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November 6, 2003

BY ECFS AND EMAIL

Marlene H. Dortch
Secretary
Federal Communications Commission
c/o Vistronix, Inc.
236 Massachusetts Avenue, N.E.
Suite 110
Washington, DC 20002

Re: Ex Parte Submission: Sports Programming Leverage
<u>CS Docket No. 03-124</u>

Dear Secretary Dortch:

On behalf of Advance Newhouse, Cable One, Cox Communications, and Insight Communications ("Joint Cable Commenters"), I am submitting the attached Deutsche Bank analyst report, entitled "The Walt Disney Company: After further review. . .ESPN Still Has The Leverage Over Distributors," ("Deutsche Bank Report") for inclusion in the record of the above-captioned proceeding.

The Deutsche Bank report underscores the risks and costs faced by a cable operator attempting to resist double-digit rate increases sought by popular sports programmers. The report focuses on the current license fee negotiation between Cox and ESPN, and sets forth the results of a survey commissioned by Deutsche Bank. Based on the survey, Deutsche Bank concludes that Cox "is likely to lose" between 8-19% of it subscribers were it to drop ESPN, and that "such an enormous negative impact to Cox's business model will lead Cox to capitulate." Deutsche Bank Report at 1.

The report delineates the numerous adverse effects for a cable operator of a service interruption involving a popular program channel – which include subscriber losses, customer dissatisfaction, higher churn, negative brand loyalty and higher marketing costs – many of which may linger well past the resolution of a program carriage dispute. Deutsche Bank Report at 7. In addition, the report notes that "it has been our experience that it is always the service provider (i.e. Cox in this case) that is blamed in these disputes," and suggests that the negative effects of such disputes for a programmer are relatively fleeting and less significant than the adverse effects for the cable operator. Id. Further, the report states that a sports programmer with broadcast and studio ownership interests "has additional leverage that it would bring to the negotiating table over time" in the form of retransmission consent and film licensing negotiations for pay-per-view and video-on-demand windows. Id. at 8.

Pursuant to section 1.1206 of the Commission's rules, the original and two copies of this submission is being filed with the Office of the Secretary for inclusion in the above-referenced docket. Any questions concerning this submission should be addressed to the undersigned.

Respectfully,

Christopher J. Harvie

Enclosure

cc:	Linda Senecal	(via email)
	Qualex International	(via email)
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Equity News Note

North America

Deutsche Bank Securities Inc.

US
Entertainment

Deutsche Bank

October 27, 2003

Walt Disney Company (The)

After further review...ESPN Still Has The Leverage Over Distributors

Rating
Buy

Price at 10/24/03
US$ 21.80

Target Price
US$ 27

Exchange: Ticker
NYSE: DIS

FY: (Sep.)	1Q	2Q	3Q	4Q	FY EPS	FY P/E	CY EPS	CY P/E	Rev MM
EPS (US$):									
2002A	$0.15	$0.13	$0.17	$0.09	$0.53	41.1x	$0.54	40.4x	$25,409.0
2003E	0.17A	0.11A	0.19	0.14	0.60	36.3	0.68	32.1	26,616.0
2004E	NE	NE	NE	NE	0.88	24.8	0.94	23.2	28,477.0

Source: Deutsche Bank Securities estimates and company data

52-Week Range:	**$24–$15**	ROE:	**6%**
Shares Outstanding: (MM)	**2,109.00**	Div./Yield:	**$0.21/0.96%**
Market Cap: (MM)	**$45,976.20**	3-5 Yr. Grth. Rate:	**22%**
Float: (MM)	**2,011.01**	CY 03 P/E-to-Grth:	**1.5x**
Avg. Daily Volume:	**7,955.15**		

RAISING ESPN AFFILIATE REVENUE, DISNEY TARGET PRICE

We are raising our affiliate fee revenue estimates for ESPN by $150m in FY06, $250m in FY07 and $325m in FY08 as we believe our previous single-digit growth rates were too conservative. This leads to an increase in our ESPN and Disney EBITDA forecast of $50m, $75m and $100m from FY06-08, respectively. This action raised our DCF by $1 to $31, and averaging our DCF and our $27 sum-of-the-parts estimate, we are raising our Disney target price to $29 per share from $27. Disney remains our Top Pick as we expect it to be the fastest grower in entertainment over the next two years by a wide margin.

COX AND ESPN PERPARING FOR WAR

The most critical battle brewing for 2004 for Disney is that between its most valuable asset, ESPN, and its 6th largest distributor, Cox Communications. Cox has been forcefully forwarding the view that it is prepared to drop ESPN from its extended basic package when its contract ends in March 2004 unless ESPN accepts only inflationary level price escalators for its service, versus its historical 20% increases.

DEUTSCHE BANK SURVEY SHOWS ESPN HAS LEVERAGE

We commissioned an independent survey of multichannel video customers and found ESPN is crucial to their service. Based on our survey, we estimate Cox is likely to lose between 500k and 1.2m subscribers were it to drop ESPN (8-19% of subs), with an $170m-$380m associated annual EBITDA loss (7-16% of EBITDA). We believe such an enormous negative impact to Cox's business model will lead Cox to capitulate.

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DISNEY OUR TOP PICK

We believe that the uncertainty surrounding the impending ESPN-Cox battle has had a negative impact on Disney's valuation. Disney currently trades at 10.9x EV/CY04E EBITDA and 23x '04E P/E. Disney has historically traded at 25-35x and averaged 30x and as its growth accelerates we expect its valuation to expand. Risks include an economic downturn, success level of its content, stability of travel habits and its relationships with its distributors.

BACKDROP

ESPN is Disney's most valuable asset in our view, worth an estimated $15 billion or just over $7 per Disney share. For FY03, we estimate ESPN's businesses will generate about 15% of Disney's revenue ($4b) and 20% of its EBITDA ($700m). Perhaps most importantly, we estimate that ESPN businesses will contribute 22% of Disney's revenue growth from FY03-07 and 26% of its EBITDA growth.

However, Cox Communications, the 6th largest cable and satellite provider with 6.3 million basic video subscribers, has been aggressively promoting a scenario where it will drop the ESPN Network or attempt to relegate it to a pay tier if ESPN does not offer only a modest price increase when its ESPN contract comes up for renewal at the end of March 2004. Cox has used every industry and financial conference to forcefully establish its viewpoint and has appealed to every major industry publication and many general press outlets.

In addition, the market appears to have adopted a general belief that recent u9jm3uwconsolidation in the cable/satellite sector, namely Comcast/AT&T Broadband, has shifted the negotiating leverage back to the multichannel distributors from the programmers.

Cox's efforts and the belief that negotiating leverage has shifted to distributors has created significant uncertainty regarding ESPN's future growth prospects, and in fact many believe that ESPN might not be in a position to grow in the future at all.

DEUTSCHE BANK SURVEY RESULTS

Given the uncertainty surrounding the shifting leverage between programmers and distributors, and its critical importance to our forecasts and valuations, we recently commissioned a survey to better understand the true leverage underlying the key battle of 2004, Cox vs. ESPN. The survey was conducted by Evalueserve in late September, early October (see SURVEY METHODOLOGY in Appendix A).

The survey showed a surprisingly large number of customers (24%) would definitely switch providers or consider switching providers if ESPN were to become unavailable from their current service provider. Also, a larger than expected group (22%) were willing to pay $2-$15 per month for ESPN. The survey respondents' frequency of use (73% watch some or all of the time) exactly matched ESPN's actually 73% quarterly HH reach. The survey showed 65% of respondents considered ESPN very important or somewhat important, reasonably close to usage habits.

Figure 1: Deutsche Bank ESPN Survey Results - All Respondents

Despite the die-hard sports fans that DirecTV has captured with its pay sports offerings NFL Sunday Ticket, it was actually cable customers who found ESPN more important. 76% of cable customers watch ESPN some or all of the time vs. 69% for satellite. 65% of cable customers found ESPN very or somewhat important, vs. 58% for satellite. Lastly, 26% of cable customers would definitely switch service providers or would consider switching if ESPN was unavailable vs. 20% for satellite. Perhaps that is just a reflection of satellite's generally higher customer satisfaction levels, but it also fits with satellite's lower responses for usage and importance. In an interesting reversal, cable customers are less likely to be willing to pay for ESPN with only 20% ready to pay $2 or more per month vs. 27% of satellite customers, implying that sports fans who are satellite customers have been trained to expect to pay extra for incremental sports programming.

Figure 2: Deutsche Bank ESPN Survey Results - Cable Respondents

Not surprisingly, male respondents were more favorably disposed towards ESPN with higher viewing levels (83% for men vs. 63% for women for watching some or all of the time), higher importance levels (74% vs. 51%), greater willingness to switch (29% vs. 19%) and more likely to be willing to pay for the service (24% vs. 20%).

Figure 3: Deutsche Bank ESPN Survey Results - Male Respondents

SURVEY IMPLICATIONS

In our view, the survey results are highly favorable for ESPN. Given ESPN's viewership reach, level of importance and the surprisingly high percentage of customers who might switch service providers over this one channel, it becomes understandable why cable and satellite operators complain loudly about their difficult negotiations with Disney.

Based on the survey results we believe that upon dropping ESPN from its extended basic package, Cox is likely to lose between 8% and 19% of its basic subscribers, or 500,000 to 1.2 million. It also appears to us that a more likely tighter range would be between 12% and 17% of customers lost, or 750,000 to 1.1 million.

Our view is based on the following:

- 8% of cable subscribers indicated they would "definitely" switch if ESPN was not available from their service provider. In our view this represents the minimum likely leakage from a service drop scenario.
- 12% of cable subscribers were willing to pay $5 or more per month for ESPN. In our view, this is a more reasonable expected floor churn level as these customers already have established a high value level for the ESPN Channel without having even lost it yet.
- 17% churn appears to be a reasonable ceiling level for our tighter range. We derive this level of churn based on the 8% of subscribers who indicated they would "definitely" switch providers and assuming another one-half of the 18% of subscribers who indicated they would "consider" switching also did so.
- 19% churn was derived as our top ceiling level by taking the % of respondents who indicated that the ESPN Channel was "very important" to their household.

Figure 4: Deutsche Bank ESPN Survey Responses By Type

A number of ancillary factors would clearly influence the actual churn that Cox might experience if they were to drop the ESPN Channel. We would expect that Cox is hoping its video/data/voice product bundle and historically strong customer service and customer loyalty will lower its potential churn levels below those we targeted above. As of June 30th, 30.6% of Cox's basic customers subscribed to two or more of its V/D/V services and Cox consistently scores very well in customer satisfaction surveys. Also, Cox would likely ramp up its marketing spending and its various customer promotions in the hopes that this would help retain subscribers despite their possible disappointment from losing the ESPN service.

At the same time, Cox would become the primary target for both Echostar and DirecTV. With satellite penetration levels at only one-half of the industry average in Cox's markets, we would expect the satellite companies would aggressively use such a rare opportunity to attempt to gain a stronger market share position. Such promotional efforts could gain strong momentum, given the massive press that would likely accompany such a controversial move as dropping a popular network like ESPN. Cox's promised rebate to its remaining subscribers of the ESPN affiliate fee ($2.61/mo) would still not put Cox's extended basic package at a discount to the comparable service on satellite. Also, the disruption in service, satellite promotions and bad press could cause churn from subscribers who were already considering changing services for other reasons.

FINANCIAL IMPACT ANALYSIS

We constructed three scenarios based upon the results of our survey as to the financial impact on Cox and Disney if Cox were to pursue the scorched earth tactic of dropping the ESPN Network from its extended basic package when its contract expires on March 31, 2004. In our Mid Case scenario, which we believe would be the most likely outcome, we estimate that Cox would lose 758,000 basic subscribers (12% of total), and $260 million in annual EBITDA (11% of total company) if they were to drop the ESPN

Network. Disney would lose about $223 million in annual EBITDA (5% of our FY04E for total company) due to losing a net 6.4% of the channel's distribution. Our analysis of three potential scenarios follows.

Figure 5: Financial Impact of Cox Dropping ESPN From Its Extended Basic Package

- ASSUMPTIONS - We assume that Cox's extended basic ARPU will be about $41.50 in 2004 based on a survey of the pricing in several of Cox's markets and assuming a typical 5-6% rate increase for next year. We then assumed that Cox garners a 60% gross profit margin on its extended basic product. This would imply $17 per subscriber per month of variable costs, which we believe is conservative given programming costs on the extended basic tier should only total about $12 per subscriber per month next year and there are few other variable costs related to the basic package. Cox's management has indicated publicly that it generates about $0.30 of monthly advertising revenue per subscriber from its carriage of the ESPN Channel and also that Cox pays $2.61 per month per subscriber to carry ESPN. We would note that Cox's indication that it only receives $0.30 of ad revenue per month per subscriber from selling the inventory it receives from ESPN would imply that its ESPN ad sales only account for about 6% of Cox's ad revenue, which would place it well below the industry average. However, to remain consistent with Cox's public comments we used their suggested level. We did not try to estimate the value which would be lost by Cox for any ESPN ad inventory that it might be using for its own marketing and promotions. Importantly, we did not attempt to estimate the negative financial impact of the subscriber losses beyond the extended basic package, which we estimate currently only represents 71% of subscriber ARPU for Cox's video products. In other words, Cox would likely lose more revenue and EBITDA than we are modeling due to losing subscribers that pay for services beyond just the extended basic package, including digital, PPV and VOD, as well as the loss of advertising revenue that Cox generates based on its subscriber levels. All of these additional products have very high gross margins. Lastly, we did anticipate an increase in marketing and promotion expenses by Cox to counteract the likely negative customer backlash from dropping ESPN. For Disney, we assume that the $2.61 ESPN affiliate fee noted by Cox management would no longer be received from Cox for the remaining Cox customers. Disney would continue to receive ESPN affiliate fees from those Cox customers that switch to other video providers. Also, we estimate that Disney would lose ad revenue at our estimate for ESPN's average monthly rate of $0.92 of ad revenue per subscriber. It could be argued that ESPN will maintain the majority of its viewership levels as its die-hard fans shift to other service providers. However, it would be difficult to estimate these viewership shifts and we estimated the full impact to remain conservative.

