COMCAST CORP
Form 10-Q
July 27, 2007
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended June 30, 2007

OR

¨ **Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Transition Period from to .**
Commission File Number 001-32871

COMCAST CORPORATION

(Exact name of registrant as specified in its charter)

PENNSYLVANIA	**27-0000798**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1500 Market Street, Philadelphia, PA 19102-2148

(Address of principal executive offices)

(Zip Code)

Registrant s telephone number, including area code: (215) 665-1700

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

Yes x No ¨

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ¨ No x

As of June 30, 2007, there were 2,073,563,577 shares of our Class A Common Stock, 1,007,601,457 shares of our Class A Special Common Stock and 9,444,375 shares of our Class B Common Stock outstanding.

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COMCAST CORPORATION AND SUBSIDIARIES FORM 10-Q

QUARTER ENDED JUNE 30, 2007

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This Quarterly Report on Form 10-Q is for the three and six months ended June 30, 2007. This Quarterly Report modifies and supersedes documents filed prior to this Quarterly Report. The Securities and Exchange Commission (SEC) allows us to incorporate by reference information that we file with them, which means that we can disclose important information to you by referring you directly to those documents. Information incorporated by reference is considered to be part of this Quarterly Report. In addition, information that we file with the SEC in the future will automatically update and supersede information contained in this Quarterly Report. Throughout this Quarterly Report, we refer to Comcast Corporation as Comcast; Comcast and its consolidated subsidiaries as we, us and our; and Comcast Holdings Corporation as Comc Holdings.

You should carefully review the information contained in this Quarterly Report and particularly consider any risk factors that we set forth in this Quarterly Report and in other reports or documents that we file from time to time with the SEC. In this Quarterly Report, we state our beliefs of future events and of our future financial performance. In some cases, you can identify these so-called forward-looking statements by words such as may, will, should, expects, plans, anticipates, believes, estimates, predicts, potential, or continue, or the negative of comparable words. You should be aware that those statements are only our predictions. In evaluating those statements, you should specifically consider various factors, including the risks outlined below. Actual events or our actual results may differ materially from any of our forward-looking statements.

Our businesses may be affected by, among other things, the following:

all of the services offered by our cable systems face a wide range of competition that could adversely affect our future results of operations

programming expenses are increasing, which could adversely affect our future results of operations we are subject to regulation by federal, state and local governments, which may impose costs and restrictions

we may face increased competition because of technological advances and new regulatory requirements, which could adversely affect our future results of operations

we face risks arising from the outcome of various litigation matters

acquisitions and other strategic transactions present many risks, and we may not realize the financial and strategic goals that were contemplated at the time of any transaction

our Class B common stock has substantial voting rights and separate approval rights over a number of potentially material transactions and, through his beneficial ownership of the Class B common stock, our Chairman and CEO has considerable influence over our operations

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COMCAST CORPORATION AND SUBSIDIARIES FORM 10-Q

QUARTER ENDED JUNE 30, 2007

PART I: FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

Condensed Consolidated Balance Sheet

(Unaudited)

