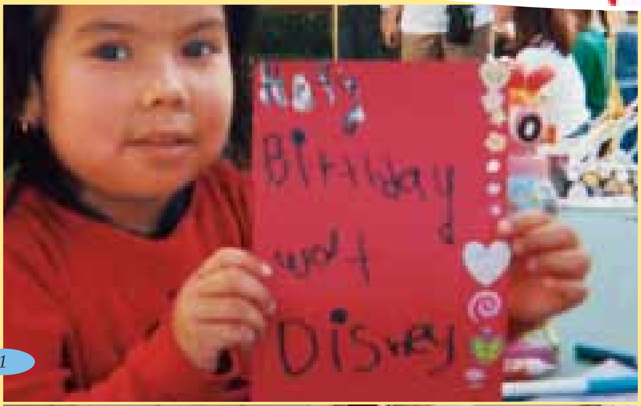

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DISNEYHAND IS DEDICATED TO MAKING THE DREAMS OF FAMILIES AND CHILDREN A REALITY THROUGH FOCUSED PUBLIC SERVICE INITIATIVES, COMMUNITY OUTREACH AND VOLUNTEERISM IN AREAS INCLUDING LEARNING, HEALTH, COMPASSION AND THE ENVIRONMENT.

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1 *Young fan of Walt Disney takes part in his 100th birthday celebration during an event for disadvantaged children.*

2 *Imagineers donated their talents to design the lobby at Childrens Hospital Los Angeles.*

3 *Disney VoluntEARS and their families provide help to victims of torrential floods in Houston.*

4 *Fifth-grade students at Park View Center School in Simi Valley, Calif., are among the grand-prize winners of Jiminy Cricket's Environmentality Challenge.*

5 *Cast members gather donations for the annual DisneyHand Holiday Toy Drive.*

6 *As part of Disney's compassion program, Prince Charming and Cinderella help make dreams come true for a young girl from Give Kids the World.*

This year DisneyHand, the company's corporate public service function, oversaw several major volunteer and aid initiatives throughout the world, ranging in scope from disaster relief to learning, compassion programs and environmental awareness.

In total, The Walt Disney Company and its subsidiaries, including ABC, Inc., ESPN, Walt Disney Parks and Resorts, Disney Consumer Products, The Walt Disney Studios and Walt Disney Internet Group, provided more than $109 million in monetary contributions, in-kind support and public service airtime to a variety of causes and initiatives.

LENDING A HELPING HAND

A major focus in 2001 was contributing time, money and resources to help the nation heal after the tragic events of September 11. The Walt Disney Company made a $5 million corporate contribution to the DisneyHand: Survivor Relief Fund, while individual employee donations totaled more than $700,000. All of the donations were earmarked for assistance to the victims' families and organizations to aid in the nation's relief and rebuilding efforts. Also in September, Disney businesses and cast members based in the Los Angeles area teamed up with the Red Cross for events at Dodger Stadium and Edison International Field, home of the Anaheim Angels, which raised nearly $1.1 million. Assisting were on-air personalities and others from KABC-TV, KABC Radio, KLOS Radio, Disneyland Resort, ESPN Radio and Radio Disney.

Local radio and television stations affiliated with Disney collectively raised more than $3.5 million through promotions and on-air fund-raising drives, and Disney Auctions raised $60,000 for The September 11th Fund, which was established by United Way and The New York Community Trust.

An important part of that effort was Disney's initiative with First Lady Laura Bush to reach children and families. Disney worked with Mrs. Bush to create public service announcements to help kids cope with their feelings and emotions about the September 11 attacks. The spots featuring Mrs. Bush aired frequently on ABC and its affiliated stations, as well as Radio Disney. They also launched Disney Channel's "Express Yourself" campaign, which featured celebrities talking about communication, diversity and optimism.

Contributions also included non-cash donations and time. ESPN Zone, ABC, Inc., Disney Stores and Disney Publishing collectively donated tens of thousands of T-shirts to rescue workers in New York, and ESPN Zone restaurants in New York, Washington, D.C., and Baltimore provided nearly 3,000 meals to emergency workers.

In the aftermath of September 11, The Walt Disney Company committed its support to the U.S. troops at home and abroad. It has become a USO World Sponsor, supporting outreach and marketing efforts on behalf of the USO and its programs. Disney is providing more than $1 million in financial aid and in-kind support for the USO.

In December, the Disneyland Resort in Anaheim, Calif., and the Walt Disney World Resort in Orlando, Fla., announced a program that offers active U.S. military personnel complimentary admission to Disney theme parks, as well as ticket discounts for their family members and friends. *Disney's Armed Forces Salute*, honoring American men and women fighting for freedom, is being offered Jan. 1 – April 30, 2002. Active U.S. military personnel, with proper U.S. military identification, are eligible, including active members of the United States Coast Guard and activated members of the National Guard or Reservists.

Aid this year from The Walt Disney Company extended beyond the September 11 tragedies. In June, the company marshaled its resources to help those affected by torrential floods in Houston. Radio Disney Houston coordinated all of the company's efforts. Walt Disney World sent linens, sheets, blankets, towels and pillows to Houston. In addition, KTRK-TV, the ABC station in Houston, aired a two-hour town hall meeting and round-the-clock coverage to keep viewers informed. The station also produced public service announcements for the Houston Food Bank.

VOLUNTEARS

The Disney VoluntEARS are an integral part of the company's efforts to help communities around the world. In operation since 1983, Disney VoluntEARS builds upon Walt Disney's philosophy of applying the same enthusiasm in the area of community involvement as he did to motion picture, television and theme park development. In 2001, Disney VoluntEARS around the world participated in more than 1,000 projects and programs and contributed in excess of 350,000 community service hours, filling nearly 85,000 volunteer opportunities.

1 *The Jungle Book's King Louie cuddles child from the Make-A-Wish Foundation.*

2 *VoluntEARS in Paris learn to crochet so they can make blankets to donate to children's hospitals and senior centers.*

A primary focus this year for VoluntEARS was the Global Celebration of Children, during which Disney cast members committed to helping 100,000 children in need. During two weeks in October, Disney employees participated in more than 100 volunteer projects in dozens of countries, including Belgium, Canada, China, France, Germany, Greece, Ireland, Israel, Italy, Mexico, South Africa, Spain, Sweden, Turkey, United Kingdom, United States and Venezuela. Efforts included rehabilitation of children centers, charity walks, clothing drives, gardening and beautification projects at schools and care centers, building homes, silent auctions, reading sessions, and children's parties and movie screenings.

COMPASSION PROGRAM

The Walt Disney Company works with all major wish-giving organizations, including Make-A-Wish, Dreams Come True, A Special Wish, Starlight Foundation and Give Kids the World. The number-one wish of children with life-threatening illnesses is a trip to a Disney theme park, and Disney always fulfills every wish requested. This year, the company donated more than 7,000 trips to Disney theme parks, nearly 300 Disney Cruise packages and nearly 85,000 complimentary park tickets, which amounts to more than $4 million in tickets and in-kind support for compassion programs. In addition, the company provided shopping sprees at Disney Stores and movie screenings around the country.

Also this year, Disney's Imagineers donated their time and creativity to help a cause close to home – Childrens Hospital Los Angeles. Imagineers designed the lobby at the hospital, which celebrates the spirit of children, adolescents and families.

LEARNING

Disney's commitment to learning includes philanthropic support, resources and professional development to educators nationwide to foster creative classrooms and enable teachers to develop and implement innovative, engaging approaches to learning. Disney's programs are highlighted by a commitment to teachers. The marquee event is Disney's American Teacher Awards, which honors creativity in teaching and annually salutes 35 gifted teachers who work their magic in their classrooms. Launched in 1992, Disney's American Teacher Awards has honored more than 400 teachers to date and touched more than 5,000 teachers with professional development assistance. This year, students, parents, educators and community members from across the U.S. nominated 111,000 teachers, representing all regions of the country. In 2001, Disney provided nearly $3 million to teachers and schools around the country.

Each year, The Walt Disney Company Foundation College Scholarship program awards scholarships to children of Disney employees. The goal of this program is to help many children achieve their educational and career goals, and to set their sights high in both school and career. This year, The Walt Disney Company Foundation awarded 26 scholarships, including eight full scholarships.

The Walt Disney Company continues to spearhead *Jiminy Cricket's Environmentality Challenge*, a joint effort among Disney, state environmental agencies and the Departments of Education in California and Florida. The program encourages fifth-grade students to think and act "environ-mentally." They identify a problem in their community and create and implement a solution to improve the environment. Outstanding projects are recognized statewide and the grand-prize-winning class from each state is rewarded with a trip to a Disney theme park. This year, the Park View Center School in Simi Valley, Calif., and the Horizon Elementary School in Sunrise, Fla., won grand prizes.

Next year, DisneyHand will launch several learning initiatives, including extensive outreach in February for Black History Month. Hyperion for Children has published *Martin's Big Words: The Life of Dr. Martin Luther King, Jr*. The children's book combines vivid illustrations with a compelling narrative to tell the story of Dr. King's life.

HOLIDAYS

An annual event especially for children is the DisneyHand Holiday Toy Drive. To make the season a little brighter for those in need, DisneyHand gives thousands of toys to non-profit organizations around the world to be distributed at their holiday parties. All Disney companies participate, and viewers, listeners and guests are encouraged to make toy donations.

For more information about these and other initiatives, please log onto the DisneyHand Web site at www.disney.com/disneyhand.

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1 *VoluntEAR helps build a home as part of Habitat for Humanity project.*

2 *Guests at Disneyland honor America during flag raising. The flag had been at half-mast following the September 11 tragedies.*

1 VoluntEARS join with the Red Cross at Edison International Field to collect donations for relief efforts following September 11 tragedies.

2 VoluntEARS work with Habitat for Humanity in building a home in Tijuana, Mexico, during Global Celebration of Children.

3 Disney executives Peter Murphy (top) and Bob Iger put special touches on the New Horizons mural designed by a Disney artist.

4 Every year, the company is proud to present Disney's American Teacher Awards.

5 Michael Eisner joins VoluntEARS in painting a mural at New Horizons Family Center, a childcare and family preservation center.

6 Snow White spends time with young girl as part of Disney's compassion program.

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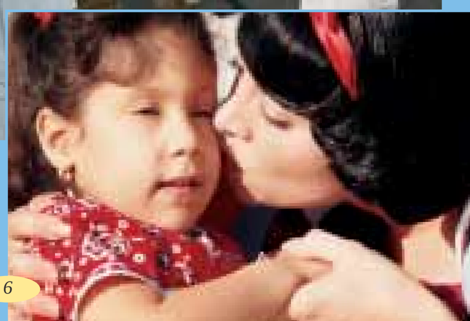

PARKS AND RESORTS

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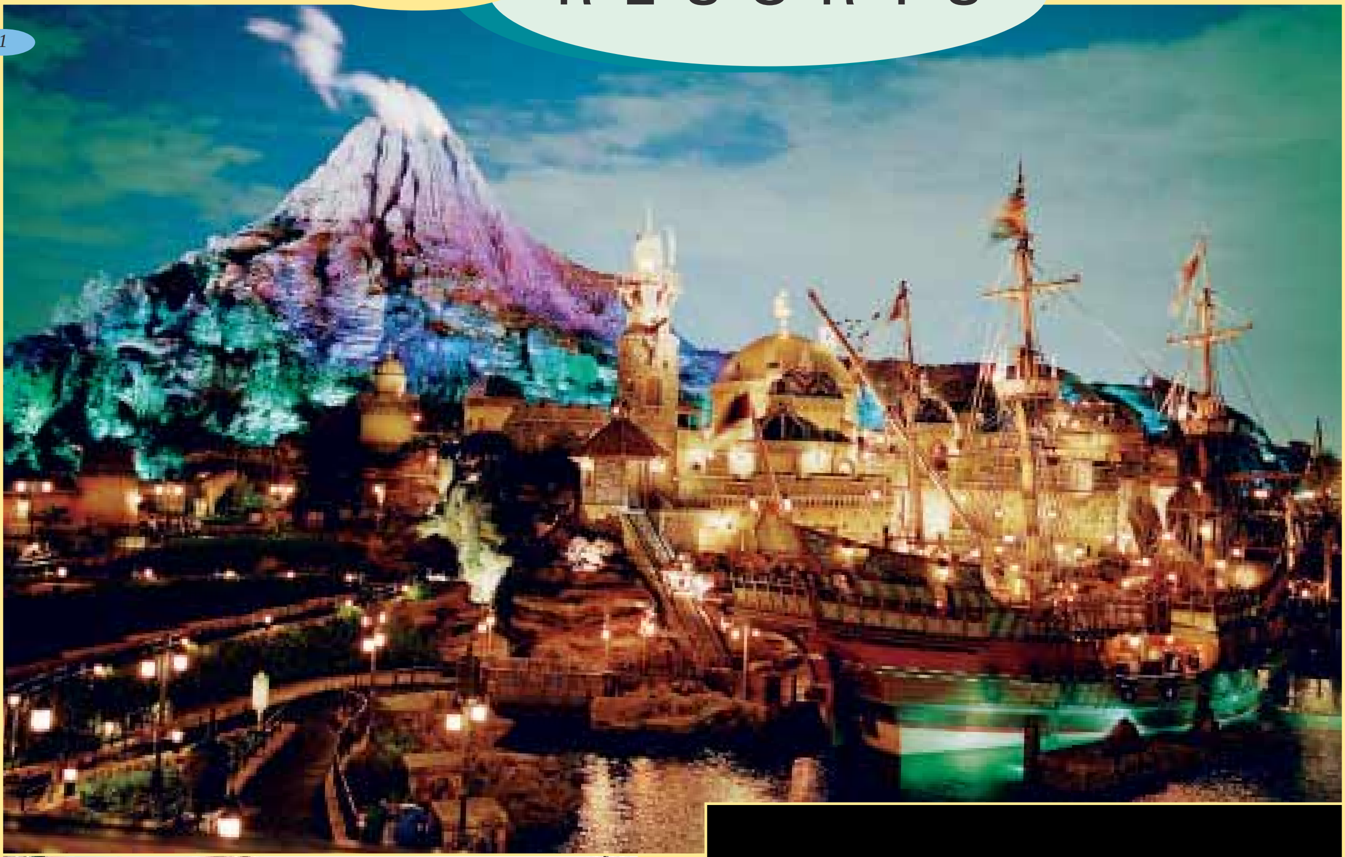

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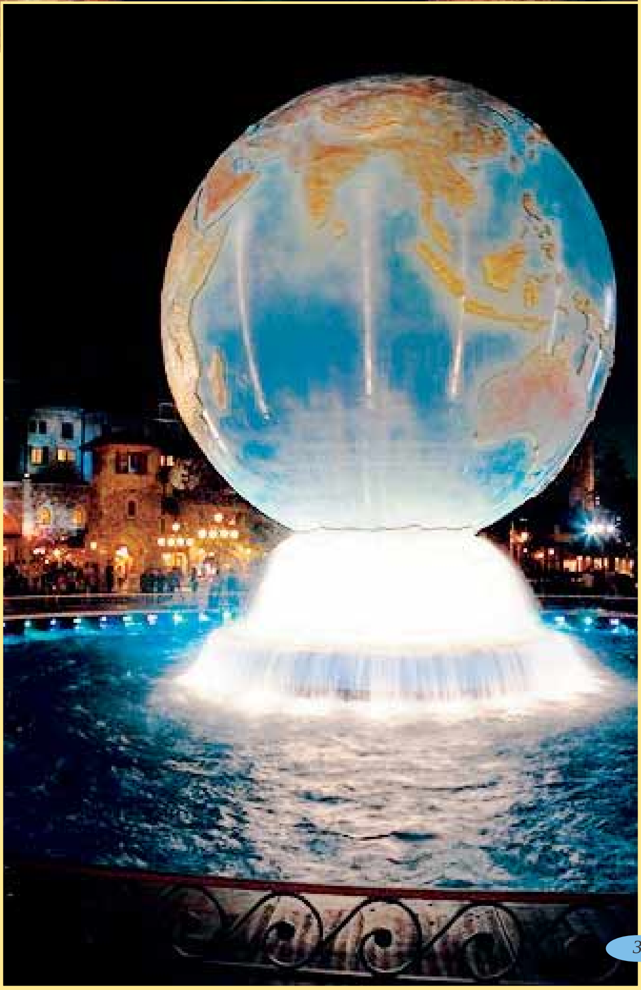

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1 *Visitors to Mysterious Island at Tokyo DisneySea encounter ship wrecks and unusual sea creatures. But be careful, the only way out is through an active volcano.*

2 *Tokyo DisneySea, Disney's ninth theme park, opened last fall with celebrations of the myths, legends and lore of the sea.*

3 *Visitors to Tokyo DisneySea are entranced by the AquaSphere.*

1 *Mickey's Jammin' Jungle Parade at Disney's Animal Kingdom features characters and exotic animals.*

2 *Guests take a thrilling ride on the Magic Carpets of Aladdin.*

3 *Disney's Electrical Parade lights up the night at Disney's California Adventure.*

4 *Characters from Tim Burton's Nightmare Before Christmas took over the Haunted Mansion to celebrate the holidays in their own scary way.*

5 *Colorful clowns from the Toon Circus at Disneyland Paris entertain guests during parade down Main Street U.S.A.*

6 *The Ambassador Hotel at the Tokyo Disney Resort combines elegance and fun with its Art Deco décor and use of Disney characters.*

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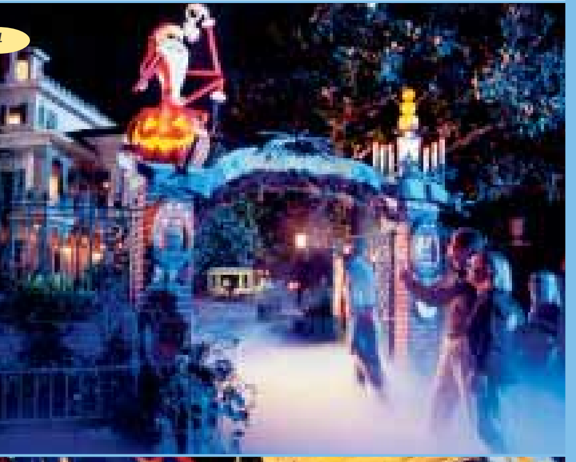

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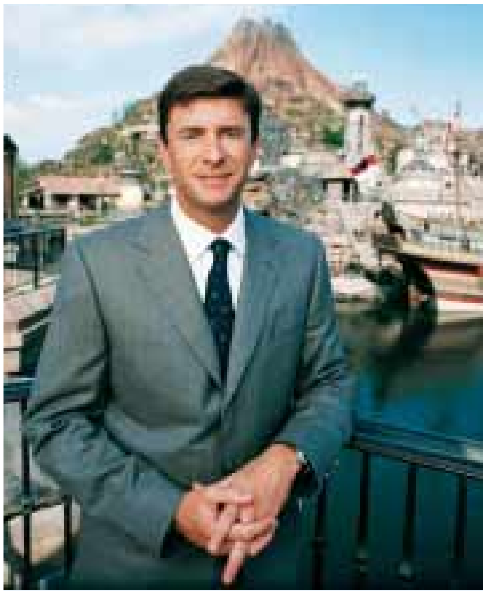
This past year was one of incredible expansion for Walt Disney Parks and Resorts. For the first time in the history of The Walt Disney Company, two theme parks, each on a different continent, opened in the same year.

In February 2001, Disney's California Adventure, along with the entertainment district Downtown Disney and Disney's Grand Californian Hotel, made its debut at the Disneyland Resort in Anaheim, home to the original Disneyland theme park.

In September 2001, Japan celebrated its second Disney theme park when Tokyo DisneySea – a breathtaking park inspired by the myths and legends of the sea – opened its gates adjacent to Tokyo Disneyland.

In March 2002, yet another new park will open, this one adjacent to Disneyland Paris, Europe's number-one tourist destination. The Walt Disney Studios at Disneyland Resort Paris will celebrate the world of movies, television and animation.

By the middle of the decade, The Walt Disney Company, in partnership with the Hong Kong government, will bring the magic of Disney to China by opening Hong Kong Disneyland on Lantau Island in Hong Kong.



Paul S. Pressler
Chairman, Walt Disney Parks and Resorts

DISNEYLAND RESORT

The year 2001 was an historic one for the company's property in Anaheim, as the California venue was transformed into a multi-day vacation destination.

In January, Downtown Disney debuted, offering an exciting and eclectic mix of dining, shopping and entertainment, in addition to nearly 20 retail venues.

And making its grand entrance in February was the 55-acre Disney's California Adventure theme park, which showcases a diverse range of attractions, shows, shops and dining throughout three themed lands inspired by the lifestyles, regions and allure of the Golden State.

Disney's Grand Californian Hotel, located inside Disney's California Adventure, also opened in February, featuring 751 luxurious rooms and suites in the warm design style of the classic Arts and Crafts movement.

This trio of exciting new assets joined the original Disneyland theme park, Disneyland Hotel and Disney's Paradise Pier Hotel to form the new Disneyland Resort.

In July, the beloved procession of twinkling lights and electro-synthetic musical sounds – *Disney's Electrical Parade* – made a spectacular return to Southern California with nighttime performances at Disney's California Adventure. After a successful summer engagement, the parade continued at the park through the fall and winter months.

The all-new *Who Wants to Be a Millionaire – Play It!* live-show attraction opened in September in the Hollywood Pictures Backlot district of Disney's California Adventure. Carefully created to look and feel as it does on television, complete with dramatic lighting and a high-tech set, the attraction is an interactive, high-energy recreation of the popular *Who Wants to Be a Millionaire* ABC television game show.

In early October, Disneyland introduced its quirky *Haunted Mansion Holiday*. In a well-intentioned attempt to celebrate the Christmas season, Jack Skellington, from the film *Tim Burton's Nightmare Before Christmas,* descended upon the world-famous Haunted Mansion. This new attraction headlined the holiday celebration at Disneyland and continued operating throughout the park's annual transformation into "The Merriest Place on Earth."

The holiday season was celebrated at Disney's California Adventure with joyful decorations and festivities, including the premiere of the dazzling *Disney's LuminAria*. A colorful sight-and-sound spectacular combining lighting effects, fireworks, visual projections and music, *LuminAria* was a nightly presentation on Paradise Bay, providing an all-new nighttime entertainment experience for guests of all ages to enjoy.

WALT DISNEY WORLD RESORT

New theme park attractions and uniquely themed hotels were introduced this year at the Walt Disney World Resort. *Who Wants to Be a Millionaire – Play It!* was introduced at Disney-MGM Studios.

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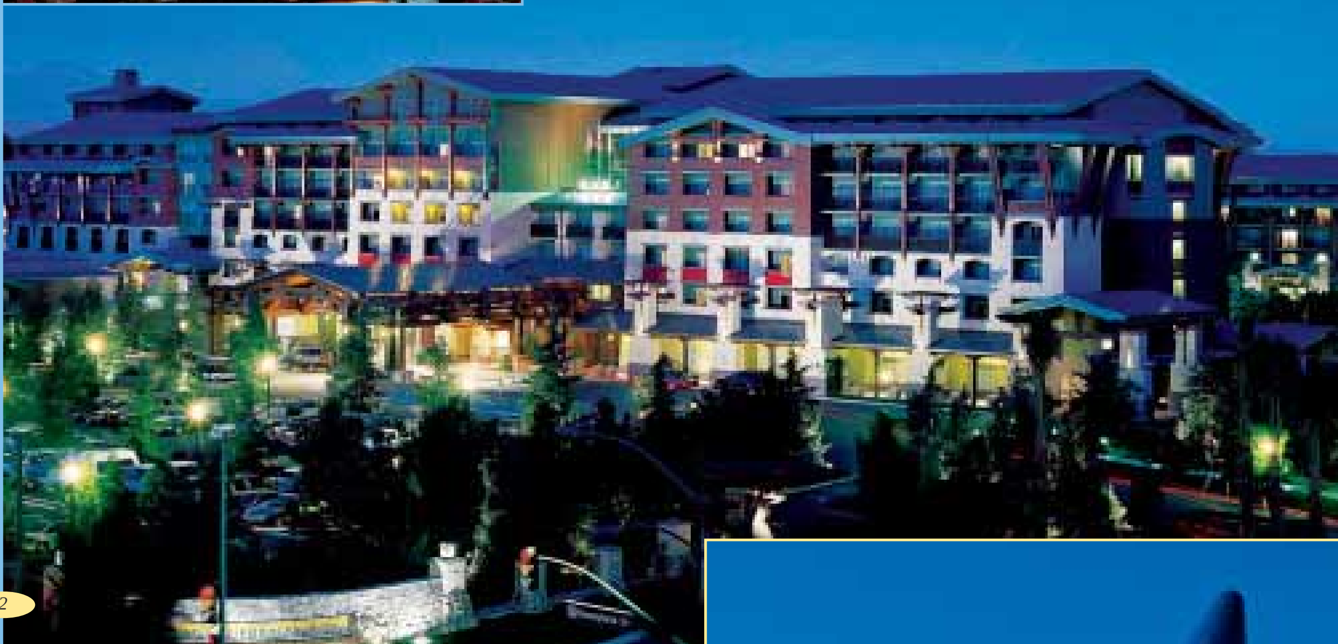

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1 *Families visit with Chip 'n Dale while dining at a special breakfast buffet at the Grand Californian Hotel's Storytellers Cafe.*

2 *Disney's Grand Californian Hotel offers luxurious accommodations inside Disney's California Adventure theme park.*

3 *The Who Wants to Be a Millionaire – Play It! attraction has the same look and feel as the popular television show.*

4 *100 Years of Magic is centered at Disney-MGM Studios.*

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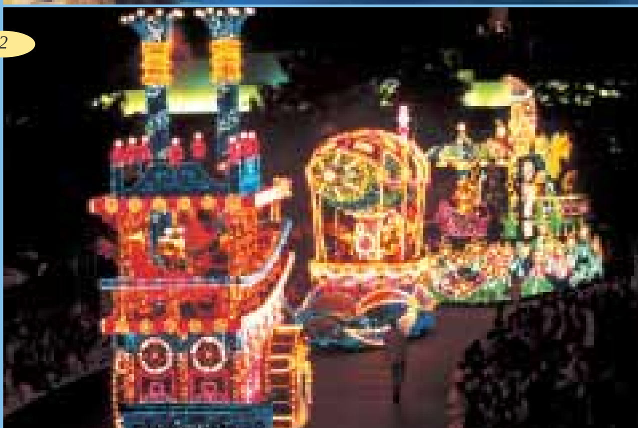

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1 *Guests at Tokyo Disneyland can visit Pooh and friends while riding aboard giant hunny pots at Pooh's Hunny Hunt attraction.*

2 *Disney characters, 100 dancers and 1 million lights used in the half-mile long Tokyo Disneyland Electrical Parade – Dreamlights make the park shine.*

3 *Tapestry of Dreams, the newest parade at Epcot, features a Dream Catcher float and Dream Seeker characters.*

4 *The Animal Kingdom Lodge transports guests to Africa with its adventure-themed atmosphere.*

5 *Giraffes and other exotic animals roam freely across a 33-acre savanna at Disney's Animal Kingdom Lodge.*

6 *The S.S. Columbia is the venue for a restaurant and song-and-dance show at Tokyo DisneySea.*

7 *The Magic Kingdom welcomes a new parade – Share a Dream Come True.*

Disney's Animal Kingdom Lodge, which opened in April 2001, brings the romance and spirit of Africa to guests of the Walt Disney World Resort. The adventure-themed resort features three African-inspired restaurants, handcrafted furnishings, authentic African décor and sweeping views of a 33-acre tropical savanna where exotic animals roam freely. The majority of guest rooms offer a breathtaking view of the animals on the private reserve of Disney's Animal Kingdom Lodge.

In honor of Walt Disney's vision for a "world" of vacation fun, the Walt Disney World Resort is currently the center of a yearlong celebration featuring an impressive lineup of exciting new live entertainment at all four Walt Disney World theme parks. The *100 Years of Magic* celebration, which began October 1, 2001, marks the 100th anniversary of Walt Disney's birth on December 5, 1901, and pays tribute to his legacy of creativity, innovation, imagination and family entertainment.

100 Years of Magic is centered at Disney-MGM Studios. Memorabilia from the Disney archives, which have never before been seen by the public, are showcased in a new attraction highlighting the career and heritage of Walt Disney and the company he founded. *Walt Disney: One Man's Dream* takes visitors on an emotional journey that starts with Disney's birth and ends with the company's vision for the future.

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1 Hotel MiraCosta offers dramatic views of Tokyo DisneySea's Mediterranean Harbor and Tokyo Bay.