- BASE CASE - Our base case assumes Cox would lose 8% of its basic subscribers, or about 500,000 subs. Based upon the assumptions noted above, we estimate that Cox would lose $169 million per year of EBITDA if it were to drop the ESPN Channel, or 7% of its total EBITDA. For Disney, we estimate $233 million of lost EBITDA annually in the base case scenario, or 5% of EBITDA, due to the net 5.808 million subscribers that would no longer receive its programming.

- MID CASE - The most likely case, in our view, sees Cox losing 12% of its subscribers, or about 750,000 subs. Under the same remaining assumptions noted above, this would lead to a $245 million EBITDA loss for Cox, 10% of total EBITDA, and a $223 million EBITDA loss for Disney, 5% of total.
- HIGH CASE - Our high case has Cox losing 19% of its subscribers, or about 1.2 million. Under the same remaining assumptions noted above, this would lead to a $377 million EBITDA loss for Cox, 16% of EBITDA, and a $205 million EBITDA loss for Disney, 5% of EBITDA.

In our view the financial implications of this battle lead to a severe advantage for Disney due to the following:

- While both companies' EBITDA loss exposure is about equal in dollar terms, Disney is a much larger company and the EBITDA loss would represent 5% of Disney's FY04 EBITDA as compared to 11% of Cox's FY04 EBITDA.
- Cox's subscriber losses will not simply reverse once the dispute is resolved and ESPN is reinstated on Cox's systems. Cox would have to ramp up its marketing and promotions and would only be likely to win back some of the lost subscribers from satellite. However, Disney's negative cash flow impact would stop as soon as ESPN is reinstated.
- Cox's carefully nurtured brand and customer loyalty would be severely impacted by the negative press surrounding this programming battle as well as customer dissatisfaction with losing a popular network from their service. While Cox has been conducting a carefully planned public relations battle to try and pin the blame for higher retail cable rates on the programmers, it has been our experience that it is always the service provider (i.e. Cox in this case) that is ultimately blamed in these disputes. Cox could help offset the negative financial impact of dropping ESPN by breaking its promise to rebate the ESPN affiliate fee to its remaining customers by lowering the retail price for its extended basic package. However, that would have a further significant negative impact to Cox's brand and reputation and would only increase potential subscriber losses.
- Cox would likely incur additional financial losses that we did not attempt to forecast. Those include higher marketing and promotion spending, increased customer service activity, costs related to higher churn, and the potential loss of additional revenue streams beyond just extended basic package, including digital, advertising, PPV/VOD, data and voice. Also, Cox would likely lose additional commercial subscribers like bars and restaurants and would have greater difficulty winning contracts for new multiple dwelling unit buildouts, for which satellite companies also compete.
- To the extent that Cox refused to reinstate the ESPN Channel at an agreeable price for Disney, ESPN could overcome the cash flow impact through lower programming costs. For example, when the $100+ million per year NHL contract comes up for renewal after this season, ESPN could simply refuse to renew and save over $100 million per year. While this would represent a negative departure from the long term value building strategy that we expect ESPN to continue to take, it is a demonstration of ESPN's greater business model flexibility relative to the distributors.

Figure 6: ESPN Sports Programming Contracts

- Lastly, Disney has additional leverage that it would bring to the negotiating table over time, including ABC retransmission consent covering about 350,000 of Cox's subscribers, renewal terms for the Disney Channel (currently the #1 kids channel), and PPV/VOD distribution rights for Disney's film and television content (Disney's studios lead box office market share this year including the #1 and #2 films of the year).

Figure 7: Top Network Suites By PT HH Viewership

Figure 8: Disney O&O TV Stations

Essentially, as long as Disney is willing to deploy its balance sheet in the short term, sustaining a modest cash flow impact due to the lost ESPN distribution, we believe that Disney retains significant negotiating advantage over Cox given the severe impact to Cox's business model and equity valuation from sustaining such massive subscriber losses. The situation is not entirely dissimilar than the recent Comcast/Starz battle, a case where a distributor had the clear leverage. Comcast essentially starved Starz to the point where Starz realized it faced a difficult, uncertain future without Comcast and it was better to lock in Comcast even though it meant significantly lower EBITDA levels going forward.

In the end, we believe it is highly unlikely that Cox follows through with its threats of dropping the ESPN Channel from its service packages and likely accepts a healthy double-digit multi-year price increase for ESPN. We would imagine that ESPN will continue to invest a substantial portion of these affiliate fee increases, as they have the past decade, to continue to build its brand and ratings and maintain its strong negotiating position with its distributors.

ESPN's LEVERAGE

ESPN gains its negotiating leverage from several aspects.

- First, it airs the very popular Sunday Night Football. SNF has remained the highest-rated series on ad-supported cable for 17 years.
- Second, ESPN has terrific reach among viewers (74%) due to its broad array of sports programming. This includes the four major sports leagues (NFL, MLB, NBA and NHL), college football (130 games including bowl games), college basketball (350 games including some conference championships), tennis (500+ hours including Wimbledon, French Open and Australian Open coverage), golf (some PGA and LPGA tour coverage), and soccer (some World Cup and MLS coverage). ESPN has been acquiring crucial post-season rights to the major sports and now airs part of the Division Series for MLB, playoff and the Eastern Conference Finals for the NBA, the playoffs, Conference Finals and Games 1 and 2 of the Stanley Cup for NHL, and the NFL Draft and Pro Bowl for the NFL. Lastly, ESPN airs a diverse array of niche sports like the X Games, fishing, Little League World Series, bowling and poker,

among others. In addition, ESPN airs SportsCenter, the top sports news show, as well as a variety of other original programming.

Figure 9: ESPN Programming

- Third, it has a fanatic viewership base of young males. While ESPN is only the 8th ranked ad supported cable network in total day household ratings with 621,000 on average over the past twelve months and 9th ranked in primetime with 1.264 million households on average, ESPN is the top network among young males by a wide margin. Among males ages 18-34, ESPN was the #1 ad supported cable network in 2002 and YTD 2003, with a 31% and a 36% lead, respectively, over the #2 network during those time periods. Among males aged 18-49, ESPN was #1 in 2002 by a 19% margin and in 2003 by a 2% margin.

Figure 10: Top 20 Ad Supported Cable Nets

Figure 11: Top Ad Supported Cable Networks - M18-34 & M18-49 Ratings

- Fourth, it has developed a strong brand with its irreverent style and product extensions, which include ESPN2, ESPNews, ESPN Classic, ESPN HD, ESPN Deportes, ESPN The Magazine, ESPN.com, and events and merchandise.
- Fifth, ESPN has enormous financial resources, resulting from both having the largest programming budget in sports as well as having the full resources and support of Walt Disney. ESPN's competition for sports programming includes broadcast networks, who have been losing money on sports and are pulling back spending, and other fully distributed cable networks, who do not have nearly the affiliate fee and ad revenue base of ESPN or the ability to leverage the viewership levels of major sports into its SportsCenter broadcasts, which are highly profitable. Generally, the distributors that have to negotiate with ESPN have balance sheets that are not as strong as Disney's.

ESPN'S FUTURE REMAINS BRIGHT

Based upon the outcome of our survey and our resulting view that ESPN remains in a strong negotiating position versus its distributors, we have significantly increased confidence that ESPN can maintain double-digit affiliate fee price increases for the next few years. We had been forecasting a quick drop to 8% affiliate fee price increases on the main ESPN Channel for FY06-08. We are increasing our affiliate fee estimates for ESPN by $325 million annually by 2008 based on increasing the growth in per subscriber affiliate prices for the main ESPN channel to 13% for FY05 and then having that growth pace decline by 1% per year until growing 10% in FY08. This improvement in ESPN's prospects lifts our DCF for Disney to $31 from $30 per share. Averaging in our sum-of-the-parts target price of $27, we are raising our Disney target price from $27 to $29 per share.

Figure 12: Disney Segment Estimates

Figure 13: Disney Earnings Model

Figure 14: Disney DCF Analysis

Figure 15: Disney Sum Of The Parts Valuation

Figure 16: Entertainment Company Comparisons

Figure 17: Entertainment Company Valuations

While more aggressive than our previous forecast, this still places our new affiliate fee growth CAGR of 12% for the main ESPN Network well below the 20% annual price increases that the network has historically garnered. Our estimate is well below 20% as we believe that contract renewals going forward will see pricing below 20%, though still double digit. In addition, we expect that Comcast, which is currently in discussions with ESPN, will receive an appropriate volume discount given Comcast represents about 25% of ESPN's subscriber base. While Comcast certainly has more leverage than Cox given its enormous scale and large market coverage, Disney has ABC retransmission coverage of over 6 million Comcast subscribers and ESPN remains a critical service for their subscribers, as evidenced by our survey. On balance, we would expect Comcast is in a position to garner only high single digit-to-low double digit pricing increases from ESPN depending on the agreed length of a new contract. Our forecast had already anticipated the impact from a slower Comcast affiliate fee growth rate beginning in FY04.

Subsequent to the Cox and Comcast renegotiations, we believe both DBS providers, Echostar and DirecTV, will see their contracts come up for renewal. In both cases, Disney has already recently used its ABC retransmission consent to bolster the rates for its ABC Family channel. Thus, ESPN will have to stand on its own merits in both of those negotiations. Given the results from this survey, and the desire of both companies to continue to gain video marketshare, we would expect a favorable outcome for ESPN. The remaining major distributors, including Adelphia, Cablevision, Charter and Time Warner, have contracts that are staggered from 2006-2010 we believe.

In conclusion, it appears that ESPN remains in an excellent negotiating position with its distributors and is likely to maintain its double-digit affiliate fee price increases for years to come. Our analysis shows that ESPN's value to its distributor's business models is considerably higher than its current compensation and it has appropriately staggered its contracts to avoid having multiple distributors combine their negotiating leverage. Lastly, while we believe we have left room for error in our new affiliate fee forecast for ESPN, if ESPN should receive materially less affiliate compensation from its cable and satellite distributors than we had been anticipating, perhaps due to further consolidation among distributors, they quite simply could reduce their opexp by not renewing some of their programming contracts.

APPENDIX A -- SURVEY METHODOLOGY

Given the uncertainty surrounding the shifting leverage between programmers and distributors, and its critical importance to our forecasts and valuations, we recently commissioned a survey to better understand the true leverage underlying the key battle of 2004, Cox vs. ESPN.

The survey was conducted by Evalueserve in late September, early October. They had determined that 400 multichannel subscriber respondents were necessary for accurate survey results. We also determined that the survey should equally represent men and women. We did not focus the survey on just cable customers, or just Cox cable customers as we wanted the survey to represent generally ESPN's position relative to the entire multichannel sector.

The survey itself was purposefully simplistic, with just 5 questions once it was established that the respondent was 18 or older and a multichannel customer, and it was determined whether the respondent was male or female. The questions were:

- Are you a cable or satellite customer?
- Do members of your household watch the ESPN Channel (a) all of the time, (b) some of the time, or (c) never?
- Do members of your household find the ESPN Channel (a) very important, (b) somewhat important, or (c) not important at all?
- If the ESPN Channel was not available on your current service, would your household (a) definitely switch providers, (b) consider switching providers, or (c) not care?
- If the ESPN Channel were a pay channel, would you be willing to pay $15 per month? $10? $5? $2?

The survey ended up including 206 males and 194 females. 303 respondents were cable customers, about 76% of total, and 97 were satellite customers, 24% of total.

One factor which we were unable to isolate given the constraints of the survey was the concept of "overlap" within family or multi-occupant households where only one member of a household might be necessary to cause a service provider change. For example, upon surveying one member of each of 10 family households, we might find that all 10 respondents would not be willing to switch multichannel providers if ESPN was dropped from their service. However, ESPN might have been important enough to other members of those households that those other members might have been able to trigger a service provider change. Overall, by balancing the survey between males and females, limiting the survey to only adults, and emphasizing "household" in the questions, we believe we have minimized the impact from this anomaly as much as possible. It does seem likely that this factor should cause the survey to err on the conservative side (as in showing a lower than actual likelihood of a service provider change).