(in millions, except share data)	June 30, 2007	December 31, 2006
ASSETS		
Current Assets		
Cash and cash equivalents	$ 828	$ 1,239
Investments	395	1,735
Accounts receivable, less allowance for doubtful accounts of $174 and $157	1,441	1,450
Other current assets	878	778
Total current assets	3,542	5,202
Investments	6,211	8,847
Property and equipment, net of accumulated depreciation of $17,629 and $15,506	22,900	21,248
Franchise rights	57,914	55,927
Goodwill	14,416	13,768
Other intangible assets, net of accumulated amortization of $6,282 and $5,543	5,165	4,881
Other noncurrent assets, net	608	532
	$ 110,756	**$ 110,405**
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Accounts payable and accrued expenses related to trade creditors	$ 2,978	$ 2,862
Accrued expenses and other current liabilities	3,301	3,032
Deferred income taxes	102	563
Current portion of long-term debt	458	983
Total current liabilities	6,839	7,440
Long-term debt, less current portion	27,794	27,992
Deferred income taxes	26,533	27,089
Other noncurrent liabilities	7,487	6,476
Minority interest	278	241
Commitments and Contingencies (Note 11)		
Stockholders Equity		
Preferred stock authorized, 20,000,000 shares; issued, zero		
Class A common stock, $0.01 par value authorized, 7,500,000,000 shares; issued, 2,439,024,327 and 2,425,818,710; outstanding, 2,073,563,577 and 2,060,357,960	24	24
Class A Special common stock, $0.01 par value authorized, 7,500,000,000 shares; issued, 1,078,536,221 and 1,120,659,771; outstanding, 1,007,601,457 and 1,049,725,007	11	11
Class B common stock, $0.01 par value authorized, 75,000,000 shares; issued and outstanding, 9,444,375		
Additional capital	42,408	42,401
Retained earnings	6,951	6,214
Treasury stock 365,460,750 Class A common shares and 70,934,764 Class A Special common shares	(7,517)	(7,517)
Accumulated other comprehensive income (loss)	(52)	34
Total stockholders equity	41,825	41,167
	$ 110,756	**$ 110,405**

See notes to condensed consolidated financial statements.

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COMCAST CORPORATION AND SUBSIDIARIES FORM 10-Q

QUARTER ENDED JUNE 30, 2007

Condensed Consolidated Statement of Operations

(Unaudited)

(in millions, except per share data)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Revenues	$ 7,712	$ 5,908	$ 15,100	$ 11,503
Costs and Expenses				
Operating (excluding depreciation)	2,754	2,130	5,513	4,203
Selling, general and administrative	1,946	1,467	3,812	2,889
Depreciation	1,252	905	2,477	1,785
Amortization	292	233	569	449
	6,244	4,735	12,371	9,326
Operating income	1,468	1,173	2,729	2,177
Other Income (Expense)				
Interest expense	(550)	(496)	(1,118)	(972)
Investment income (loss), net	126	14	300	78
Equity in net (losses) income of affiliates, net	(16)	(12)	(37)	(21)
Other income (expense)	1	85	514	98
	(439)	(409)	(341)	(817)
Income from continuing operations before income taxes and minority interest	1,029	764	2,388	1,360
Income tax expense	(453)	(369)	(979)	(516)
Income from continuing operations before minority interest	576	395	1,409	844
Minority interest	12	4	16	(7)
Income from continuing operations	**588**	**399**	**1,425**	**837**
Income from discontinued operations, net of tax		61		89
Net income	**$ 588**	**$ 460**	**$ 1,425**	**$ 926**
Basic earnings per common share				
Income from continuing operations	$ 0.19	$ 0.13	$ 0.46	$ 0.26
Income from discontinued operations		0.02		0.03
Net income	**$ 0.19**	**$ 0.15**	**$ 0.46**	**$ 0.29**
Diluted earnings per common share				
Income from continuing operations	$ 0.19	$ 0.13	$ 0.45	$ 0.26
Income from discontinued operations		0.02		0.03
Net income	**$ 0.19**	**$ 0.15**	**$ 0.45**	**$ 0.29**

See notes to condensed consolidated financial statements.

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COMCAST CORPORATION AND SUBSIDIARIES FORM 10-Q

QUARTER ENDED JUNE 30, 2007

Condensed Consolidated Statement of Cash Flows

(Unaudited)