2 The atmosphere of old-world Italy is brought to life as guests take a relaxing trip on the Venetian Gondolas ride at Tokyo DisneySea.

During the celebration, new parade spectacles will unfold daily in all four Walt Disney World theme parks. Disney-MGM Studios guests are treated to *Disney Stars and Motor Cars,* a daily parade of outrageously customized cars loaded with favorite characters, including the *Aladdin* car outfitted to look like the Genie, the *Toy Story* car in the shape of Andy's bed and a 1929 Cadillac carrying Mickey, Minnie and friends.

Larger-than-life snow globes capture the magic and charm of Disney characters from a child's point of view in *Share a Dream Come True*, a new Magic Kingdom parade. The finale is a magnificent castle floating on clouds.

Disney's Animal Kingdom is alive with color and pageantry during presentations of *Mickey's Jammin' Jungle*. The interactive island street party features Disney characters "on expedition" and a tribute to their animal friends with a menagerie of abstract animals coming to life in handcrafted theatrical designs.

New characters, called Dream Seekers, and a colorful new float called the Dream Catcher, are part of the makeover that transforms the hugely popular Epcot procession *Tapestry of Nations* into *Tapestry of Dreams*.

TOKYO DISNEY RESORT

The September 4, 2001, grand opening of Tokyo DisneySea, Disney's ninth theme park, represents the culmination of 10 years of collaboration, from concept to construction, by The Walt Disney Company and Oriental Land Co., Ltd., the owner and operator of the Tokyo Disney Resort. Tokyo DisneySea takes its inspiration from its location next to the shoreline of Tokyo Bay. Designed in the grand tradition of Disney family entertainment, the attractions and shows are themed to the myths, legends and lore of the sea.

Buoyed by the phenomenal success of Tokyo Disneyland, Tokyo DisneySea expanded the Tokyo Disney Resort into an integrated, multi-day resort destination, which includes the Disney Ambassador Hotel; Tokyo DisneySea Hotel MiraCosta; Ikspiari, a unique shopping and dining complex; and the Disney Resort Line monorail, which connects all resort locations for guest convenience.

The elegant 502-room Tokyo DisneySea Hotel MiraCosta stands dramatically at the entrance to the park, providing guests with impressive views of Tokyo DisneySea Mediterranean Harbor and the waters of Tokyo Bay and beyond. The hotel's elegant European design captures the ambience of old-world Italy and offers luxury accommodations and amenities.

The Disney Resort Line monorail further enhances resort guest convenience and enjoyment by circling the entire Tokyo Disney Resort. Unique Mickey Mouse-shaped windows highlight the sleek profile of the Resort Liner cars.

In the summer of 2001, *Tokyo Disneyland Electrical Parade – Dreamlights*, a new nighttime entertainment show created in the spirit of the original *Tokyo Disneyland Electrical Parade*, made its debut. The half-mile glittering entertainment spectacle features more than 1 million lights, 100 dancers and everyone's favorite Disney characters.

DISNEYLAND RESORT PARIS

Less than nine years after its opening, Disneyland Paris entered the new millennium by welcoming its 100 millionth visitor on January 10, 2001, an event that highlighted the popularity and success of Disneyland Paris, Europe's leading tourist destination.

During the summer season, Disneyland Paris welcomed *Disney's Toon Circus*, an all-new show featuring a troupe of zany and irrepressible Toons led by Mickey Mouse. Three rolling stages set the scene on Main Street U.S.A., while 50 clowns, jugglers, artists and a host of Disney characters took to the street three times a day to "enter-toon" the audience.

The ongoing development of Disneyland Resort Paris and its surrounding area continues in 2002. The addition of a second theme park, opening in March, along with the ongoing expansion of Val d'Europe, the urban project developed by Euro Disney S.C.A. and third-party companies that creates the environment of a modern small town, demonstrates the continuing growth potential of this premier European resort.

The construction of three new hotels at the Disneyland Resort Paris also will begin in 2002. They will be financed, built and operated by Six Continents PLC, Airtours plc and Groupe Envergure. The hotels, with a total of 1,100 rooms, are expected to open in spring 2003.

DISNEY CRUISE LINE

Disney Cruise Line continues to offer guests of all ages an exciting new way to vacation with Disney.

With specifically designed areas and activities that appeal to the unique vacation needs of adults and children alike, the *Disney Magic* and *Disney Wonder* have established Disney Cruise Line as the premier family cruise experience on the high seas.

Condé Nast readers have rated the Disney Cruise Line among the best large ships at sea, and the Discovery Channel also named the *Disney Wonder* one of the "New Seven Wonders of the World."

Thanks to the continued success of its seven-night cruise vacation, the *Disney Magic* will begin alternating itineraries each week, sailing to the eastern and western Caribbean beginning in May 2002. The new western Caribbean itinerary includes calls on Key West, Grand Cayman, Cozumel and Disney's private island, Castaway Cay. On alternating weeks, the *Disney Magic* will continue its popular route to St. Maarten, St. Thomas and Castaway Cay. The *Disney Wonder* continues to offer one-of-a-kind land and sea vacations, combining the fun of Walt Disney World Resort with the enchantment of a three- or four-night Disney Cruise Line voyage to the Bahamas and Castaway Cay.

DISNEYVACATIONS.COM

DisneyVacations.com is a rapidly emerging new marketing and sales channel for Disney Parks and Resorts vacation packages and tickets. Sales volume through the DisneyVacations sites has nearly doubled year over year, and the sites have become much more integrated with general theme park marketing and sales activities.

DISNEY REGIONAL ENTERTAINMENT

In 2001, Disney Regional Entertainment opened new ESPN Zones in Downtown Disney at the Disneyland Resort in Anaheim and the New York–New York Hotel & Casino in Las Vegas. The 2002 fiscal year saw the December opening of a new ESPN Zone in downtown Denver's Tabor Center.

These new sites joined the existing ESPN Zones in Baltimore's Inner Harbor, New York City's Times Square, downtown Chicago, Atlanta's Buckhead area and Washington, D.C.

ESPN Zones continue to host hundreds of national and local television and radio broadcasts such as ESPN's *Sports Reporters*, *Up Close* and the *Tony Kornheiser Show*. Guests will never miss a moment of the action with more than 150 screens at each ESPN Zone location.

ANAHEIM SPORTS, INC.

Anaheim Sports, Inc. manages The Walt Disney Company's sports ventures, which include Major League Baseball's Anaheim Angels and the National Hockey League's Mighty Ducks of Anaheim.

The exciting and energetic Mighty Ducks play in one of the country's premier sports arenas, the Arrowhead Pond of Anaheim, which is state-of-the-art in design, form and function.

The Anaheim Angels, featuring some of baseball's finest young talent, call Edison International Field home.

The Angels pitching staff, led by a trio of young starters, Jarrod Washburn, Scott Schoeneweis and Ramon Ortiz, posted the fifth-lowest earned run averages in the American League in 2001.

1 *A great way to navigate any theme park visit is to take a trip to the DisneyVacations.com Web sites.*

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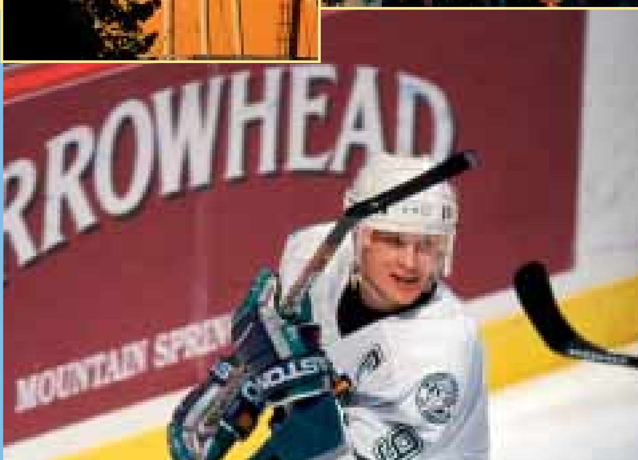

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1 *Disneyland Resort Paris is the leading tourist destination in Europe.*

2 *Walt Disney Studios at Disneyland Resort Paris will open in March 2002.*

3 *Three new ESPN Zones have opened, including one in Las Vegas.*

4 *Mighty Ducks forward Paul Kariya flies across the ice at the Arrowhead Pond.*

5 *Jarrod Washburn is just one of the Anaheim Angels' highly regarded pitchers.*

6 *Sleeping Beauty's castle provides a magnificent entrance to Fantasyland at Disneyland Paris.*

7 *At the ESPN Zone in Downtown Disney, guests can test their athletic abilities by scaling a rock wall.*

8 *Guests can sail to either the eastern or western Caribbean aboard one of Disney Cruise Line's uniquely designed ships.*

WALT DISNEY IMAGINEERING

The creative and technical development wizards at Walt Disney Imagineering have capped off another incredible year, which saw the opening of two new Disney parks – Disney's California Adventure and Tokyo DisneySea – with yet two more theme parks in the works.

Imagineers are currently developing exciting new attractions for every Disney park and resort around the world. They are focusing not only on new rides and shows, but also on new kinds of Disney storytelling that will reinvent themed entertainment experiences for the 21st century.

WALT DISNEY STUDIOS AT DISNEYLAND PARIS

Europe's most popular tourist destination is expanding in March 2002 with the grand opening of the Walt Disney Studios at Disneyland Paris. Located next to the Disneyland Paris theme park, the Walt Disney Studios will bring the best of film and TV entertainment to life. The park also will serve as a real production studio – a place where guests can go behind the scenes to discover how movies, television and animation are made. Here, guests will not only get to witness the process of movie-making, but will be invited to step into the action or grab the controls themselves.

Attractions will include special effects shows such as *Armageddon; Catastrophe Canyon*; the *Stunt Show Spectacular!; Rock 'n' Roller Coaster Starring Aerosmith*; a behind-the-scenes look at the Art of Disney Animation; and the *Studio Tram Tour*.

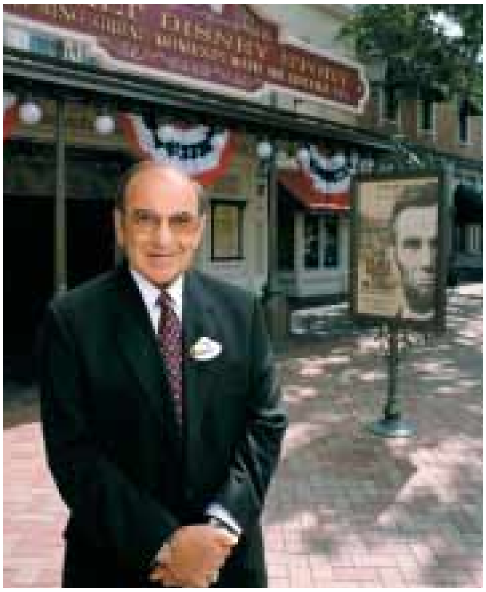
WALT DISNEY WORLD

At Disney's Animal Kingdom, a new mini-land called *Chester & Hester's Dino-Rama!* debuted in December with the *TriceraTop Spin* ride and a lively midway full of prehistoric fun. This spring will mark the opening of the land's new spinning coaster, *Primeval Whirl*.

Walt Disney Imagineering will soon transport guests to an International Space Training Center set decades into the future. *Mission: SPACE*, a landmark Imagineering attraction, blasts off at Epcot in 2003. Developed in consultation with NASA and former astronauts, the interactive adventure will launch guests on the ride of their lives during a simulated flight into outer space. Imagineers are producing and installing the centerpiece of the attraction, a proprietary ride system that will create sensations of weightlessness and a series of sustained G-forces.

At the Downtown Disney Marketplace, Imagineers are fashioning a new 16,000-square-foot Hasbro toy store designed as a bright, colorful workshop. Next summer, guests will discover a 65-foot-tall Tinker Toy tower in front of the Arts and Crafts-styled retail facility, which includes an interactive play area with Buzz Lightyear, Woody, Mr. Potato Head, Lincoln Logs and Tinker Toys.

Imagineers are also working on two new Walt Disney World Resort locations for the Disney Vacation Club. Disney's Beach Club Villas, opening in fall 2002, will feature 208 units spread over five wings, and will be inspired by mid-Atlantic seaside homes built in the early 20th century. Each of the studio and one- and two-bedroom villas has either a pool or garden view.



Martin A. Sklar
Vice Chairman and Principal Creative Executive,
Walt Disney Imagineering

HONG KONG DISNEYLAND

On both sides of the Pacific, Imagineering teams are working to bring the excitement of the Magic Kingdom to Hong Kong. Overlooking the water at Penny's Bay on Lantau Island, Hong Kong Disneyland will bring together some of the best-loved rides, shows and attractions from Disney parks around the world to create a mix of new and traditional Disney entertainment experiences powered by cutting-edge Imagineering technology. At the Hong Kong site, Imagineers are overseeing the development of the 309-acre resort with primary infrastructure work under way. In California, Imagineers have completed concept work on the theme park and hotels, and are starting detailed design work to create new worlds of imagination, fantasy and adventure when Hong Kong Disneyland opens in mid-decade.

RESEARCH AND DEVELOPMENT

Research and Development transfers technology into all segments of the company's operations. This past year, the group successfully partnered with Parks and Resorts, as well as Consumer Products, Publishing, ABC and ESPN, to develop exciting new product offerings.

The R&D group has combined complex 3-D computer modeling with a fourth dimension – the integration of time coordinates – to produce "4-D" software technology. This new system enables designers, planners and construction managers to simulate the building of new attractions, facilities and theme parks within a three-dimensional environment. Several Imagineering projects have already benefited from this revolutionary tool.

R&D's partnership with ABC's Enhanced Television Group is continuing to push the boundaries of interactive television with a series of Web sites synchronized to real-time broadcasts. This season, Enhanced TV has enabled Monday and Sunday Night Football viewers to create their own fantasy football teams and track their progress as each play unfolds, competing against friends or against the rest of the country.

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1 *Guests can participate in the magic of movie-making at Walt Disney Studios at Disneyland Resort Paris.*

2 *Always searching for new technology, the Research and Development group has taken 3-D computer modeling to the next level by integrating time coordinates.*

3 *Imagineers have created an advanced method for simulating the building of new attractions.*

4 *Take a step back in time by riding the TriceraTop Spin in the Animal Kingdom's new mini-land, Chester & Hester's Dino-Rama!*

5 *Beginning in 2003, visitors to Epcot will be able to take a simulated ride into outer space aboard Mission: SPACE.*

6 *Some of Disney's most popular attractions will cover more than 300 acres when Hong Kong Disneyland opens in mid-decade.*

STUDIO ENTERTAINMENT

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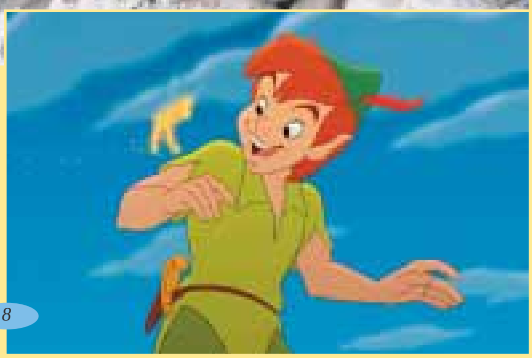

1 *A story based on the Country Bear Jamboree attraction will come to the big screen as The Country Bears in summer 2002.*

2 *Dennis Quaid stars in The Rookie, a true story about a high school teacher who realizes his dream of pitching in the major leagues.*

3 *Reign of Fire stars Christian Bale and Matthew McConaughey.*

4 *The hit movie Monsters, Inc. is the fourth computer-animated film from Disney/Pixar.*

5 *The Royal Tenenbaums, features an all-star cast, including Gwyneth Paltrow and Gene Hackman, in a story about a family of geniuses.*

6 *Mel Gibson is the star of M. Night Shyamalan's thriller, Signs.*

7 *In Snow Dogs, Cuba Gooding, Jr. plays a Miami dentist who goes to Alaska to claim his inheritance — a team of sled dogs.*

8 *Return to Never Land is the sequel to the 1953 classic, Peter Pan.*

Richard W. Cook
Chairman, Walt Disney Motion Pictures Group

Nina Jacobson
President, Buena Vista Motion Pictures Group

THE WALT DISNEY STUDIOS

The Walt Disney Studios achieved strong growth in 2001, propelled by the performance of live-action film across all markets – particularly sales of Buena Vista Home Entertainment products, which were bolstered by the rapid adoption of DVD as the next-generation home entertainment medium, and solid performance from Buena Vista Theatrical Group.

The combined performance of Disney's filmed entertainment groups, which include the Walt Disney Pictures, Touchstone Pictures, Hollywood Pictures, Miramax and Dimension labels, puts the company in the leading domestic market share position this year. Important initiatives for the year and the future include refinement of the home video strategy, new initiatives for product windowing and next-generation technologies such as video-on-demand and digital cinema.

TOUCHSTONE PICTURES

Touchstone Pictures enjoyed strong performance in 2001, releasing a diverse slate of films ranging from major event pictures to smaller fare.

Pearl Harbor, produced by Jerry Bruckheimer and produced and directed by Michael Bay, emerged as the number-one film worldwide for the summer, grossing approximately $450 million. With a domestic opening weekend of $75.2 million over the Memorial Day weekend, it enjoyed the largest opening in company history and the third-largest opening of all time. In 2001, Touchstone also released the teen drama *crazy/beautiful* with Kirsten Dunst and the comedy *Corky Romano*, featuring *Saturday Night Live*'s Chris Kattan.

The 2001 holiday season ushered in *The Royal Tenenbaums*, directed and co-written by Wes Anderson. A comedic drama about a family of geniuses, the film features an all-star cast, including Academy Award® winners Gene Hackman, Angelica Huston and Gwyneth Paltrow, as well as Bill Murray, Ben Stiller, Danny Glover, Luke Wilson and Owen Wilson.

Among Touchstone's highlights for 2002 is *Bad Company*, a thriller in which Anthony Hopkins portrays a veteran CIA agent who must transform a streetwise punk (Chris Rock) into a savvy spy in nine days. The film is set for a July release.

July 2002 also brings *Reign of Fire*. Set in a post-apocalyptic future where Earth has been overrun by highly evolved dragons, the film follows the travails of Quinn (Christian Bale), a "fireman" set on keeping the few remaining humans alive, and Van Zan (Matthew McConaughey), the leader of a group of Americans who think they can kill the dragons.

Signs, by writer-director M. Night Shyamalan, is due out in August. Mel Gibson and Joaquin Phoenix star in this thriller set in rural Pennsylvania, in which a man's faith is tested when mysterious circles appear in his family's crops.

Coming in fall from Touchstone and Spyglass is *The Farm*. Starring Al Pacino and Colin Ferrell, it is the story of a young MIT student who is drafted into the CIA and sent to "The Farm," the CIA's secret Virginia proving ground, for training.

In 2002, Touchstone will release *Sweet Home Alabama*, a romantic comedy starring Reese Witherspoon as a New York socialite who needs to secure a divorce from her husband before she can marry the man of her dreams.

Touchstone and ESPN will team up in May 2002 to release the sports network's first-ever feature film – *Ultimate X* – for large-format theaters. *Ultimate X* features exciting footage from the 2001 Summer and Winter X Games and chronicles all the highlights of the extreme sports games.

WALT DISNEY PICTURES

Walt Disney Pictures had one of its best years ever in 2001, highlighted by the July release of *The Princess Diaries*. Starring Julie Andrews, Hector Elizondo, pop sensation Mandy Moore, and introducing Anne Hathaway, *The Princess Diaries* followed the transformation of an awkward teenager into a real princess. The film grossed more than $100 million in the U.S.

In 2002, Walt Disney Pictures is scheduled to release more than five live-action films. The first is *Snow Dogs*, the tale of an adopted Miami dentist named Ted (Cuba Gooding, Jr.), whose Alaskan birth mother bequeaths to him her prized possession: a team of sled dogs. He uses the opportunity to meet his birth father, the grizzled musher Thunder Jack (James Coburn). At first, Ted wants to hotfoot it back to Florida, but he soon becomes determined to learn to mush in order to prove that he's every bit of a man as his dad.

The Rookie will be released in partnership with ESPN in March, featuring Dennis Quaid in the true story of a high school teacher and coach who realizes his dream of pitching in the major leagues.

July 2002 brings *The Country Bears*. An original story based on the Disneyland attraction *Country Bear Jamboree*, the film follows the lives of the all-bear music group after its rise and fall from stardom.

In fall 2002, *Young Black Stallion*, the horse that has enthralled generations of readers, returns to the screen in a prequel to the 1979 family favorite.

Roy E. Disney
Vice Chairman, The Walt Disney Company and
Chairman, Walt Disney Feature Animation

Thomas Schumacher
President, Walt Disney Feature Animation, Walt Disney
Television Animation and Buena Vista Theatrical Group

WALT DISNEY FEATURE ANIMATION

During the year, Walt Disney Feature Animation broke ground by releasing three distinctive films.

Last December, Disney's *The Emperor's New Groove* told the story of a selfish young emperor who gets his comeuppance when he is turned into a llama. The film featured the voices of David Spade as the emperor and John Goodman as a kindly peasant who teaches him the importance of caring for others.

In June, *Atlantis: The Lost Empire* captured the flavor of the live-action adventure favorites from the studio's past, such as *20,000 Leagues Under the Sea* and *Swiss Family Robinson*.

In November, the release of *Monsters, Inc.*, the fourth computer-animated film from Disney's partnership with Pixar Animation Studios, ushered in another blockbuster. The film takes place in Monstropolis, a bustling city where monsters live and work. In the top scream factory, Monsters, Inc., the energy from the screams of human children is collected and refined to power the monster world. Ironically, it turns out that monsters are actually terrified of children, believing them to be toxic. So when a child accidentally makes her way into the workplace at Monsters, Inc., the monster world is turned upside down. Continuing the Disney/Pixar success story, *Monsters, Inc.,* scared up an unprecedented $62.7 million during its opening weekend, the highest three-day opening in company history and the highest opening of all time for an animated picture.

Opening in June 2002 is *Lilo & Stitch*, a heart-warming comedy about a lonely Hawaiian girl named Lilo who adopts a small ugly "dog" whom she names Stitch. Stitch would be the perfect pet if he weren't in reality an alien genetic experiment who has escaped his planet and crash-landed on Earth. Through her love, faith and unwavering belief in "ohana" (the Hawaiian concept of family), Lilo helps unlock Stitch's heart and gives him the one thing he was never designed to have – the ability to care for someone else. *Lilo & Stitch* has a lush tropical setting, unique sense of humor and classic songs by Elvis Presley.

For the 2002 holiday season comes *Treasure Planet*, a fantastic animated spin on one of the greatest adventure stories ever told: Robert Louis Stevenson's *Treasure Island*. The story is set in a unique universe where the world of 18th century pirates meets 24th century space technology. When rebellious teen Jim Hawkins inherits a mysterious space map, the legendary "loot of a thousand worlds" becomes the intense focus of an intergalactic treasure hunt. Onboard the glittering solar-powered space galleon, the *RLS Legacy*, Jim is befriended by a charismatic cyborg (part man, part machine) named John Silver. When Jim discovers that his trusted friend is a scheming pirate with mutiny in mind, he must confront a betrayal. This exciting new adaptation utilizes a unique combination of traditional 2-D and computer-generated 3-D techniques.

WALT DISNEY TELEVISION ANIMATION

It was a landmark year for Walt Disney Television Animation with the successful video release of *Lady and the Tramp II: Scamp's Adventure*; the theatrical release of *Recess: School's Out*; and three new animated series: *Disney's House of Mouse, Disney's Lloyd in Space* and *Disney's The Legend of Tarzan*.

Lady and the Tramp II: Scamp's Adventure toppled sales records, becoming the best-selling video premiere title of the year. Walt Disney Television Animation also debuted two holiday-themed videos in November: *Mickey's Magical Christmas: Snowed in at the House of Mouse*; and *Recess: Miracle on Third Street*, both based on the popular animated television series. In 2002, video releases are scheduled for sequels to *Cinderella* and *The Hunchback of Notre Dame*. Currently in production are video premiere sequels to *Tarzan*® and *101 Dalmatians*.

The theatrical release of *Recess: School's Out* displayed the Television Animation division's ability to develop franchises from existing properties. The television series, on which the film was based, is now in its fifth season on ABC and remains the top-ranked show within *Disney's One Saturday Morning* lineup, as well as the number-one show in the Disney weekday syndicated animation block.

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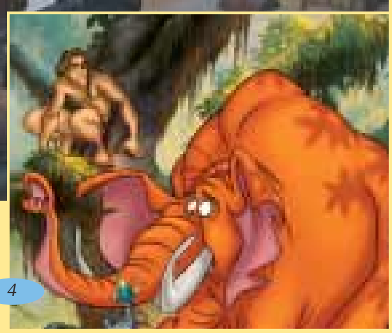

1 *Lilo & Stitch is a heart-warming animated tale featuring the relationship between a lonely Hawaiian girl and her new "dog" from outer space.*

2 *Teamo Supremo is an animated series set to premiere on ABC.*

3 *Pirates from the 18th century meet up with 24th century space technology in Treasure Planet, a film based on the adventure classic, Treasure Island.*

4 *Fans of Tarzan and Jane can continue to follow their adventures in the animated television series, The Legend of Tarzan.*

1 *Der Glokner von Notre Dame is the longest-running musical in Berlin's history.*
2 *Julianne Moore and Kevin Spacey are among the stars featured in the film adaptation of the Pulitzer Prize-winning novel, The Shipping News.*
3 *Spy Kids is just one of Dimension Films' big successes.*
4 *While AIDA continues its success in the U.S., a new production of the musical opened in the fall near Amsterdam.*
5 *Beauty and the Beast is one of Broadway's 10 longest-running musicals.*
6 *The Lion King continues to be a hit around the world.*
7 *Martin Scorsese's Gangs of New York stars Leonardo DiCaprio, Daniel Day Lewis and Cameron Diaz.*

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1 *Meg Ryan enjoys the attentions of a 19th century gentleman, Hugh Jackman, in the Miramax film, Kate & Leopold.*

Disney's Lloyd in Space and *Disney's House of Mouse* premiered on ABC in spring 2001. In the fall, *Disney's The Legend of Tarzan* debuted on UPN and in national syndication. The animated series tells the further adventures of Tarzan and Jane and introduces a number of new characters.

In February comes the theatrical release of *Return to Never Land*, the sequel to the 1953 animated classic, *Peter Pan*, which tells the tale of Peter Pan's encounter with Wendy Darling's daughter, Jane.

Walt Disney Television Animation promises another outstanding lineup of animated series in 2002. *Disney's Teamo Supremo* will premiere on ABC and *Disney's Kim Possible* will launch on Disney Channel. *Teamo Supremo* follows the adventures of a quirky triumvirate of young superheroes who battle the forces of evil. *Kim Possible* is a high-school sophomore who can transform herself into an action heroine.

BUENA VISTA THEATRICAL GROUP

In 2001, Buena Vista Theatrical Group's 11 productions entertained more than 6 million guests in six countries.

On Broadway, its three musicals have earned a collective 12 Tony Awards® and now garner nearly 25 percent market share of the New York theatrical box office. In 2002, the group's four U.S. national touring productions will reach audiences in more than 45 domestic markets outside New York City.

This year, the Broadway production of *Beauty and the Beast* surpassed 3,000 performances, earning its place on the list of the 10 longest-running musicals in Broadway history. In addition to Broadway, the U.S. national tour and Madrid, the first international tour of *Beauty and the Beast* was launched in November in Liverpool, England.

The Lion King continues sell-out runs in New York, Tokyo, London, Toronto, Los Angeles and Fukuoka. A new production opened in Hamburg in December, and a U.S. national tour will launch in Denver in April 2002.

Throughout 2001, *AIDA* consistently ranked in the top three Broadway shows in revenues. In addition to the U.S. national tour of *AIDA* that launched in Minneapolis in March 2001, a new production opened near Amsterdam in October.

Disney's *Der Glokner von Notre Dame* continued a successful run into its third year and is now the longest-running musical in Berlin's history. An English-language film of the stage production is in development for ABC's *Wonderful World of Disney,* as well as a national tour.

The Theatrical Group's Family Entertainment and Events division presented *Disney on Ice* in 187 cities last year, performing for more than 8 million guests worldwide. *Disney on Ice* is licensed to Feld Entertainment, with eight productions touring the globe simultaneously. Highlights for next year include a centennial celebration of Walt Disney's birth, with a special showing of *Disney on Ice's 100 Years of Magic* in Hong Kong; and the launch of the newest production, Disney/Pixar's *Toy Story 2 on Ice,* in the U.S.