Lastly, while we emphasized in the survey questions that we were pursuing information on the ESPN Channel, not the broader suite of ESPN services (including ESPN2, ESPN Classic and ESPNews), it is likely in our view that most respondents would naturally lump all of the services together when giving their responses. In our view, this factor did not likely fully offset the conservative impact of the overlap factor.

Also note, this survey was only conducted with residential households, and did not attempt to survey business customers like restaurants, hotels and bars.

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst about the subject issuers and the securities of those issuers. In addition, the undersigned lead analyst has not and will not receive any compensation for providing a specific recommendation or view in this report. Douglas Mitchelson

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Additional information available on request

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Deutsche Bank and/or its affiliate(s) expects to receive or intends to seek compensation for investment banking services in the next three months from the following companie(s): Walt Disney Company (The); Viacom Inc.; Time Warner Inc.; Liberty Media Corporation.

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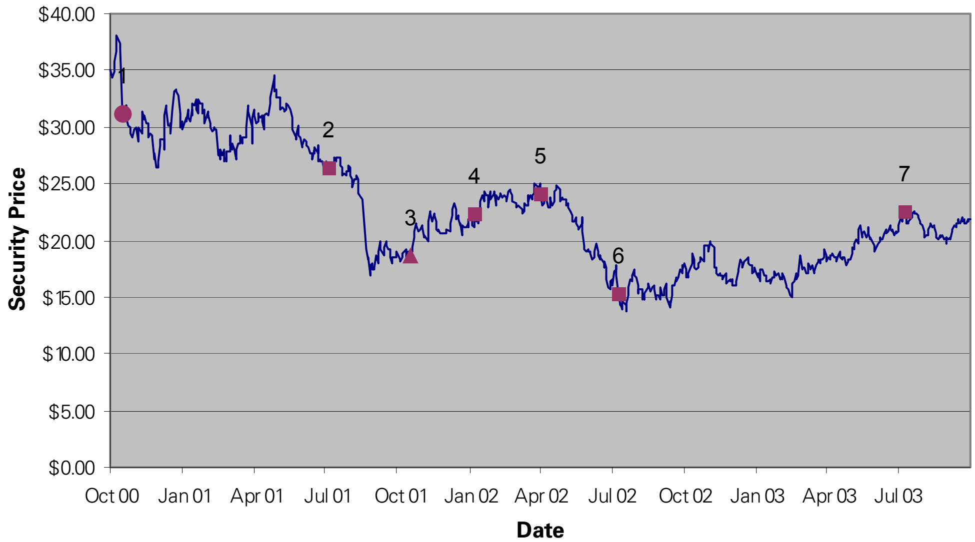
Historical Recommendations and Target Price: Walt Disney Company (The) (DIS)

(as of 10/24/2003)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

*New Recommendation Structure as of September 9, 2002

1.	11/9/2000:	Downgrade to Market Perform
2.	7/31/2001:	Market Perform, Target Price Change $33.00
3.	11/12/2001:	Upgrade to Buy, Target Price Change $25.00
4.	2/1/2002:	Buy, Target Price Change $26.00
5.	4/26/2002:	Buy, Target Price Change $30.00
6.	8/2/2002:	Buy, Target Price Change $26.00
7.	8/1/2003:	Buy, Target Price Change $27.00

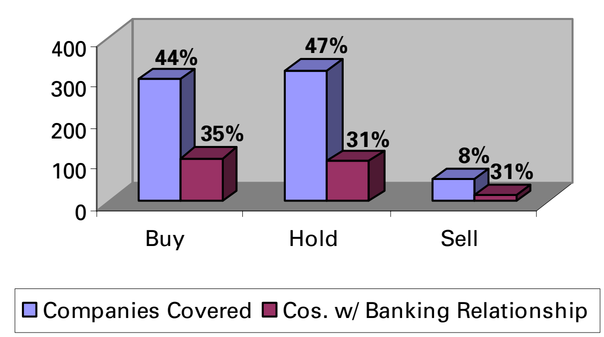
Rating Key

Buy: Total return expected to appreciate 10% or more over a 12-month period

Hold: Total return expected to be between 10% to –10% over a 12-month period

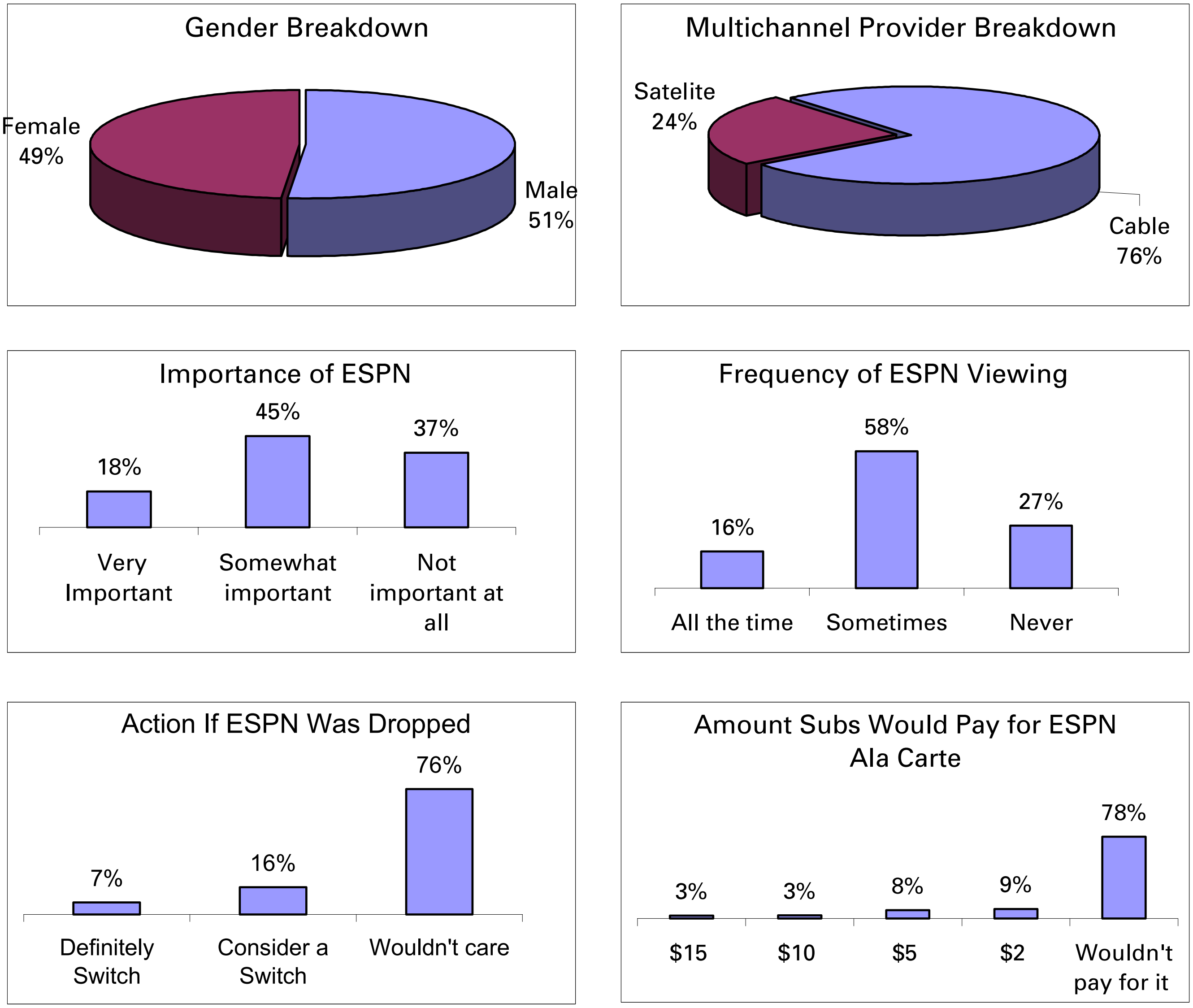
Sell: Total return expected to depreciate 10% or more over a 12-month period