(in millions)	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
OPERATING ACTIVITIES		
Net income	$ 1,425	$ 926
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,477	1,785
Amortization	569	449
Depreciation and amortization on discontinued operations		120
Share-based compensation expense	78	96
Noncash interest expense (income), net	49	40
Equity in net losses (income) of affiliates, net	37	21
(Gains) losses on investments and noncash other (income) expense, net	(746)	(51)
Proceeds from sale of trading securities	483	
Noncash contribution expense	8	5
Minority interest	(16)	7
Deferred income taxes	197	(245)
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:		
Change in accounts receivable, net	72	(61)
Change in accounts payable and accrued expenses related to trade creditors	(80)	(25)
Change in other operating assets and liabilities	(163)	117
Net cash provided by (used in) operating activities	**4,390**	**3,184**
FINANCING ACTIVITIES		
Proceeds from borrowings	590	2,587
Retirements and repayments of debt	(1,320)	(1,905)
Repurchases of common stock	(1,252)	(1,388)
Issuances of common stock	334	60
Other	52	2
Net cash provided by (used in) financing activities	**(1,596)**	**(644)**
INVESTING ACTIVITIES		
Capital expenditures	(3,058)	(1,854)
Cash paid for intangible assets	(229)	(141)
Acquisitions, net of cash acquired	(770)	(550)
Proceeds from sales of investments	805	303
Purchases of investments	(52)	(70)
Proceeds from sales (purchases) of short-term investments	56	(4)
Other	43	(3)
Net cash provided by (used in) investing activities	**(3,205)**	**(2,319)**
Increase (decrease) in cash and cash equivalents	(411)	221
Cash and cash equivalents, beginning of period	1,239	947
Cash and cash equivalents, end of period	**$ 828**	**$ 1,168**

See notes to condensed consolidated financial statements.

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COMCAST CORPORATION AND SUBSIDIARIES FORM 10-Q

QUARTER ENDED JUNE 30, 2007

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1: Condensed Consolidated Financial Statements

Basis of Presentation

We have prepared these unaudited condensed consolidated financial statements based upon Securities and Exchange Commission (SEC) rules that permit reduced disclosure for interim periods.

These financial statements include all adjustments that are necessary for a fair presentation of our results of operations and financial condition for the periods shown, including normal recurring accruals and other items. The results of operations for the interim periods presented are not necessarily indicative of results for the full year.

For a more complete discussion of our accounting policies and certain other information, refer to our annual financial statements for the preceding fiscal year as filed with the SEC.

Stock Split

In January 2007, our Board of Directors approved a three-for-two stock split in the form of a 50% stock dividend (the Stock Split) which was paid on February 21, 2007 to shareholders of record on February 14, 2007. The stock dividend was in the form of an additional 0.5 share for every share held and was payable in shares of Class A common stock on the existing Class A common stock and payable in shares of Class A Special common stock on the existing Class A Special common stock and Class B common stock with cash being paid in lieu of fractional shares. The number of shares outstanding and related prices, per share amounts, share conversions and share-based data have been adjusted to reflect the Stock Split for all prior periods presented.

Reclassifications

Certain reclassifications have been made in our segment presentation to be consistent with our management reporting presentation (see Note 12).

Note 2: Recent Accounting Pronouncements

SFAS No. 159

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS No. 159). SFAS No. 159 provides the option to report certain financial assets and liabilities at fair value, with the intent to mitigate volatility in financial reporting that can occur when related assets and liabilities are recorded on different bases. This statement is effective for us beginning January 1, 2008. We do not expect SFAS No. 159 will have a material impact on our consolidated financial statements.

FASB Interpretation No. 48

In July 2006, the FASB issued Financial Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the recognition threshold and measurement of a tax position taken on a tax return. FIN 48 also requires expanded disclosure with respect to the uncertainty in income taxes. Effective January 1, 2007, we adopted the provisions of FIN 48. See Note 9 for further detail regarding the adoption of this interpretation.