MIRAMAX

Miramax Films enjoyed strong performance in 2001, fueled by the box office success of films from both the Miramax and Dimension labels. Miramax received 10 Academy Award® nominations, including its 10th Best Picture nomination over the past nine consecutive years.

Miramax's *Chocolat*, which received five Academy Award® nominations, including Best Picture, grossed more than $120 million worldwide. *Bridget Jones's Diary* brought in more than $71 million at the domestic box office. Dimension Films had another very successful year with *Spy Kids* and *The Others*, which together compiled domestic grosses of more than $200 million.

Miramax's releases in late 2001 included *The Shipping News*, starring Kevin Spacey, Cate Blanchett, Judi Dench and Julianne Moore, directed by two-time Academy Award® nominee Lasse Hallström and adapted by Academy Award® nominated writer Robert Nelson Jacobs from the Pulitzer Prize-winning book by Annie Proulx; and *Kate & Leopold,* starring Meg Ryan and Hugh Jackman.

In 2002, Miramax will offer the Martin Scorsese-directed *Gangs of New York,* starring Leonardo DiCaprio, Cameron Diaz and Daniel Day Lewis; *Chicago,* starring Catherine Zeta-Jones and Renee Zellweger; and *Full Frontal,* directed by Academy Award® winner Steven Soderbergh and starring Academy Award® winner Julia Roberts. The company also is set to begin production on the film adaptation of Charles Frazier's best-selling and award-winning novel, *Cold Mountain,* directed and adapted by Academy Award® winner Anthony Minghella and starring Tom Cruise.

Miramax's Television and Film divisions joined with LivePlanet and developed "Project Greenlight," an online screenwriting contest that awarded a first-time screenwriter, Pete Jones, the chance to direct his own film based on his screenplay, *Stolen Summer*. Miramax Films is financing the production of *Stolen Summer* and will distribute the film in theaters. Miramax Television is producing a series for HBO that documents the entire process.

BUENA VISTA MUSIC GROUP

Buena Vista Music Group is composed of Walt Disney Records, Hollywood Records, Lyric Street Records, Mammoth Records and Walt Disney Music Publishing.

Buena Vista Music Group's mainstream pop label, Hollywood Records, released the soundtrack to Paramount Pictures' blockbuster *Save The Last Dance*, featuring tracks from K-Ci & JoJo and Lucy Pearl. The soundtrack achieved multi-platinum status. British pop band BBMak's debut album *Sooner or Later*, which was released last year, continued to sell well, achieving sales nearing platinum status. The *Pearl Harbor* soundtrack, featuring the hit song "There You'll Be" performed by Faith Hill, has sold in excess of 1 million units worldwide. Other successful releases came from Nydia Rojas, Tricky, Seven Mary Three, and The Wiseguys on Mammoth Records. Hollywood Records also acquired the perpetual rights to the coveted Queen catalog in the U.S. and Canada. In September, the label released the soundtrack to Paramount Pictures' *Zoolander*.

Buena Vista Music Group's country music label, Lyric Street Records, launched hot newcomers Rascal Flatts this past year. They were acclaimed Best New Group at the 2001 Academy of Country Music Awards. Rascal Flatts' self-titled debut achieved gold status. In September, Aaron Tippin's new Christmas album, *A December To Remember*, was released.

Walt Disney Records released several successful soundtracks from Walt Disney Pictures this year, including *Remember The Titans, The Princess Diaries*, *102 Dalmatians* and *The Emperor's New Groove.* In collaboration with Radio Disney, *Volume 4* of the successful *Radio Disney Jams* was released, bringing in more than 1 million combined units for the series.

Buena Vista Music Group releases for 2002 are expected from country music stars SheDaisy, Aaron Tippin, the follow-up from BBMak, Fu Manchu, Los Lobos, and soundtracks from *The Country Bears* and *Lilo & Stitch*.

BUENA VISTA INTERNATIONAL

Buena Vista International (BVI) had another strong year, surpassing $1 billion at the international box office for the seventh consecutive year, a feat unmatched in industry history. BVI's performance was driven by five key films: *Pearl Harbor*, *Unbreakable*, *102 Dalmatians, Dinosaur* and *The Emperor's New Groove*.

Pearl Harbor earned more than $250 million at the international box office. It was the top film outside North America for summer 2001. In Japan, the film earned more than $56 million at the box office, making it the second-most popular film ever released by BVI in that nation. Germany's results also were impressive, with almost $27 million earned thus far. This places the film as the top U.S. release of the summer in that market and the second-best performing BVI live-action release of all time. In China, *Pearl Harbor* became the second-most successful film in that nation's history.

Another stellar performer overseas was *Unbreakable*, director M. Night Shyamalan's follow-up to *The Sixth Sense*, which achieved $154 million at the international box office. *102 Dalmatians* also registered impressive international results, posting $116 million at the overseas box office. In addition, *Dinosaur* increased its cumulative international tally to $216 million. Key to this performance was its launch in Japan. The film earned $42 million during the winter release season, making it the most successful U.S. animated film ever released in that country.

BUENA VISTA HOME ENTERTAINMENT — DOMESTIC

Buena Vista Home Entertainment (BVHE) was one of the market leaders in 2001, with *Lady and the Tramp II: Scamp's Adventure* becoming the number-one video premiere of the year. This animated sequel continued BVHE's dominance in the direct-to-video marketplace. Eight of the top 10 all-time direct-to-video releases are BVHE titles.

Buena Vista Home Entertainment also enjoyed success on the live-action side as the Commemorative 60th Anniversary Edition of *Pearl Harbor* was released on December 4. The three-disc Vista Series *Pearl Harbor* DVD will be released in summer 2002 and will feature the director's cut of the film and more than 12 hours of programming. *Remember The Titans, 102 Dalmatians* and *The Princess Diaries* also contributed to the performance of the live-action releases. As a result, BVHE had some of the best-selling video titles of the year.

Buena Vista Home Entertainment leads the VHS business and continues to grow in the DVD market. BVHE's DVD volume more than doubled over the previous year. This market will continue to provide growth opportunities as the DVD format becomes widely adopted.

The quality of BVHE's DVD product was particularly evidenced by the *Toy Story: The Ultimate Toy Box* DVD set, which won the coveted Best of Show award and three other honors at the fourth annual DVD awards ceremony, and also was named Best DVD Box Set of the Year by *Entertainment Weekly* magazine.

Snow White and the Seven Dwarfs, the first title of the Platinum Series, debuted on Disney DVD in October. Featuring the industry's first "immersive" DVD interactive entertainment experience, the movie that defined animation is now redefining DVD.

BVHE's leadership in DVD extended to the live-action genre as well, as it launched the Vista DVD Series, a collection of premium titles developed in collaboration with creators of releases from The Walt Disney Studios. Using premium audio and visual quality and extensive bonus programming, the Vista Series leverages the DVD format to deliver the definitive presentation of the filmmakers' cinematic vision.

More outstanding titles to look forward to include Disney/Pixar's *Monsters, Inc.; The Hunchback of Notre Dame II; Cinderella II: Dreams Come True; Atlantis: The Lost Empire; Peter Pan II: Return to Never Land;* and Vista Series editions of *Tombstone* and *The Sixth Sense*.

BUENA VISTA HOME ENTERTAINMENT INTERNATIONAL

For the sixth consecutive year, Buena Vista Home Entertainment International (BVHEI) achieved sales of $1 billion or more and has continued to hold its number-one position among all international distributors.

Driving this growth is the performance of BVHEI's animated titles *Dinosaur* and *Toy Story 2* and the live action film *Gone in 60 Seconds*, which were among the division's largest-selling titles of the year.

Another achievement was BVHEI's success with Disney's direct-to-video product line. *Lady and the Tramp II: Scamp's Adventure* and *The Little Mermaid II: Return to the Sea* became BVHEI's number-three and number-four selling titles for the year, just behind *Toy Story 2* and *Dinosaur*.

Continuing to capitalize on the growing base of DVD households internationally in 2001, BVHEI's DVD unit sales grew 67 percent over fiscal year 2000. In addition, BVHEI was presented with two honors at the DVD Europa Awards. *Dinosaur* was recognized for the most imaginative application of the DVD format for use on a consumer DVD player, and *Toy Story: The Ultimate Toy Box* won acclaim for the most creative DVD packaging. Since the advent of the DVD format, BVHEI has sold more than 200 titles.

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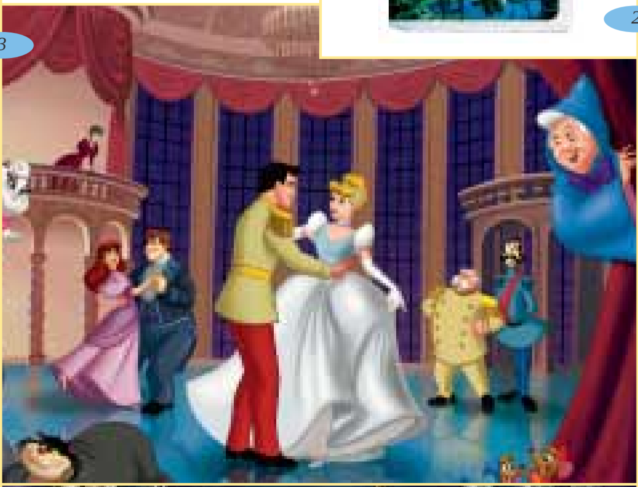

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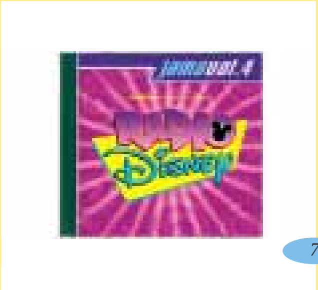

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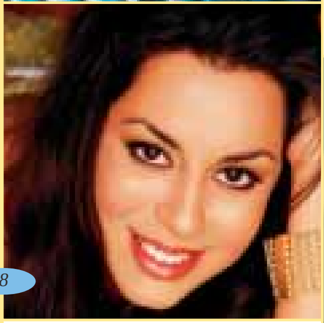

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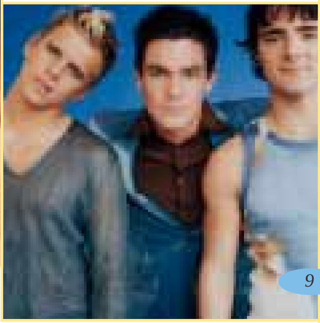

1 *Snow White and the Seven Dwarfs* is now available on Disney DVD.
2 *Dinosaur* is just one of the year's best-selling video titles.
3 Families can look forward to bringing the *Cinderella II* video home soon.
4 Buena Vista Home Entertainment – Domestic will release the all-new feature-length movie, *The Hunchback of Notre Dame II*, on video.
5 Aaron Tippin recorded his new single, *Where the Stars and Stripes and Eagles Fly*, as a patriotic tribute after September's tragic events.
6 Rascal Flatts' debut album achieved gold status.
7 Radio Disney released the fourth volume of its *Jams CD*.
8 Nydia Rojas sings Latin pop classics by Juan Gabriel on *Nydia*.
9 Buena Vista Music Group will release BBMak's second album this year.

MEDIA NETWORKS

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1 ABC will present *Rose Red*, a new six-hour miniseries from Stephen King.
2 Nathan Lane won a Daytime Emmy for his role in *Teacher's Pet*.
3 With co-anchors Charles Gibson and Diane Sawyer, *Good Morning America* has made significant audience gains.
4 Sally Field stars in ABC's new drama, *The Court*.
5 *Live! with Regis and Kelly* is a morning favorite for millions of viewers.
6 Damon Wayans tries to communicate with his young daughter on the popular ABC primetime series, *My Wife & Kids*.
7 *Dinotopia* uses state-of-the-art digital special effects to create prehistoric creatures for the miniseries about a continent where humans and dinosaurs live together in harmony.
8 This season, Ron Livingston joined actress Lara Flynn Boyle in representing the district attorney's office on ABC's *The Practice*.

BROADCAST NETWORKS

Steven M. Bornstein
President, ABC Television

ABC TELEVISION NETWORK

Returning primetime series such as *The Practice* and *NYPD Blue* continue to be audience favorites, while newcomers like the drama *Alias* and the comedy *According to Jim* demonstrate considerable promise and appeal. Sports fans remain devoted to *Monday Night Football*, and also look to ABC for the best in college football and other big-name sports events. ABC's daytime programming block celebrated a quarter-century of ratings leadership among the coveted demographic of women 18-49. *The Wonderful World of Disney* maintains its position as the number-one family show on television.

Viewers also turn to ABC News for domestic and international news and insight on *World News Tonight with Peter Jennings, Nightline, PrimeTime Thursday, 20/20* and other broadcasts.

ABC NEWS

On September 11, 2001, Diane Sawyer and Charles Gibson reported on *Good Morning America* the first news of what proved to be the most devastating terrorist attack in American history. For the next 91 hours, ABC News stayed on the air to deliver crucial information on the attacks at the World Trade Center and the Pentagon, and about the plane crash in Pennsylvania. Led by Peter Jennings and a team of correspondents across the country and around the world, ABC News distinguished itself with careful, thoughtful reporting amid this horrific breaking news story. The live coverage marked the longest continuous report in ABC News history.

ABC News' comprehensive and insightful political coverage kept the nation informed of every important development throughout the historic 2000 presidential election and post-election aftermath. ABC News produced more than 60 live special reports, culminating in the dramatic 5-4 decision handed down by the Supreme Court.

PrimeTime Thursday and *20/20* featured headline-making interviews, special investigations and important consumer stories. Connie Chung's interview with Rep. Gary Condit on *PrimeTime Thursday* was the most-watched program of the summer. The *Barbara Walters Special* on adoption was the number-one program the week it aired. And Ted Koppel's *Nightline* report on the war in Congo was heralded for tackling a subject rarely featured on television.

ABC ENTERTAINMENT TELEVISION GROUP

The ABC Entertainment Television Group includes both the ABC Entertainment division and the Touchstone Television studio. ABC Entertainment develops, licenses and programs series and specials for the ABC Television Network. Touchstone Television produces programming for ABC and also provides original fare to other major networks.

ABC added to its core group of returning primetime series, including *The Practice, Who Wants to Be a Millionaire, The Drew Carey Show, My Wife & Kids* and *The Wonderful World of Disney*, with such fall entries as the number-one new drama of the season, *Alias,* and the hit family comedy, *According to Jim*. These new programming additions enabled ABC to lower the median age of its viewing audience, which is now younger than that of either NBC or CBS. For midseason, ABC has *The Court*, starring Sally Field, and *The Web*, a new comedy centered around the world of broadcast television.

ABC's 2002 slate of network movie and miniseries includes the remake of *Brian's Song*, Stephen King's new six-hour miniseries *Rose Red,* and *Dinotopia*.

The merger of ABC Entertainment and Touchstone Television has allowed Touchstone Television to successfully develop new series for ABC while continuing to sell original programming to other networks, such as *Felicity* for The WB and the new comedy *Scrubs* for NBC. The studio had its most successful development season ever this past year, placing shows on four of the six broadcast networks.

ABC SPORTS

ABC Sports provided memorable moments such as the Bowl Championship Series, and ushered in a new era for *Monday Night Football*, with the broadcast team of Al Michaels, Dennis Miller and Dan Fouts. As the broadcast home of college football, ABC Sports also will televise the best games from all the top conferences, culminating with the Rose Bowl, presented by AT&T. In addition, ABC Sports will continue to broadcast the Indianapolis 500, the World and U.S. Figure Skating Championships, the British Open and the NHL Stanley Cup Finals.

ABC DAYTIME

ABC Daytime made television history this year as the ratings leader among the key demographic of women 18-49 for the 25th consecutive year. *The View* continues to be the strongest performer in its time period in 10 years. *General Hospital's* Luke and Laura received national attention during the 20th anniversary of the famous couple's wedding episode, which was one of TV's most-watched events. The Sixth Annual Super Soap Weekend at Disney-MGM Studios, held November 3-4, 2001, remained the premier interactive fan event.

ABC CHILDREN'S

Disney's One Saturday Morning lineup attracts more than 1.2 million kids each Saturday. For his starring role in *Disney's Teacher's Pet*, Nathan Lane received a Daytime Emmy Award for Outstanding Performance in an Animated Program. *Disney's Recess*, now in its fifth year, spawned a successful feature film, *Recess: School's Out*.

ABC-OWNED TELEVISION STATIONS

The ABC television station group includes 10 local stations, which reach 24 percent of the country's TV households. Although an increasingly soft industrywide advertising economy lowered station revenues, the ABC-owned group maintained its market share.

All ABC-owned stations presented a wide range of local news and public affairs programming, including around-the-clock, commercial-free coverage following the September 11 terrorist attacks.

The attack on the World Trade Center caused almost all major New York TV stations to lose their transmission facilities. WABC-TV quickly got back on the air through a temporary transmission facility in Alpine, N.J. A long-term solution was in place by November.

Popular fare offered by ABC stations included highly rated syndicated series, such as *The Oprah Winfrey Show, Wheel of Fortune, Jeopardy!* and *Live! with Regis and Kelly.*

ABC RADIO

As owner of 53 local radio stations, ABC Radio Group reaches 15 million listeners on a weekly basis. In addition, ABC Radio Networks provide programming to more than 4,600 affiliated stations and reach 126 million people weekly, with three full-service news networks, *ESPN Radio, Paul Harvey News and Comment* and *Paul Harvey's The Rest of the Story, The Tom Joyner Morning Show, The Doug Banks Morning Show, American Country Countdown with Bob Kingsley,* 12 ABC Radio 24-hour music formats, ABC Sports, and music and talk programming.

ABC Radio also includes Radio Disney, which is available in 48 markets, representing 54 percent of the country. About 2.5 million children ages 6-14 and 1.4 million moms tuned to Radio Disney on a weekly basis in 2001. Children's ratings rose 60 percent and moms' ratings soared 200 percent over the previous year. In May, Radio Disney launched its first non-English Radio Disney station outside the U.S., in Buenos Aires. Further expansion is planned over the next few years in South America, Mexico, Central America, Europe and Asia.

In November, ABC Radio announced a partnership to create the largest radio network reaching the African-American marketplace. Joined by affiliates from Radio One, the largest owner and operator of urban radio stations, ABC Radio Networks' Urban Advantage Network will be available to more than 93 percent of African-American consumers.

WEB SITES

ABC.com is the number-one broadcast news Web site. ABCNEWS.com maintains its position as the number-one broadcast news Web site, with innovative approaches to breaking news and expanded content distribution. Disney.com is the number-one kids entertainment site on the Web. In partnership with eBay, Disney Auctions, ABC Auctions and ESPN Auctions together sold more than 53,000 authentic Disney collectibles in their first year. Family.com, with its award-winning content, is designed to appeal to the rapidly growing number of women online. There are 19 local language Disney sites outside the U.S. Each provides a focus for country-specific Disney initiatives and acts as a local language resource. Disney, ESPN and ABC branded content is available on wireless devices through alliances with leading operators and service providers.

BUENA VISTA TELEVISION

Buena Vista Television continues to provide syndicated television programming to audiences nationwide. *Live! with Regis and Kelly* paves the way, with Regis Philbin joined by co-host Kelly Ripa.

Buena Vista Television launched its newest talk show, *Iyanla*. Hosted by best-selling author and nationally recognized speaker Iyanla Vanzant, *Iyanla* is a one-hour, single-topic show.

Who Wants to Be a Millionaire, the high-energy game show that penetrated American pop culture more than two years ago, debuts in syndication in fall 2002 in a first-run, half-hour format.

Buena Vista Television has a major presence in the pay TV, pay-per-view, cable and network television arena, capitalizing on the strength of the Disney collection of films. The *Buena Vista 6* movie package, which features 54 titles, kicked off this year with box-office hits such as *The Sixth Sense, Armageddon, Deuce Bigalow: Male Gigolo* and *Shakespeare in Love. Imagination 6* was released in 2001 featuring a host of beloved family titles, including *Alice in Wonderland, The Parent Trap* and *Inspector Gadget.*

Syndication veteran *Ebert & Roeper* enjoys more than two decades as the pre-eminent movie review program.

Win Ben Stein's Money completes its fourth season on Comedy Central with super-intellect Stein at the helm.

Buena Vista Television's two-hour animation block airs on UPN and in syndication. *Disney's The Legend of Tarzan* and *Disney's The Weekenders* join the slate of animated favorites that includes Disney/Pixar's *Buzz Lightyear of Star Command, Disney's Recess* and *Sabrina, The Animated Series.*

New division Buena Vista Productions enters its second year, providing development and programming for syndication, cable and daytime.

WALT DISNEY TELEVISION INTERNATIONAL

Walt Disney Television International (WDTV-I) reaffirmed its position as a worldwide leader in television entertainment in 2001, fueled by strong performances from its distribution division.

WDTV-I signed major new distribution agreements in key territories, including the U.K., Canada, South Africa and Russia. For the first time, WDTV-I has sold selected animated titles, including *Toy Story* and *Mulan,* to terrestrial broadcasters such as the BBC. WDTV-I now distributes almost 5,000 hours of programming, including films such as *Pearl Harbor* and live-action series, including *Scrubs* and *Alias*, to 120 countries around the world.

WDTV-I continues to provide Disney-branded and non-branded programming to a large free TV audience. This includes 95 regularly scheduled, Disney-branded shows, which now air in 51 countries. Branded TV content on free and pay television is now enhanced by innovative Web sites.

The original production slate includes the highly successful *Art Attack*, produced in eight languages. Another original is *La Liga,* a fantasy soccer show that broadcasts in Germany and Spain.

WDTV-I also oversees an equity investment portfolio, which includes Super RTL in Germany, GMTV in the U.K., the HBO services in Central Europe and Latin America, and CineNova in Holland.

ABC CABLE NETWORKS GROUP

ABC Cable Networks Group develops and manages worldwide cable television programming and leverages creative assets across The Walt Disney Company. In the U.S., ABC Cable Networks Group operates ESPN, Disney Channel, Toon Disney and SoapNet, and manages the company's interests in Lifetime Entertainment Services, A&E Television Networks and E! Entertainment Television.

ABC Cable Networks Group oversees all 12 Disney Channel Worldwide networks, reaching more than 15 million subscribers in 56 territories in Europe, Latin America and Asia Pacific. ABC Cable Networks Group also is responsible for nearly 100 Disney-branded blocks of programming in 51 countries reaching 600 million television viewers worldwide.

In October, the company completed its acquisition of Fox Family Worldwide, Inc. The purchase included Fox Family Channel, which was renamed ABC Family and relaunched as a new family-oriented service in the U.S.; a 76 percent interest in Fox Kids Europe, as well as the Fox Kids channels in Latin America, both of which will ultimately be re-branded; and the Saban Library and Entertainment Productions business. This acquisition will dramatically increase the reach of the company's family television entertainment to households throughout North America, Europe and Latin America.

ESPN

In 2001, ESPN further extended its reach and services to sports fans through continued growth of its domestic networks; international ESPN-branded initiatives; technology applications in the interactive, broadband, wireless and television production arenas; and new programming genres.

The flagship network ESPN remains the most widely distributed sports network, with nearly 85 million homes. ESPN2 passed the 81 million homes mark faster than any other cable network in history.

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Disney.com

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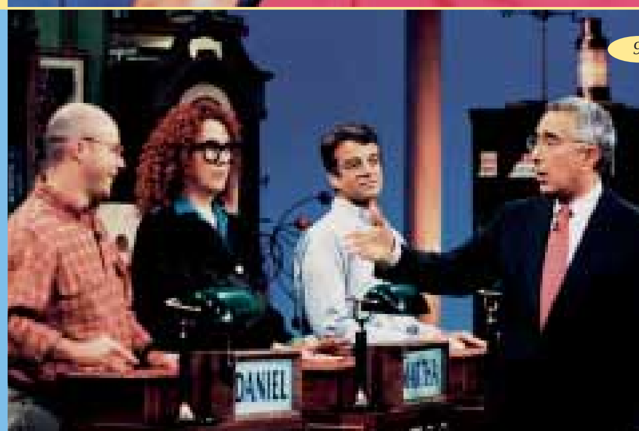

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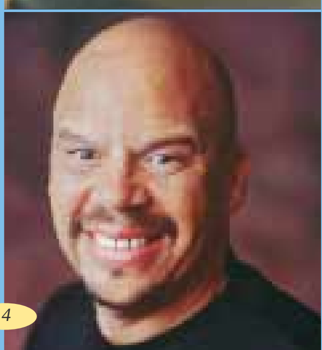

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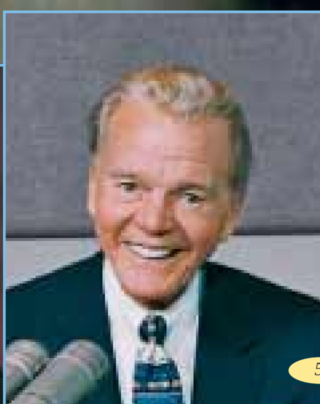

1 *Alias, starring Jennifer Garner as graduate student and double-agent Sydney Bristow, is the number-one new drama of the TV season.*

2 *Barbara Walters' special on adoption attracted 15 million viewers.*

3 *ABC News' Peter Jennings is the anchor and senior editor for World News Tonight.*

4 *Radio personality Tom Joyner reaches a national audience with his morning program.*

5 *Paul Harvey was recently inducted into the Radio Hall of Fame.*

6 *Disney.com is the number-one family entertainment site on the Web.*

7 *Kim Possible is an animated series about a gadget-wielding high school sophomore who turns into an action heroine.*

8 *Walt Disney Television International's original production slate includes Art Attack.*

9 *Ben Stein matches wits with contestants on Win Ben Stein's Money, which airs on Comedy Central.*

1 *ESPN will join with ESPN2 to televise all 63 games of the Women's NCAA Basketball Tournament.*
2 *ESPN The Magazine now has 1.5 million subscribers.*
3 *The Disney Channel continues to gain viewers thanks in part to its original programming, such as the critically acclaimed The Book of Pooh.*
4 *Toon Disney offers a variety of animated shows, including Aladdin.*
5 *When they aren't watching TV, Playhouse Disney's preschool audience can play with Stanley and other characters on the cable channel's Web site.*
6 *As the X Games continue to grow in popularity, ESPN is expanding the franchise with awards shows, video games and a feature film.*
7 *ESPNEWS, the only 24-hour sports news network, makes sure viewers have access to all the information they need by offering interactive programming through ESPN.com.*

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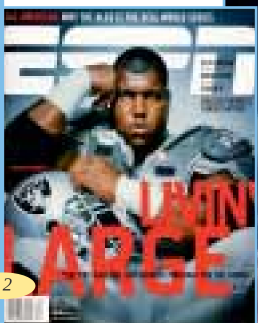

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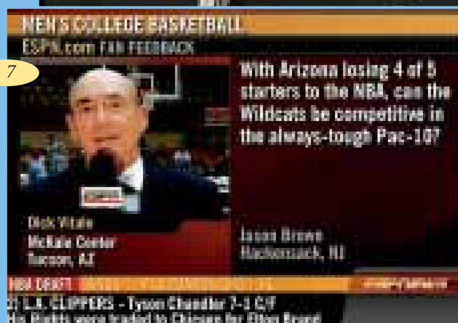

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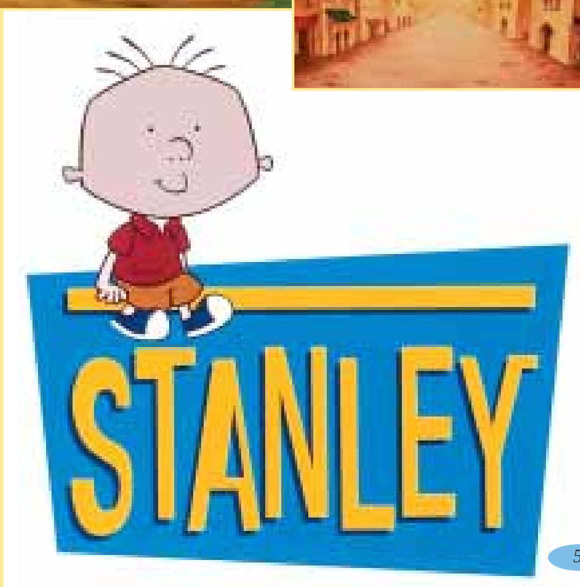


8 *Lizzie McGuire, a series about a teenage girl and her friends, is one of Disney Channel's top-rated series.*
9 *The animated original series The Proud Family is a Zoog Disney hit.*

ESPN Classic reached 42 million homes, and a completely revamped ESPNEWS reached 26 million homes. ESPN continues to be ranked number one in cable industry surveys for driving subscriptions to cable television and in generating advertising revenue.