Rating Dispersion and Banking Relationships



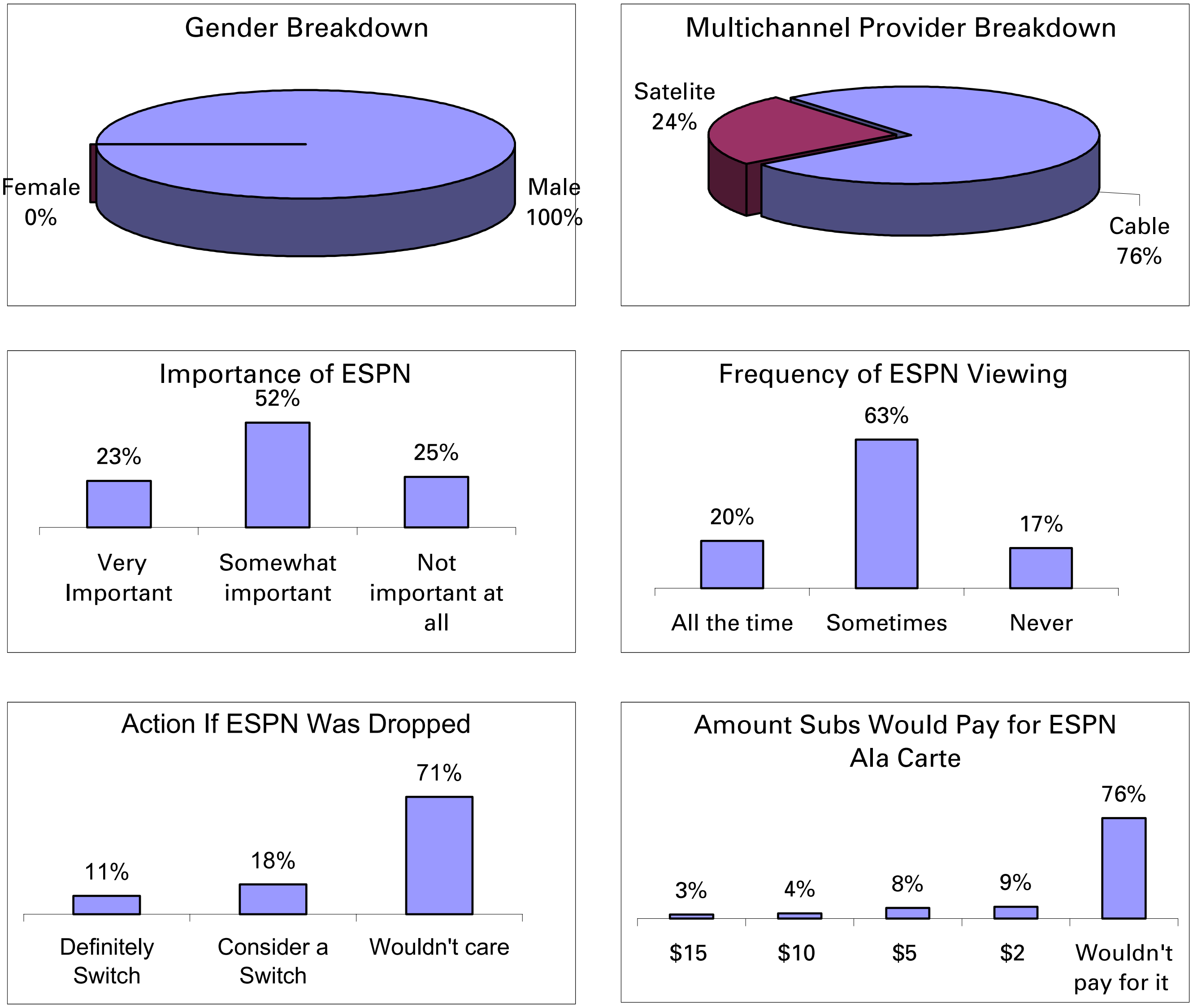
North American Universe

Figure 1: **Deutsche Bank ESPN Survey Results - All Respondents**



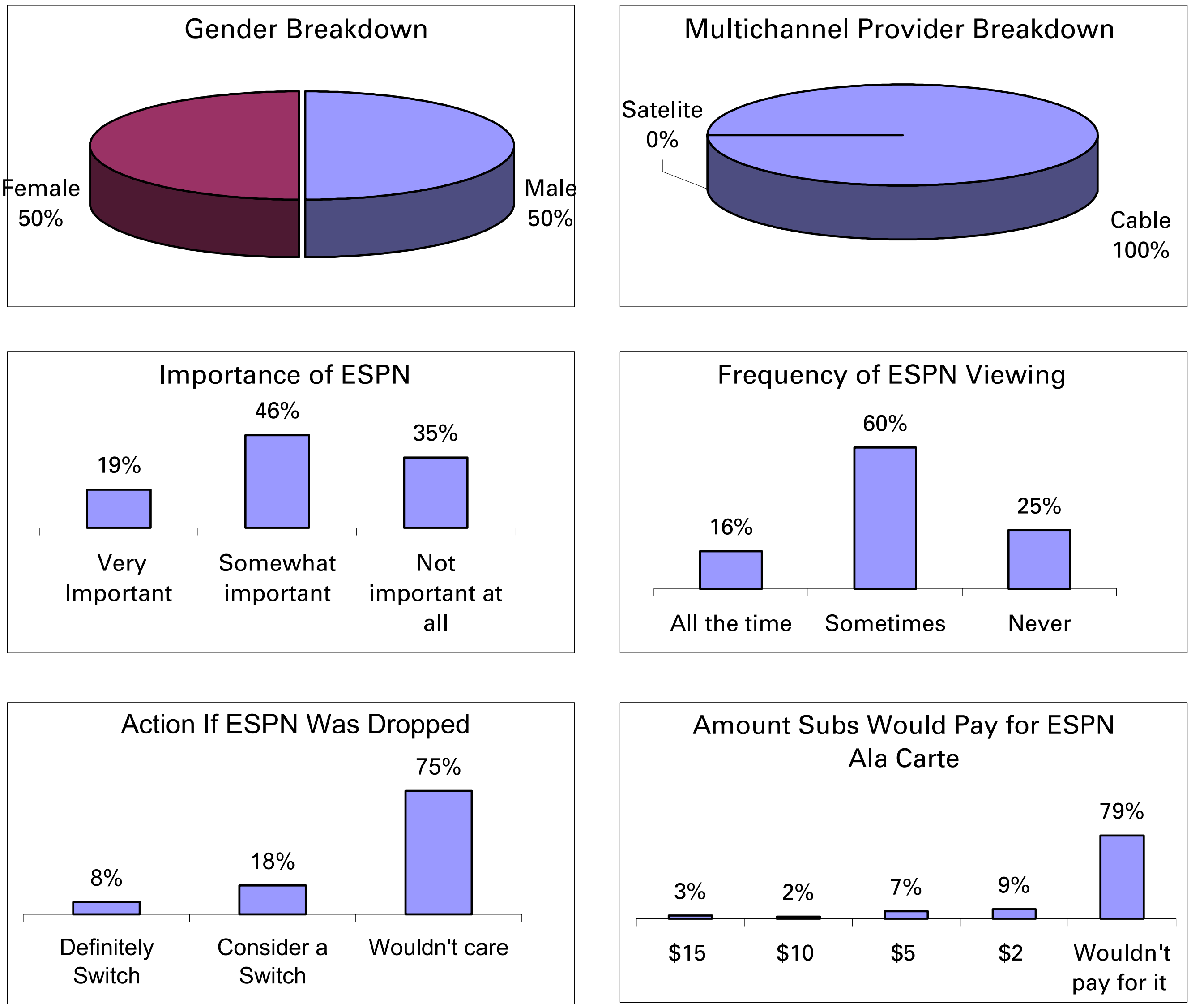
Source: Evaluserve, Deutsche Bank Securities Inc. estimates and company data

Figure 2: **Deutsche Bank ESPN Survey Results - Male Respondents**



Source: Evaluserve, Deutsche Bank Securities Inc. estimates and company data

Figure 3: **Deutsche Bank ESPN Survey Results - Cable Respondents**



Source: Evaluserve, Deutsche Bank Securities Inc. estimates and company data

Figure 4: **Deutsche Bank ESPN Survey Responses By Type**

	Frequency Of Use			Importance of ESPN		
	All of the time	Sometimes	Never	Very	Some-what	Not important
Male	20%	63%	17%	23%	52%	26%
Female	10%	53%	37%	12%	39%	49%
Cable	**16%**	**60%**	**25%**	**19%**	**46%**	**35%**
Satellite	16%	53%	32%	16%	42%	42%
All	16%	58%	27%	18%	45%	37%

	Switch If Not Avilable			Value If Required To Pay A La Carte				
	Definitely	Consider switching	Would not care	$15	$10	$5	$2	Would not pay
Male	11%	18%	71%	3%	4%	8%	9%	76%
Female	3%	16%	83%	3%	2%	7%	9%	80%
Cable	**8%**	**18%**	**76%**	**3%**	**2%**	**7%**	**9%**	**80%**
Satellite	6%	14%	79%	3%	6%	9%	8%	73%
All	7%	17%	76%	3%	3%	8%	9%	78%

Source: Evaluserve, Deutsche Bank Securities Inc. estimates and company data

Figure 5: **Financial Impact of Cox Dropping ESPN From Its Extended Basic Package**

(amounts in millions, except per sub data)

	COX IMPACT				WALT DISNEY IMPACT		
	Base Case	Mid Case	High Case		Base Case	Mid Case	High Case
Basic Subscriber Losses							
% of subs lost	**8%**	**12%**	**19%**		--	--	--
Cox basic subs	6.313	6.313	6.313		--	--	--
Projected sub losses	0.505	0.758	1.200		--	--	--
Revenue Losses							
Projected sub losses	0.505	0.758	1.200		--	--	--
Basic ARPU	$ 41.50	$ 41.50	$ 41.50		--	--	--
Annual revenue lost due to sub defections	$ 252	$ 377	$ 597		--	--	--
ESPN Chn'l Advertising ARPU	$ 0.30	$ 0.30	$ 0.30	Adv APRU	$ 0.92	$ 0.92	$ 0.92
Previous sub levels	6.313	6.313	6.313	Net subs lost	5.808	5.556	5.114
Ad revenue lost	$ 23	$ 23	$ 23	Ad Revenue Lost	$ 64	$ 61	$ 56
Promised rate reduction to remaining subs	$ 2.61	$ 2.61	$ 2.61	Affiliate Fee	$ 2.61	$ 2.61	$ 2.61
Remaining subs	5.808	5.556	5.114	Net subs lost	5.808	5.556	5.114
Annual revenue impact	$ 182	$ 174	$ 160	Sub Revenue Lost	$ 182	$ 174	$ 160
Total Revenue Loss	**$ 456**	**$ 574**	**$ 780**		**$ 246**	**$ 235**	**$ 217**
Cost Savings							
Projected sub losses	0.505	0.758	1.200		--	--	--
Variable sub costs/mo	$ 16.60	$ 16.60	$ 16.60		--	--	--
Lower costs from sub losses	$ 101	$ 151	$ 239		--	--	--
Advertising agency fees & sales commissions	$ 5	$ 5	$ 5	Advertising agency fees & sales commissions	$ 13	$ 12	$ 11
Remaining subs	5.808	5.556	5.114		--	--	--
ESPN affiliate fee	$ 2.61	$ 2.61	$ 2.61		--	--	--
No ESPN fees	$ 182	$ 174	$ 160		--	--	--
Total Cost Savings	**$ 287**	**$ 329**	**$ 404**		**$ 13**	**$ 12**	**$ 11**
Net EBITDA Impact	**$ (169)**	**$ (245)**	**$ (377)**		**$ (233)**	**$ (223)**	**$ (205)**
Total FY04E EBITDA (1)	2,350	2,350	2,350		4,467	4,467	4,467
% Impact	**-7%**	**-10%**	**-16%**		**-5%**	**-5%**	**-5%**

(1) Based on latest guidance and Management's public comments for sustainable double-digit EBITDA growth.

Source: Deutsche Bank Securities Inc. estimates and company data

Figure 6: **ESPN Sports Programming Contracts**

Contract	Years	Total Cost	Avg. Cost / Yr.	Deal Ends
NHL	5	$ 546	$ 109	2004
NFL	8	4,925	616	2005
MLB	6	912	152	2005
NCAA Football	7	367	52	2005
NBA	6	2,400	400	2008
Golf	6	151	25	2008
NCAA Basketball	8	714	89	2009
Total		$ 10,015	$ 1,444	

Source: Deutsche Bank Securities Inc. estimates and company data

Figure 7: **Top Network Suites By PT HH Viewership**

Rank	Company	LTM HH	% of Top Nets	Broadcast Net	LTM HH	% of B'cast Nets	Total HH	% of HH Viewership
1	AOL	5,396	19%	WB	3,610	8%	9,006	12%
2	Viacom	5,129	18%	CBS, UPN	14,450	31%	19,579	26%
3	**Disney**	**3,915**	**14%**	**ABC**	**8,790**	**19%**	**12,705**	**17%**
4	Liberty	2,668	9%		--	--	2,668	--
5	NBCU	2,618	9%	NBC	10,380	23%	12,998	18%
6	Fox	2,109	7%	FOX	8,670	19%	10,779	15%
7	Cablevision	758	3%			0%	758	1%
	Top 39 Cable Nets	28,206	100%	**Top 6 B'cast Nets**	45,900	100%	74,106	100%

Disney Owned & Operated Cable Nets

Network	Subs	LTM HH
ESPN	86.4	1,264
FAM	84.9	589
ESPN2	84.3	417
DISNEY	80.9	1,340
ESPN Classic	48.0	--
ESPN News	36.8	--
Toon Disney	39.0	148
SOAPNET	30.5	158
Total	490.8	3,915

Source: Deutsche Bank Securities Inc. estimates Nielsen Media Research, and company data

Figure 8: **Disney O&O TV Stations**

Market Rank	Calls	Market	Market Share Rank: Prime-time	Total Day	Evening News	Late News	Cable Subscribers in Market: Comcast	Time Warner	Charter	Cox	Adelphia	Cablevision	Mediacom	Insight
1	WABC-TV	New York, NY	3*	1*	1	2	665,669	1,194,000	61,905	0	0	2,963,885	0	0
2	KABC-TV	Los Angeles, CA	4*	1	1	2	500,000	345,000	520,541	306,348	1,255,600	0	28,200	0
3	WLS-TV	Chicago, IL	2	1	1	1	1,620,000	0	8,310	0	0	0	30,800	0
4	WPVI-TV	Philadelphia, PA	3	1	1	1	1,792,087	65,000	7,924	0	0	0	0	0
5	KGO-TV	San Francisco-Oakland-San Jose, CA	4	1	1	1*	1,650,000	0	20,407	0	16,300	0	17,300	0
11	KTRK-TV	Houston, TX	2	1	1	1	0	667,000	24,287	18,000	0	0	0	0
29	WTVD	Raleigh-Durham, NC	2*	2	2	2	0	447,000	46,864	25,000	39,350	0	0	0
57	KFSN-TV	Fresno-Visalia, CA	4*	1	1	1	195,000	1,579	15,074	0	0	0	0	0
64	WJRT-TV	Flint-Saginaw-Bay City, MI	2	2	2	1*	176,576	0	192,504	0	0	0	0	0
68	WTVG	Toledo, OH	3	2	2	2	0	47,273	0	0	12,000	0	1,100	0
							6,599,332	**2,766,852**	**897,816**	**349,348**	**1,323,250**	**2,963,885**	**77,400**	**0**

* Tie

Source: BIA Publications, Deutsche Bank Securities Inc. estimates and company data

Figure 9: ESPN Programming

Major Leage Baseball
More than 160 regular season games
Division Series*
(ESPN telecast also seen over air in competing teams' market)
Sunday Night Baseball*
Baseball Tonight*
Home Run Derby*
Monday night, Wednesday night, ESPN DayGame

NFL
17 Sunday Night Football regular season Games*
(ESPN telecast also seen over air in competing teams' market)
Countdown*, PrimeTime*
NFL Draft*
Pro Bowl*

NBA
More than 100 regular season games
(coexist w/ local stations of competing teams)
Playoffs
(coexist w/ local stations of competing teams)
Eastern Conf Final*
WNBA* (primarily on ESPN2)
NBA Draft*

NHL
More than 125 regular season games
Playoffs
Conference Finals*
Games 1 and 2 of Stanley Cup*

Tennis
500+ Hours
Wimbledon*
French Open*
Australian Open*

Golf
PGA and LPGA Tours*

Soccer
Men's and Women's World Cup*
MLS

College Football
Regular season and numerous bowl games*
More than 130 total games
College GameDay*
Heisman Trophy Presentation*
College Football Awards*

College Basketball
Men's regular season*
ACC/Big Ten Challenge*
Conference championships (ACC title blacked out)
More than 350 total games*
Women's regular season*
Women's NCAA Basketball tournament*

Owned Events*
ESPY Awards
X Games/ Winter X Games
Great Outdoor Games
Bassmasters Classic
Jimmy V Classic - men's and women's

Other Content
Pardon The Interruption*
Around The Horn*
The Season*
PLAYMAKERS*
Movies - Season on the Brink, Junction Boys*
Dream Job (coming up)*
Cold Pizza (mornings on ESPN2)*

Other Events*
Little League World Series*
Spelling Bee*
PBA Bowling*
Chess*
The New American Sportsman*
IRL, NHRA*
Poker*

Other Shows
SportsCenter*
The Bottom Line (sports ticker)
Outside The Lines*
Sports Reporters*
Pete Rose Mock Trial*
Variety of sport-specific studio shows*