EITF Issue No. 06-10

In March 2007, the Emerging Issues Task Force (EITF) reached a consensus on EITF Issue No. 06-10, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Collateral Assignment Split-Dollar Life Insurance Arrangements (EITF 06-10). EITF 06-10 provides that an employer should recognize a liability for the postretirement benefit related to collateral assignment split-dollar life insurance arrangements in accordance with either SFAS No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions, or APB No. 12, Omnibus Opinion. Entities should recognize the effects of applying EITF 06-10 through either (i) a change in accounting principle through a cumulative-effect adjustment to retained earnings or to other components of equity or net assets in the statement of financial position as of the beginning of the year of adoption or (ii) a change in accounting principle through retrospective application to all prior periods. The provisions of EITF 06-10 are effective for us as of January 1, 2008 and are not expected to have a material impact on our consolidated financial statements.

Note 3: Earnings Per Share

Basic earnings per common share (Basic EPS) is computed by dividing income from continuing operations for common stockholders by the weighted-average number of common shares outstanding during the period.

Our potentially dilutive securities include potential common shares related to our stock options and restricted share units. Diluted earnings per common share (Diluted EPS) considers the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential common shares would have an antidilutive effect.

Diluted EPS for both the three and six months ended June 30, 2007 excludes approximately 39 million potential common shares and Diluted EPS for the three and six months ended June 30, 2006 excludes approximately 146 million and 169 million potential common shares, respectively, related to our share-based compensation plans, because the inclusion of the potential common shares would have an antidilutive effect.

The table below reconciles the numerator and denominator of the computations of Diluted EPS from continuing operations for the periods presented:

	Three Months Ended June 30,					
		2007			2006	
(in millions, except per share data)	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic EPS	$588	3,113	$0.19	$399	3,168	$0.13
Effect of Dilutive Securities:						
Assumed exercise or issuance of shares relating to stock plans		34			16	
Diluted EPS	**$588**	**3,147**	**$0.19**	**$399**	**3,184**	**$0.13**

	Six Months Ended June 30,					
		2007			2006	
(in millions, except per share data)	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic EPS	$1,425	3,119	$0.46	$837	3,185	$0.26
Effect of Dilutive Securities:						
Assumed exercise or issuance of shares relating to stock plans		36			13	
Diluted EPS	**$1,425**	**3,155**	**$0.45**	**$837**	**3,198**	**$0.26**

Note 4: Acquisitions and Other Significant Events

Texas and Kansas City Cable Partnership

In July 2006, we initiated the dissolution of Texas and Kansas City Cable Partners (TKCCP), our 50%-50% cable system partnership with Time Warner Cable (TWC). On January 1, 2007, the distribution of assets by TKCCP was completed and we received the cable system serving Houston, Texas (Houston Asset Pool) and TWC received the cable systems serving Kansas City, south and west Texas, and New Mexico

(Kansas City Asset Pool). We accounted for the distribution of assets by TKCCP as a sale of our 50% interest in the Kansas City

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Asset Pool in exchange for acquiring an additional 50% interest in the Houston Asset Pool. This transaction resulted in an increase of approximately 700,000 video subscribers. The estimated fair value of the 50% interest of the Houston Asset Pool we received was approximately $1.1 billion and resulted in a pretax gain of approximately $500 million, which is included in other income (expense). We recorded our 50% interest in the Houston Asset Pool as a step acquisition in accordance with SFAS No. 141, Business Combinations. The valuation of assets acquired and the estimated gain are based on preliminary valuations. Refinements may occur as these valuations are finalized. The results of operations for the Houston Asset Pool have been included in our consolidated financial statements since the date of the distribution of assets by TKCCP (January 1, 2007) and are reported in our Cable segment. The exchange of our 50% interest in the Kansas City Asset Pool for TWC s 50% interest in the Houston Asset Pool is considered a noncash investing activity.

Adelphia and Time Warner Transactions

In July 2006, we completed transactions with Adelphia and Time Warner that resulted in a net increase of approximately 1.7 million video subscribers, a net cash payment by us of approximately $1.5 billion, the disposition of our ownership interests in TWC and Time Warner Entertainment (TWE) and the assets of two cable system partnerships, and the transfer of our previously owned cable systems in Los Angeles, Cleveland and Dallas (Comcast Exchange Systems). We collectively refer to these transactions as the Adelphia and Time Warner transactions.