ESPN Radio, the nation's largest sports radio network, with more than 680 affiliates, added owned-and-operated stations in New York, Los Angeles and Dallas. The network features Major League Baseball and the World Series, NBA regular season and finals, the WNBA finals and college football's Bowl Championship Series. ESPN.com, the award-winning and industry-leading sports Internet site, became the exclusive sports content provider to Microsoft's MSN sports section.

ESPN International continues to expand its ESPN branding strategy around the world. ESPN Classic Canada premiered in September, and plans were announced to launch ESPN Classic Sport in Europe. Local SportsCenter versions were launched in India, Asia, Taiwan and Canada, joining Brazil and Argentina.

Major rights acquisitions during the year included the renewal of NCAA Women's Basketball Tournament and 20 other NCAA championships through 2013; an enhanced PGA Tour agreement; Formula One auto racing and the Indy Racing League; NBA-related programming; and the Pro Bowlers Association Tour.

The Emmy-award winning *Sunday Night NFL* was again the highest-rated series on basic cable, and Major League Baseball games were enhanced with the "K Zone," an on-screen, three-dimensional outline of the strike zone. The National Hockey League, college football, and basketball round out the major sports lineup.

ESPN acquired B.A.S.S., the largest fishing organization in the world with 600,000 members and an array of businesses. ESPN Outdoors was created to expand the category, which already features the Great Outdoor Games and B.A.S.S.

ESPN broadened its programming initiatives by establishing ESPN Original Entertainment. Among the new series that debuted last year were *The Life,* a look into athletes' lifestyles; and *The Season,* a series that follows athletes or teams behind the scenes.

ESPN Deportes, a separately produced feed with Spanish-speaking commentators and customized graphics, began airing Sunday nights with MLB and NFL games, as well as boxing events.

The X Games grew ever more popular, breaking attendance and ratings records.

In interactive television initiatives, ESPN continues to lead the way in sports with *ESPN Today,* the first 24-hour, single-screen, interactive sports channel, navigated by viewers' remote controls, and through interactive applications with its affiliates and advertisers.

ESPN Broadband debuted in August at the X Games, delivering on-demand highlights, news, statistics, and merchandise opportunities.

ESPN Video On Demand, an interactive television video store, was launched featuring *SportsCentury* programs, the Big Fights library, the X Games and a growing list of titles.

ESPN The Magazine will raise its advertising rate base to 1.5 million subscribers in January 2002. ESPN Zones, the sports-themed dining and entertainment venues, now total eight, with openings at Disney's California Adventure in Anaheim, Las Vegas and Denver.

DISNEY CHANNEL WORLDWIDE

Now reaching 78 million homes in the U.S., Disney Channel added more than 10 million households in fiscal year 2001. Disney Channel is a top 10 basic cable network.

George W. Bodenheimer
President, ESPN, Inc.

The network's daily Playhouse Disney programming block for preschoolers ages 2-5 and their parents and caregivers increased household delivery by 8 percent over fiscal year 2000, and improved target kids' 2-5 delivery by 13 percent.

ABC Cable Networks Group recently announced plans to launch Playhouse Disney, a new cable network based upon the successful programming block. It will be the centerpiece for a companywide initiative to introduce young children to Disney characters, programs and products through learning-based entertainment.

Disney Channel can now be seen in more than 50 territories around the world. The number of Disney Channels rose to 12, with a new service launching in Brazil, and further channels planned in Portugal, Central Europe, Asia and Scandinavia. Disney Channel increased subscriptions by 32 percent last year.

In 2001, Walt Disney Television International (WDTV-I) launched several new initiatives. In the U.K., three new channels were launched, including a time-shifted Disney Channel, Playhouse Disney and Toon Disney, which have attracted new subscribers to the anchor Disney Channel. Similar services will be rolled out in Spain, while Playhouse Disney programming will be featured on Disney Channel in Europe and Asia.

In September, Disney Channel France moved to Disneyland Paris as the first fully operational channel to become a full-fledged visitor attraction in a Disney park. Disney Channel also became the first children's interactive TV service in Europe.

The channel's Web site, www.zoogdisney.com, saw huge growth in 2001, primarily due to the *Lizzie McGuire* sub-site. Also in the fourth quarter of the fiscal year, two of Disney Channel's top-rated series, *Lizzie McGuire* and *Even Stevens*, began airing as part of Disney's *One Saturday Morning* on the ABC Television Network while Disney Channel continued to premiere new episodes of both series.

Disney Channel's Original Movie franchise dominates the tween market with such hits as *The Luck of the Irish*, *Hounded* and *Motocrossed*. In 2001, Disney Channel captured an average of nine of the top 10 basic cable movies each month with tween 9-14 ratings among all of basic cable.

Anne M. Sweeney
President, ABC Cable Networks Group and
Disney Channel Worldwide

TOON DISNEY

Targeting kids aged 2-11, Toon Disney features an array of family-friendly animated programming from the Disney library. Toon Disney's distribution has increased 73 percent in 2001, with the channel now reaching more than 26 million homes. In addition, the network's primetime ratings with kids ages 2-11 have grown by 22 percent from fiscal 2000, and ratings among kids ages 6-11 have grown by 50 percent over the same period. The network has also increased the number of viewing homes and kids year-to-year on both a total day basis and in primetime by gains of 38 percent to 94 percent.

SOAPNET

Launched in January 2000, SoapNet grew to more than 18 million homes at the end of fiscal 2001. In addition, SoapNet was the fastest-growing cable network from April through September 2001, posting more than 50 percent distribution growth. SoapNet offers a wide variety of soap programming 24 hours a day, seven days a week. SoapNet's primetime schedule features same-day telecasts of the top-rated ABC Daytime series *All My Children, General Hospital, One Life to Live* and *Port Charles*. The network also airs the popular classic *Ryan's Hope* and serial dramas such as *Knots Landing, Falcon Crest, Hotel* and *The Colbys*, as well as an original weekly half-hour show, *SoapCenter*.

LIFETIME ENTERTAINMENT SERVICES

In 2001, Lifetime Television became the number-one rated network in primetime among all basic cable networks. It also continued to hold its number-one position in key female demographics, most notably among women 18-34, in which Lifetime's ratings have grown by double-digit percentages. Lifetime now reaches more than 83 million homes, while Lifetime Movie Network, currently available in nearly 20 million homes, saw exceptionally strong ratings for an emerging network. In August, Lifetime launched a third network, Lifetime Real Women.

Lifetime boasts three of the top-rated original series on basic cable with the award-winning dramas *The Division, Strong Medicine* and *Any Day Now*. Lifetime's popular reality series, *Intimate Portrait,* celebrated its 200th profile. Lifetime launched the medical reality series, *Women Docs*, and the daytime talk/magazine series, *Lifetime Now* and *Lifetime's Speaking of Women's Health*.

Lifetime celebrated its 100th original movie, the critically acclaimed *Midwives* starring Sissy Spacek. *What Makes a Family*, starring Brooke Shields and executive produced by Whoopi Goldberg and Barbra Streisand; *Within These Walls*, starring Ellen Burstyn and Laura Dern; and *No Ordinary Baby*, starring Bridget Fonda and Mary Beth Hurt, were among the productions that rounded out the monthly original movie slate.

A&E TELEVISION NETWORKS

Winner of the 2000 Governors Award from The Academy of Television Arts & Sciences for The Biography Project for Schools and the prestigious Peabody Award for *The Crossing*, A&E offers viewers a unique blend of original programming, including the highly acclaimed *Biography* series, original movies, drama series, and documentaries. In 2001, A&E received 14 primetime Emmy nominations, the most of any basic cable network. A&E is available in more than 83 million homes in the U.S.

Now reaching more than 77 million homes, The History Channel, part of A&E Television Networks, reveals the power and passion of history as an inviting place where people experience history personally and connect their own lives to the great lives and events of the past. In 2001, The History Channel received its first-ever primetime Emmy nomination for *Egypt Beyond The Pyramids*.

History International provides viewers with a window into non-U.S. perspectives, enabling them to broaden their horizons with a mix of historical documentaries, original short features and interviews with historians.

Featuring the programming of the Emmy Award-winning *Biography* series, The Biography Channel takes viewers into the world of exceptional people, 24 hours a day. *Biography* profiles, movies and original short features offer unique views of the people who fascinate us.

E! NETWORKS

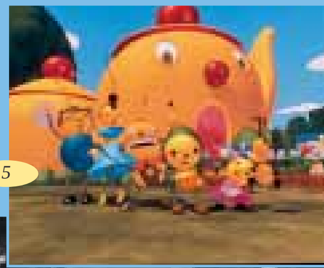
E! Entertainment Television, the 24-hour network with programming dedicated to the world of entertainment, is now available to more than 75 million homes in the U.S. Its programming reaches 400 million homes in 120 countries worldwide. The network experienced significant growth in both ratings and profile in 2001 due to the success of trademark shows such as primetime Emmy Award-nominated *The E! True Hollywood Story* and *E! News Daily*.

style., the 24-hour fashion, beauty, home and entertaining network, is available in 15 million homes. The network, which is part of E! Networks, features a full slate of original series and specials that cover fashion, beauty, home, dining, travel and entertaining.

PUBLISHING

Hyperion, Disney's trade publishing division, had several best-selling books in 2001, including George Carlin's *Napalm and Silly Putty*, Yogi Berra's *When You Come to a Fork in the Road, Take It*, Kristine Carlson's *Don't Sweat the Small Stuff for Women*, Caroline Kennedy's *The Best-Loved Poems of Jacqueline Kennedy Onassis*, and the business fable *Fish!* by Stephen C. Lundin, Ph.D., Harry Paul and John Christensen. This year also saw the launch of Theia, Hyperion's critically acclaimed literary imprint. Hyperion has several particularly noteworthy books planned for the coming year, including Michael J. Fox's *Lucky Man* and Peter Jennings' and Todd Brewster's book about America.

Talk/Miramax had another great year with several books making *The New York Times* best-seller list. They include *Ice Bound*, by Dr. Jerri Neilsen (with Maryanne Vollers); Malika Oufkir's *Stolen Lives*, which also was an Oprah Book Club selection; Eoin Colfer's *Artemis Fowl;* and Iris Krasnow's *Surrendering to Marriage. National Enquirer: 30 Years of Unforgettable Images* was recently released. Two books by Mayor Rudy Giuliani, an autobiography and a book on leadership, are upcoming, as is *The Snow Garden,* Christopher Rice's follow-up to his best-seller, *A Density of Souls*.



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1 *Pepper Ann is a recent addition to Toon Disney's programming schedule.*

2 *As the host of Fashion Emergency on E! Entertainment's style. network, Emme helps women solve their fashion crises.*

3 *Timothy Hutton is the executive producer and star of A&E's Nero Wolfe.*

4 *Sissy Spacek starred in Lifetime's 100th original movie, Midwives.*

5 *Children can visit Rolie Polie Olie's magical robot world on Playhouse Disney.*

6 *The Biography Channel chronicles the lives of everyone from celebrities to world-renowned artists.*

7 *Hyperion and Talk/Miramax have published a variety of best-sellers, from novels to autobiographies.*

DISNEY CONSUMER PRODUCTS

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1 *The Babblin' Boo Doll from Hasbro® is one of many popular toys based on the lovable characters from Disney/Pixar's Monsters, Inc.*

2 *Li'l Princesses dolls will be one of the new product categories Disney Consumer Products debuts in the coming year.*

3 *Monopoly: The Disney Edition is a best-selling new board game.*

4 *Young girls can bring their favorite characters to life with the new Disney Princesses line of merchandise.*

5 *Sulley from Disney/Pixar's Monsters, Inc. has been transformed into a cuddly plush toy.*

6 *Baby Pooh is just the right size for infants and toddlers.*

7 *JCPenney is the exclusive retailer for the "It's a Small World After All" clothing collection inspired by the popular Disney attraction.*

8 *Disney Xtreme Coolers™ from Minute Maid are made from 100% juice.*

9 *Disney Store is a top shopping choice when kids need costumes.*

10 *Located in nine countries, Disney Stores continue to be an important way for communities to interact with the Disney brand.*

LICENSING

In 2001, Disney Consumer Products (DCP) showed improvement in its licensing business. In addition, DCP's licensing business gained ground as the organization realigned into three distinct business groups: toys, apparel and hardlines.

HARDLINES

In 2001, DCP entered into a long-term alliance with the Minute Maid division of The Coca-Cola Company to develop healthful juices and juice drinks for kids. *Disney Xtreme! Coolers*™ and *Disney Hundred Acre Wood™ 100% Juice* received a welcome response from retailers. Milk- and water-based drinks are on the horizon for 2002.

Disney Consumer Products also signed a multi-year deal with the Kellogg Company that will give Disney a larger, more permanent presence in grocery store aisles worldwide. The first co-branded products will consist of ready-to-eat breakfast cereals in 2002, with items such as *Pop-Tarts* toaster pastries and *Eggo* waffles slated for the future. These exciting new offerings will enable children to enjoy engaging, wholesome foods and the magic of Disney characters as they start each day.

In personal care, an exclusive agreement with The Gillette Company was announced for the development of innovative oral care products for children. The manual, battery and rechargeable power toothbrushes, made available to consumers in fall 2001, feature beloved Disney characters that help children have fun as they develop healthy oral care habits.

Throughout 2002, DCP will continue to engage the world's best brands to develop products that are delightful to children, trusted by parents, make good business sense and uphold the Disney brand promise.

TOYS

In 2001, DCP focused on product innovation while leveraging significant relationships with the "big three" toy companies: Hasbro, Inc., Mattel, Inc. and TOMY.

Important initiatives included the creation of Hasbro's first line of products based on Disney films, with the fall 2001 launch of toys inspired by Disney/Pixar's *Monsters, Inc*. In addition, Hasbro Games introduced one of the industry's best-selling new board games: *Monopoly: The Disney Edition*.

In 2002, DCP will debut two all-new product categories: *Li'l Princesses* dolls and *Baby Pooh* infant and toddler toys.

APPAREL

This year, DCP continued to solidify direct-to-retail relationships with key retailers.

In the U.S., direct-to-retail agreements were announced with Kmart Corporation and J.C. Penney Company, Inc., as well as 13 retailers across Europe, Canada and Latin America. In 2002, the apparel business will continue to be augmented through additional direct-to-retail agreements with industry leaders.

Disney Consumer Products' direct-to-retail strategy was highlighted by the fall 2001 launch of Disney's "It's A Small World After All" collection. Inspired by children from around the world and based on the *it's a small world* theme park attraction, the assortment is exclusive to JCPenney.

In 2002, the apparel segment will continue to grow with the debut of a new line of Disney apparel at Kmart.

Andrew P. Mooney
President, Disney Consumer Products Worldwide

DISNEY STORES

Disney Stores are strategically important as the face of Disney in communities around the globe. Approximately 250 million guests worldwide visit the stores each year. The Disney Store has approximately 700 locations in nine countries and offers worldwide access and distribution of magical Disney products through the Disney Catalog and DisneyStore.com, which is the e-commerce counterpart to Disney Store retail outlets. This easy-to-use site features more than 2,400 products and provides convenient, 24-hour shopping, particularly for families that do not live near a Disney Store location.

In 2001, a new merchandise strategy was introduced, focusing on Disney Princesses, *Toy Story* and a strengthened assortment of plush. In addition, the Disney Store remained the one-stop shopping destination for Halloween, as well as film-inspired merchandise. A playful assortment of items from Disney/Pixar's *Monsters, Inc.*, was available just in time for the holidays.

Domestically, results from the new prototype stores continue to exceed expectations. Internationally, the European Disney Stores performed well throughout the year. In Japan, Oriental Land Co., Ltd., operator of Disney theme parks in Japan, agreed to acquire the Disney Store Japan business and enter into a long-term license for the Disney Store brand beginning in April 2002.

PUBLISHING

Disney Publishing – the world's largest publisher of children's books and magazines – plays a strategic role as a brand-builder and source of content for other Disney divisions.

In 2001, key accomplishments included the successful European launch of a new comic-driven magazine *W.i.t.c.h.; Artemis Fowl,* a joint project with Talk/Miramax Books and a *New York Times* children's best-seller; *Martin's Big Words: The Life of Dr. Martin Luther King, Jr.*; and titles based on the Disney/Pixar film, *Monsters, Inc.*

1

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1 Hyperion for Children's *Martin's Big Words: The Life of Dr. Martin Luther King* tells the civil rights leader's story through text and illustrations.
2 Disney Publishing's *Magic English* interactive learning program is enjoying success.
3 Disney Publishing produces a variety of magazines for children and their families, including the popular *Family Fun*, which also has a Web site.

Disney's *World of English* and *Magic English* saw remarkable demand and growth. In the fall, Disney acquired The Baby Einstein Company, which has enjoyed success with its award-winning developmental videos for babies.

Disney Publishing's *Family Fun* magazine is expected to reach a circulation of 1.5 million in 2002. The magazine's Web site was named the number-one family site by *Forbes* in 2001.

3

Jan E. Smith
President, Disney Interactive and Buena Vista Game Entertainment Studio

DISNEY INTERACTIVE

In 2001, Disney Interactive published 25 percent more titles than in 2000 and expanded into new game genres. Growth also stemmed from older gamers and tweens – kids age 9-14 – who represent the fastest-growing subset of the interactive market.

Last year, Disney Interactive fused sports, family entertainment and learning products, introducing *ESPN X Games Skateboarding*, *Who Wants to Be a Millionaire – Kids Edition* and *Zoog Genius Learning Series*, among other successful titles.

For the first time, Disney Interactive entered the simulation games market, releasing *Ultimate Ride* under the new Disney Imagineering brand in September 2001. *Ultimate Ride* is a photo-realistic, real-time 3-D game that lets roller coaster fans design and ride their own roller coasters.

Disney Interactive, in conjunction with Square Co., Ltd., will move into role-playing gaming in fall 2002 with the release of *Kingdom Hearts*.

Buena Vista Game Entertainment Studio was launched in 2001 from Disney Interactive to leverage new and emerging technologies, such as broadband and wireless, with video consoles, PCs, other technological innovations and online games, and deliver integrated interactive entertainment for a new and exciting consumer experience.

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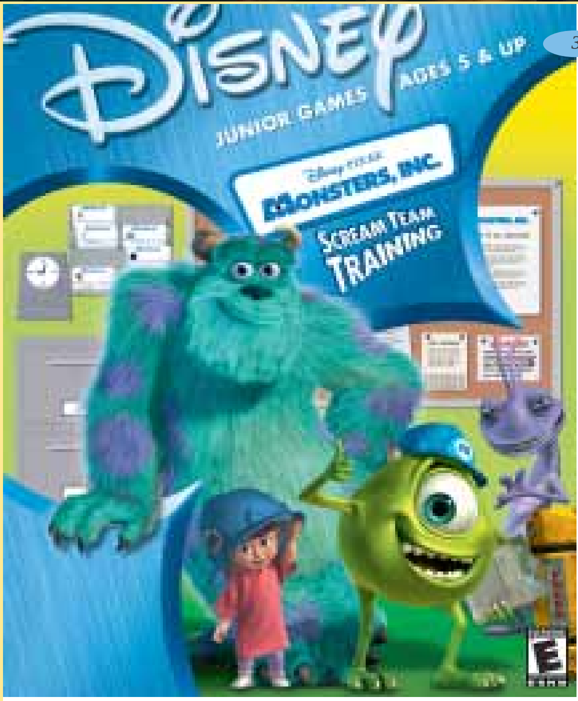
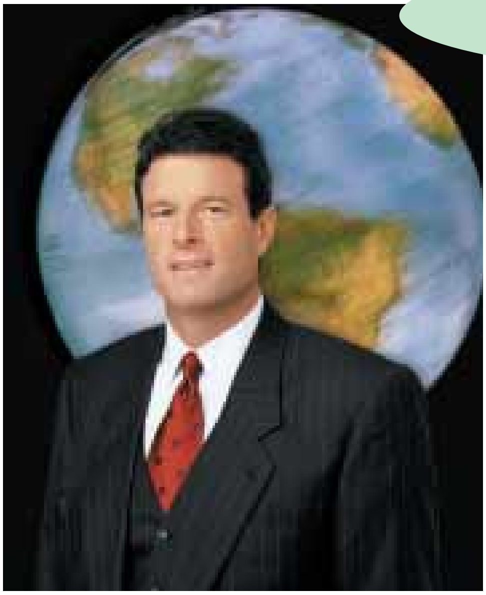


1 *Ultimate Ride is Disney Interactive's first offering in the simulation game market.*

2 *ESPN X Games Skateboarding is the sport's first skateboarding game for PlayStation 2.*

3 *Kids can play with their favorite characters from Disney/Pixar's Monsters, Inc., when they bring home the Scream Team Training CD-ROM game based on the hit film.*

WALT DISNEY INTERNATIONAL



Michael O. Johnson
President, Walt Disney International

In 2001, Walt Disney International continued to focus on developing new business opportunities outside the U.S., leveraging the Disney brand to enhance international growth, strengthening the organization in regions that are strategically advantageous and consolidating back-office activities to drive efficiency.

Walt Disney International helped drive the expansion of the incredibly successful Disney Mobile service across several Asian markets. Disney Mobile is a branded entertainment and information subscription service that was first launched on the NTT DoCoMo platform in Japan, where it now has more than 2 million subscribers. In addition to providing a great entertainment platform, Disney Mobile has proved to be an excellent synergy vehicle across Disney's other operating segments. Over the course of the past year, Disney Mobile in Japan was used with great success to promote the theatrical release of Walt Disney Pictures' *Dinosaur,* as well as to drive additional sales volume at the Disney Stores. Disney Mobile is now available on J Phone and KDD in Japan, expanding its reach to 100 percent of the market. Disney Mobile will be launched in Taiwan and Hong Kong in early 2002.

Walt Disney International and Walt Disney Internet Group brought Disney.com to China through a licensing agreement with SeaRainbow Holding Corporation. Disney.com.cn provides Disney entertainment and news to more than 20 million Internet users in China, 24 hours a day, seven days a week.

Walt Disney International continued to focus on opportunities to promote Disney products across all of the company's operating segments. For major theatrical and home video releases such as the animated feature *Atlantis: The Lost Empire*, and the DVD premiere of *Snow White and the Seven Dwarfs*, Walt Disney International worked with each operating segment to ensure that promotional and product support was present. In France, Walt Disney International successfully executed the Disney Planet Promotion with French retailer Geant. The promotion created a single point of sale at more than 4,800 Geant retail locations across France for dozens of Disney's consumer, film and theme park products.

Walt Disney International collaborated with Disney's Media Networks organization to launch Disney Channel in Brazil and Radio Disney in Argentina. Disney Channel and Radio Disney are key drivers of the Disney brand and provide an important connection with the consumer in these markets. Radio Disney is an efficient vehicle for building the Disney brand outside of the U.S. and it is expected to expand quickly across Latin America and into Europe and Asia Pacific.

Walt Disney International worked closely with Disney Consumer Products to establish direct-to-retail agreements with key international retailers. In 2001, direct-to-retail agreements were signed with five key European retailers, including Tesco, H&M and C&A.

Walt Disney International expanded to include a country manager to oversee Poland. This market will now operate through an integrated organizational model similar to the one currently used in Latin America. The country manager will lead an integrated sales, marketing, retail and finance organization to drive brand development and revenue growth in this market.

Walt Disney International also has been at the forefront of driving cost efficiencies. Consolidation of Disney's real estate portfolio in Hong Kong, France, Germany, Mexico, Brazil and Argentina is complete. The process of consolidating accounting operations has begun, and the number of legal entities within each country also is being reduced.

1 *Zapping Zone is Disney Channel's first entry into the TV market in Brazil.*

2 *China's Internet users can learn all about Disney by accessing Disney.com.cn.*

3 *Working with French retailer Geant, Walt Disney International made it easy for shoppers around the country to purchase Disney consumer, film and theme park products.*

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CONSOLIDATED RESULTS

As-Reported Results of Operations

(in millions, except per share data)	2001	2000	1999
Revenues	**$ 25,269**	$ 25,418	$ 23,455
Costs and expenses	**(21,670)**	(21,660)	(20,030)
Amortization of intangible assets	**(767)**	(1,233)	(456)
Gain on sale of businesses	**22**	489	345
Net interest expense and other	**(417)**	(497)	(612)
Equity in the income of investees	**300**	208	(127)
Restructuring and impairment charges	**(1,454)**	(92)	(172)
Income before income taxes, minority interests and the cumulative effect of accounting changes	**1,283**	2,633	2,403
Income taxes	**(1,059)**	(1,606)	(1,014)
Minority interests	**(104)**	(107)	(89)
Income before the cumulative effect of accounting changes	**120**	920	1,300
Cumulative effect of accounting changes:			
Film accounting	**(228)**	—	—
Derivative accounting	**(50)**	—	—
Net (loss) income	**$ (158)**	$ 920	$ 1,300
Earnings (loss) attributed to:			
Disney Common Stock[(1)]	**$ (41)**	$ 1,196	$ 1,300
Internet Group Common Stock	**(117)**	(276)	—
	$ (158)	$ 920	$ 1,300
Earnings (loss) per share before the cumulative effect of accounting changes attributed to:			
Disney Common Stock:			
Diluted	**$ 0.11**	$ 0.57	$ 0.62
Basic	**$ 0.11**	$ 0.58	$ 0.63
Internet Group Common Stock (basic and diluted)	**$ (2.72)**	$ (6.18)	n/a
Cumulative effect of accounting changes per Disney share:			
Film Accounting	**$ (0.11)**	$ —	$ —
Derivative Accounting	**(0.02)**	—	—
	$ (0.13)	$ —	$ —
Earnings (loss) per share attributed to:			
Disney Common Stock:[(1)]			
Diluted	**$ (0.02)**	$ 0.57	$ 0.62
Basic	**$ (0.02)**	$ 0.58	$ 0.63
Internet Group Common Stock (basic and diluted)	**$ (2.72)**	$ (6.18)	n/a
Average number of common and common equivalent shares outstanding:			
Disney Common Stock:			
Diluted	**2,100**	2,103	2,083
Basic	**2,085**	2,074	2,056
Internet Group Common Stock (basic and diluted)	**43**	45	n/a

(1) Including Disney's retained interest in the Internet Group. Disney's as-reported retained interest in the Internet Group reflects 100% of Internet Group losses through November 17, 1999, approximately 72% for the period from November 18, 1999 through January 28, 2001 (the last date prior to the announcement of the conversion of the Internet Group common stock) and 100% thereafter.

CONSOLIDATED RESULTS

2001 vs. 2000 As-reported net loss was $158 million compared to net income of $920 million in the prior year. Net loss and loss per share attributed to Disney common stock were $41 million and $0.02, respectively, compared to net income and earnings per share attributed to Disney common stock of $1.2 billion and $0.57, respectively, in the prior year. The current year as-reported net loss includes charges from the cumulative effect of accounting changes ($278 million or $0.13 per Disney share) and restructuring and impairment charges ($1.45 billion or $0.52 per Disney share). As-reported results also include pre-tax gains on the sale of Infoseek Japan K.K. ($22 million) in 2001, and Fairchild Publications ($243 million), Ultraseek Corporation ($153 million) and Eurosport ($93 million) in 2000. Excluding the charges and gains mentioned above, earnings per share attributed to Disney common stock was $0.63 and $0.56 for the current and prior year, respectively. Results for the year also reflected lower amortization of intangible assets and net interest expense and other and higher equity in the income of investees, partially offset by decreased segment operating income and higher corporate and unallocated shared expenses. Lower amortization of intangible assets reflected the write-off of intangible assets associated with the closure of the GO.com portal business in the second quarter of the current year, certain intangible assets becoming fully amortized in the first quarter and a reduction in intangible assets related to the sale of Fairchild Publications, Ultraseek and Eurosport in fiscal 2000. Decreases in net interest expense and other were driven by gains on the sale of certain investments, lower interest rates and lower average debt balances throughout most of the year. Higher equity in the income of investees reflected improved results from cable equity investments including Lifetime Television, The History Channel and A&E Television and certain international cable equity investments, partially offset by start-up losses incurred in connection with new investments. Decreased segment operating income reflected lower Media Networks and Parks & Resorts results, partially offset by improvements at Studio Entertainment and Consumer Products. Increased corporate and unallocated shared expenses were driven by costs associated with several strategic initiatives designed to improve overall company-wide efficiency and promote the Disney brand.

On October 24, 2001, the company acquired Fox Family Worldwide, Inc. ("FFW") for $5.2 billion, including $2.9 billion in cash, plus the assumption of $2.3 billion in debt (see Note 15 to the Consolidated Financial Statements).