* - Denotes Exclusive Programming

Source: Deutsche Bank Securities Inc. estimates and company data

Figure 10: **Top 20 Ad Supported Cable Nets**

			Total Day		Prime Time	
Rank	Network	Owner	TTM HH's	% of Top 20	TTM HH's	% of Top 20
1	Nickelodeon	VIA	1,293	11%	1,456	7%
2	Lifetime	DIS/HTV	986	8%	1,498	7%
3	TNT	AOL	944	8%	1,730	9%
4	Cartoon Network	AOL	931	8%	1,275	6%
5	Fox News	FOX	840	7%	1,326	7%
6	TBS	AOL	803	7%	1,288	6%
7	USA	NBCU	707	6%	1,347	7%
8	**ESPN**	**DIS/HTV**	**621**	**5%**	**1,264**	**6%**
9	CNN	AOL	585	5%	909	4%
10	Learning Channel	L/COX	515	4%	894	4%
11	A & E	DIS/HTV/NBCU	500	4%	882	4%
12	MTV	VIA	454	4%	777	4%
13	Discovery	L/COX	449	4%	833	4%
14	History Channel	DIS/HTV/NBCU	415	3%	694	3%
15	FX	FOX	408	3%	663	3%
16	Home & Garden	SSP	387	3%	625	3%
17	Spike TV	VIA	376	3%	753	4%
18	Sci Fi	NBCU	373	3%	828	4%
19	TV Land	AOL	368	3%	568	3%
20	AMC	CVC	360	3%	633	3%
	Total		12,315		20,241	

Source: Deutsche Bank Securities Inc. estimates, Nielsen Media Research, and company data

Figure 11: **Top Ad Supported Cable Networks - M18-34 & M18-49 Ratings**

2003 to Date (thru Oct. 12) Viewership

Rank	Network	M18-34 Avg Viewers	Diff To ESPN	Rank	Network	M18-49 Avg Viewers	Diff To ESPN
1	**ESPN**	**172.6**		**1**	**ESPN**	**317.9**	
2	TNT	127.2	36%	2	TNT	310.8	2%
3	MTV	122.9	40%	3	USA	212.8	49%
4	Cartoon	122.1	41%	4	Fox News	204.9	55%
5	Comedy Central	111.4	55%	5	Cartoon	180.0	77%
6	USA	96.1	80%	6	Spike	179.1	77%
7	Spike	92.4	87%	7	Nickelodeon	170.7	86%
8	Nickelodeon	90.1	92%	8	FX	170.7	86%
9	Discovery	77.8	122%	9	History	168.5	89%
10	FX	75.7	128%	10	Comedy Central	167.6	90%
Total		**1,088.3**				**2,083.0**	

2002 Viewership

Rank	Network	M18-34 Avg Viewers	Diff To ESPN	Rank	Network	M18-49 Avg Viewers	Diff To ESPN
1	**ESPN**	**179.6**		**1**	**ESPN**	**329.9**	
2	TBS	137.6	31%	2	TBS	277.8	19%
3	MTV	118.0	52%	3	TNT	266.4	24%
4	TNT	109.9	63%	4	USA	238.0	39%
5	USA	108.3	66%	5	TNN	186.2	77%
6	Cartoon	94.4	90%	6	FX	171.7	92%
7	TNN	92.7	94%	7	Nickelodeon	161.6	104%
8	Comedy Central	92.7	94%	8	Discovery	160.0	106%
9	Nickelodeon	82.9	117%	9	History	159.6	107%
10	FX	79.2	127%	10	Cartoon	150.5	119%
Total		**1,095.3**				**2,101.7**	

Source: Nielsen Media Research, Deutsche Bank Securities Inc. estimates and company data

Figure 12: **Disney Segment Estimates**

($MM)	Total F00a	Total F01a	1QF02 Dec.01	2QF02 Mar.02	3QF02 Jun.02	4QF02 Sep.02	Total F02	1QF03 Dec.02	2QF03 Mar.03	3QF03 Jun.03	4QF03e Sep.03	Total F03e	FY04e	FY05e	FY06e	FY07e
Media Networks - Broadcasting																
Revenue	6,303	5,945	1,476	1,290	1,203	1,151	5,120	1,564	1,407	1,231	1,246	5,448	5,707	6,115	6,513	6,982
growth	21.2%	-5.7%	-18.1%	-14.7%	-16.0%	-3.9%	-13.9%	6.0%	9.1%	2.3%	8.2%	6.4%	4.8%	7.2%	6.5%	7.2%
Opexp	5,085	5,086	1,529	1,275	1,101	1,154	5,058	1,506	1,488	1,024	1,271	5,289	5,299	5,460	5,729	6,000
growth	11.6%	0.0%	2.0%	-3.3%	-6.8%	6.2%	-0.5%	-1.5%	16.7%	-7.0%	10.1%	4.6%	0.2%	3.1%	4.9%	4.7%
EBITDA	1,308	859	(53)	15	102	(3)	62	58	(81)	207	(25)	159	408	654	784	982
growth	79.8%	-34.3%	NM	-92.1%	-59.3%	NM	-92.8%	NM	NM	102.9%	NM	156.9%	156.6%	60.4%	19.8%	25.3%
margin	20.8%	14.5%	-3.6%	1.2%	8.5%	-0.2%	1.2%	3.7%	-5.8%	16.8%	-2.0%	2.9%	7.1%	10.7%	12.0%	14.1%
Depreciation	90	105	23	26	26	20	96	20	24	24	20	88	90	92	81	82
EBITA	1,218	754	(76)	(11)	76	(23)	(34)	38	(105)	183	(45)	71	318	563	703	900
growth	88.4%	-38.1%	NM	NM	-65.8%	NM	NM	NM	NM	140.8%	NM	NM	349.0%	76.9%	24.9%	28.1%
Media Networks - Cable																
Revenue	3,893	4,262	1,530	906	923	1,284	4,643	1,676	1,078	1,276	1,414	5,444	6,095	6,769	7,514	8,191
growth	20.4%	9.5%	18.0%	-1.3%	0.5%	17.5%	9.0%	9.5%	19.0%	38.2%	10.2%	17.3%	11.9%	11.1%	11.0%	9.0%
Opexp	2,746	3,028	1,184	567	691	1,091	3,534	1,467	722	1,056	1,107	4,352	4,570	5,001	5,421	5,806
growth	23.9%	10.3%	20.4%	0.4%	4.9%	39.0%	16.7%	23.9%	27.2%	52.8%	1.5%	23.2%	5.0%	9.4%	8.4%	7.1%
EBITDA	1,202	1,233	346	339	232	193	1,109	209	356	220	307	1,092	1,525	1,768	2,093	2,384
growth	12.5%	2.6%	10.3%	-4.1%	-10.5%	-37.3%	-10.1%	-39.6%	5.1%	-5.2%	59.3%	-1.6%	39.7%	15.9%	18.4%	13.9%
margin	30.9%	28.9%	22.6%	37.4%	25.1%	15.0%	23.9%	12.5%	33.0%	17.2%	21.7%	20.1%	25.0%	26.1%	27.9%	29.1%
Depreciation	55	76	24	19	20	23	85	22	19	19	19	79	79	79	79	79
EBITA	1,147	1,158	322	320	212	170	1,024	187	337	201	288	1,013	1,446	1,689	2,014	2,305
growth	12.6%	1.0%	8.9%	-4.8%	-12.0%	-40.4%	-11.6%	-41.9%	5.3%	-5.2%	69.4%	-1.1%	42.8%	16.8%	19.2%	14.5%
Media Networks - Total																
Revenue	10,196	10,207	3,006	2,196	2,126	2,435	9,763	3,240	2,485	2,507	2,660	10,892	11,802	12,884	14,027	15,173
growth	20.9%	0.1%	-3.0%	-9.7%	-9.5%	6.3%	-4.3%	7.8%	13.2%	17.9%	9.2%	11.6%	8.3%	9.2%	8.9%	8.2%
Opexp	7,686	8,114	2,713	1,842	1,792	2,245	8,592	2,973	2,210	2,080	2,378	9,641	9,869	10,461	11,151	11,806
growth	15.7%	5.6%	9.3%	-2.2%	-2.6%	19.9%	5.9%	9.6%	20.0%	16.1%	5.9%	12.2%	2.4%	6.0%	6.6%	5.9%
EBITDA	2,510	2,093	293	354	334	190	1,171	267	275	427	282	1,251	1,933	2,423	2,877	3,367
growth	39.8%	-16.6%	-52.5%	-35.4%	-34.5%	-54.6%	-44.0%	-8.9%	-22.3%	27.8%	48.3%	6.8%	54.5%	25.3%	18.8%	17.0%
margin	24.6%	20.5%	9.7%	16.1%	15.7%	7.8%	12.0%	8.2%	11.1%	17.0%	10.6%	11.5%	16.4%	18.8%	20.5%	22.2%
Depreciation	145	181	47	45	46	43	181	42	43	43	39	167	169	171	160	161
EBITA	2,365	1,912	246	309	288	147	990	225	232	384	243	1,084	1,764	2,252	2,717	3,206
growth	42.0%	-19.2%	-57.1%	-38.6%	-37.8%	-60.5%	-48.2%	-8.5%	-24.9%	33.3%	65.1%	9.5%	62.8%	27.7%	20.6%	18.0%
Theme Parks & Resorts																
Revenue	6,809	7,004	1,433	1,525	1,847	1,660	6,465	1,548	1,485	1,731	1,719	6,483	6,872	7,405	7,904	8,397
growth	10.9%	2.9%	-16.9%	-7.6%	-5.1%	-1.4%	-7.7%	8.0%	-2.6%	-6.3%	3.5%	0.3%	6.0%	7.8%	6.7%	6.2%
Opexp	4,612	4,814	1,085	1,084	1,218	1,261	4,648	1,153	1,160	1,190	1,362	4,865	5,108	5,392	5,619	5,883
growth	11.2%	4.4%	-9.4%	-8.3%	0.2%	3.4%	-3.4%	6.3%	7.0%	-2.3%	8.0%	4.7%	5.0%	5.6%	4.2%	4.7%
EBITDA	2,197	2,190	348	441	629	399	1,817	395	325	541	357	1,618	1,764	2,012	2,285	2,514
growth	10.3%	-0.3%	-34.0%	-5.8%	-14.0%	-14.0%	-17.0%	13.5%	-26.3%	-14.0%	-10.6%	-11.0%	9.0%	14.1%	13.6%	10.0%
margin	32.3%	31.3%	24.3%	28.9%	34.1%	24.0%	28.1%	25.5%	21.9%	31.3%	20.8%	25.0%	25.7%	27.2%	28.9%	29.9%
Depreciation	582	604	161	161	162	164	648	170	170	189	189	718	800	800	816	838
EBITA	1,615	1,586	187	280	467	235	1,169	225	155	352	168	900	964	1,212	1,469	1,676
growth	8.1%	-1.8%	-51.3%	-14.9%	-16.6%	-24.9%	-26.3%	20.3%	-44.6%	-24.6%	-28.7%	-23.0%	7.1%	25.8%	21.1%	14.1%
Studio Entertainment																
Revenue	6,011	6,065	1,805	1,603	1,365	1,998	6,771	1,891	1,862	1,440	1,851	7,044	7,525	7,669	7,702	7,945
growth	-2.5%	0.9%	-2.4%	1.9%	2.9%	51.9%	11.6%	4.8%	16.2%	5.5%	-7.4%	4.0%	6.8%	1.9%	0.4%	3.2%
Opexp	5,881	5,758	1,645	1,566	1,330	1,911	6,452	1,744	1,646	1,360	1,624	6,374	6,798	7,012	6,924	7,126
growth	-1.1%	-2.1%	-2.4%	12.0%	6.3%	34.2%	12.1%	6.0%	5.1%	2.3%	-15.0%	-1.2%	6.7%	3.1%	-1.3%	2.9%
EBITDA	130	307	160	37	35	87	319	147	216	80	227	670	726	657	779	819
growth	-40.4%	136.2%	-3.0%	-78.9%	-53.9%	NM	3.9%	-8.1%	483.8%	128.6%	160.6%	109.9%	8.5%	-9.6%	18.5%	5.2%
margin	2.2%	5.1%	8.9%	2.3%	2.6%	4.4%	4.7%	7.8%	11.6%	5.6%	12.3%	9.5%	9.7%	8.6%	10.1%	10.3%
Depreciation	54	47	11	10	13	12	46	9	10	9	9	37	40	40	42	44
EBITA	76	260	149	27	22	75	273	138	206	71	218	633	686	617	737	775
growth	-50.6%	242.1%	-2.0%	-83.5%	-66.2%	NM	5.0%	-7.4%	663.0%	222.7%	190.2%	131.8%	8.5%	-10.1%	19.4%	5.2%
Consumer Products																
Revenue	2,748	2,608	835	580	457	569	2,441	787	500	497	572	2,356	2,433	2,442	2,576	2,620
growth	-6.1%	-5.1%	-6.4%	0.9%	-12.8%	-7.8%	-6.4%	-5.7%	-13.8%	8.8%	0.6%	-3.5%	3.3%	0.3%	5.5%	1.7%
Opexp	2,254	2,108	647	478	391	473	1,989	582	429	444	486	1,941	1,994	1,975	1,994	1,988
growth	0.1%	-6.5%	-7.4%	4.1%	-11.7%	-6.7%	-5.6%	-10.0%	-10.3%	13.6%	2.8%	-2.4%	2.7%	-1.0%	1.0%	-0.3%
EBITDA	494	500	188	102	66	96	452	205	71	53	86	415	439	467	582	631
growth	-26.6%	1.2%	-2.6%	-12.1%	-18.5%	-12.7%	-9.6%	9.0%	-30.4%	-19.7%	-10.2%	-8.1%	5.8%	6.3%	24.6%	8.5%
margin	18.0%	19.2%	22.5%	17.6%	14.4%	16.9%	18.5%	26.0%	14.2%	10.7%	15.1%	17.6%	18.0%	19.1%	22.6%	24.1%
Depreciation	109	93	13	16	15	14	58	15	18	14	15	62	65	68	71	75
EBITA	385	407	175	86	51	82	394	190	53	39	72	354	374	399	510	556
growth	-29.2%	5.7%	3.6%	-5.5%	-12.1%	-7.9%	-3.2%	8.6%	-38.4%	-23.5%	-12.7%	-10.3%	5.9%	6.5%	28.0%	9.0%
CONSOLIDATED PRO FORMA																
Revenue	25,764	25,884	7,079	5,904	5,795	6,662	25,440	7,466	6,332	6,175	6,802	26,775	28,631	30,399	32,209	34,136
growth	8.3%	0.5%	-6.4%	-5.2%	-5.7%	12.8%	-1.7%	5.5%	7.2%	6.6%	2.1%	5.2%	6.9%	6.2%	6.0%	6.0%
Corp. Expense	44	377	104	97	76	140	417	102	93	117	100	412	395	395	415	435
Segment Exp	20,433	20,794	6,090	4,970	4,731	5,890	21,681	6,452	5,445	5,074	5,850	22,821	23,769	24,840	25,687	26,804
Opexp	20,477	21,171	6,194	5,067	4,807	6,030	22,098	6,554	5,538	5,191	5,950	23,233	24,164	25,235	26,102	27,240
growth	5.7%	3.4%	1.0%	0.9%	-0.6%	17.3%	4.4%	5.8%	9.3%	8.0%	-1.3%	5.1%	4.0%	4.4%	3.4%	4.4%
EBITDA	**5,287**	**4,713**	**885**	**837**	**988**	**632**	**3,342**	**912**	**794**	**984**	**851**	**3,541**	**4,467**	**5,164**	**6,108**	**6,896**
growth	19.5%	-10.9%	-38.2%	-30.5%	-24.5%	-17.6%	-29.1%	3.1%	-5.1%	-0.4%	34.7%	6.0%	26.1%	15.6%	18.3%	12.9%
margin	20.5%	18.2%	12.5%	14.2%	17.0%	9.5%	13.1%	12.2%	12.5%	15.9%	12.5%	13.2%	15.6%	17.0%	19.0%	20.2%
Segment Depr.	902	925	232	232	236	233	933	236	241	255	252	984	1,074	1,079	1,090	1,118
Corporate Depr.	49	29	3	-	1	-	4	-	-	-	-	-	-	-	-	-
EBITA	4,336	3,759	650	605	751	399	2,405	676	553	729	600	2,558	3,394	4,085	5,018	5,778
growth	21.5%	-13.3%	-45.7%	-38.1%	-28.6%	-24.9%	-36.0%	4.0%	-8.6%	-2.9%	50.3%	6.3%	32.7%	20.4%	22.8%	15.1%
margin	16.8%	14.5%	9.2%	10.2%	13.0%	6.0%	9.5%	9.1%	8.7%	11.8%	8.8%	9.6%	11.9%	13.4%	15.6%	16.9%
Total Ad Revenue	14,196	13,900	3,467	2,840	3,148	3,018	12,473	3,755	3,007	3,258	3,196	13,216	13,951	14,954	15,896	16,910
Chg yr/yr	--	-2.1%	-13.6%	-13.5%	-9.3%	-3.6%	-10.3%	8.3%	5.9%	3.5%	5.9%	6.0%	5.6%	7.2%	6.3%	6.4%
% of Total	55.1%	53.7%	49.0%	48.1%	54.3%	45.3%	49.0%	50.3%	47.5%	52.8%	47.0%	49.4%	48.7%	49.2%	49.4%	49.5%