The operating results of the Comcast Exchange Systems transferred to TWC are reported as discontinued operations and are presented in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. The following represents the operating results of the Comcast Exchange Systems for the three and six months ended June 30, 2006:

(in millions)	Three Months Ended June 30, 2006	Six Months Ended June 30, 2006
Revenues	$ 320	$ 626
Income before income taxes	$ 54	$ 98
Income tax benefit (expense)	$ 7	$ (9)
Net income	$ 61	$ 89

Unaudited Pro Forma Information

The following unaudited pro forma information has been presented as if the Adelphia and Time Warner transactions and the TKCCP transaction each occurred on January 1, 2006. This information is based on historical results of operations, adjusted for purchase price allocations, and is not necessarily indicative of what the results would have been had we operated the cable systems since January 1, 2006.

(in millions, except per share data)	Three Months Ended June 30, 2006	Six Months Ended June 30, 2006
Revenues	$ 6,854	$ 13,361
Income from continuing operations	$ 427	$ 882
Income from discontinued operations, net of tax	$ 61	$ 89
Net income	$ 488	$ 971
Basic EPS	$ 0.15	$ 0.30
Diluted EPS	$ 0.15	$ 0.30

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COMCAST CORPORATION AND SUBSIDIARIES FORM 10-Q

QUARTER ENDED JUNE 30, 2007

Note 5: Investments

(in millions)	June 30, 2007	December 31, 2006
Fair value method		
Cablevision Systems Corporation	$ 186	$ 146
Discovery Holding Company	230	161
Embarq Corporation	6	69
GSI Commerce	59	48
Liberty Capital	588	490
Liberty Global	617	439
Liberty Interactive	558	539
Sprint Nextel	41	493
Time Warner, Inc.	269	1,052
Vodafone		61
Other	16	15
	2,570	3,513
Equity method, principally cable-related and SpectrumCo, LLC	2,375	5,394
Cost method, principally AirTouch	1,661	1,675
Total investments	6,606	10,582
Less: current investments	395	1,735
Noncurrent investments	**$ 6,211**	**$ 8,847**

The cost, fair value and unrealized gains related to our available-for-sale securities, which consist principally of our investment in Time Warner are presented in the following table:

(in millions)	June 30, 2007	December 31, 2006
Cost	$ 317	$ 936
Unrealized gains	101	254
Fair value	**$ 418**	**$ 1,190**

Texas and Kansas City Cable Partnership

We accounted for our interest in TKCCP, totaling approximately $3.0 billion, as an equity method investment through January 1, 2007, the date the Houston Asset Pool was distributed to us (see Note 4).

Insight Midwest Partnership

In April 2007, we and Insight Communications (Insight) agreed to divide the assets and liabilities of Insight Midwest, LP (Insight Midwest), a 50%-50% cable system partnership with Insight. Under the terms of the agreement, we will receive cable systems serving approximately 684,000 video subscribers in Illinois and Indiana, together with approximately $1.34 billion of debt allocated to such cable systems (Comcast Asset Pool). Insight will receive cable systems serving approximately 639,000 video subscribers, together with approximately $1.26 billion of debt allocated to such cable systems (Insight Asset Pool). We will continue to account for our interest in Insight Midwest as an equity method investment until the Comcast Asset Pool is distributed to us. Closing of the transaction is subject to customary government and other approvals and is expected on or before December 31, 2007. Effective April 1, 2007, we are reporting our share of the earnings and losses of Insight Midwest based solely on the operating results of the Comcast Asset Pool.