The company anticipates that the income statement for 2002 will include the impact of FFW merger-related and integration expenses; amortization of intangible assets, to the extent identified, valued and deemed to have determinable lives as part of the purchase price allocation; increased interest expense from the financing of the acquisition and increased revenues and expenses from the acquired operations.

The balance sheet impact of the acquisition is expected to reflect FFW's historical carrying amounts, excluding the Fox Kid's Network, modified by purchase accounting adjustments to reflect the difference between FFW's historical carrying amounts and fair value; significant additional intangible assets, including goodwill; additional assets and liabilities that reflect the fair value of contingencies, executory contracts and other commitments, and increased debt from funding for the purchase.

2000 vs. 1999 As-reported earnings and earnings per share attributed to Disney common stock decreased 8% to $1.2 billion and $0.57, respectively, driven by higher amortization of intangible assets and income taxes, partially offset by increased segment operating income and equity in the income of investees and lower net interest expense and other. Increased amortization of intangible assets resulted from intangible assets associated with the acquisition of Infoseek Corporation (Infoseek). Higher segment operating income was driven by growth at Media Networks and Parks & Resorts, partially offset by decreases in the other segments. Equity in the income of investees increased due to higher Infoseek equity losses in fiscal 1999 as well as improved results from the company's cable equity investments. Net interest expense and other decreased due to lower average debt balances, partially offset by higher interest rates in fiscal 2000. Lower average debt balances reflected increased cash flow.

Fiscal 2000 includes lower restructuring and impairment charges, discussed more fully below, and higher gain on the sale of businesses. The increase in the gain on sale of businesses reflects gains on the sale of Fairchild, Ultraseek and Eurosport totaling $243 million, $153 million and $93 million, respectively, in fiscal 2000 as compared to the gain on the sale of Starwave totaling $345 million in fiscal 1999. As-reported net income including restructuring and impairment charges and gain on the sale of business was $920 million, including a loss of $276 million attributed to the Internet Group. As-reported earnings attributed to Disney common stock were $1.2 billion or $0.57 per share in fiscal 2000 versus $1.3 billion or $0.62 per share in fiscal 1999.

RESTRUCTURING AND IMPAIRMENT CHARGES

The company recorded restructuring and impairment charges for the years ended September 30, 2001, 2000 and 1999 summarized as follows:

	Year Ended September 30,		
(in millions)	**2001**	2000	1999
GO.com intangible assets impairment	**$ 820**	$—	$ —
GO.com severance, fixed asset write-offs and other	**58**	—	—
Investment impairments	**254**	61	—
Workforce reduction and other	**111**	—	132
Chicago DisneyQuest closure	**94**	—	—
Asset impairment	**63**	31	40
Disney Store closures	**54**	—	—
Total restructuring and impairment charges	**$1,454**	$92	$172

In 2001, the company recorded restructuring and impairment charges totaling $1.45 billion. The GO.com charge is for the closure of the GO.com portal business and includes a non-cash write-off of intangible assets totaling $820 million (see Note 2 to the Consolidated Financial Statements). The investment impairment charge is for other-than-temporary declines in the fair value of certain Internet investments. The workforce reduction charges are primarily for severance costs and are discussed more fully below. The DisneyQuest and Disney Store closure charges are for the closure of the Chicago DisneyQuest facility and approximately 100 Disney Stores and includes the write-down of fixed assets and leasehold improvements, leasehold termination costs, severance and other related closure costs. The asset impairment charge is for certain long-lived assets, primarily at the Disney Store and Disney Catalog. These assets were evaluated for impairment under a held for use model due to declining cash flows. Fair value was generally determined based on discounted cash flows.

During the third quarter of fiscal 2001, the company initiated a plan to eliminate 4,000 full-time jobs through a combination of voluntary and involuntary reductions. The reduction affected employees in all business units and geographic regions. The $111 million of costs associated with the workforce reduction consist primarily of severance costs and write-offs of idled facilities. As of September 30, 2001, the company had substantially completed its workforce reduction and paid termination benefits totaling $92 million.

As of September 30, 2001, approximately $118 million of the restructuring and impairment charges remained as an accrued liability on the balance sheet, of which $19 million related to the workforce reduction and $21 million is from prior-year restructuring charges. The majority of this amount is expected to be paid in fiscal 2002.

In 2000, impairment charges amounted to $92 million, primarily related to write-downs of certain Internet investments and an asset impairment write-down at toysmart.com in connection with its closure.

In 1999, the company recorded restructuring and impairment charges totaling $172 million. The charges included $132 million for severance and other charges and $40 million related to long-lived asset impairments. The restructuring charges included severance and lease and other contract cancellation costs, primarily related to the consolidation of operations in the company's broadcasting, television production and regional entertainment businesses as well as non-cash charges for write-downs of underutilized assets.

FISCAL 2002 OUTLOOK

The company expects that the events of September 11th and their aftermath coupled with the already soft economy will continue to influence its operating results into fiscal 2002. This impact is likely to be most significant in certain of the Media Networks operations and Parks & Resorts. The Media Networks advertising-supported businesses, such as the television and radio network and stations, are expected to have declines in revenues due to the soft advertising marketplace, continued ratings decreases and a potential increase in news preemptions and higher news production costs. In Cable, the slow economy and a surplus of inventory are resulting in downward pressure on advertising rates. Parks & Resorts operations are likely to be affected by the downturn in leisure travel and lower consumer confidence especially as compared to the record setting first quarter the segment achieved in the prior year. To date, Walt Disney World attendance is down roughly 25% versus the first quarter of last year. We expect hotel occupancy to be down by approximately 20 and 15 percentage points for Walt Disney World and Disneyland, respectively, compared to the first quarter of last year. Additionally, the company expects that soft retail sales and weak consumer confidence are likely to affect its Consumer Products business.

As such, the company believes that its operating income in the first quarter of fiscal 2002 could be somewhat less than half that of the strong first quarter results of the prior year. The company expects that the first quarter will represent the most difficult year-over-year comparison. While the future is uncertain, the company should experience an improved business climate in the last three fiscal quarters of 2002, with operating income declines of as much as 10 to 15 percent for those later three periods combined versus the prior year.

The company is taking a variety of measures to mitigate these impacts, including a planned reduction of fiscal 2002 capital expenditures. In the Parks & Resorts businesses, mitigation efforts include reducing man-hours, closing non-essential food and beverage locations, instituting a hiring freeze and delaying non-essential refurbishments. In Media Networks, all businesses are undertaking aggressive cost reduction initiatives.

In November 1999, the company sold Fairchild Publications which it had acquired in connection with the ABC acquisition in 1996. In November 1998, the company acquired a 43% interest in Infoseek, a publicly traded Internet search company and then in November 1999 acquired the remaining 57% of Infoseek, launched GO.com and created the Disney Internet Group tracking stock. On March 20, 2001, the company converted its Internet Group Common Stock into Disney Common Stock and closed the GO.com portal business. To enhance comparability, the unaudited pro forma information that follows presents consolidated results of operations as if the Fairchild disposition, the completion of the Infoseek acquisition, the conversion of the Internet Group common stock, the closure of the GO.com portal business and the adoption of SOP 00-2 (see Notes 1 and 2 to the Consolidated Financial Statements) had occurred at the beginning of fiscal 2000, eliminating the one-time impact of those events. The unaudited pro forma information is not necessarily reflective of the results of operations had these events actually occurred at the beginning of fiscal 2000, nor is it necessarily indicative of future results.

Management believes that pro forma operating results provide additional information useful in analyzing the underlying business results. However, pro forma operating results should be considered in addition to, not as a substitute for, as-reported results of operations.

CONSOLIDATED RESULTS

Pro Forma Results of Operations

(unaudited; in millions, except per share data)	**2001**	2000	% Change
Revenues	**$ 25,256**	$ 25,356	—
Costs and expenses	**(21,624)**	(21,584)	—
Amortization of intangible assets	**(586)**	(633)	7%
Gain on sale of businesses [1]	**22**	246	(91%)
Net interest expense and other	**(417)**	(493)	15%
Equity in the income of investees	**300**	249	20%
Restructuring and impairment charges	**(576)**	(92)	n/m
Income before income taxes, minority interests and the cumulative effect of accounting changes	**2,375**	3,049	(22%)
Income taxes	**(1,114)**	(1,402)	21%
Minority interests	**(104)**	(107)	3%
Income before the cumulative effect of accounting changes	**1,157**	1,540	(25%)
Cumulative effect of accounting changes:			
Film accounting	**(228)**	—	
Derivative accounting	**(50)**	—	
Net income	**$ 879**	$ 1,540	(43%)
Earnings per share before the cumulative effect of accounting changes:			
Diluted	**$ 0.55**	$ 0.73	(25%)
Basic	**$ 0.55**	$ 0.74	
Earnings per share including the cumulative effect of accounting changes:			
Diluted	**$ 0.42**	$ 0.73	(42%)
Basic	**$ 0.42**	$ 0.74	
Earnings before the cumulative effect of accounting changes, excluding restructuring and impairment charges and gain on the sale of businesses	**$ 1,525**	$ 1,518	—
Earnings per share before the cumulative effect of accounting changes, excluding restructuring and impairment charges and gain on the sale of businesses:			
Diluted	**$ 0.72**	$ 0.72	—
Basic	**$ 0.73**	$ 0.73	—
Average number of common and common equivalent shares outstanding:			
Diluted	**2,104**	2,111	
Basic	**2,089**	2,082	

[1] Includes the gain on sale of Infoseek Japan K.K. in 2001 and the gain on the sales of Ultraseek Corporation and Eurosport ($153 million and $93 million, respectively) in 2000.

The following table provides a reconciliation of as-reported income (loss) per share attributed to Disney common stock to pro forma earnings per share before the cumulative effect of accounting changes, excluding restructuring and impairment charges and gains on the sale of businesses.

(unaudited)	Year Ended September 30, 2001	2000
As-reported (loss) income per share attributed to Disney common stock	**$(0.02)**	$ 0.57
Adjustment to attribute 100% of Internet Group operating results to Disney common stock (72% included in as-reported amounts for the period from November 18, 1999 through January 28, 2001)	**(0.06)**	(0.13)
Adjustment to exclude pre-closure GO.com portal operating results and amortization of intangible assets	**0.09**	0.35
Adjustment to exclude GO.com restructuring and impairment charges	**0.41**	—
Adjustment to include a pre-acquisition Infoseek operating results	**—**	(0.04)
Adjustment to exclude the cumulative effect of accounting changes	**0.13**	—
Adjustment to reflect the impact of the new Film Accounting rules	**—**	(0.02)
Pro forma earnings per share before the cumulative effect of accounting changes	**0.55**	0.73
Adjustment to exclude restructuring and impairment charges	**0.17**	0.03
Adjustment to exclude gains on the sale of businesses	**—**	(0.04)
Pro forma earnings per share before the cumulative effect of accounting changes, excluding restructuring and impairment charges and gain on the sale of businesses	**$ 0.72**	$ 0.72

2001 vs. 2000 On a pro forma basis, net income and earnings per share before the cumulative effect of accounting changes, excluding restructuring and impairment charges and gain on the sale of businesses remained flat at $1.5 billion and $0.72, respectively. Pro forma results for the current and prior periods have been adjusted to reflect the disposition of Fairchild Publications, the acquisition of Infoseek, the conversion of the Internet Group common stock into Disney common stock, the closure of the GO.com portal business and the adoption of the new film accounting rules as if these transactions occurred at the beginning of fiscal 2000, excluding the one-time impacts of these events. On a pro forma basis, restructuring and impairment charges exclude the impact of the GO.com portal closure of $878 million.

Including the restructuring and impairment charges, gains on sale of businesses and the cumulative effect of accounting changes, pro forma net income and earnings per share decreased 43% and 42% to $879 million and $0.42 per share, respectively.

BUSINESS SEGMENT RESULTS

The company has changed the reporting structure of the various components of its Internet operations and as a result, the Internet Group will no longer be reported as a separate segment. The ESPN, ABC, Disney and family-branded Internet Web sites will be reported in the Media Networks segment and DisneyVacations.com will be reported in the Parks & Resorts segment. Also during the year, the Disney Store Catalog and the Disney Store Online were reassigned from the Internet Group to Consumer Products. These changes have been reflected in the fiscal 2001 financial statements and prior-year amounts have been reclassified to reflect the current-year presentation.

	Pro Forma (unaudited)			As Reported		
(in millions)	**2001**	2000	% Change	**2001**	2000	1999
Revenues:						
Media Networks	**$ 9,556**	$ 9,788	(2%)	**$ 9,569**	$ 9,836	$ 8,012
Parks & Resorts	**7,004**	6,809	3%	**7,004**	6,809	6,141
Studio Entertainment	**6,106**	6,011	2%	**6,106**	6,011	6,176
Consumer Products	**2,590**	2,748	(6%)	**2,590**	2,762	3,126
	$25,256	$25,356	—	**$25,269**	$25,418	$23,455
Segment operating income:[1]						
Media Networks	**$ 1,791**	$ 2,048	(13%)	**$ 1,758**	$ 1,985	$ 1,512
Parks & Resorts	**1,586**	1,615	(2%)	**1,586**	1,615	1,494
Studio Entertainment	**260**	76	n/m	**260**	126	162
Consumer Products	**401**	385	4%	**401**	386	592
	$ 4,038	$ 4,124	(2%)	**$ 4,005**	$ 4,112	$ 3,760

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

	Pro Forma (unaudited)		As Reported		
(in millions)	**2001**	2000	**2001**	2000	1999
Segment operating income	**$4,038**	$4,124	**$ 4,005**	$ 4,112	$3,760
Corporate and unallocated shared expenses	**(406)**	(352)	**(406)**	(354)	(335)
Amortization of intangible assets	**(586)**	(633)	**(767)**	(1,233)	(456)
Gain on sale of businesses	**22**	246	**22**	489	345
Net interest expense and other	**(417)**	(493)	**(417)**	(497)	(612)
Equity in the income of investees	**300**	249	**300**	208	(127)
Restructuring and impairment charges	**(576)**	(92)	**(1,454)**	(92)	(172)
Income before income taxes, minority interests and the cumulative effect of accounting changes	**$2,375**	$3,049	**$ 1,283**	$ 2,633	$2,403

[1] Segment earnings before interest, income taxes, depreciation and amortization (EBITDA) is as follows:

	Pro Forma (unaudited)		As Reported		
(in millions)	**2001**	2000	**2001**	2000	1999
Media Networks	**$1,964**	$2,197	**$1,934**	$2,154	$1,647
Parks & Resorts	**2,190**	2,197	**2,190**	2,197	1,992
Studio Entertainment	**307**	130	**307**	180	226
Consumer Products	**491**	494	**491**	495	720
	$4,952	$5,018	**$4,922**	$5,026	$4,585

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

Media Networks

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

(in millions)	Pro Forma (unaudited) 2001	Pro Forma (unaudited) 2000	As Reported 1999
Revenues:			
Broadcasting	**$5,713**	$6,279	$5,139
Cable Networks	**3,843**	3,509	2,873
	$9,556	$9,788	$8,012
Segment operating income:			
Broadcasting	**$ 728**	$1,033	$ 571
Cable Networks	**1,063**	1,015	941
	$1,791	$2,048	$1,512

2001 vs. 2000 Revenues decreased 2%, or $232 million, to $9.6 billion, driven by decreases of $566 million at Broadcasting, partially offset by increases of $334 million at the Cable Networks. The decrease at Broadcasting was driven by lower ratings and the soft advertising market at the ABC television network and the company's owned television stations and radio operations. Additionally, revenue declines at the television network reflected lower sports advertising revenues due to ABC airing the Super Bowl in the prior year. The increase at the Cable Networks was driven by annual contractual rate adjustments at ESPN combined with subscriber growth at ESPN, the Disney Channel domestically and internationally, partially offset by the soft advertising market during the year. Subscriber growth at the Disney Channel reflected increasing satellite (DBS) and digital subscribers and the continuing conversion of the Disney Channel from a premium to a basic service.

Segment operating income decreased 13%, or $257 million, to $1.8 billion, driven by a decrease of $305 million at Broadcasting resulting primarily from decreased revenues and higher programming costs, partially offset by an increase of $48 million at the Cable Networks, driven by revenue growth. Costs and expenses, which consist primarily of programming rights and amortization, production costs, distribution and selling expenses and labor costs, remained flat for the year, but increased as a percentage of revenue. The company experienced higher programming costs at ESPN, the primetime ABC television network and the company's owned television stations and radio operations and start-up costs at the international Disney Channels, offset by lower sports programming costs at the ABC television network due to higher costs for the Super Bowl and two additional National Football League (NFL) regular season games in the prior year and lower costs at the Internet Group due to the closure of toysmart.com in the prior year and cost saving initiatives.

The company has various contractual commitments for the purchase of broadcast rights for sports and other programming including the NFL, Major League Baseball (MLB) and the National Hockey League (NHL). The costs of these contracts have increased significantly in recent years. The company has 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 results of operations in future periods.

The company has investments in cable operations that are accounted for as unconsolidated equity investments. The table below presents operating income from cable television activities, which comprise the Cable Networks and the company's cable equity investments.

(unaudited, in millions)	Pro Forma 2001	Pro Forma 2000	% Change
Operating Income:			
Cable Networks	**$1,063**	$1,015	5%
Equity Investments:			
A&E Television and Lifetime Television	**693**	614	13%
Other[1]	**178**	211	(16%)
Operating Income from Cable Television Activities	**1,934**	1,840	5%
Partner Share of Operating Income	**(705)**	(639)	(10%)
Disney Share of Operating Income[1]	**$1,229**	$1,201	2%

Note: Operating income from cable television activities presented in this table represents 100% of both the company's owned cable businesses and its cable equity investees. The Disney share of operating income represents the company's ownership interest in cable television operating income. Cable Networks are reported in "Segment operating income" in the statements of income. Equity investments are reported in "Equity in the income of investees" in the statements of income.

[1] Amounts include the gain on the sale of Eurosport in fiscal 2000. Excluding Disney's share of the gain, cable television operating income for the year ended September 30, 2000 was $1,126 million.

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

The company's share of cable television operating income increased 2%, or $28 million, to $1.2 billion. Excluding the prior-year gain on Eurosport, the company's share of cable television operating income increased 9%, reflecting higher affiliate revenues at the cable networks driven by annual contractual rate adjustments and strong subscriber growth, including the conversion of the Disney Channel from a premium to a basic service, and profit increases from cable equity investments, partially offset by higher programming costs and the soft advertising market at the cable network.

2000 vs. 1999 Revenues increased 23%, or $1.8 billion, to $9.8 billion, driven by increases of $1.2 billion at Broadcasting and $636 million at the Cable Networks. Broadcasting revenue growth reflected increased advertising revenues at the television networks and the company's owned television stations due to a strong advertising market, the continued success of *Who Wants to Be a Millionaire* and higher overall ratings on network programming. Television station revenue growth also benefited from higher spot advertising rates driven by the ABC Television Network placing first in the May and February sweeps. Additionally, the strong advertising market resulted in revenue growth at the radio networks and stations. Revenue growth also reflected higher advertising and sponsorship revenues at the Internet Group, as well as the operations of Infoseek, which were consolidated into the Internet Group beginning November 1999. Cable Network revenue growth reflected increased advertising revenues driven by a strong advertising market and higher affiliate fees reflecting contractual rate increases and subscriber growth. International expansion at the Disney Channel also contributed to increased revenues.

Segment operating income increased 31%, or $473 million, to $2.0 billion, driven by increases of $399 million at Broadcasting and $74 million at the Cable Networks, resulting from revenue growth at both Broadcasting and Cable Networks, partially offset by increased costs and expenses. Costs and expenses, which consist primarily of programming rights and amortization, production costs, distribution and selling expenses and labor costs, increased 21%, or $1.4 billion, driven by higher sports programming costs at the television and cable networks, principally related to NFL, MLB and NHL broadcasts. In addition, higher costs and expenses reflected start-up costs associated with the launch of various international Disney Channels and the January launch of SoapNet. Costs and expenses of the Internet Group also increased due to Website development expenses, growth in the infrastructure due to the expansion of the business, the operations of toysmart.com and the operations of Infoseek.

Parks & Resorts

2001 vs. 2000 Revenues increased 3%, or $195 million, to $7.0 billion, driven primarily by growth of $278 million at the Disneyland Resort, $44 million from Disney Cruise Line and $20 million in higher royalties from Tokyo Disneyland, partially offset by a decrease of $187 million at the Walt Disney World Resort. At the Disneyland Resort, the opening of Disney's California Adventure, Downtown Disney and Disney's Grand Californian Hotel during the second quarter drove increased attendance, higher occupied room nights and increased guest spending. Disney Cruise Line's results reflected the strength of the 7-day cruise package that was introduced in the fourth quarter of the prior year. At Walt Disney World, decreased revenues were driven by decreased attendance and lower occupied room nights reflecting the prior year success of the Millennium Celebration, partially offset by increased guest spending. Both the Disneyland Resort and Walt Disney World Resort were impacted by park closures on September 11th and from lower attendance and hotel occupancy due to cancellations and reduced travel during the last three weeks of September.

Segment operating income decreased 2%, or $29 million, to $1.6 billion, driven by increased costs at the Disneyland Resort, partially offset by revenue growth at Disneyland, continued growth at Disney Cruise Line and ongoing productivity improvements and cost reduction initiatives at Walt Disney World. 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 4% or $224 million. Higher costs at the Disneyland Resort were due to the opening of Disney's California Adventure, Downtown Disney and Disney's Grand Californian Hotel.

2000 vs. 1999 Revenues increased 11%, or $668 million, to $6.8 billion, driven by growth of $383 million at the Walt Disney World Resort, reflecting increased guest spending, record attendance and record occupied room nights; $129 million from Disney Cruise Line, reflecting full-year operations from both cruise ships, the *Disney Magic* and the *Disney Wonder,* compared to just the *Disney Magic* for the first three and a half quarters of the prior year; and $35 million from increased attendance and guest spending at Disneyland. Increased guest spending and record attendance at the Walt Disney World Resort were driven by the ongoing Millennium Celebration and record occupied room nights reflected the opening of the All-Star Movies Resort in the second quarter of the prior year. At Disneyland, the 45th Anniversary Celebration and the strength of the annual passport program drove increased attendance and guest spending.

Segment operating income increased 8%, or $121 million, to $1.6 billion, driven by revenue growth at the Walt Disney World Resort, improved results at Disney Cruise Line and higher guest spending and attendance at Disneyland, partially offset by increased costs and expenses. Costs and expenses, which consist principally of labor, costs of merchandise, food and beverages sold, depreciation, repairs and maintenance, entertainment and marketing and sales expenses, increased 12%, or $547 million, driven by increased volume at the Walt Disney World Resort resulting from the ongoing Millennium Celebration, expanded operations at Disney Cruise Line as a result of the addition of the second ship and increased volume at Disneyland due to the 45th Anniversary Celebration, as well as pre-opening costs at Disney's California Adventure.

Studio Entertainment

2001 vs. 2000 Revenues increased 2%, or $95 million, to $6.1 billion, driven by growth of $316 million in worldwide home video and $126 million in stage plays, partially offset by a decline of $306 million in worldwide theatrical motion picture distribution. Improvements in worldwide home video revenues reflected strong DVD and VHS performance driven by successful animated titles including Disney/Pixar's *Toy Story 2, Dinosaurs, The Emperor's New Groove* and *Lady & the Tramp II* and stronger performing live-action titles including *Spy Kids, Scary Movie, Gone in 60 Seconds* and *Remember the Titans.* Growth in stage plays reflected performances of *The Lion King* in additional cities and improved performance of *Aida.* In worldwide theatrical motion picture distribution, the success of *Pearl Harbor, Spy Kids* and *Princess Diaries* faced difficult comparisons to prior year titles, which included *Toy Story 2, Tarzan, Dinosaur, Scary Movie* and *The Sixth Sense.*

On a pro forma basis, segment operating income increased $184 million, to $260 million, due to increases in worldwide home video and stage plays. Costs and expenses, which consist primarily of production cost amortization, distribution and selling expenses, product costs, labor and leasehold expenses, decreased 1%, or $89 million, driven by decreases in worldwide theatrical motion picture distribution, partially offset by increases in worldwide home video. In worldwide theatrical motion picture distribution, cost decreases reflected lower distribution expenses and production costs amortization in the current year as well as higher participation expenses in the prior year, due to *Toy Story 2* and *The Sixth Sense.* The increased costs in worldwide home video reflected higher distribution expense and production costs amortization driven by an increase in VHS and DVD unit sales and higher participation costs due to the success of *Toy Story 2* in the current year. Stage plays operating expenses also increased due to more productions in the current year.

On an as-reported basis, segment operating income increased $134 million, to $260 million, reflecting the items described above, as well as the impact of SOP 00-2 in the current year, which resulted in higher distribution and marketing costs as compared to the prior year.

2000 vs. 1999 Revenues decreased 3%, or $165 million, to $6.0 billion, driven by declines of $206 million in network television production and distribution, $168 million in worldwide home video and $58 million in domestic theatrical motion picture distribution, partially offset by growth of $197 million in international theatrical motion picture distribution and $88 million in stage plays. The decline in network television production and distribution revenues primarily reflected the end of production of *Home Improvement* in the prior year, which was a significant contributor to revenues. The decline in worldwide home video revenues reflected fewer unit sales in the current year, despite the successful releases of *Tarzan* and *Little Mermaid II: Return to Sea,* as the prior year included the combination of *Lion King II: Simba's Pride, Mulan, Armageddon* and Disney/Pixar's *A Bug's Life.* In domestic theatrical motion picture distribution, the success of *Scary Movie, Dinosaur* and *Toy Story 2* faced difficult comparisons to the prior year. Growth in international theatrical motion picture distribution revenues reflected the performances of *Toy Story 2, Tarzan* and *The Sixth Sense.* Stage plays revenues increased due to expansion of *The Lion King* into additional cities, the launch of *Aida* and the re-launch of the *Beauty and the Beast* national tour.

Segment operating income decreased 22%, or $36 million, to $126 million, due to declines in worldwide home video and network television production and distribution, partially offset by growth in international theatrical motion picture distribution and stage plays. Costs and expenses, which consist primarily of production cost amortization, distribution and selling expenses, product costs, labor and leasehold expenses, decreased 2% or $129 million. Production cost amortization decreased in network television production and distribution reflecting the production of *Home Improvement* in the prior year. In worldwide home video, distribution and selling costs and production cost amortization decreased due to a reduction in videotape unit sales compared to the prior year. *The Sixth Sense,* which drove higher participation costs in domestic theatrical motion picture distribution in the prior year, had a similar impact in international theatrical motion picture distribution in the current year. Cost increases in international theatrical motion picture distribution also reflected higher overall production cost amortization. Stage plays operating expenses also increased driven by revenue increases.

Consumer Products

2001 vs. 2000 On a pro forma basis, revenues decreased 6%, or $158 million, to $2.6 billion, primarily reflecting declines of $157 million at the Disney Stores, which were driven by lower comparative store sales in North America.

On an as-reported basis, revenues decreased 6% or $172 million, to $2.6 billion, reflecting the items described above, as well as the impact of the disposition of Fairchild Publications in the first quarter of the prior year.

Segment operating income increased 4%, or $16 million, to $401 million, primarily driven by benefits from cost reduction initiatives, partially offset by declines at the Disney Stores in North America. Costs and expenses, which consist primarily of labor, product costs, including product development costs, distribution and selling expenses and leasehold expenses, decreased 7% or $174 million, primarily due to lower sales volume at the Disney Stores in North America, decreased catalog circulation and advertising costs and the impact of cost reduction initiatives including the Disney Store in Europe.

2000 vs. 1999 Revenues decreased 12%, or $364 million, to $2.8 billion, reflecting declines of $163 million at Fairchild Publications, $135 million in worldwide merchandise licensing and publishing, partially offset by growth of $22 million at Disney Interactive. Revenues decreased at Fairchild Publications as it was sold in the first quarter of fiscal 2000. Lower merchandise licensing and publishing revenues were primarily attributable to declines domestically and in Europe. Disney Interactive revenues increased due to the success of the *Who Wants to Be a Millionaire* video games, *Pooh* learning titles and the *Toy Story 2* action game.

Segment operating income decreased 35%, or $206 million, to $386 million, reflecting declines in worldwide merchandise licensing and publishing and the sale of Fairchild Publications, partially offset by increases at the Disney Stores, primarily driven by a reduction in costs, and at Disney Interactive. Costs and expenses decreased 6% or $158 million. Cost decreases at the Disney Stores, which reflected write-downs of inventory in the prior year, were partially offset by an increase in advertising costs.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operations decreased 19%, or $707 million, to $3.0 billion, reflecting decreased pretax income before non-cash charges, increased payments for television broadcast rights, primarily due to the timing of the NFL payments and increased license fees for Primetime programming and the timing of the payments of accounts payable. These decreases were partially offset by lower income tax payments. Additionally, the prior year included proceeds from the sale of receivables at Disney Vacation Club. These decreases were partially offset by higher net income before non-cash charges.