Source: Deutsche Bank Securities Inc. estimates and company data

Figure 13: **Disney Earnings Model**

(MM, except per share data)	Total F00a	Total F01	1QF02 Dec.01	2QF02e Mar.02	3QF02e Jun.02	4QF02 Sep.02	Total F02	1QF03e Dec.02	2QF03e Mar.03	3QF03e Jun.03	4QF03e Sep.03	Total F03e	FY04e	FY05e	FY06e	FY07e	FY07e	CAGR '03-'08
AS REPORTED																		
Revenue	25,402	25,304	7,048	5,904	5,795	6,662	25,409	7,466	6,332	6,175	6,802	26,775	28,631	30,399	32,209	34,136	36,095	6.2%
growth	*7.6%*	*-0.4%*	*-5.2%*	*-2.6%*	*-2.8%*	*14.6%*	*0.4%*	*5.9%*	*7.2%*	*6.6%*	*2.1%*	*5.4%*	*6.9%*	*6.2%*	*6.0%*	*6.0%*	*5.7%*	--
Operating Expenses	20,154	20,203	6,064	4,970	4,731	5,890	21,655	6,452	5,445	5,074	5,850	22,821	23,769	24,840	25,687	26,804	27,993	4.2%
growth	*5.6%*	*0.2%*	*1.5%*	*3.1%*	*2.8%*	*19.6%*	*7.2%*	*6.4%*	*9.6%*	*7.3%*	*-0.7%*	*5.4%*	*4.2%*	*4.5%*	*3.4%*	*4.3%*	*4.4%*	--
Corp. Exp. Excl. D&A	44	377	104	97	76	140	417	102	93	117	100	412	395	395	415	435	457	2.1%
EBITDA	5,204	4,724	880	837	988	632	3,337	912	794	984	851	3,541	4,467	5,164	6,108	6,896	7,645	16.6%
growth	*19.5%*	*-9.2%*	*-36.6%*	*-26.7%*	*-22.2%*	*-18.1%*	*-29.4%*	*3.6%*	*-5.1%*	*-0.4%*	*34.7%*	*6.1%*	*26.1%*	*15.6%*	*18.3%*	*12.9%*	*10.9%*	--
margin	*20.5%*	*18.7%*	*12.5%*	*14.2%*	*17.0%*	*9.5%*	*13.1%*	*12.2%*	*12.5%*	*15.9%*	*12.5%*	*13.2%*	*15.6%*	*17.0%*	*19.0%*	*20.2%*	*21.2%*	--
Depreciation	921	953	235	232	237	233	937	236	241	255	252	984	1,074	1,079	1,090	1,118	1,152	3.2%
EBITA	4,283	3,771	645	605	751	399	2,400	676	553	729	600	2,558	3,394	4,085	5,018	5,778	6,492	20.5%
growth	*22.2%*	*-11.9%*	*-44.0%*	*-34.0%*	*-25.9%*	*-25.9%*	*-36.4%*	*4.8%*	*-8.6%*	*-2.9%*	*50.3%*	*6.6%*	*32.7%*	*20.4%*	*22.8%*	*15.1%*	*12.4%*	--
margin	*16.9%*	*14.9%*	*9.2%*	*10.2%*	*13.0%*	*6.0%*	*9.4%*	*9.1%*	*8.7%*	*11.8%*	*8.8%*	*9.6%*	*11.9%*	*13.4%*	*15.6%*	*16.9%*	*18.0%*	--
Intangible Amort.	442	767	3	2	9	7	21	5	7	2	5	19	22	22	22	22	22	3.0%
EBIT	3,841	3,004	642	603	742	392	2,379	671	546	727	595	2,539	3,372	4,063	4,996	5,756	6,470	20.6%
growth	*26.0%*	*-21.8%*	*-25.2%*	*-17.6%*	*-14.5%*	*-0.4%*	*-20.8%*	*4.5%*	*-9.5%*	*-2.0%*	*51.7%*	*6.7%*	*32.8%*	*20.5%*	*23.0%*	*15.2%*	*12.4%*	--
margin	*15.1%*	*11.9%*	*9.1%*	*10.2%*	*12.8%*	*5.9%*	*9.4%*	*9.0%*	*8.6%*	*11.8%*	*8.7%*	*9.5%*	*11.8%*	*13.4%*	*15.5%*	*16.9%*	*17.9%*	--
Net Interest Exp.	525	417	173	158	185	165	681	187	178	168	162	695	648	553	506	434	344	-13.1%
Equity loss/(inc.) affils.	741	(302)	(70)	(49)	(44)	(62)	(225)	(90)	(51)	(102)	(71)	(314)	(430)	(495)	(544)	(598)	(658)	15.9%
Other Exp / (Inc)	(489)	1,710	(232)	-	(34)	-	(266)	109	-	(16)	-	93	-	-	-	-	-	--
Pre Tax Income	3,064	1,179	771	494	635	289	2,189	465	419	661	504	2,049	3,153	4,004	5,034	5,920	6,784	27.1%
Income taxes	1,695	1,059	299	205	253	96	853	187	157	247	188	779	1,207	1,570	1,972	2,317	2,654	27.8%
Tax Rate pre-Amort	*48%*	*48%*	*38.6%*	*41.3%*	*39.3%*	*32.4%*	*38.6%*	*39.8%*	*36.9%*	*37.3%*	*37.0%*	*37.7%*	*38.0%*	*39.0%*	*39%*	*39%*	*39%*	--
Minority Interests	127	104	34	30	19	18	101	22	33	15	34	104	130	180	230	274	322	25.4%
Rpt'd Net Income	1,242	16	438	259	363	175	1,235	256	229	399	282	1,166	1,817	2,254	2,832	3,328	3,807	26.7%
growth	*-5.5%*	*-98.7%*	*NM*	*NM*	*-3.7%*	*101.7%*	*7539.6%*	*-41.6%*	*-11.6%*	*9.9%*	*60.9%*	*-5.6%*	*55.9%*	*24.1%*	*25.6%*	*17.5%*	*14.4%*	--
margin	*4.9%*	*0.1%*	*6.2%*	*4.4%*	*6.3%*	*2.6%*	*4.9%*	*3.4%*	*3.6%*	*6.5%*	*4.1%*	*4.4%*	*6.3%*	*7.4%*	*8.8%*	*9.8%*	*10.5%*	--
Rpt'd EPS - Diluted	$0.59	$0.01	$0.21	$0.13	$0.18	$0.09	$0.60	$0.13	$0.11	$0.19	$0.14	$0.56	$0.88	$1.09	$1.35	$1.57	$1.77	25.6%
growth	*-6.3%*	*-98.7%*	*NM*	*NM*	*-0.8%*	*106.6%*	*7759.3%*	*-41.7%*	*-11.5%*	*7.9%*	*57.9%*	*-6.5%*	*56.4%*	*23.7%*	*23.8%*	*15.9%*	*12.8%*	--
EPS - Basic	$0.60	$0.01	$0.21	$0.13	$0.18	$0.09	$0.61	$0.13	$0.11	$0.20	$0.14	$0.57	$0.89	$1.10	$1.38	$1.60	$1.80	25.9%
Disney OI (EBIT+Corp)	4,327	4,148	749	702	827	539	2,817	778	646	846	700	2,970	3,789	4,480	5,433	6,213	6,950	18.5%
	17.7%	*-4.1%*	*-38.6%*	*-31.0%*	*-25.0%*	*-17.8%*	*-32.1%*	*3.9%*	*-8.0%*	*2.3%*	*29.8%*	*5.4%*	*27.6%*	*18.3%*	*21.3%*	*14.4%*	*11.9%*	
NORMALIZED EARNINGS																		
Net losses DIG	741	(32)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	--
Unusual Items	(419)	1,550	(139)	-	(21)	-	(160)	82	-	-	-	82	-	-	-	-	-	--
Net Income	1,564	1,534	299	259	342	175	1,075	338	229	399	282	1,248	1,817	2,254	2,832	3,328	3,807	25.0%
EPS	$0.74	$0.73	$0.15	$0.13	$0.17	$0.09	$0.53	$0.17	$0.11	$0.19	$0.14	$0.60	$0.88	$1.09	$1.35	$1.57	$1.77	24.2%
Amortization Add Back	437	762	-	-	-	-	-					-	-	-	-	-	-	--
Net Income (ex. Amort	2,001	2,296	299	259	342	175	1,075	338	229	399	282	1,248	1,817	2,254	2,832	3,328	3,807	25.0%
growth	*69.6%*	*14.8%*	*-55.9%*	*-54.3%*	*-43.2%*	*-38.0%*	*-53.2%*	*13.1%*	*-11.6%*	*16.7%*	*60.9%*	*16.1%*	*45.6%*	*24.1%*	*25.6%*	*17.5%*	*14.4%*	--
EPS - Diluted (Ex. Amo	**$0.95**	**$1.09**	**$0.15**	**$0.13**	**$0.17**	**$0.09**	**$0.53**	**$0.17**	**$0.11**	**$0.19**	**$0.14**	**$0.60**	**$0.88**	**$1.09**	**$1.35**	**$1.57**	**$1.77**	**24.2%**
growth	*66.7%*	*14.7%*	*-53.1%*	*-51.9%*	*-41.4%*	*-30.8%*	*-51.4%*	*13.3%*	*-15.4%*	*11.8%*	*55.6%*	*13.2%*	*46.7%*	*23.9%*	*23.9%*	*16.3%*	*12.7%*	--
Unusual Items			137															
First Call Estimate	--	--	--	--	--	--	--	--	--	$0.17	$0.16	$0.60	--	--	--	--	--	--
Depreciation	921	953	235	232	237	233	937	236	241	255	252	984	1,074	1,079	1,090	1,118	1,152	3.2%
Capex	2,012	1,795	237	249	254	346	1,086	193	255	263	254	1,052	1,237	1,301	1,273	1,298	1,351	5.1%
Free Cash Flow	910	1,454	297	242	325	62	926	381	215	391	280	1,180	1,653	2,032	2,648	3,148	3,609	25.1%
growth	*86.1%*	*59.8%*	*-33.3%*	*-28.6%*	*-32.2%*	*157.2%*	*-36.3%*	*28.4%*	*-11.2%*	*20.3%*	*351.0%*	*27.4%*	*40.1%*	*22.9%*	*30.3%*	*18.9%*	*14.6%*	--
margin	*3.6%*	*5.7%*	*4.2%*	*4.1%*	*5.6%*	*0.9%*	*3.6%*	*5.1%*	*3.4%*	*6.3%*	*4.1%*	*4.4%*	*5.8%*	*6.7%*	*8.2%*	*9.2%*	*10.0%*	
FCF/Shr - Diluted	**$0.43**	**$0.69**	**$0.15**	**$0.12**	**$0.16**	**$0.03**	**$0.45**	**$0.19**	**$0.11**	**$0.19**	**$0.13**	**$0.57**	**$0.80**	**$0.99**	**$1.27**	**$1.48**	**$1.68**	**24.0%**
growth	*84.6%*	*59.6%*	*-30.9%*	*-26.7%*	*-30.1%*	*163.5%*	*-34.5%*	*28.1%*	*-11.1%*	*18.1%*	*342.7%*	*26.2%*	*40.6%*	*22.6%*	*28.5%*	*17.2%*	*13.0%*	--
Dividends Paid	$434	$438	438	-	-	-	$438	$429	-	-	-	$429	$429	$429	$429	$431	$436	0.4%
Per Share	$0.21	$0.21	$0.21	--	--	--	$0.21	$0.21	--	--	--	$0.21	$0.21	$0.21	$0.21	$0.21	$0.21	0.0%
Avg Diluted Shares O/S	2,100	2,102	2,040	2,045	2,046	2,043	2,044	2,044	2,043	2,084	2,081	2,063	2,056	2,062	2,092	2,122	2,153	0.9%
growth	*0.8%*	*0.1%*	*-3.4%*	*-2.5%*	*-2.9%*	*-2.4%*	*-2.8%*	*0.2%*	*-0.1%*	*1.9%*	*1.9%*	*1.0%*	*-0.3%*	*0.3%*	*1.5%*	*1.5%*	*1.4%*	--
Avg Basic Shares O/S	2,085	2,087	2,039	2,039	2,041	2,041	2,040	2,042	2,042	2,043	2,041	2,042	2,041	2,041	2,051	2,078	2,111	0.7%