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Investment Income (Loss), Net

The following table presents the components of investment income (loss), net:

(in millions)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Interest and dividend income	$ 34	$ 45	$ 90	$ 81
Gains on sales and exchanges of investments, net	57	5	99	8
Investment impairment losses	(2)		(3)	
Unrealized gains (losses) on trading securities and hedged items	277	(85)	493	1
Mark to market adjustments on derivatives related to trading securities and hedged items	(243)	48	(419)	(24)
Mark to market adjustments on derivatives	3	1	40	12
Investment income (loss), net	**$ 126**	**$ 14**	**$ 300**	**$ 78**

Note 6: Goodwill

The changes in the carrying amount of goodwill by business segment for the six months ended June 30, 2007 are presented in the following table:

(in millions)	Cable	Programming	Corporate and Other	Total
Balance, December 31, 2006	$ 12,010	$ 1,441	$ 317	$ 13,768
Settlements or adjustments	12	(8)		4
Acquisitions	489		155	644
Balance, June 30, 2007	**$ 12,511**	**$ 1,433**	**$ 472**	**$ 14,416**

Settlements or adjustments are primarily related to valuation refinements related to the Adelphia and Time Warner transactions and the adoption of FIN 48. Acquisitions are primarily related to the acquisition of the Houston Asset Pool and various smaller acquisitions.

Note 7: Long-Term Debt

Borrowings

In May 2007, we issued $575 million principal amount of 6.625% notes due 2056. We used the net proceeds of this offering for the repayment of certain debt obligations, working capital and general corporate purposes.

Redemptions and Repayments

In February 2007, we redeemed $186 million principal amount of 8.15% senior notes due 2032. In March 2007, we redeemed $268 million principal amount of 9.65% debt supporting trust preferred securities due 2027. In April 2007, we repaid a $185 million term loan due 2008. In May 2007, we repaid all $600 million principal amount of 8.375% senior notes at maturity. These redemptions and repayments were funded with available cash and with the proceeds from the May 2007 notes offering.

Note 8: Stockholders Equity

Share-Based Compensation

Effective January 1, 2006, we adopted SFAS No. 123R, Share-Based Payment (SFAS No. 123R), which requires the cost of all share-based payments to employees to be recognized in the financial statements based on their fair values at grant date, or the date of later modification, over the requisite service period.

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In connection with the Stock Split, all outstanding share-based awards were modified as required under the terms of our equity plans. This modification did not change the fair value of outstanding awards. Prior to this modification, compensation costs related to awards granted before the adoption of SFAS No. 123R were recognized under an accelerated recognition method. As a result of the Stock Split modification, the remaining unrecognized compensation costs related to all awards are recognized on a straight-line basis over the remaining requisite service period. The impact of this change was not material to our consolidated financial statements.

In March 2007, 12.5 million stock options and 4.9 million restricted share units (RSUs) were granted related to our annual management grant program. The fair values associated with these grants were $9.47 per stock option and $25.44 per RSU.

Compensation expense recognized related to stock options and RSU awards is summarized in the table below:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2007	2006	2007	2006
Stock options	$ 27	$ 33	$ 44	$ 67
Restricted share units	21	17	34	29
Total share-based compensation expense	**$ 48**	**$ 50**	**$ 78**	**$ 96**

As of June 30, 2007, there was $293 million and $285 million of unrecognized pretax compensation cost related to nonvested stock options and nonvested RSUs, respectively.

Effective with the March 2007 grant, we are granting net-settled stock options instead of cash-settled stock options. In net- settled stock options, an employee receives the number of shares equal to the number of options being exercised less the number of shares necessary to satisfy the cost to exercise the options and, if applicable, taxes due on exercise based on the fair value of the shares at the exercise date. This change will result in fewer shares issued into the market and no cash proceeds will be received by us upon exercise of options (as compared to options granted prior to the March 2007 grant).