During the year, the company invested $1.8 billion in parks, resorts and other properties. These expenditures reflected continued expansion activities related to Disney's California Adventure and certain resort facilities at the Walt Disney World Resort. The decrease from the prior year was primarily due to lower spending on Disney's California Adventure, which opened in February 2001.

During the year, the company invested $480 million to acquire the copyright for certain intellectual property, radio station and publishing assets and the rights to a music library.

In fiscal 2001, investing activities also included $137 million of cash proceeds generated primarily from the sale of Infoseek Japan, K.K. Additionally, cash proceeds from the sale of investments resulted primarily from the sale of Knight-Ridder, Inc. shares which were acquired in connection with the disposition of certain publishing operations. During fiscal 2000, investing activities included cash proceeds from the sale of Fairchild Publications and Eurosport. Fiscal 2000 cash proceeds from the sale of investments were driven by the sale of Inktomi shares acquired through the disposition of Ultraseek.

During 1998, the company's Board of Directors decided to move to an annual, rather than quarterly, dividend policy to reduce costs and simplify payments to the more than 2.7 million stockholders of Disney common stock. Accordingly, there was no dividend payment during the year ended September 30, 1999. The company paid a $434 million dividend ($0.21 per Disney share) during the first quarter of fiscal 2000 applicable to fiscal 1999 and paid a $438 million dividend ($0.21 per Disney share) during the first quarter of the current year applicable to fiscal 2000. On November 27, 2001, the Board of Directors declared a cash dividend, applicable to fiscal 2001, of $0.21 per share, to be paid on December 21, 2001, to stockholders at the close of business December 7, 2001.

During the year, the company repaid approximately $2.8 billion of term debt, which either matured or was called during the year, and reduced its commercial paper borrowings by $186 million. These repayments were funded by proceeds of $3.1 billion consisting of $2.5 billion of Global bonds and $50 million of fixed-rate notes issued under the U.S. shelf registration, and $530 million of fixed-rate notes issued under the Euro Medium-term Note Program. These borrowings have effective interest rates, including the impact of interest rate swaps, ranging from 3.5% to 5.9% and maturities in fiscal 2003 through fiscal 2016. See Note 5 of the Consolidated Financial Statements for more detailed information regarding the company's borrowings.

In August 2001, the company filed a new U.S. shelf registration statement, which replaced the existing U.S. shelf registration statement. As of September 30, 2001, the company had the ability to borrow under the U.S. shelf registration statement and a Euro Medium-term Note Program, which collectively permitted the issuance of up to approximately $8.1 billion of additional debt or various other securities.

Commercial paper borrowings outstanding as of September 30, 2001 totaled $754 million, with maturities of up to one year, supported by a $2.25 billion bank facility due in 2002 and a $2.25 billion bank facility due in 2005. These bank facilities allow for borrowings at LIBOR-based rates plus a spread, depending upon the company's public debt rating. As of September 30, 2001, the company had not borrowed against these bank facilities.

Total commitments to purchase broadcast programming approximated $13.2 billion at September 30, 2001, including approximately $10.1 billion related to sports programming rights, primarily NFL, College Football and MLB. Substantially all of this amount is payable over the next five years.

The company expects the ABC Television Network, ESPN and the company's television and radio stations to continue to enter into programming commitments to purchase the broadcast rights for various feature films, sports and other programming.

During the year, the company acquired approximately 63.9 million shares of Disney common stock and 1.8 million shares of Internet Group common stock for approximately $1.1 billion and $10 million, respectively. As of September 30, 2001, the company was authorized to purchase up to approximately 330 million shares of Disney common stock.

On October 24, 2001 the company acquired Fox Family Worldwide for $5.2 billion, including $2.9 billion in cash and the assumption of $2.3 billion in debt and preferred stock. The company funded the acquisition with cash on hand as well as short and long-term debt issuances. In connection with the acquisition, the company acquired programming commitments totaling approximately $1 billion, including approximately $675 million for certain MLB games through 2006.

Following the acquisition of Fox Family Worldwide, the company had commercial paper borrowings outstanding of approximately $3.8 billion supported by bank facilities totaling $4.5 billion and capacity to raise an additional $7.1 billion under its U.S. shelf registration and its Euro Medium-term Note Program.

The company believes that its financial condition is strong and that its cash, other liquid assets, operating cash flows, access to 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 certain credit measures such as interest coverage and leverage ratios.

OTHER MATTERS

Conversion to the Euro Currency

On January 1, 1999, certain member countries of the European Union established fixed conversion rates between their existing currencies and the European Union's common currency (euro). The transition period for the introduction of the euro ends January 1, 2002. Issues facing the company as a result of the introduction of the euro include converting information technology systems, reassessing currency risk, negotiating and amending licensing agreements and contracts, and processing tax and accounting records. The company is continuing to address these issues and does not expect the euro to have a material effect on the company's financial condition or results of operations.

Accounting Changes

Effective October 1, 2000, the company adopted AICPA Statement of Position No. 00-2, *Accounting by Producers or Distributors of Films* (SOP 00-2). The company's results of operations and financial position reflect the impact of the new standard commencing October 1, 2000 and the company recorded a one-time after-tax charge of $228 million representing the cumulative effect of the adoption of SOP 00-2 in its consolidated financial statements for the year ended September 30, 2001.

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133 *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), subsequently amended by SFAS No. 137 and SFAS No. 138. SFAS 133 requires the company to record all derivatives on the balance sheet at fair value. Changes in derivative fair values will either be recognized in earnings as offsets to the changes in fair value of related hedged assets, liabilities and firm commitments or, for forecasted transactions, deferred and recorded as a component of other accumulated comprehensive income until the hedged transactions occur and are recognized in earnings. The ineffective portion of a hedging derivative's change in fair value will be immediately recognized in earnings.

As a result of adopting SFAS 133 as of October 1, 2000, and in accordance with the transition provisions, the company recorded a one-time after-tax charge of $50 million, or $0.02 per share, in its Consolidated Statements of Income representing the cumulative effect of adoption and an after-tax unrealized gain of $60 million to accumulated other comprehensive income (AOCI).

In July 2001, the FASB issued Statement of Financial Accounting Standards No. 141, *Business Combinations* (SFAS 141) and Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (SFAS 142). They also issued Statement of Financial Accounting Standards No. 143, *Accounting for Obligations Associated with the Retirement of Long-Lived Assets* (SFAS 143), and Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144), in August and October 2001, respectively.

SFAS 141 requires all business combinations initiated after June 30, 2001 be accounted for under the purchase method. SFAS 141 superseded APB Opinion No. 16, *Business Combinations,* and Statement of Financial Accounting Standards No. 38, *Accounting for Preacquisition Contingencies of Purchased Enterprises* and is effective for all business combinations initiated after June 30, 2001.

SFAS 142 addresses the financial accounting and reporting for acquired goodwill and other intangible assets. Under the new rules, the company is no longer required to amortize goodwill and other intangible assets with indefinite lives but will be subject to periodic testing for impairment. SFAS 142 supersedes APB Opinion No. 17, *Intangible Assets.* Effective October 1, 2001, the company will adopt SFAS 142 and is evaluating the effect that such adoption may have on its consolidated results of operations and financial position.

As a result of adoption, a substantial amount of its intangible assets will no longer be amortized and accordingly, the company's effective tax rate is expected to decrease substantially in fiscal 2002. The impact of intangible asset amortization that would not have been amortized pursuant to SFAS 142 during fiscal 2001 on diluted earnings per share was $0.26.

SFAS 143 establishes accounting standards for the recognition and measurement of an asset retirement obligation and its associated asset retirement cost. It also provides accounting guidance for legal obligations associated with the retirement of tangible long-lived assets. SFAS 143 is effective in fiscal years beginning after June 15, 2002, with early adoption permitted. The company expects that the provisions of SFAS 143 will not have a material impact on its consolidated results of operations and financial position upon adoption. The company plans to adopt SFAS 143 effective October 1, 2002.

SFAS 144 establishes a single accounting model for the impairment or disposal of long-lived assets, including discontinued operations. SFAS 144 superseded Statement of Financial Accounting Standards No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of* and APB Opinion No. 30, *Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions.* The provisions of SFAS 144 are effective in fiscal years beginning after December 15, 2001, with early adoption permitted and, in general, are to be applied prospectively. The company plans to adopt SFAS 144 effective October 1, 2001 and does not expect that the adoption will have a material impact on its consolidated results of operations and financial position.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 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 stockholders. Such statements may, for example, express expectations or projections about future actions that we may take, including restructuring or strategic initiatives or about developments beyond our control including changes in domestic or global economic conditions. These statements are made on the basis of management's views and assumptions as of the time the statements are made. 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, including the following:

Changes in company-wide or business-unit strategies, which may result in changes in the types or mix of businesses in which the company is involved or chooses to invest;

Changes in U.S., global or regional economic conditions, which may affect attendance and spending at the company's parks and resorts, purchases of company-licensed consumer products, the advertising market for broadcast and cable television programming and the performance of the company's theatrical and home entertainment releases;

Changes in U.S. and global financial and equity markets, including market disruptions and significant interest rate fluctuations, which may impede the company's access to, or increase the cost of, external financing for its operations and investments;

Increased competitive pressures, both domestically and internationally, which may, among other things, affect the performance of the company's parks and resorts operations and lead to increased expenses in such areas as television programming acquisition and motion picture production and marketing;

Legal and regulatory developments that may affect particular business units, such as regulatory actions affecting environmental activities, consumer products, theme park safety, broadcasting or Internet activities or the protection of intellectual property; the imposition by foreign countries of trade restrictions or motion picture or television content requirements or quotas, and changes in international tax laws or currency controls;

Adverse weather conditions or natural disasters, such as hurricanes and earthquakes, which may, among other things, impair performance at the company's parks and resorts;

Technological developments that may affect the distribution of the company's creative products or create new risks to the company's ability to protect its intellectual property;

Labor disputes, which may lead to increased costs or disruption of operations in any of the company's business units;

Changing public and consumer taste, which may among other things, affect the company's entertainment, broadcasting and consumer products businesses generally or the company's parks and resorts operating specifically, or result in increases in broadcasting losses or loss of advertising revenue; and

International, political and military developments that may affect among other things, travel and leisure businesses generally or the company's parks and resorts operations specifically, or result in increases in broadcasting costs or loss of advertising revenue.

This list of factors that may affect future performance and the accuracy of forward-looking statements is illustrative, but by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

MARKET RISK

The company is exposed to the impact of interest rate changes, foreign currency fluctuations and changes in the market values of its investments.

Policies and Procedures

In the normal course of business, the company employs established policies and procedures to manage its exposure to changes in interest rates, foreign currencies and the fair market value of certain of its investments in debt and equity securities using a variety of financial instruments.

Our objective in managing exposure to interest rate changes are to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve these objectives, we primarily use interest rate swaps to manage net exposure to interest rate changes related to the company's portfolio of borrowings. The company maintains fixed rate debt as a percentage of its net debt between a minimum and maximum percentage, which is set by policy.

Our objective in managing exposure to foreign currency fluctuations is to reduce earnings and cash flow volatility in order to allow management to focus on 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, liabilities, commitments and forecasted foreign currency revenues. The company utilizes option strategies and forward contracts that provide for the sale of foreign currencies to hedge probable, but not firmly committed, revenues. The company also uses forward contracts to hedge foreign currency assets and liabilities in the same principal currencies. The principal currencies hedged are the European euro, British pound, Japanese yen and Canadian dollar. By policy, the company maintains hedge coverage between minimum and maximum percentages of its forecasted foreign exchange exposures for periods not to exceed five years. The gains and losses on these contracts offset changes in the value of the related exposures.

In addition, we use various financial instruments to minimize the exposure to changes in fair market value of certain investments in debt and equity securities.

It is the company's policy to enter into foreign currency and interest rate transactions and other financial instruments only to the extent considered necessary to meet its objectives as stated above. The company does not enter into these transactions for speculative purposes.

Value at Risk

The company utilizes a "Value-at-Risk" (VAR) model to determine the maximum potential one-day loss in the fair value of its interest rate, foreign exchange and qualifying equity sensitive financial instruments. The VAR model estimates were made assuming normal market conditions and a 95% confidence level. Various modeling techniques can be used in a VAR computation. The company's computations are based on the interrelationships between movements in various interest rates, currencies and equity prices (a "variance/co-variance" technique). These interrelationships were determined by observing interest rate, foreign currency and equity market changes over the preceding quarter for the calculation of VAR amounts at year-end and over each of the four quarters for the calculation of average VAR amounts during the year. The model includes all of the company's debt as well as all interest rate and foreign exchange derivative contracts and qualifying equity investments. The values of foreign exchange options do not change on a one-to-one basis with the underlying currencies, as exchange rates vary. Therefore, the hedge coverage assumed to be obtained from each option has been adjusted to reflect its respective sensitivity to changes in currency values. Forecasted transactions, firm commitments and receivables and accounts payable denominated in foreign currencies, which certain of these instruments are intended to hedge, were excluded from the model.

The VAR model is a risk analysis tool and does not purport to represent actual losses in fair value that will be incurred by the company, nor does it consider the potential effect of favorable changes in market factors. See Note 12 to the Consolidated Financial Statements regarding the company's financial instruments at September 30, 2001 and 2000.

The estimated maximum potential one-day loss in fair value, calculated using the VAR model, is as follows:

(unaudited, in millions)	Interest Rate Sensitive Financial Instruments	Currency Sensitive Financial Instruments	Equity Sensitive Financial Instruments	Combined Portfolio
VAR as of September 30, 2001	$21	$13	$ 7	$29
Average VAR during the year ended September 30, 2001	$14	$15	$ 6	$20
Highest VAR during the year ended September 30, 2001	$21	$16	$10	$29
Lowest VAR during the year ended September 30, 2001	$ 6	$13	$ 3	$16

CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share data)	Year Ended September 30, 2001	2000	1999
Revenues	**$ 25,269**	$ 25,418	$ 23,455
Costs and expenses	**(21,670)**	(21,660)	(20,030)
Amortization of intangible assets	**(767)**	(1,233)	(456)
Gain on sale of businesses	**22**	489	345
Net interest expense and other	**(417)**	(497)	(612)
Equity in the income of investees	**300**	208	(127)
Restructuring and impairment charges	**(1,454)**	(92)	(172)
Income before income taxes, minority interests and the cumulative effect of accounting changes	**1,283**	2,633	2,403
Income taxes	**(1,059)**	(1,606)	(1,014)
Minority interests	**(104)**	(107)	(89)
Income before the cumulative effect of accounting changes	**120**	920	1,300
Cumulative effect of accounting changes:			
Film accounting	**(228)**	—	—
Derivative accounting	**(50)**	—	—
Net (loss) income	**$ (158)**	$ 920	$ 1,300
Earnings (loss) attributed to:			
Disney Common Stock[1]	**$ (41)**	$ 1,196	$ 1,300
Internet Group Common Stock	**(117)**	(276)	—
	$ (158)	$ 920	$ 1,300
Earnings (loss) per share before the cumulative effect of accounting changes attributed to:			
Disney Common Stock:[1]			
Diluted	**$ 0.11**	$ 0.57	$ 0.62
Basic	**$ 0.11**	$ 0.58	$ 0.63
Internet Group Common Stock (basic and diluted)	**$ (2.72)**	$ (6.18)	n/a
Cumulative effect of accounting changes per Disney share:			
Film Accounting	**$ (0.11)**	$ —	$ —
Derivative Accounting	**(0.02)**	—	—
	$ (0.13)	$ —	$ —
Earnings (loss) per share attributed to:			
Disney Common Stock:[1]			
Diluted	**$ (0.02)**	$ 0.57	$ 0.62
Basic	**$ (0.02)**	$ 0.58	$ 0.63
Internet Group Common Stock (basic and diluted)	**$ (2.72)**	$ (6.18)	n/a
Average number of common and common equivalent shares outstanding:			
Disney Common Stock:			
Diluted	**2,100**	2,103	2,083
Basic	**2,085**	2,074	2,056
Internet Group (basic and diluted)	**43**	45	n/a

[1] Including Disney's retained interest in the Internet Group. Disney's as-reported retained interest in the Internet Group reflects 100% of Internet Group losses through November 17, 1999, approximately 72% for the period from November 18, 1999 through January 28, 2001 (the last date prior to the announcement of the conversion of the Internet Group common stock) and 100% thereafter.

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

	September 30,	
(In millions, except per share data)	**2001**	2000
Assets		
Current Assets		
Cash and cash equivalents	**$ 618**	$ 842
Receivables	**3,343**	3,599
Inventories	**671**	702
Television costs	**1,175**	1,162
Deferred income taxes	**622**	623
Other assets	**600**	635
Total current assets	**7,029**	7,563
Film and television costs	**5,235**	5,339
Investments	**2,061**	2,270
Parks, resorts and other property, at cost		
Attractions, buildings and equipment	**19,089**	16,610
Accumulated depreciation	**(7,728)**	(6,892)
	11,361	9,718
Projects in progress	**911**	1,995
Land	**635**	597
	12,907	12,310
Intangible assets, net	**14,540**	16,117
Other assets	**1,927**	1,428
	$43,699	$45,027
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable and other accrued liabilities	**$ 4,603**	$ 5,161
Current portion of borrowings	**829**	2,502
Unearned royalties and other advances	**787**	739
Total current liabilities	**6,219**	8,402
Borrowings	**8,940**	6,959
Deferred income taxes	**2,730**	2,833
Other long term liabilities, unearned royalties and other advances	**2,756**	2,377
Minority interests	**382**	356
Commitments and contingencies		
Stockholders' 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	**12,096**	9,920
Common stock – Internet Group, $.01 par value		
Authorized – 1.0 billion shares		
Issued – 45.3 million shares as of September 30, 2000	**—**	2,181
Retained earnings	**12,171**	12,767
Accumulated other comprehensive income	**10**	(28)
	24,277	24,840
Treasury stock, at cost, 81.4 million and 31 million Disney shares	**(1,395)**	(689)
Shares held by TWDC Stock Compensation Fund II, at cost		
Disney – 8.6 million and 1.1 million shares	**(210)**	(40)
Internet Group – 0.9 million shares as of September 30, 2000	**—**	(11)
	22,672	24,100
	$43,699	$45,027

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended September 30,		
(In millions)	**2001**	2000	1999
Net Income (Loss)	**$ (158)**	$ 920	$ 1,300
Operating Items Not Requiring Cash			
Depreciation	**987**	962	851
Amortization of intangible assets	**767**	1,233	456
Cumulative effect of accounting changes	**278**	—	—
Restructuring and impairment charges	**1,247**	92	70
Gain on sale of businesses	**(22)**	(489)	(345)
Equity in the income of investees	**(300)**	(208)	127
Minority interests	**104**	107	89
Other	**187**	303	205
Changes In			
Receivables	**279**	205	376
Inventories	**54**	65	103
Other assets	**33**	183	(165)
Accounts and taxes payable and other accrued liabilities	**(283)**	(41)	388
Film and television costs	**(183)**	192	(867)
Deferred income taxes	**58**	231	(20)
	3,206	2,835	1,268
Cash provided by operations	**3,048**	3,755	2,568
Investing Activities			
Investments in parks, resorts and other property	**(1,795)**	(2,013)	(2,134)
Acquisitions (net of cash acquired)	**(480)**	(34)	(319)
Dispositions	**137**	913	—
Proceeds from sale of investments	**235**	207	202
Purchases of investments	**(88)**	(82)	(39)
Investments in Euro Disney	**—**	(91)	—
Other	**(24)**	9	—
Cash used by investing activities	**(2,015)**	(1,091)	(2,290)
Financing Activities			
Borrowings	**3,070**	1,117	2,306
Reduction of borrowings	**(2,807)**	(2,494)	(2,031)
Repurchases of common stock	**(1,073)**	(166)	(19)
Commercial paper borrowings, net	**(186)**	(741)	(451)
Exercise of stock options and other	**177**	482	204
Dividends	**(438)**	(434)	—
Cash (used) provided by financing activities	**(1,257)**	(2,236)	9
(Decrease) increase in cash and cash equivalents	**(224)**	428	287
Cash and cash equivalents, beginning of year	**842**	414	127
Cash and cash equivalents, end of year	**$ 618**	$ 842	$ 414
Supplemental disclosure of cash flow information:			
Interest paid	**$ 625**	$ 583	$ 659
Income taxes paid	**$ 881**	$ 1,170	$ 721

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In millions, except per share data)	Shares DIS	Shares DIG	Common Stock DIS	Common Stock DIG	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	TWDC Stock Compensation Fund[1] DIS	TWDC Stock Compensation Fund[1] DIG	Stockholders' Equity Total
Balance at September 30, 1998	2,050	—	$ 8,995	$ —	$10,981	$ 13	$ (593)	$ (8)	$ —	$19,388
Exercise of stock options, net	14	—	329	—	—	—	(12)	17	—	334
Common stock reissued	1	—	—	—	—	—	—	10	—	10
Common stock repurchased	(1)	—	—	—	—	—	—	(19)	—	(19)
Other comprehensive income (net of tax benefit of $30 million)	—	—	—	—	—	(38)	—	—	—	(38)
Net income	—	—	—	—	1,300	—	—	—	—	1,300
Balance at September 30, 1999	2,064	—	9,324	—	12,281	(25)	(605)	—	—	20,975
Common stock issued	—	44	—	2,149	—	—	—	—	—	2,149
Exercise of stock options, net	27	2	596	32	—	—	(84)	115	—	659
Common stock repurchased	(5)	(1)	—	—	—	—	—	(155)	(11)	(166)
Dividends ($0.21 per Disney share)	—	—	—	—	(434)	—	—	—	—	(434)
Other comprehensive income (net of tax benefit of $2 million)	—	—	—	—	—	(3)	—	—	—	(3)
Net income	—	—	—	—	920	—	—	—	—	920
Balance at September 30, 2000	2,086	45	9,920	2,181	12,767	(28)	(689)	(40)	(11)	24,100
Common stock issued (cancellation)	—	(1)	—	(22)	—	—	—	—	—	(22)
Exercise of stock options, net	8	—	17	—	—	—	—	208	—	225
Common stock repurchased	(64)	(2)	—	—	—	—	(706)	(357)	(10)	(1,073)
Conversion of DIG shares	8	(42)	2,159	(2,159)	—	—	—	(21)	21	—
Dividends ($0.21 per Disney share)	—	—	—	—	(438)	—	—	—	—	(438)
Other comprehensive income (net of tax expense of $23 million)	—	—	—	—	—	38	—	—	—	38
Net loss	—	—	—	—	(158)	—	—	—	—	(158)
Balance at September 30, 2001	**2,038**	**—**	**$12,096**	**$ —**	**$12,171**	**$ 10**	**$(1,395)**	**$(210)**	**$ —**	**$22,672**

[1] The TWDC Stock Compensation Fund was established pursuant to the repurchase program to acquire shares of company common stock for the purpose of funding certain stock-based compensation (See Note 8).

Comprehensive income (loss) is as follows:

	2001	2000	1999
Net income (loss)	**$(158)**	$920	$1,300
Cumulative effect of adoption of SFAS 133, net of tax	**60**	—	—
Cumulative translation and other adjustments, net of tax	**(22)**	(3)	(38)
Comprehensive income (loss)	**$(120)**	$917	$1,262

See Notes to Consolidated Financial Statements

NOTE 1. DESCRIPTION OF THE BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Walt Disney Company, together with its subsidiaries (the company), is a diversified worldwide entertainment company with operations in the following businesses: Media Networks, Parks & Resorts, Studio Entertainment and Consumer Products. During the year, the company changed the reporting structure of the businesses that comprise the Internet Group and, accordingly, no longer reports the Internet Group as a separate business segment.

MEDIA NETWORKS

The company operates the ABC Television Network and the ABC Radio Networks, which have affiliated stations providing coverage to households throughout the United States. The company also owns television and radio stations, most of which are affiliated with either the ABC Television Network or the ABC Radio Networks. The company's cable and international broadcast operations are principally involved in the production and distribution of cable television programming, the licensing of programming to domestic and international markets and investing in foreign television broadcasting, production and distribution entities. Primary cable programming services, which operate through consolidated subsidiary companies, are ESPN-branded networks, the Disney Channel, Disney Channel Worldwide, SoapNet and Toon Disney. Other programming services that operate through joint ventures, and are accounted for under the equity method, include A&E Television Networks, Lifetime Entertainment Services and E! Entertainment Television. The company also produces original television programming for network, first-run syndication, pay and international syndication markets. Additionally, the company operates ABC, ESPN, Disney and family-branded Internet web site businesses.

PARKS & RESORTS

The company operates the Walt Disney World Resort in Florida and the Disneyland Resort in California. The Walt Disney World Resort includes the Magic Kingdom, Epcot, Disney-MGM Studios and Disney's Animal Kingdom, thirteen resort hotels and a complex of villas and suites, a retail, dining and entertainment complex, a sports complex, conference centers, campgrounds, golf courses, water parks and other recreational facilities. In addition, Disney Cruise Line is operated out of Port Canaveral, Florida. The Disneyland Resort includes Disneyland, Disney's California Adventure, Disney's Grand Californian Hotel, Disneyland Hotel, Disney's Paradise Pier Hotel and Downtown Disney. Disney's Regional Entertainment designs, develops and operates sports-themed dining and entertainment facilities operating as ESPN Zone. The company earns royalties on revenues generated by the Tokyo Disneyland Resort, which includes two theme parks and two Disney-branded hotels, near Tokyo, Japan, and is owned and operated by an unrelated Japanese corporation. The company has an investment in Euro Disney S.C.A. (Euro Disney), a publicly held French entity that operates Disneyland Resort Paris and earns royalties on Disneyland Resort Paris revenues. A company subsidiary also receives management fees from Euro Disney. The company's Walt Disney Imagineering unit designs and develops new theme park concepts and attractions, as well as resort properties. The company also manages and markets vacation ownership interests in the Disney Vacation Club. Included in Parks & Resorts are the company's National Hockey League franchise, the Mighty Ducks of Anaheim, and the Anaheim Angels, a Major League Baseball team.

STUDIO ENTERTAINMENT

The company produces and acquires live-action and animated motion pictures for distribution to the theatrical, home video and television markets. The company also produces original animated television programming for network, first-run syndication, pay and international syndication markets, stage plays and musical recordings. The company distributes these products through its own distribution and marketing companies in the United States and most foreign markets under the Walt Disney Pictures, Touchstone Pictures, Hollywood Pictures, Miramax and Dimension banners.

CONSUMER PRODUCTS

The company licenses the name "Walt Disney," as well as the company's characters, visual and literary properties, to various consumer manufacturers, retailers, show promoters and publishers throughout the world. The company also engages in direct retail distribution, principally through the Disney Stores, and produces books and magazines for the general public in the United States and Europe. In addition, the company produces audio and computer software products for the entertainment market, as well as film, video and computer software products for the educational marketplace. The company's Direct Marketing business operates the Disney Catalog, which markets Disney-themed merchandise through the direct mail channel. Catalog offerings include merchandise developed exclusively for the Disney Catalog and DisneyStore.com, as well as products from the Disney Store, other internal Disney partners and Disney licensees.

SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation The consolidated financial statements of the company include the accounts of The Walt Disney Company and its subsidiaries after elimination of intercompany accounts and transactions. In December 1999, DVD Financing, Inc. (DFI), a subsidiary of Disney Vacation Development, Inc. and an indirect subsidiary of the company, completed a receivable 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.

Accounting Changes Effective October 1, 2000, the company adopted two new accounting pronouncements, AICPA Statement of Position No. 00-2, *Accounting by Producers or Distributors of Films* (SOP 00-2) and Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), subsequently amended by Statement of Financial Accounting Standards No. 138 (SFAS 138).

SOP 00-2 establishes new accounting standards for producers and distributors of films, which resulted in changes in revenue recognition and accounting for exploitation costs, including advertising and marketing expenses and development and overhead costs. As a result of the adoption of SOP 00-2, the company recorded a one-time after-tax charge of $228 million, or $0.11 per share, representing the cumulative effect of the adoption. The charge represents costs that were capitalized as of September 30, 2000, that would have been expensed under the new rules. The adoption of SOP 00-2 did not have a material impact on the current fiscal year's operating results.