Source: Deutsche Bank Securities Inc. estimates and company data

Figure 14: **Disney DCF Analysis**

	F99a	F00a	F01e	F02e	F03e	FY04e	FY05e	FY06e	FY07e	FY08e
Segment FCF										
Media Networks	$ 1,637	$ 2,261	$ 1,886	$ 1,020	$ 1,085	$ 1,750	$ 2,222	$ 2,676	$ 3,166	$ 3,603
Theme Parks & Resorts	293	674	912	1,181	982	964	1,172	1,403	1,588	1,780
Studio Entertainment	167	80	271	282	631	686	614	734	772	812
Consumer Products	567	421	430	394	354	375	400	511	557	606
Company FCF										
Segment FCF	2,664	3,436	3,499	2,877	3,052	3,775	4,408	5,324	6,083	6,801
growth	-	*29.0%*	*1.8%*	*-17.8%*	*6.1%*	*23.7%*	*16.8%*	*20.8%*	*14.3%*	*11.8%*
Corporate Expenses	(153)	(161)	(581)	(621)	(562)	(545)	(545)	(490)	(485)	(507)
Taxes	(1,066)	(1,374)	(1,399)	(1,151)	(1,221)	(1,510)	(1,763)	(2,130)	(2,433)	(2,720)
TOTAL FREE CASH FLOW	1,445	1,901	1,518	1,105	1,269	1,720	2,100	2,705	3,164	3,573
growth	-	*31.5%*	*-20.1%*	*-27.2%*	*14.8%*	*35.5%*	*22.1%*	*28.8%*	*17.0%*	*12.9%*

WEIGHTED AVERAGE COST OF CAPITAL (WACC) COMPUTATION

Cap Ratios				**Rate**	
Equity				5%	Risk Free Rate
	Shares Outstanding	2,065		5%	Equity Risk Premium
	Price	$ 16.35		1.04	Beta
		33,762	73%	10.2%	**Cost of Equity**
WACC			8.5%		
Debt		12,253			
Preferred Stock		-		6.1%	Weigted Avg Interest Rate
Total Debt		12,253	27%	3.6%	**Cost of Debt**
TOTAL CAPITAL BASE		46,015	100%		

VALUATION MATRICES

2003E

Equity Plus + Unconsolidated Assets - Net Debt

	WACC	Terminal g 3.5%	4.0%	4.5%	5.0%	5.5%
W	6.5%	$42	$51	$64	$86	$132
A	7.5%	$30	$34	$40	$48	$61
C	8.5%	$22	$25	$28	$33	$38
C	9.5%	$18	$19	$21	$24	$27
	10.5%	$14	$15	$17	$18	$20

Value in Terminal Period

	WACC	Terminal g 3.5%	4.0%	4.5%	5.0%	5.5%
W	6.5%	88%	90%	92%	94%	96%
A	7.5%	84%	86%	88%	90%	92%
C	8.5%	81%	82%	84%	86%	88%
C	9.5%	77%	79%	80%	82%	84%
	10.5%	74%	75%	77%	79%	80%

Terminal Value EBITDA Multiple

	WACC	Terminal g 3.5%	4.0%	4.5%	5.0%	5.5%
W	6.5%	16.4x	19.8x	25.0x	33.8x	51.7x
A	7.5%	12.2x	14.1x	16.5x	20.0x	25.2x
C	8.5%	9.8x	10.9x	12.4x	14.2x	16.7x
C	9.5%	8.1x	8.9x	9.9x	11.0x	12.5x
	10.5%	7.0x	7.5x	8.2x	9.0x	10.0x

2004E

Equity Plus + Unconsolidated Assets - Net Debt

	WACC	Terminal g 3.5%	4.0%	4.5%	5.0%	5.5%
W	6.5%	$45	$54	$68	$92	$141
A	7.5%	$32	$37	$43	$52	$66
C	8.5%	$25	$27	$31	$36	$42
C	9.5%	$20	$21	$24	$26	$30
	10.5%	$16	$17	$19	$21	$23

Value in Terminal Period

	WACC	Terminal g 3.5%	4.0%	4.5%	5.0%	5.5%
W	6.5%	89%	91%	93%	95%	96%
A	7.5%	86%	87%	89%	91%	93%
C	8.5%	82%	84%	86%	87%	89%
C	9.5%	79%	81%	82%	84%	86%
	10.5%	76%	77%	79%	81%	82%

Terminal Value EBITDA Multiple

	WACC	Terminal g 3.5%	4.0%	4.5%	5.0%	5.5%
W	6.5%	16.4x	19.8x	25.0x	33.8x	51.7x
A	7.5%	12.2x	14.1x	16.5x	20.0x	25.2x
C	8.5%	9.8x	10.9x	12.4x	14.2x	16.7x
C	9.5%	8.1x	8.9x	9.9x	11.0x	12.5x
	10.5%	7.0x	7.5x	8.2x	9.0x	10.0x

Source: Deutsche Bank Securities Inc. estimates and company data

Figure 15: Disney Sum Of The Parts Valuation

(MM, except unit data)	Mult / Value per Sub	Cash Flow '03E	Cash Flow '04E	Subs '03E	Subs '04E	Disney Stake	Value '03E	Value '04E	Per Share '03E	Per Share '04E	% of Value '03E	% of Value '04E	Method
CONSOLIDATED OPERATIONS													
Studio Entertainment	**13x**	**670**	**726**				**8,706**	**9,443**	**$4.22**	**$4.61**	**16.5%**	**16.7%**	**DCF**
Media Networks													
Broadcasting													
ABC TV Network	1x Rev	(487)	(198)				3,065	3,289	$1.48	$1.61	5.8%	5.8%	PMV
ABC TV Stations	13x	439	387				5,706	5,026	$2.76	$2.46	10.8%	8.9%	PMV
ABC Radio Network	20x	45	42				903	845	$0.44	$0.41	1.7%	1.5%	PMV
ABC Radio Stations	20x	205	213				4,100	4,269	$1.99	$2.09	7.8%	7.6%	PMV
Buena Vista Productions		(123)	(122)				750	750	$0.36	$0.37	1.4%	1.3%	PMV
Subtotal Broadcasting		78	322				14,524	14,179	$7.03	$6.93	27.5%		
Multiple							*NA*	*44.0x*					
Cable													
ESPN	$100			88.6	89.5		8,864	8,952	$4.29	$4.37	16.8%	15.9%	PMV
ESPN2	$40			88.7	90.5		3,549	3,620	$1.72	$1.77	6.7%	6.4%	PMV
ESPN Classics	$25			51.9	55.9		1,298	1,398	$0.63	$0.68	2.5%	2.5%	PMV
ESPN News	$20			38.9	40.9		778	818	$0.38	$0.40	1.5%	1.4%	PMV
Subtotal ESPN		687	1,115				14,488	14,788	$7.02	$7.22	27.4%		
Multiple							*21.1x*	*13.3x*					
Disney Channel	$60			81.0	81.8		4,860	4,909	$2.35	$2.40	9.2%	8.7%	PMV
Disney Channel International	$25			22.5	26.5		563	663	$0.27	$0.32	1.1%	1.2%	PMV
Soap Net, Toon Disney, Other	5x revs						696	704	$0.34	$0.34	1.3%	1.2%	PMV
Subtotal Disney		387	395				6,118	6,275	$2.96	$3.07	11.6%		
Multiple							*15.8x*	*15.9x*					
ABC Family	$30			85.1	86.0		2,553	2,579	$1.24	$1.26	4.8%	4.6%	Purchase Price
Fox Kids Europe	$10			27.0	30.0		270	300	$0.13	$0.15	0.5%	0.5%	Purchase Price
Fox Kids Latin America	$5			13.4	15.4		67	77	$0.03	$0.04	0.1%	0.1%	Purchase Price
Saban Library							250	250	$0.12	$0.12	0.5%	0.4%	Purchase Price
Fox Family Subtotal		17	15				3,140	3,206	$1.52	$1.57	5.9%	5.7%	
Multiple							*182.0x*	*210.5x*					
Total Cable		1,092	1,525				23,746	24,268	$11.50	$11.86	44.9%	43.0%	
Multiple							*21.7x*	*15.9x*					
Total Media Networks							**38,270**	**38,447**	**$18.53**	**$18.78**	**72.4%**	**68.1%**	
Theme Parks & Resorts	**8x**	**1,618**	**1,764**				**12,941**	**14,110**	**$6.27**	**$6.89**	**24.5%**	**25.0%**	**DCF**
Consumer Products	**10x**	**415**	**439**				**4,153**	**4,392**	**$2.01**	**$2.15**	**7.9%**	**7.8%**	**DCF**
Corporate Overhead	**8x**	**(412)**	**(395)**				**(3,296)**	**(3,160)**	**($1.60)**	**($1.54)**	**-6.2%**	**-5.6%**	
TOTAL OPERATIONS PRIVATE MARKET VALUE							**60,774**	**63,232**	**$29.43**	**$30.89**			
CONSOLIDATED EBITDA ESTIMATE							*3,541*	*4,467*					
CONSOLIDATED PRIVATE MARKET EBITDA MULTIPLE							*17.2x*	*14.2x*					
UN-CONSOLIDATED OPERATIONS / ADJUSTMENTS													
Euro Disney	$0.40		1,055.9			39%	165	165	$0.08	$0.08	0.3%	0.3%	
A & E	$40			86.3	88.3	38%	1,295	1,325	$0.63	$0.65	2.4%	2.3%	PMV
History Channel	$40			82.2	85.2	38%	1,233	1,278	$0.60	$0.62	2.3%	2.3%	PMV
Lifetime Channel	$65			86.2	88.2	50%	2,802	2,867	$1.36	$1.40	5.3%	5.1%	PMV
E! Entertainment	$52			80.1	83.1	40%	1,649	1,711	$0.80	$0.84	3.1%	3.0%	PMV
Style	$20			20.9	25.9	40%	166	205	$0.08	$0.10	0.3%	0.4%	PMV
							7,309	7,550	$3.54	$3.69	13.8%	13.4%	
Less: 20% unowned ESPN stake							(2,898)	(2,958)	($1.40)	($1.44)	-5.5%	-5.2%	
24% unowned Fox Kids stake							(65)	(72)	($0.03)	($0.04)	-0.1%	-0.1%	
TOTAL UNCONSOLIDATED OPERATIONS							**4,346**	**4,520**	**$2.10**	**$2.21**	**8.2%**	**8.0%**	
DEBT													
Net Debt							**(12,253)**	**(11,307)**	**($5.93)**	**($5.52)**	**-23.2%**	**-20.0%**	
SHARES OUTSTANDING													
Diluted Shares O/S							2,065	2,047					
TOTAL VALUE							**52,867**	**56,446**	**$25.60**	**$27.58**			
VALUE AS MULTIPLE OF EBITDA							*17.2x*	*14.2x*					