Comprehensive Income

Our total comprehensive income for the three and six months ended June 30, 2007 and 2006 is presented in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2007	2006	2007	2006
Net income	$ 588	$ 460	$ 1,425	$ 926
Unrealized (losses) gains on marketable securities	11	18		14
Reclassification adjustments for losses (gains) included in net income	(53)	3	(93)	6
Cumulative translation adjustments	1		7	
Comprehensive income	**$ 547**	**$ 481**	**$ 1,339**	**$ 946**

Note 9: Income Taxes

We adopted the provisions of FIN 48 on January 1, 2007. FIN 48 prescribes the recognition threshold and measurement attribute for the financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in a tax return. As a result of this adoption, we recognized a $35 million decrease in our reserves for uncertain tax positions, a $25 million increase in goodwill, a $60 million increase in retained earnings and a reclassification of approximately $960 million between deferred income taxes and other noncurrent liabilities to conform with the balance sheet presentation requirements of FIN 48. Our total uncertain tax positions as of January 1, 2007 were $2.1 billion, excluding the federal benefits on state tax positions that have been recorded as deferred income taxes; this amount includes a $500 million tax payment for which we are seeking a refund. If we were to recognize the tax benefit for such positions, approximately $550 million would impact our effective tax rate.

We file a consolidated federal income tax return and income tax returns with various states. Our federal and our state income tax return examinations, with limited exceptions, have been completed through 1999. The Internal Revenue Service (IRS) and various states are currently conducting examinations of our income tax returns for the years 2000 through 2004. The IRS has proposed certain adjustments principally related to certain financing transactions. We are currently evaluating those proposed adjustments, but if the adjustments are accepted or otherwise are sustained, such adjustments would not have a material impact on our effective tax rate. In addition, the statutes of limitations could expire for certain of our state tax returns over the next 12 months, which could result in favorable adjustments to our uncertain tax positions. Such adjustments are not expected to have a material impact on our effective tax rate.

We classify interest and penalties, if any, associated with our uncertain tax positions as a component of income tax expense. As of January 1, 2007, we had accrued approximately $700 million of interest associated with our uncertain tax positions. For the three and six months ended June 30, 2007, we recognized $30 million and $52 million, respectively, of interest, net of deferred tax benefit, within income tax expense.

Note 10: Statement of Cash Flows Supplemental Information

As of December 31, 2006, we began presenting our cash overdrafts resulting from checks drawn on zero balance accounts (book overdrafts) within accounts payable and accrued expenses related to trade creditors. Previously, these book overdrafts were included within cash and cash equivalents. Our financial statements reflect this revised presentation for 2006. Accordingly, the reported amounts of our cash and cash equivalents and accounts payable and accrued expenses related to trade creditors increased as of June 30, 2006 by $195 million and net cash provided by operating activities for the six months ended June 30, 2006 decreased by $59 million.

The following table presents the cash payments we made for interest and income taxes during the three and six months ended June 30, 2007 and 2006:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2007**	**2006**	**2007**	**2006**
Interest	$ 416	$ 410	$ 1,078	$ 910
Income taxes	$ 613	$ 395	$ 647	$ 411

During the six months ended June 30, 2007, we:

- exchanged our 50% interest in the Kansas City Asset Pool for TWC s 50% interest in the Houston Asset Pool, which is considered a noncash investing activity
- settled the remaining outstanding $49 million face amount of exchangeable notes by delivering approximately 1.8 million of the 2.2 million underlying Vodafone ADRs to the counterparty, which is considered a noncash financing and investing activity
- entered into capital leases totaling $42 million, which is considered a noncash investing and financing activity

Note 11: Commitments and Contingencies

Commitments

Certain of our subsidiaries support debt compliance with respect to obligations of certain cable television partnerships and investments in which we hold an ownership interest (see Note 5). The obligations expire between May 2008 and March 2011. Although there can be no assurance, we believe that we will not be required to meet our obligations under such commitments. The total notional amount of our commitments was $965 million as of June 30, 2007, at which time there were no quoted market prices for similar agreements.