SFAS 133 and SFAS 138 require that the company record all derivatives on the balance sheet at fair value. There are two types of derivatives into which the company enters: hedges of fair value exposure and hedges of cash flow exposure. Hedges of fair value exposure are entered into in order to hedge the fair value of a recognized asset or liability, or a firm commitment. Hedges of cash flow exposure are entered into in order to hedge a forecasted transaction or the variability of cash flows to be paid related to a recognized liability. On the date on which the derivative contract is executed, the company designates the derivative as either a fair value hedge or a cash flow hedge. Changes in derivative fair values that are designated as fair value hedges are recognized in earnings as offsets to the changes in fair value of related hedged assets, liabilities and firm commitments. Changes in the derivative fair values that are designated as cash flow hedges are deferred and recorded as a component of accumulated other comprehensive income (AOCI) until the hedged transactions occur and are recognized in earnings. The ineffective portion of a hedging derivative's change in fair value is immediately recognized in earnings. Derivatives that are executed for risk management purposes but not designated as hedges under SFAS 133 and SFAS 138 are recorded at their market value and recognized in current earnings.

The company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. The company links all hedges that are designated as fair value hedges to specific assets or liabilities on the balance sheet or to specific firm commitments. The company links all hedges that are designated as cash flow hedges to forecasted transactions or to floating-rate liabilities on the balance sheet. The company also assesses, both at the inception of the hedge and on an on-going basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Should it be determined that a derivative is not highly effective as a hedge, the company will discontinue hedge accounting prospectively.

As a result of adopting SFAS 133 as of October 1, 2000, and in accordance with the transition provisions, the company recorded a one-time after-tax charge of $50 million, or $0.02 per share, in its Consolidated Statements of Income representing the cumulative effect of the adoption, and an after-tax unrealized gain of $60 million to AOCI. Amounts expected to be reclassified to earnings over the next twelve months are not material. The company reclassified a $16 million after-tax gain from AOCI to earnings during fiscal 2001, which was offset by net losses on items being hedged. The adoption of SFAS 133 did not have a material impact on the current fiscal year's operating results.

During the year, the company recorded the change in value related to cash flow hedges to AOCI, which was not material. In addition, the company reclassified deferred losses related to certain cash flow hedges from AOCI to earnings, due to the uncertainty of the timing of the original forecasted transaction.

During the year, the company recorded the change in fair market value related to fair value hedges and the ineffectiveness related to cash flow hedges to earnings. These amounts were not material.

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, *Business Combinations* (SFAS 141), and Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (SFAS 142). They also issued Statement of Financial Accounting Standards No. 143, *Accounting for Obligations Associated with the Retirement of Long-Lived Assets* (SFAS 143), and Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144), in August and October 2001, respectively.

SFAS 141 requires all business combinations initiated after June 30, 2001 be accounted for under the purchase method. SFAS 141 supersedes APB Opinion No. 16, *Business Combinations*, and Statement of Financial Accounting Standards No. 38, *Accounting for Preacquisition Contingencies of Purchased Enterprises*, and is effective for all business combinations initiated after June 30, 2001.

SFAS 142 addresses the financial accounting and reporting for acquired goodwill and other intangible assets. Under the new rules, the company is no longer required to amortize goodwill and other intangible assets with indefinite lives, but will be subject to periodic testing for impairment. SFAS 142 supersedes APB Opinion No. 17, *Intangible Assets*. Effective October 1, 2001, the company will adopt SFAS 142 and is evaluating the effect that such adoption may have on its consolidated results of operations and financial position. However, the company expects that a substantial amount of its intangible assets will no longer be amortized.

SFAS 143 establishes accounting standards for the recognition and measurement of an asset retirement obligation and its associated asset retirement cost. It also provides accounting guidance for legal obligations associated with the retirement of tangible long-lived assets. SFAS 143 is effective in fiscal years beginning after June 15, 2002, with early adoption permitted. The company expects that the provisions of SFAS 143 will not have a material impact on its consolidated results of operations and financial position upon adoption. The company plans to adopt SFAS 143 effective October 1, 2002.

SFAS 144 establishes a single accounting model for the impairment or disposal of long-lived assets, including discontinued operations. SFAS 144 superseded Statement of Financial Accounting Standards No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of* (SFAS 121), and APB Opinion No. 30, *Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions.* The provisions of SFAS 144 are effective in fiscal years beginning after December 15, 2001, with early adoption permitted, and in general are to be applied prospectively. The company plans to adopt SFAS 144 effective October 1, 2001 and does not expect that the adoption will have a material impact on its consolidated results of operations and financial position.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes thereto. Actual results may differ from those estimates.

Revenue Recognition Revenues from the theatrical distribution of motion pictures are recognized when motion pictures are exhibited. Revenues from video sales are recognized on the date that video units are made widely available for sale by retailers. Revenues from the licensing of feature films and television programming are recorded when the material is available for telecasting by the licensee and when certain other conditions are met.

Broadcast advertising revenues are recognized when commercials are aired. Revenues from television subscription services related to the company's primary cable programming services are recognized as services are provided.

Internet advertising revenues are recognized on the basis of impression views in the period the advertising is displayed, provided that no significant obligations remain and collection of the resulting receivable is probable. Direct marketing and Internet-based merchandise revenues are recognized upon shipment to customers.

Merchandise licensing advance and guarantee payments are recognized when the underlying royalties are earned.

Revenues from advance theme park ticket sales are recognized when the tickets are used. Revenues from participants at the theme parks are generally recorded over the period of the applicable agreements commencing with the opening of the related attraction.

Cash and Cash Equivalents Cash and cash equivalents consist of cash on hand and marketable securities with original maturities of three months or less.

Investments Debt securities that the company has the positive intent and ability to hold to maturity are classified as "held-to-maturity" and reported at amortized cost. Debt securities not classified as held-to-maturity and marketable equity securities are classified as either "trading" or "available-for-sale," and are recorded at fair value with unrealized gains and losses included in earnings or stockholders' equity, respectively. All other equity securities are accounted for using either the cost method or the equity method.

The company continually reviews its investments to determine whether a decline in fair value below the cost basis is other than temporary. If the decline in fair value is judged to be other than temporary, the cost basis of the security is written down to fair value and the amount of the write-down is included in the Consolidated Statements of Income.

Inventories Carrying amounts of merchandise, materials and supplies inventories are generally determined on a moving average cost basis and are stated at the lower of cost or market.

Film and Television Costs Film and television costs that are produced for sale to third parties are stated at the lower of cost, less accumulated amortization, or fair value. Programming costs for the company's television and cable networks are stated at the lower of cost, less accumulated amortization, or net realizable value. Television broadcast program licenses and rights and related liabilities are recorded when the license period begins and the program is available for use.

Film and television production and participation costs are expensed based on the ratio of the current period's gross revenues to estimated total gross revenues from all sources on an individual production basis. Television network and station rights for theatrical movies and other long-form programming are charged to expense primarily on accelerated bases related to the usage of the programs. Television network series costs and multi-year sports rights are charged to expense based on the ratio of the current period's gross revenues to estimated total gross revenues from such programs.

Estimates of total gross revenues can change significantly due to a variety of factors, including the level of market acceptance of film and television products, advertising rates and subscriber fees. Accordingly, revenue estimates are reviewed periodically and amortization is adjusted, if necessary. Such adjustments could have a material effect on results of operations in future periods. The net realizable value of television broadcast program licenses and rights is reviewed using a daypart methodology.

Parks, Resorts and Other Property Parks, resorts and other property are carried at cost. Depreciation is computed on the straight-line method based upon estimated useful lives ranging from three to fifty years.

Intangible and Other Assets Intangible assets are amortized over periods ranging from two to forty years. The company continually reviews the recoverability of the carrying value of these assets using the methodology prescribed in SFAS 121. The company also reviews long-lived assets and the related intangible assets for impairment whenever events or changes in circumstances indicate the carrying amounts of such assets may not be recoverable. Upon such an occurrence, recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate, to the carrying amount, including associated intangible assets, of such operation. If the operation is determined to be unable to recover the carrying amount of its assets, then intangible assets are written down first, followed by the other long-lived assets of the operation, to fair value. Fair value is determined based on discounted cash flows, appraised values or management's estimates, depending upon the nature of the assets.

Risk Management Contracts In the normal course of business, the company employs a variety of financial instruments to manage its exposure to fluctuations in interest, foreign currency exchange rates and investments in equity and debt securities, including interest rate and cross-currency swap agreements; forward, option and swaption contracts, and interest rate caps.

The company designates and assigns the financial instruments as hedges of forecasted transactions, specific assets, or specific liabilities. When hedged assets or liabilities are sold or extinguished or the forecasted transactions being hedged are no longer expected to occur, the company recognizes the gain or loss on the designated hedging financial instruments.

Option premiums and unrealized losses on forward contracts and the accrued differential for interest rate and cross-currency swaps to be received under the agreements are recorded in the balance sheet as other assets. Unrealized gains on forward contracts and the accrued differential for interest rate and cross-currency swaps to be paid under the agreements are included in accounts payable and other accrued liabilities. Realized gains and losses from hedges are classified in the income statement consistent with the accounting treatment of the items being hedged. The company accrues the differential for interest rate and cross-currency swaps to be paid or received under the agreements as interest and exchange rates shift as adjustments to net interest expense over the lives of the swaps. Gains and losses on the termination of effective swap agreements, prior to their original maturity, are deferred and amortized to net interest expense over the remaining term of the underlying hedged transactions.

Cash flows from hedges are classified in the Consolidated Statements of Cash Flows under the same category as the cash flows from the related assets, liabilities or forecasted transactions (see Notes 5 and 12).

Earnings Per Share The company presents both basic and diluted earnings per share (EPS) amounts. Basic EPS is calculated by dividing net income by the weighted average number of common shares outstanding during the year. Diluted EPS amounts are based upon the weighted average number of common and common equivalent shares outstanding during the year. Common equivalent shares are excluded from the computation in periods in which they have an anti-dilutive effect. The difference between basic and diluted EPS, for the company, is solely attributable to stock options. The company uses the treasury stock method to calculate the impact of outstanding stock options. Stock options for which the exercise price exceeds the average market price over the period have an anti-dilutive effect on EPS and, accordingly, are excluded from the calculation.

For the years ended September 30, 2001, 2000 and 1999, options for 81 million, 20 million and 28 million shares, respectively, were excluded from the diluted EPS calculation for Disney common stock because they were anti-dilutive.

Stock Options The company uses the intrinsic-value method of accounting for stock-based awards granted to employees and, accordingly, does not recognize compensation expense for its stock-based awards to employees in the Consolidated Statements of Income. See Note 9 for pro forma information on the impact of the fair-value method of accounting for stock options.

Reclassifications Certain reclassifications have been made in the 2000 and 1999 financial statements to conform to the 2001 presentation.

NOTE 2. ACQUISITIONS AND DISPOSITIONS

On March 20, 2001, the company converted all of its outstanding Internet Group common stock into Disney common stock, resulting in the issuance of approximately 8.6 million shares of Disney common stock. For the year ended September 30, 2001, as-reported earnings attributed to Disney common stock reflect approximately 72% of Internet Group losses from October 1, 2000 through January 28, 2001 (the last date prior to the announcement of the conversion), and 100% thereafter. In addition, the company has ceased the operations of the GO.com portal business, which resulted in restructuring and impairment charges of $878 million in the current year (see Note 14).

In November 1999, the company sold Fairchild Publications, which it had acquired as part of the 1996 acquisition of ABC, Inc., generating a pre-tax gain of $243 million.

The company's consolidated results of operations have incorporated Infoseek's activity, on a consolidated basis, from November 18, 1999, the date on which the company completed its acquisition of Infoseek, and the activity of Fairchild Publications through the date of its disposal. The unaudited pro forma information below presents combined results of operations as if the disposition of Fairchild Publications, the acquisition of Infoseek, the conversion of the Internet Group common stock into Disney common stock, the closure of the GO.com portal business and the adoption of the new film accounting rules (see Note 1) had occurred at the beginning of fiscal 2000, excluding the one-time impacts of those events. The pro forma amounts below for the prior year exclude charges for purchased in-process research and development costs of $23 million related to the Infoseek acquisition. The unaudited pro forma information is not necessarily indicative of the results of operations had these events actually occurred at the beginning of fiscal 2000, nor is it necessarily indicative of future results.

	Year Ended September 30, (unaudited)	
(in millions, except for per share data)	**2001**	2000
Revenues	**$25,256**	$25,356
Income before cumulative effect of accounting changes	**$ 1,157**	$ 1,540
Net income	**$ 879**	$ 1,540
Diluted earnings per share excluding cumulative effect of accounting changes	**$ 0.55**	$ 0.73
Diluted earnings per share including cumulative effect of accounting changes	**$ 0.42**	$ 0.73

The gain on the sale of Fairchild Publications is reported in the line "gain on sale of businesses" in the Consolidated Statements of Income. Also reported in this line item are pre-tax gains on the sales of Starwave Corporation in fiscal 1999 ($345 million), Eurosport and Ultraseek Corporation in fiscal 2000 ($93 million and $153 million, respectively) and Infoseek Japan K.K. in the current year ($22 million).

NOTE 3. INVESTMENT IN EURO DISNEY

Euro Disney operates the Disneyland Paris theme park and resort complex on a 4,800-acre site near Paris, France. The company accounts for its 39% ownership interest in Euro Disney using the equity method of accounting. As of September 30, 2001, the company's recorded investment in Euro Disney, including accounts and notes receivable, was $344 million.

In connection with the financial restructuring of Euro Disney in 1994, Euro Disney Associés S.N.C. (Disney SNC), a wholly-owned affiliate of the company, entered into a lease arrangement with a noncancelable term of 12 years related to substantially all of the Disneyland Paris theme park assets, and then entered into a 12-year sublease agreement with Euro Disney. Remaining lease rentals at September 30, 2001 of approximately $801 million receivable from Euro Disney under the sublease approximate the amounts payable by Disney SNC under the lease. At the conclusion of the sublease term, Euro Disney will have the option to assume Disney SNC's rights and obligations under the lease. If Euro Disney does not exercise its option, Disney SNC may purchase the assets, continue to lease the assets or elect to terminate the lease, in which case Disney SNC would make a termination payment to the lessor equal to 75% of the lessor's then outstanding debt related to the theme park assets, estimated to be $1.1 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.

Also, as part of the restructuring, the company agreed to arrange for the provision of a 10-year unsecured standby credit facility of approximately $152 million, upon request, bearing interest at the Paris Interbank Offered Rate (PIBOR). As of September 30, 2001, there were no amounts outstanding under this facility. However, it is expected that Euro Disney will draw on this line of credit during fiscal 2002. The company also agreed, as long as any of the restructured debt is outstanding, to maintain ownership of at least 25% of the outstanding common stock of Euro Disney through June 2004 and at least 16.67% for an additional term thereafter.

After a five-year waiver resulting from the restructuring, royalties and management fees from Euro Disney were partially reinstated beginning fiscal year 1999. As a result, the company earned approximately $28 million, $30 million and $33 million in royalties and management fees in fiscal year 2001, 2000 and 1999, respectively. Royalties are to be fully reinstated beginning in fiscal year 2004, with management fees progressively reinstated through fiscal year 2018.

In November 1999, Euro Disney stockholders approved an increase in share capital through an equity rights offering. The offering raised $238 million. The net proceeds were used to partially finance the construction of a second theme park, The Walt Disney Studios, adjacent to the Disneyland Paris theme park. The company subscribed to approximately $91 million of the equity rights offering, maintaining its 39% interest in Euro Disney. The Walt Disney Studios is expected to open in March 2002.

NOTE 4. FILM AND TELEVISION COSTS

	2001	2000
Theatrical film costs		
Released, less amortization	**$2,324**	$ 2,571
Completed, not released	**445**	274
In-process	**1,103**	1,225
In development or pre-production	**143**	145
	4,015	4,215
Television costs		
Released, less amortization	**649**	682
Completed, not released	**62**	42
In-process	**407**	328
In development or pre-production	**41**	33
	1,159	1,085
Television broadcast rights	**1,236**	1,201
	6,410	6,501
Less current portion	**1,175**	1,162
Non-current portion	**$5,235**	$ 5,339

Based on management's total gross revenue estimates as of September 30, 2001, approximately 54% of completed and unamortized film, television costs and television broadcast rights (excluding amounts allocated to acquired film libraries) are expected to be amortized during fiscal 2002, and approximately 80% during the next three years. As of September 30, 2001, the company estimated that approximately $154 million of accrued participation liabilities will be payable in fiscal year 2002.

NOTE 5. BORROWINGS

The company's borrowings at September 30, 2001 and 2000, including interest rate swaps designated as hedges, are summarized below.

	2001					
			Interest rate and cross-currency swaps[f]			
	Balance	Stated Interest Rate[e]	Pay Float	Pay Fixed	Effective Interest Rate[g]	Swap Maturities
Commercial paper due 2002[a]	**$ 754**	**3.9%**	**$ —**	**$700**	**5.6%**	**2002–2004**
U.S. dollar notes and debentures due 2002–2093[h] [i]	**8,921**	**5.9%**	**4,227**	**—**	**4.8%**	**2002–2021**
Dual currency and foreign notes due 2003[c]	**42**	**14.0%**	**42**	**—**	**3.5%**	**2003**
Other due 2002–2027	**52**	**4.3%**	**—**	**—**	**n/a**	**n/a**
	9,769	**5.8%**				
Less current portion	**829**					
Total long-term borrowings	**$8,940**		**$4,269**	**$700**		

	2000					
			Interest rate and cross-currency swaps[f]			
	Balance	Stated Interest Rate[e]	Pay Float	Pay Fixed	Effective Interest Rate[g]	Swap Maturities
Commercial paper due 2001[a]	$ 940	6.5%	$ —	$900	5.5%	2001–2002
U.S. dollar notes and debentures due 2001–2093[b] [h]	7,578	6.4%	3,472	—	6.8%	2001–2030
Dual currency and foreign notes due 2001–2003[c]	146	6.9%	146	—	6.5%	2001–2003
Senior participating notes due 2001[d]	469	4.2%	—	—	n/a	n/a
Other due 2001–2027	328	6.4%	—	—	n/a	n/a
	9,461	6.3%	—	—		
Less current portion	2,502		—	—		
Total long-term borrowings	$6,959		$3,618	$900		

[a] As of September 30, 2001, the company has established bank facilities totaling $4.5 billion, which expire in one to four years. Under the bank facilities, the company has the option to borrow at various interest rates. Commercial paper is classified as long-term since the company intends to refinance these borrowings on a long-term basis through continued commercial paper borrowings supported by available bank facilities.
[b] Includes $571 million in 2000 of minority interest in a real estate investment trust established by the company.
[c] Amounts at September 30, 2001 are denominated in South African rands. Amounts at September 30, 2000 are denominated in Swiss francs and South African rands.
[d] Additional interest was paid based on the performance of designated portfolios of films. The effective interest rate was 6.5% at September 30, 2000.
[e] The stated interest rate represents the weighted-average coupon rate for each category of borrowings. For floating rate borrowings, interest rates are based upon the rates at September 30, 2001 and 2000; these rates are not necessarily an indication of future interest rates.
[f] Amounts represent notional values of interest rate swaps.
[g] The effective interest rate reflects the effect of interest rate and cross-currency swaps entered into with respect to certain of these borrowings as indicated in the "Pay Float" and "Pay Fixed" columns.
[h] Includes $102 million in 2001 and 2000 of mandatorily redeemable preferred stock maturing in 2004.
[i] Includes a $230 million write-up in 2001 due to market value adjustments for debt with qualifying hedges that are recorded as assets on the balance sheet.

Borrowings, excluding market value adjustments and commercial paper have the following scheduled maturities:

2002	$ 829
2003	760
2004	2,657
2005	845
2006	1,522
Thereafter	2,172
	$8,785

The company capitalizes interest on assets constructed for its parks, resorts and other property, and on theatrical and television productions in process. In 2001, 2000 and 1999, respectively, total interest costs incurred were $606 million, $702 million and $826 million, of which $94 million, $132 million and $109 million were capitalized.

NOTE 6. INCOME TAXES

	2001	2000	1999
Income Before Income Taxes, Minority Interests and the Cumulative Effect of Accounting Changes			
Domestic (including U.S. exports)	**$1,076**	$2,509	$2,288
Foreign subsidiaries	**207**	124	115
	$1,283	$2,633	$2,403
Income Tax Provision			
Current			
Federal	**$ 721**	$ 977	$ 715
State	**82**	182	140
Foreign (including withholding)	**198**	177	174
	1,001	1,336	1,029
Deferred			
Federal	**(8)**	247	(21)
State	**66**	23	6
	58	270	(15)
	$1,059	$1,606	$1,014

Components of Deferred Tax Assets and Liabilities	2001	2000
Deferred tax assets		
Accrued liabilities	**$(1,087)**	$ (990)
Foreign subsidiaries	**(156)**	(149)
Loss and credit carryforwards	**(195)**	(117)
Total deferred tax assets	**(1,438)**	(1,256)
Deferred tax liabilities		
Depreciable, amortizable and other property	**2,663**	2,541
Licensing revenues	**115**	132
Leveraged leases	**316**	323
Investment in Euro Disney	**232**	207
Other, net	**166**	209
Total deferred tax liabilities	**3,492**	3,412
Net deferred tax liability before valuation allowance	**2,054**	2,156
Valuation allowance	**54**	54
Net deferred tax liability	**$ 2,108**	$ 2,210

Reconciliation of Effective Income Tax Rate	2001	2000	1999
Federal income tax rate	**35.0%**	35.0%	35.0%
Nondeductible amortization of intangible assets	**18.1**	14.8	5.8
State taxes, net of federal income tax benefit	**7.5**	5.1	4.0
Dispositions	**1.4**	7.5	—
Impairment of intangible assets	**20.6**	—	—
Foreign sales corporation	**(1.9)**	(1.2)	(1.3)
Other, net	**1.8**	(0.2)	(1.3)
	82.5%	61.0%	42.2%

Deferred tax assets at September 30, 2001 and 2000 were reduced by a valuation allowance relating to a portion of the tax benefits attributable to certain net operating losses (NOLs) reflected on state tax returns of Infoseek and its subsidiaries for periods prior to the Infoseek acquisition on November 18, 1999 (see Note 2), where applicable state tax laws limit the utilization of such NOLs. Since the valuation allowance relates to acquired deferred tax assets, the subsequent realization of these tax benefits would result in the application of the allowance amount as a reduction to goodwill.

At September 30, 2001, approximately $191 million of foreign tax credit carryforwards was available as credits against future income taxes. Foreign tax credit carryforwards will expire between the years 2003 and 2006.

In 2001, 2000 and 1999, income tax benefits attributable to employee stock option transactions of $48 million, $197 million and $96 million, respectively, were allocated to stockholders' equity.

NOTE 7. PENSION AND OTHER BENEFIT PROGRAMS

The company maintains pension and postretirement medical benefit plans covering most of its domestic employees not covered by union or industry-wide plans. Employees hired after January 1, 1994 are not eligible for postretirement medical benefits. With respect to its qualified defined benefit pension plans, the company's policy is to fund, at a minimum, the amount necessary on an actuarial basis to provide for benefits in accordance with the requirements of the Employee Retirement Income Security Act of 1974. Pension benefits are generally based on years of service and/or compensation.

The following chart summarizes the balance sheet impact, as well as the benefit obligations, assets, funded status and rate assumptions associated with the pension and postretirement medical benefit plans.

	Pension Plans		Postretirement Benefit Plans	
	2001	2000	**2001**	2000
Reconciliation of funded status of the plans and the amounts included in the company's Consolidated Balance Sheets:				
Projected benefit obligations				
Beginning obligations	**$(1,825)**	$(1,779)	**$(413)**	$(291)
Service cost	**(90)**	(87)	**(13)**	(10)
Interest cost	**(143)**	(131)	**(33)**	(21)
Amendments	**(10)**	—	**—**	(24)
Actuarial gains (losses)	**(146)**	89	**(139)**	(80)
Benefits paid	**83**	78	**13**	13
Curtailment gains	**—**	5	**—**	—
Ending obligations	**$(2,131)**	$(1,825)	**$(585)**	$(413)
Fair value of plans' assets				
Beginning fair value	**$ 2,773**	$ 2,211	**$ 256**	$ 203
Actual return on plans' assets	**(230)**	674	**(23)**	58
Employer contributions	**7**	5	**9**	8
Participants' contributions	**2**	1	**—**	—
Benefits paid	**(83)**	(78)	**(13)**	(13)
Expenses	**(19)**	(40)	**—**	—
Ending fair value	**$ 2,450**	$ 2,773	**$ 229**	$ 256
Funded status of the plans	**$ 319**	$ 948	**$(356)**	$(157)
Unrecognized net (gain) loss	**(129)**	(779)	**145**	(38)
Unrecognized prior service cost	**11**	1	**4**	5
Net balance sheet asset (liability)	**$ 201**	$ 170	**$(207)**	$(190)
Amounts recognized in the balance sheet consist of:				
Prepaid benefit cost	**$ 357**	$ 310	**$ 34**	$ 31
Accrued benefit liability	**(156)**	(140)	**(241)**	(221)
	$ 201	$ 170	**$(207)**	$(190)
Rate Assumptions:				
Discount rate	**7.5%**	8.0%	**7.5%**	8.0%
Rate of return on plans' assets	**9.5%**	10.0%	**9.5%**	10.0%
Salary increases	**5.0%**	5.5%	**n/a**	n/a
Annual increase in cost of benefits	**n/a**	n/a	**10.0%**	7.5%

The projected benefit obligations, accumulated benefit obligations and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $151 million, $119 million and $0 for 2001, respectively, and $126 million, $94 million and $0 for 2000, respectively.

The accumulated postretirement benefit obligations and fair value of plan assets for postretirement plans with accumulated postretirement benefit obligations in excess of plan assets were $441 million and $79 million for 2001, respectively, and $319 million and $90 million for 2000, respectively.

Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement medical benefit plans. A one percentage point decrease in the assumed health care cost trend rates would reduce total service and interest costs and postretirement benefit obligations by $13 million and $98 million, respectively. A one percentage point increase in the assumed health care cost trend rates would increase total service and interest costs and post retirement benefit obligations by $18 million and $129 million, respectively. The annual increase in cost of postretirement benefits is assumed to decrease 1.0 percentage point per year for 5 years until reaching 5.0%.

The company's accumulated pension benefit obligations at September 30, 2001 and 2000 were $1.9 billion and $1.6 billion, respectively, of which 97.7% were vested. In addition, the company contributes to various pension plans under union and industry-wide agreements.

The income statement expenses (credits) of pension plans for 2001, 2000 and 1999 totaled $(24) million, $(3) million and $11 million, respectively. The discount rate, rate of return on plan assets and salary increase assumptions for the pension plans were 7.5%, 10.5% and 5.1%, respectively, in 1999. The income statement expense for postretirement benefit plans for 2001, 2000 and 1999 were $26 million, $6 million and $10 million, respectively. The discount rate, rate of return on plan assets and annual increase in cost of postretirement benefits assumptions were 7.5%, 10.5% and 6.1%, respectively, in 1999.

The market values of the company's shares held by the pension plan master trust as of September 30, 2001 and 2000 were $52 million and $107 million, respectively.

For eligible employees, the company has savings and investment plans which allow eligible employees to allocate up to 10% or 15% of salary through payroll deductions depending on the plan in which the employee participates. The company matches 50% of the employee's pre-tax contributions, up to plan limits. In 2001, 2000 and 1999, the costs of these plans were $32 million, $30 million and $29 million, respectively.

NOTE 8. STOCKHOLDERS' EQUITY

On March 20, 2001, the company converted all of its outstanding Internet Group common stock into Disney common stock, resulting in the issuance of approximately 8.6 million shares of Disney common stock.

For the year, the company repurchased a total of 63.9 million shares of Disney common stock for approximately $1.1 billion. Under its share repurchase program, the company was authorized to repurchase approximately 330 million additional Disney shares as of September 30, 2001. Also pursuant to its share repurchase program, the company repurchased a total of 1.8 million Internet Group shares for approximately $10 million during 2001.

In December 1999, the company established the TWDC Stock Compensation Fund II (Fund II) pursuant to the repurchase program to acquire shares of both Disney and Internet Group common stock for the purpose of funding certain future stock-based compensation. Any shares acquired by Fund II that are not utilized must be disposed of by December 31, 2002. In 1996, the company established the TWDC Stock Compensation Fund (Fund) pursuant to the repurchase program to acquire shares of company common stock for the purpose of funding certain stock-based compensation. All shares acquired by the Fund were disposed of and the Fund was dissolved in April 1999.