Source: Deutsche Bank Securities Inc. estimates and company data

Figure 16: **Entertainment Company Comparisons (US$MM, except per share data)**

10/26/2003	Fox PF GMH	Liberty Media(1)	Time Warner	- Time Warner	= Aol Unit	Viacom	Block-buster	Viacom ex. BBI	Walt Disney	Total/ Avg
DBSI Analyst	*DDM*	*DDM*	*DDM*	*na*	*na*	*AWM*	*na*	*na*	*DDM*	--
DBSI Rating	Hold	Buy	Buy	na	na	Buy	na	na	Buy	--
Ticker	**FOX**	**L**	**TWX**	**na**	**na**	**VIA**	**BBI**	**na**	**DIS**	--
PRO FORMA ENTERPRISE VALUE (EV)										
Stock Price	$28.98	$9.83	$15.05	$13.39	$1.66	$38.52	$19.00	$38.52	$21.80	--
Diluted Shs	974	2938	4701	4701	4701	1831	182	1831	2064	--
Eq Mkt Cap	28,230	28,885	70,755	62,973	7,782	70,547	3,460	67,087	45,000	243,417
% of group	*11.6%*	*11.9%*	*29.1%*	*25.9%*	*3.2%*	*29.0%*	*1.4%*	*27.6%*	*18.5%*	
PF Net Debt	5,880	14,071	22,953	22,953	0	10,043	434	9,609	12,541	65,488
Subtotal	34,111	42,956	93,708	85,926	7,782	80,590	3,894	76,696	57,541	308,905
Hidden Value	8,770	24,041	1,536	1,536	0	-376	0	-376	4,704	38,676
Current PF EV	25,340	18,915	92,172	84,390	7,782	80,965	3,894	77,071	52,837	270,229
2HCY03E FCF	-341	-3	1,349	836	513	1,756	147	1,609	743	3,504
CY/E '03 EV	25,682	18,918	90,823	83,555	7,269	79,209	3,747	75,462	52,093	266,725
CY04E FCF	1,500	219	4,606	3,375	1,231	3,502	294	3,208	1,738	11,564
CY/E '04 EV	24,182	18,699	86,218	80,180	6,038	75,707	3,453	72,254	50,355	255,161
All **Operating Estimates** are presented on a **Fiscal Year** basis										
Fiscal Year	*Jun*	*Dec*	*Dec*	*Dec*	*Dec*	*Dec*	*Dec*	*Dec*	*Sep*	--
Pro Forma Net Revenues										
2004E	$11,894	$11,450	$44,341	$38,344	$8,365	$28,403	$6,303	$22,100	$28,631	$124,720
2003E	11,002	10,487	42,891	36,572	8,578	26,477	6,120	20,357	26,775	117,632
2002A	9,795	9,565	41,070	34,357	9,094	24,984	5,566	19,418	25,440	110,854
04/03 % Chg	8.1%	9.2%	3.4%	4.8%	-2.5%	7.3%	3.0%	8.6%	6.9%	6.0%
03/02 % Chg	12.3%	9.6%	4.4%	6.4%	-5.7%	6.0%	10.0%	4.8%	5.2%	6.1%
Pro Forma Operating Costs (Revenue less EBITDA)										
2004E	$9,461	$8,876	$34,241	$29,457	$6,753	$21,839	$5,621	$16,218	$24,164	$98,581
2003E	8,911	8,087	33,434	28,195	7,035	20,487	5,437	15,050	23,233	94,152
2002A	8,461	7,631	32,001	26,690	7,296	19,356	4,976	14,380	22,098	89,548
04/03 % Chg	6.2%	9.8%	2.4%	4.5%	-4.0%	6.6%	3.4%	7.8%	4.0%	4.7%
03/02 % Chg	5.3%	6.0%	*4.5%*	*5.6%*	*-3.6%*	5.8%	*9.3%*	*4.7%*	5.1%	5.1%
Pro Forma EBITDA										
2004E	$2,433	$2,574	$10,100	$8,887	$1,612	$6,565	$683	$5,882	$4,467	$26,140
2003E	2,091	2,400	9,457	8,377	1,543	5,990	683	5,308	3,541	23,480
2002A	1,334	1,934	9,069	7,667	1,798	5,628	590	5,039	3,342	21,306
04/03 % Chg	16.4%	7.2%	6.8%	6.1%	4.5%	9.6%	0.0%	10.8%	26.1%	11.3%
03/02 % Chg	56.7%	24.1%	4.3%	9.3%	-14.2%	6.4%	15.8%	5.3%	6.0%	10.2%
Pro Forma EBITDA Margin										
2004E	20.5%	22.5%	22.8%	23.2%	19.3%	23.1%	10.8%	26.6%	15.6%	21.0%
2003E	19.0%	22.9%	22.0%	22.9%	18.0%	22.6%	11.2%	26.1%	13.2%	20.0%
2002A	13.6%	20.2%	22.1%	22.3%	19.8%	22.5%	10.6%	25.9%	13.1%	19.2%
Earnings Per Share (net income ex. unusual items / fully diluted shs out)										
2004E	1.22	(0.14)	0.53	--	--	1.59	--	--	0.88	--
2003E	1.17	(0.16)	0.46	--	--	1.38	--	--	0.60	--
2002A	0.50	(2.06)	0.46	--	--	1.24	--	--	0.53	--
04/03 % Chg	4.0%	NM	15.6%	--	--	15.2%	--	--	46.7%	20.4%
03/02 % Chg	133.3%	NM	0.4%	--	--	11.2%	--	--	13.2%	39.5%
Free Cash Flow Per Share (net income ex. unusual + D&A - capex / fully diluted shs out)										
2004E	1.24	0.13	0.67	--	--	$1.79	--	--	0.80	--
2003E	1.24	0.02	0.58	--	--	1.58	--	--	0.57	--
2002A	0.73	(1.26)	0.47	--	--	1.45	--	--	0.45	--
04/03 % Chg	0.3%	NM	14.8%	--	--	13.3%	--	--	40.6%	17.3%
03/02 % Chg	70.9%	NM	24.1%	--	--	9.0%	--	--	26.2%	32.6%

Analysts: DDM-Doug Mitchelson; AWM-Drew Marcus
(1) Liberty Media operating data represents their attributable share of consolidated operations as well as Discovery, J-Com, and JPC.
Source: Deutsche Bank Securities Inc. estimates; Company Reports.

Source: Deutsche Bank Securities Inc. estimates and company data

Figure 17: Entertainment Company Valuations

10/26/2003	Fox (1) PF GMH	Liberty Media(2)	Time Warner	Time Warner	Aol Unit	Viacom	Block-buster	Viacom ex. BBI	Walt Disney	Total/ Avg
Rating	Hold	Buy	Buy	na	na	Buy	na	na	Buy	--
Ticker	**FOX**	**L**	**TWX**	**na**	**na**	**VIA**	**BBI**	**na**	**DIS**	--
Stk Price	$28.98	$9.83	$15.05	$13.39	$1.66	$38.52	$19.00	$38.52	$21.80	--
	All **Valuation Comparisons** are based on **Calendar Year** periods									
Enterprise Value/EBITDA (pro forma and based on period end EV)										
2004E	10.2	7.3	8.5	9.0	3.7	11.5	5.1	12.3	10.9	9.7
2003E	**12.2**	**7.9**	**9.6**	**10.0**	**4.7**	**13.2**	**5.5**	**14.2**	**13.5**	**11.2**
2002A	15.8	9.8	10.2	11.0	4.3	14.4	6.6	15.3	15.7	12.5
FY03-FY08E CAGR	6.6%	10%	6.6%	8.2%	-3.0%	9.5%	3.0%	10.2%	16%	9.7%
2003 EV/EBITDA-G	1.86	0.81	1.44	1.22	(1.55)	1.39	1.85	1.39	0.85	1.27
'03 mult-equity value	13.5x	12.0x	7.5x	7.5x	5.0x	11.8x	5.1x	12.6x	12.7x	10.4x
'03 mult-debt value	2.8x	5.9x	2.4x	2.7x	0.0x	1.7x	0.6x	1.8x	3.5x	2.8x
'03 mult-FCF value	-0.2x	0.0x	0.1x	0.1x	0.3x	0.3x	0.2x	0.3x	0.2x	0.1x
'03 mult-Hidden Value	-4.2x	-10.0x	-0.2x	-0.2x	0.0x	0.1x	0.0x	0.1x	-1.3x	-1.6x
P/E										
2004E	25.8	NM	28.2	--	--	24.2	--	--	23.4	25.4
2003E	**25.1**	**NM**	**32.6**	**--**	**--**	**27.9**	**--**	**--**	**32.1**	**29.4**
2002A	36.8	NM	32.7	--	--	31.0	--	--	37.6	34.5
'03 P/E vs. S&P	1.3x	NM	1.7x	--	--	1.4x	--	--	1.6x	1.5x
FY03-FY08 CAGR	10.3%	NM	14.1%	--	--	15.2%	--	--	24.2%	16.0%
P/E-G										
2004E	250%	NM	200%	--	--	159%	--	--	97%	176%
2003E	**243%**	**NM**	**231%**	**--**	**--**	**183%**	**--**	**--**	**133%**	**198%**
2002A	357%	NM	232%	--	--	204%	--	--	156%	237%
'03 P/E-G vs. S&P	1.6x	NM	1.5x	--	--	1.2x	--	--	0.9x	1.3x
P/FCF Per Share										
2004E	23.1	NM	22.6	--	--	21.5	--	--	25.8	23.2
2003E	**22.1**	**NM**	**25.9**	**--**	**--**	**24.4**	**--**	**--**	**33.4**	**26.5**
2002A	28.1	NM	32.2	--	--	26.6	--	--	39.8	31.7
'03 P/FCF vs. S&P	1.1x	NM	1.3x	--	--	1.2x	--	--	1.7x	1.4x
FCF/Shr CAGRs										
2004-2007E	11%	31%	19%	--	--	15%	--	--	23%	20%
2003-2006E	6%	113%	19%	--	--	14%	--	--	30%	36%
2002-2005E	23%	NM	21%			11%			30%	
FY03-FY08 CAGR	8%	68%	20%	--	--	13%	--	--	24%	27%
P/FCF-Growth (Growth based on forward 3-year CAGR from year measured)										
2004E	206%	250%	119%	--	--	142%	--	--	120%	168%
2003E	**NM**	**NM**	**137%**	**--**	**--**	**172%**	**--**	**--**	**126%**	**145%**
2002A	175%	NM	152%	--	--	235%	--	--	163%	181%
'03 P/FCF-G vs.S&P	NM	NM	0.9x	--	--	1.1x	--	--	0.8x	0.96x
Capex % FY03E EBITDA	6.8%	5.9%	31.2%	30.7%	24.7%	10.9%	13.5%	10.5%	29.7%	16.9%
FCF margin FY03E	9.9%	2.3%	8.7%	7.1%	13.5%	10.8%	4.7%	14.6%	4.4%	3.0%
PF Debt / TTM EBITDA	3.1x	6.4x	2.6x	--	--	1.7x	0.7x	1.8x	3.8x	2.8x
TARGET PRICE										
DCF	30	--	21	--	--	--	--	--	31	--
Sum of the Parts	34	16	21	--	--	56	--	--	28	--
Price/SotP	*86%*	*62%*	*71%*	--	--	*68%*	--	--	*79%*	*73%*
P/FCF-G (at S&P Mult	26	14	26	--	--	53	--	--	40	--
Average Target	**30**	**13**	**21**	**na**	**na**	**55**	**na**	**na**	**29**	**--**
% Change to Target	4%	32%	40%	--	--	43%	--	--	33%	30%
CY04E EBITDA Target I	10.6x	10.9x	11.3x	--	--	16.1x	--	--	14.1x	13.0x
CY04E P/E Target Mult.	26.7x	-93.3x	39.4x	--	--	34.5x	--	--	31.2x	32.9x
CY04E P/FCF Target Mu	23.9x	102.7x	31.5x	--	--	30.7x	--	--	44.4x	32.6x

Note: All data are presented on a calendar-year basis.
(1) Fox is adjusted to add back the sports write-down.
(2) Liberty Media valuations based on their attributable share of consolidated operations as well as Discovery, J-Com, and JPC.
Source: Deutsche Bank Securities Inc. estimates; Company Reports.

Source: Deutsche Bank Securities Inc. estimates and company data

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