On November 27, 2001, the Board of Directors declared a cash dividend of $0.21 per share applicable to fiscal 2001. The dividend is payable December 21, 2001 to stockholders at the close of business December 7, 2001. The company paid a $434 million dividend ($0.21 per Disney share) during the first quarter of fiscal 2000 applicable to fiscal 1999 and paid a $438 million dividend ($0.21 per Disney share) during the first quarter of the current year applicable to fiscal 2000.

NOTE 9. STOCK INCENTIVE PLANS

Under various plans, the company may grant stock options and other awards to key executive, management and creative personnel at exercise prices equal to or exceeding the market price at the date of grant. In general, options for common stock become exercisable over a five-year period from the grant date and expire 10 years after the date of grant. In certain cases for senior executives, options become exercisable over periods up to 10 years and expire up to 15 years after date of grant. Shares available for future option grants at September 30, 2001, totaled 124 million.

On November 26, 2000, one of the company's stock incentive plans expired, reducing the number of Disney shares available for future option grants by 21 million.

The following table summarizes information about stock option transactions, including the conversion of all the DIG shares into DIS shares effective March 2001 (shares in millions):

	2001		2000		1999	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	**162**	**$ 27.24**	159	$24.29	163	$21.70
Awards canceled	**(13)**	**8.35**	(18)	29.56	(9)	27.35
Awards granted	**43**	**29.71**	49	32.92	20	32.97
Awards exercised	**(9)**	**18.72**	(28)	18.94	(15)	13.92
Options converted[(1)]	**5**	**102.61**	—	—	—	—
Outstanding at September 30	**188**	**$ 29.54**	162	$27.24	159	$24.29
Exercisable at September 30	**66**	**$ 25.64**	51	$21.22	57	$19.01

[(1)] Represents conversion of all outstanding DIG options that were converted into options to purchase DIS options on March 20, 2001 (See Note 2).

The following table summarizes information about stock options outstanding at September 30, 2001 (shares in millions):

	Outstanding			Exercisable	
Range of Exercise Prices	Number of Options	Weighted Average Remaining Years of Contractual Life	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$10–$ 14	**6**	**2.1**	**$ 13.65**	**6**	**$ 13.65**
$15–$ 19	**14**	**3.3**	**18.26**	**12**	**18.33**
$20–$ 24	**38**	**5.3**	**21.52**	**22**	**21.60**
$25–$ 29	**34**	**7.5**	**27.10**	**11**	**26.88**
$30–$ 34	**69**	**8.7**	**31.55**	**8**	**32.94**
$35–$ 39	**13**	**6.9**	**37.31**	**5**	**37.52**
$40–$ 44	**11**	**9.0**	**40.98**	**1**	**40.50**
$45–$395	**3**	**8.0**	**113.05**	**1**	**117.84**
	188			**66**	

The following table reflects pro forma net income (loss) and earnings (loss) per share had the company elected to adopt the fair value approach of Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation.*

(in millions, except for per share data)	**2001**	2000	1999
Attributed net income (loss):			
As reported	**$ (41)**	$1,196	$1,300
Pro forma	**(325)**	958	1,169
Diluted earnings (loss) per share attributed to Disney common stock:			
As reported	**(0.02)**	0.57	0.62
Pro forma	**(0.15)**	0.46	0.56

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 weighted average fair values of options at their grant date during 2001, 2000 and 1999, where the exercise price equaled the market price on the grant date, were $10.25, $12.49 and $11.11, respectively. The estimated fair value of each Disney option granted is calculated using the Black-Scholes option-pricing model. The weighted average assumptions used in the model were as follows:

	2001	2000	1999
Risk-free interest rate	**5.0%**	6.5%	5.3%
Expected years until exercise	**6.0**	6.0	6.0
Expected stock volatility	**27%**	26%	25%
Dividend yield	**.70%**	.59%	.69%

NOTE 10. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS

	2001	2000
Current receivables		
Accounts receivable	**$ 3,144**	$ 3,416
Income taxes receivable	**122**	94
Other	**282**	295
Allowance for doubtful accounts	**(205)**	(206)
	$ 3,343	$ 3,599
Other current assets		
Prepaid expenses	**$ 444**	$ 493
Other	**156**	142
	$ 600	$ 635
Intangible assets		
Cost in excess of net assets acquired	**$14,073**	$15,746
Trademarks	**1,102**	1,112
FCC licenses	**1,100**	1,100
Other	**1,117**	1,080
Accumulated amortization	**(2,852)**	(2,921)
	$14,540	$16,117
Accounts payable and other accrued liabilities		
Accounts payable	**$ 3,822**	$ 4,278
Payroll and employee benefits	**710**	778
Other	**71**	105
	$ 4,603	$ 5,161

NOTE 11. SEGMENTS

The company is in the leisure and entertainment business and has operations in four major segments: Media Networks, Parks & Resorts, Studio Entertainment and Consumer Products, as described in Note 1. The company has changed the reporting structure of the various components of its Internet operations and as a result, the Internet Group is no longer reported as a separate segment. The ESPN, ABC, Disney and family-branded Internet Web sites are reported in the Media Networks segment and DisneyVacations.com is reported in the Parks & Resorts segment. Also during the year, the Disney Store Catalog and the Disney Store Online were reassigned from the Internet Group to Consumer Products. Prior-year amounts have been reclassified to reflect the current year presentation.

The operating segments reported below are the segments of the company for which separate financial information is available and for which operating results are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance. The accounting policies of the business segments are the same as those described in the summary of significant accounting policies.

Segment operating results evaluated include earnings before corporate and unallocated shared expenses, amortization of intangible assets, gain on sale of businesses, net interest expense and other, equity in the income of investees, restructuring and impairment charges, income taxes and minority interests. Corporate and unallocated shared expenses principally consist of executive management and certain unallocated administrative support functions.

The following segment results include allocations of certain costs, including certain information technology costs, pension, legal and other shared services, which are allocated based on consumption. In addition, while all significant intersegment transactions have been eliminated, Studio Entertainment revenues and operating income include an allocation of Consumer Products revenues, which is meant to reflect a portion of Consumer Products revenues attributable to certain film properties. These allocations are agreed-upon amounts between the businesses and may differ from amounts that would be negotiated in an arm's-length transaction.

Business Segments	2001	2000	1999
Revenues			
Media Networks	**$ 9,569**	$ 9,836	$ 8,012
Parks & Resorts	**7,004**	6,809	6,141
Studio Entertainment			
Third parties	**6,049**	5,930	6,100
Intersegment	**57**	81	76
	6,106	6,011	6,176
Consumer Products			
Third parties	**2,647**	2,843	3,202
Intersegment	**(57)**	(81)	(76)
	2,590	2,762	3,126
Total consolidated revenues	**$25,269**	$25,418	$23,455
Segment operating income			
Media Networks	**$ 1,758**	$ 1,985	$ 1,512
Parks & Resorts	**1,586**	1,615	1,494
Studio Entertainment	**260**	126	162
Consumer Products	**401**	386	592
Total segment operating income	**$ 4,005**	$ 4,112	$ 3,760
Segment operating income	**$ 4,005**	$ 4,112	$ 3,760
Corporate and unallocated shared expenses	**(406)**	(354)	(335)
Amortization of intangible assets	**(767)**	(1,233)	(456)
Gain on sale of businesses	**22**	489	345
Net interest expense and other	**(417)**	(497)	(612)
Equity in the income of investees	**300**	208	(127)
Restructuring and impairment charges	**(1,454)**	(92)	(172)
Income before income taxes, minority interests and the cumulative effect of accounting changes	**$ 1,283**	$ 2,633	$ 2,403
Capital expenditures			
Media Networks	**$ 207**	$ 249	$ 168
Parks & Resorts	**1,278**	1,524	1,699
Studio Entertainment	**36**	50	51
Consumer Products	**70**	73	114
Corporate	**204**	117	102
Total consolidated capital expenditures	**$ 1,795**	$ 2,013	$ 2,134
Depreciation expense			
Media Networks	**$ 176**	$ 169	$ 135
Parks & Resorts	**604**	582	498
Studio Entertainment	**47**	54	64
Consumer Products	**90**	109	128
Corporate	**70**	48	26
Total consolidated depreciation expense	**$ 987**	$ 962	$ 851

Business Segments (continued)	**2001**	2000	1999
Amortization expense			
Media Networks	**$ 748**	$ 1,209	$ 428
Parks & Resorts	**15**	21	21
Studio Entertainment	**3**	1	1
Consumer Products	**1**	2	6
Total consolidated amortization expense	**$ 767**	$ 1,233	$ 456
Identifiable assets			
Media Networks[1]	**$20,357**	$21,932	
Parks & Resorts[1]	**11,369**	10,884	
Studio Entertainment	**6,614**	7,298	
Consumer Products	**1,041**	1,173	
Corporate[2]	**4,318**	3,740	
Total Consolidated Assets	**$43,699**	$45,027	
Supplemental revenue data			
Media Networks			
Advertising	**$ 5,988**	$ 6,637	$ 5,486
Parks & Resorts			
Merchandise, food and beverage	**2,046**	2,094	1,860
Admissions	**2,050**	2,006	1,878

Geographic Segments			
Revenues			
United States and Canada	**$20,970**	$21,113	$19,243
Europe	**2,612**	2,756	2,587
Asia Pacific	**1,237**	1,154	1,235
Latin America and Other	**450**	395	390
	$25,269	$25,418	$23,455
Segment operating income			
United States and Canada	**$ 3,045**	$ 3,332	$ 2,934
Europe	**533**	471	409
Asia Pacific	**437**	320	383
Latin America and Other	**(10)**	(11)	34
	$ 4,005	$ 4,112	$ 3,760
Identifiable assets			
United States and Canada	**$41,850**	$43,083	
Europe	**1,428**	1,545	
Asia Pacific	**292**	281	
Latin America and Other	**129**	118	
	$43,699	$45,027	

[1] Identifiable assets include amounts associated with equity method investments as follows:

Media Networks	**$ 792**	$ 759
Parks & Resorts	**357**	344

[2] Primarily deferred tax assets, other investments, fixed and other assets

NOTE 12. FINANCIAL INSTRUMENTS

Investments As of September 30, 2001 and 2000, the company held $92 million and $330 million, respectively, of securities classified as available-for-sale. As of September 30, 2001 and September 30, 2000, the company also held $756 million and $796 million, respectively, of non-public cost method investments. Realized gains and losses are determined principally on an average cost basis. In 2001, 2000 and 1999, the company recognized $87 million, $41 million and $70 million, respectively, in net gains on sales of securities.

In addition, in 2001 and 2000, the company recorded non-cash charges of $241 million and $37 million, respectively, to reflect other-than-temporary losses in value of certain investments. In 2001, 2000 and 1999, unrealized gains and losses on available-for-sale securities were not material.

During 2001 and 2000, the company hedged certain investment holdings using forward sale contracts. The contracts, with notional amounts totaling $530 million and $663 million in 2001 and 2000, respectively, expire in three years.

Interest Rate Risk Management The company is exposed to the impact of interest rate changes. The company's objective is to manage the impact of interest rate changes on earnings and cash flows and on the market value of its investments and borrowings. The company maintains fixed rate debt as a percentage of its net debt between a minimum and maximum percentage, which is set by policy.

Significant interest rate risk management instruments held by the company during 2001 and 2000 included pay-floating and pay-fixed swaps. Pay-floating swaps effectively convert medium and long-term obligations to LIBOR rate indexed variable rate instruments. These swap agreements expire in one to 20 years. Pay-fixed swaps effectively convert floating rate obligations to fixed rate instruments. The pay-fixed swaps expire in one to three years. In addition to the $700 million of pay-fixed swaps disclosed in Note 5, as of September 30, 2001, the company held $500 million of pay-fixed swaps that were de-designated as hedges. As of September 30, 2000, the company held $186 million of pay-floating swaps and $786 million of pay-fixed swaps that were de-designated as hedges. The change in market values related to these swaps from the time they were de-designated as hedges, has been included in earnings.

The impact of interest rate risk management activities on income in 2001, 2000 and 1999 was not material. The amount of deferred gains and losses from interest rate risk management transactions at September 30, 2001 was not material.

Foreign Exchange Risk Management The company transacts business globally and is subject to risks associated with changing foreign exchange rates. The company's objective is to reduce earnings and cash flow volatility associated with foreign exchange rate changes to allow management to focus attention on core business issues and challenges. By policy, the company maintains hedge coverage between minimum and maximum percentages of its forecasted foreign exchange exposures for periods not to exceed five years. The gains and losses on these contracts offset changes in the value of the related exposures.

It is the company's policy to enter into foreign currency transactions only to the extent considered necessary to meet its objectives as stated above. The company does not enter into foreign currency transactions for speculative purposes.

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 forecasted foreign currency revenues. The company uses option strategies and forward contracts that provide for the sale of foreign currencies to hedge forecasted revenues. The company also uses forward contracts to hedge foreign currency assets and liabilities. While these hedging instruments are subject to fluctuations in value, such fluctuations are offset by changes in the value of the underlying exposures being hedged. The principal currencies hedged are the European euro, British pound, Japanese yen and Canadian dollar. Cross-currency swaps are used to hedge foreign currency-denominated borrowings.

Gains and losses on contracts hedging forecasted foreign currency revenues are recorded to AOCI, and reclassified to current earnings when such revenues are recognized, and offset changes in the value of the foreign currency revenues. At September 30, 2001 and 2000, the company had deferred gains of $91 million and $24 million, respectively, and deferred losses of $24 million and $7 million, respectively, related to foreign currency hedge transactions. Deferred amounts to be recognized can change with market conditions and will be substantially offset by changes in the value of the related hedged transactions. The impact of foreign exchange risk management activities on operating income in 2001 and in 2000 was a net gain of $142 million and $195 million, respectively.

Fair Value of Financial Instruments At September 30, 2001 and 2000, the company's financial instruments included cash, cash equivalents, investments, receivables, accounts payable, borrowings and interest rate, forward and foreign exchange risk management contracts.

At September 30, 2001 and 2000, the fair values of cash and cash equivalents, receivables and accounts payable approximated carrying values because of the short-term nature of these instruments. The estimated fair values of other financial instruments subject to fair value disclosures, determined based on broker quotes or quoted market prices or rates for the same or similar instruments, and the related carrying amounts are as follows:

	2001		2000	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Investments	**$ 405**	**$ 621**	$ 732	$ 989
Borrowings	**$(9,769)**	**$(9,991)**	$(8,890)	$(8,760)
Risk management contracts:				
Foreign exchange forwards	**$ 65**	**$ 65**	$ 16	$ 22
Foreign exchange options	**20**	**20**	27	39
Interest rate swaps	**240**	**240**	2	(83)
Forward sale contracts	**(3)**	**(3)**	—	41
Cross-currency swaps	**(20)**	**(20)**	5	(45)
	$ 302	**$ 302**	$ 50	$ (26)

Credit Concentrations The company continually monitors its positions with, and the credit quality of, the financial institutions that are counterparties to its financial instruments, and does not anticipate nonperformance by the counterparties. The company would not realize a material loss as of September 30, 2001 in the event of nonperformance by any one counterparty. The company enters into transactions only with financial institution counterparties that have a credit rating of A- or better. The company's current policy regarding agreements with financial institution counterparties is generally to require collateral in the event credit ratings fall below A- or in the event aggregate exposures exceed limits as defined by contract. In addition, the company limits the amount of investment credit exposure with any one institution.

The company's trade receivables and investments do not represent a significant concentration of credit risk at September 30, 2001 due to the wide variety of customers and markets into which the company's products are sold, their dispersion across many geographic areas, and the diversification of the company's portfolio among instruments and issuers.

NOTE 13. COMMITMENTS AND CONTINGENCIES

The company has various contractual commitments, including certain guarantees, which are primarily for the purchase of broadcast rights for various feature films, sports and other programming aggregating approximately $13.4 billion as of September 30, 2001, including approximately $10.1 billion related to sports programming rights, primarily NFL, College Football and MLB. This amount is substantially payable over the next five years.

The company has various real estate operating leases, including retail outlets and distribution centers for consumer products and office space for general and administrative purposes. Future minimum lease payments under these non-cancelable operating leases totaled $1.8 billion at September 30, 2001, payable as follows (in millions):

2002	$239
2003	217
2004	190
2005	156
2006	184
Thereafter	786

Rental expense for the above operating leases during 2001, 2000 and 1999, including common-area maintenance and contingent rentals, was $420 million, $482 million and $385 million, respectively.

The company, together with, in some instances, certain of its directors and officers, is a defendant or co-defendant in various legal actions involving copyright, breach of contract and various other claims incident to the conduct of its businesses.

All Pro Sports Camps, Inc., Nicholas Stracick and Edward Russell v. Walt Disney Company, Walt Disney World Co., Disney Development Company and Steven B. Wilson. On January 8, 1997, the plaintiff entity and two of its principals or former principals filed a lawsuit against the company, two of its subsidiaries and a former employee in the Circuit Court for Orange County, Florida. The plaintiffs asserted that the defendants had misappropriated from them the concept used for the Disney's Wide World of Sports complex at the Walt Disney World Resort. On August 11, 2000, a jury returned a verdict against the company and its two subsidiaries in the amount of $240 million. Subsequently, the Court awarded plaintiffs an additional $100.00 in exemplary damages based on particular findings by the jury. The company has filed an appeal from the judgment and believes that there are substantial grounds for complete reversal or reduction of the verdict.

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

NOTE 14. RESTRUCTURING AND IMPAIRMENT CHARGES

The company recorded restructuring and impairment charges for the years ended September 30, 2001, 2000 and 1999 summarized as follows:

(in millions)	Year Ended September 30, 2001	2000	1999
GO.com intangible assets impairment	**$ 820**	$—	$ —
GO.com severance, fixed asset write-offs and other	**58**	—	—
Investment impairments	**254**	61	—
Workforce reduction and other	**111**	—	132
Chicago DisneyQuest closure	**94**	—	—
Asset impairment	**63**	31	40
Disney Store closures	**54**	—	—
Total restructuring and impairment charges	**$1,454**	$92	$172

In 2001, the company recorded restructuring and impairment charges totaling $1.45 billion. The GO.com charge is for the closure of the GO.com portal business and includes a non-cash write-off of intangible assets totaling $820 million (see Note 2). The investment impairment charge is for other-than-temporary declines in the fair value of certain Internet investments. The workforce reduction charges are primarily for severance costs and are discussed more fully below. The DisneyQuest and Disney Store closure charges are for the closure of the Chicago facility and approximately 100 Disney Stores and includes the write-down of fixed assets and leasehold improvements, leasehold termination costs, severance and other related closure costs. The asset impairment charge is for certain long-lived assets, primarily at the Disney Store and Disney Catalog. These assets were evaluated for impairment under a held for use model due to declining cash flows. Fair value was generally determined based on discounted cash flows.

During the third quarter of fiscal 2001, the company initiated a plan to eliminate 4,000 full-time jobs through a combination of voluntary and involuntary reductions. The reduction affected employees in all business units and geographic regions. The $111 million of costs associated with the workforce reduction consist primarily of severance costs and write-offs of idled facilities. As of September 30, 2001, the company had substantially completed its workforce reductions and paid termination benefits totaling $92 million.

As of September 30, 2001, approximately $118 million of the restructuring and impairment charges remained as an accrued liability on the balance sheet, of which $19 million related to the workforce reduction and $21 million is from prior-year restructuring charges. The majority of this amount is expected to be paid in fiscal 2002.

In 2000, impairment charges amounted to $92 million, primarily related to write-downs of certain Internet investments and an asset impairment write-down at toysmart.com in connection with its closure.

In 1999, the company recorded restructuring and impairment charges totaling $172 million. The charges included $132 million for severance and other charges and $40 million for long-lived asset impairments. The restructuring charges included severance and lease and other contract cancellation costs, primarily related to the consolidation of operations in the company's broadcasting, television production and regional entertainment businesses as well as non-cash charges for write-downs of underutilized assets.

NOTE 15. SUBSEQUENT EVENT

On October 24, 2001, the company acquired 100% of the outstanding common stock of Fox Family Worldwide, Inc. ("FFW") for $5.2 billion, including $2.9 billion in cash, plus the assumption of $2.3 billion in debt and preferred stock. Upon the closing of the acquisition, the company changed FFW's name to ABC Family Worldwide, Inc. Among the businesses acquired was the Fox Family Channel which has been changed to the ABC Family Channel, a programming service that currently reaches approximately 81 million cable and satellite television subscribers throughout the U.S.; a 76% interest in Fox Kids Europe, a Dutch public subsidiary that reaches more than 24 million subscribers across Europe; Fox Kids channel in Latin America and the Saban library and entertainment production businesses. Under the terms of the agreement, the Fox Kid's Network, a block of children's programming broadcasted primarily by Fox-affiliated TV stations, and ongoing rights to use the "Fox" name (other than certain transitional rights) were not included in the acquired operations. Also in connection with the acquisition, the company acquired programming commitments totaling approximately $1 billion, including approximately $675 million for certain MLB games through 2006.

The company's motivation for the acquisition was to increase shareholder value. The company believes that it can reach this objective by improving the programming of acquired cable channels through the use of new strategies, including repurposing the programming of the ABC Television Network, and by reducing operating costs through consolidation.

The acquisition of FFW is being accounted for as a purchase, in accordance with SFAS 141. The company is in the process of identifying and valuing the intangible assets of FFW by reporting unit. The allocation of the purchase price has not yet been completed.

The following table summarizes FFW's carrying amounts for assets acquired and liabilities assumed as of September 30, 2001, without adjustments for the company's purchase accounting (in millions, unaudited).

Cash	$ 87
Receivables	269
Programming costs	657
Other assets	82
Total assets acquired	1,095
Accounts payable and accrued liabilities	(482)
Borrowings and preferred stock	(2,230)
Minority interest	(49)
	$(1,666)

QUARTERLY FINANCIAL SUMMARY

(unaudited, in millions, except per share data)	December 31	March 31	June 30	September 30
2001[1][2]				
Revenues	**$7,433**	**$6,049**	**$5,975**	**$5,812**
Segment operating income	**1,231**	**1,025**	**1,122**	**627**
Net income (loss)	**242**	**(567)**	**392**	**53**
Earnings (loss) per share attributed to:				
Disney				
Diluted	**$ 0.16**	**$ (0.26)**	**$ 0.19**	**$ 0.03**
Basic	**0.16**	**(0.26)**	**0.19**	**0.03**
Internet Group (basic and diluted)	**(2.29)**	**(0.45)**	**n/a**	**n/a**
2000[3][4][5]				
Revenues	$6,940	$6,307	$6,053	$6,118
Segment operating income	1,147	859	1,200	906
Net income	315	77	361	167
Earnings (loss) per share attributed to:[4]				
Disney				
Diluted	$ 0.17	$ 0.08	$ 0.21	$ 0.11
Basic	0.17	0.08	0.21	0.12
Internet Group (basic and diluted)	(0.95)	(1.87)	(1.75)	(1.61)

[1] Net income does not reflect one-time after-tax charges for the adoption of SOP 00-2 (Film Accounting) totaling $228 million ($0.11 per share) and SFAS 133 (Derivative Accounting) totaling $50 million ($0.02 per share), respectively, in the first quarter of 2001. See Note 1 to the Consolidated Financial Statements.

[2] Reflects restructuring and impairment charges of $194 million, $996 million, $138 million and $126 million in the first, second, third and fourth quarter of 2001, respectively. The earnings per Disney share impact of the charges were $0.00, $0.44, $0.04 and $0.04, respectively. See Note 14 to the Consolidated Financial Statements.

[3] Reflects a $243 million pre-tax gain on the sale of Fairchild Publications in the first quarter of 2000. There was no earnings per Disney share impact, as the income taxes on the transaction largely offset the pre-tax gain.

[4] Reflects a $93 million pre-tax gain on the sale of the company's interest in Eurosport, a European sports cable service, in the third quarter of 2000. The earnings per Disney share impact of the gain was $0.02.

[5] Reflects a $153 million pre-tax gain on the sale of Ultraseek Corporation in the fourth quarter of 2000. The earnings per Disney share impact was $0.01.

(In millions, except per share data)	**2001**	2000	1999	1998	1997
Statements of income					
Revenues	**$25,269**	$25,418	$23,455	$22,999	$22,490
Income before the cumulative effect of accounting changes	**120**	920	1,300	1,850	1,966
Per share –					
Disney attributed (loss) earnings					
Diluted	**$ (0.02)**	$ 0.57	$ 0.62	$ 0.89	$ 0.95
Basic	**(0.02)**	0.58	0.63	0.91	0.97
Dividends	**0.21**	0.21	0.21	0.20	0.17
Balance sheets					
Total assets	**$43,699**	$45,027	$43,679	$41,378	$38,497
Borrowings	**9,769**	9,461	11,693	11,685	11,068
Stockholders' equity	**22,672**	24,100	20,975	19,388	17,285
Statements of cash flows					
Cash provided by operations	**$ 3,048**	$ 3,755	$ 2,568	$ 1,780	$ 2,010
Investing activities	**(2,015)**	(1,091)	(2,290)	(2,330)	(847)
Financing activities	**(1,257)**	(2,236)	9	360	(1,124)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the preparation of the company's consolidated financial statements and related information appearing in this report. Management believes that the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements reasonably present the company's financial position and results of operations in conformity with generally accepted accounting principles. Management also has included in the company's financial statements amounts that are based on estimates and judgements which it believes are reasonable under the circumstances.

The independent accountants audit the company's consolidated financial statements in accordance with generally accepted auditing standards and provide an objective, independent review of the fairness of reported operating results and financial position.

The Board of Directors of the company has an Audit Committee composed of seven non-management Directors. The Committee meets periodically with financial management, the internal auditors and the independent accountants to review accounting, control, auditing and financial reporting matters.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
The Walt Disney Company

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, stockholders' equity, and cash flows present fairly, in all material respects, the financial position of The Walt Disney Company and its subsidiaries (the Company) at September 30, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2001, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Los Angeles, California
November 7, 2001

SUPPLEMENTAL INFORMATION

Stock Exchanges

Disney common stock is listed for trading on the New York and Pacific stock exchanges under the ticker symbol DIS. Certain debt securities of the company are listed on the Luxembourg stock exchange.

Registrar and Stock Transfer Agent

The Walt Disney Company
Shareholder Services
611 N. Brand Boulevard, Suite 6100
Glendale, California 91203
(818) 553-7200

Independent Accountants

PricewaterhouseCoopers LLP, Los Angeles

Other Information

A copy of the company's annual report filed with the Securities and Exchange Commission (Form 10-K) will be furnished without charge to any stockholder upon written request to the address listed on the left.

Please visit The Walt Disney Company Investor Relations site at **www.disney.com/investors**. On this site you can order financial documents online, send e-mail inquiries, get instructions on how to transfer shares and review additional information about the company.

Board of Directors

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Northwest Airlines Corporation

[1] Member of Audit Committee
[2] Member of Compensation Committee
[3] Member of Executive Committee
[4] Member of Executive Performance Subcommittee of the Compensation Committee
[5] Member of Governance and Nominating Committee

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Chairman of the Board and Chief Executive Officer

Roy E. Disney
Vice Chairman of the Board

Robert A. Iger
President and Chief Operating Officer

Peter E. Murphy
Senior Executive Vice President and Chief Strategic Officer

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

Louis M. Meisinger
Executive Vice President and General Counsel

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Anne M. Sweeney, President, ABC Cable Networks Group and President, Disney Channel Worldwide
George Bodenheimer, President, ESPN, Inc.
John Hare, President, ABC Radio Division

Disney Consumer Products
Andrew P. Mooney, President Worldwide

Disney Interactive/Buena Vista Game Entertainment Studio
Jan E. Smith, President

Walt Disney Internet Group
Stephen H. Wadsworth, President

The Walt Disney Studios
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Nina Jacobson, President, Buena Vista Motion Pictures Group
Thomas Schumacher, President, Walt Disney Feature Animation, Walt Disney Television Animation and Buena Vista Theatrical Productions

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Martin A. Sklar, Vice Chairman and Principal Creative Executive, Walt Disney Imagineering
James A. Rasulo Chairman, Disneyland Paris

Walt Disney International
Michael O. Johnson, President

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Reveta F. Bowers

John E. Bryson

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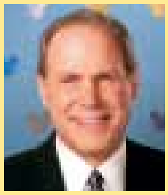

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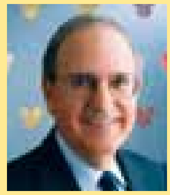
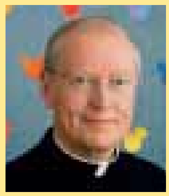


George J. Mitchell

Thomas S. Murphy



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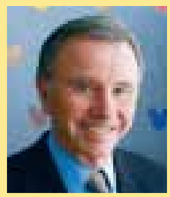

Raymond L. Watson

Gary L. Wilson