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QUARTER ENDED JUNE 30, 2007

Contingencies

At Home Cases

Litigation has been filed against us as a result of our alleged conduct with respect to our investment in and distribution relationship with At Home Corporation. At Home was a provider of high-speed Internet services that filed for bankruptcy protection in September 2001. Filed actions are: (i) class action lawsuits against us, AT&T (the former controlling shareholder of At Home and also a former distributor of the At Home service) and others in the United States District Court for the Southern District of New York, alleging securities law violations and common law fraud in connection with disclosures made by At Home in 2001; and (ii) a lawsuit brought in the United States District Court for the District of Delaware in the name of At Home by certain At Home bondholders against us, Brian L. Roberts (our Chairman and Chief Executive Officer and a director), Cox (Cox is also an investor in At Home and a former distributor of the At Home service) and others, alleging breaches of fiduciary duty relating to March 2000 agreements (which, among other things, revised the distributor relationships), and seeking recovery of alleged short-swing profits under Section 16(b) of the Securities Exchange Act of 1934 (purported to have arisen in connection with certain transactions relating to At Home stock effected under the March 2000 agreements).

In the Southern District of New York actions (item (i) above), the court dismissed all claims. The plaintiffs appealed this decision, and the Court of Appeals for the Second Circuit denied the plaintiffs appeal and a subsequent petition for rehearing. The Delaware case (item (ii) above) was transferred to the United States District Court for the Southern District of New York. The court dismissed the Section 16(b) claims, and the breach of fiduciary duty claim for lack of federal jurisdiction. The Court of Appeals for the Second Circuit denied the plaintiffs appeal from the decision dismissing the Section 16(b) claims, and the U.S. Supreme Court denied the plaintiffs petition for a further appeal. The plaintiffs recommenced the breach of fiduciary duty claim in Delaware Chancery Court. The Court has set a trial date in October 2007.

Under the terms of our 2002 acquisition of AT&T Corp. s cable business, we are contractually liable for 50% of any liabilities of AT&T in the action described in item (i) above (in which we are also a defendant).

We deny any wrongdoing in connection with the claims that have been made directly against us, our subsidiaries and Brian L. Roberts, and are defending all of these claims vigorously. The final disposition of these claims is not expected to have a material effect on our consolidated financial position, but could possibly be material to our consolidated results of operations of any one period. Further, no assurance can be given that any adverse outcome would not be material to our consolidated financial position.

Patent Litigation

We are a defendant in several unrelated lawsuits claiming infringement of various patents relating to various aspects of our businesses. In certain of these cases other industry participants are also defendants, and also in certain of these cases we expect that any potential liability would be in part or in whole the responsibility of our equipment vendors pursuant to applicable contractual indemnification provisions. To the extent that the allegations in these lawsuits can be analyzed by us at this stage of their proceedings, we believe the claims are without merit and intend to defend the actions vigorously. The final disposition of these claims is not expected to have a material adverse effect on our consolidated financial position, but could possibly be material to our consolidated results of operations of any one period. Further, no assurance can be given that any adverse outcome would not be material to our consolidated financial position.

Antitrust Cases

We are defendants in two purported class actions originally filed in the United States District Courts for the District of Massachusetts and the Eastern District of Pennsylvania, respectively. The potential class in the Massachusetts case is our subscriber base in the Boston Cluster area, and the potential class in the Pennsylvania case is our subscriber base in the Philadelphia and Chicago Clusters, as those terms are defined in the complaints. In each case, the plaintiffs allege that certain subscriber exchange transactions with other cable providers resulted in unlawful horizontal market restraints in those areas and seek damages pursuant to antitrust statutes, including treble damages.

Our motion to dismiss the Pennsylvania case on the pleadings was denied and a class of Philadelphia Cluster subscribers was certified. Plaintiffs are seeking to certify a class for the Chicago Cluster. We have moved to dismiss the Massachusetts case, which was recently transferred to the Eastern District of Pennsylvania, and plaintiffs are seeking to consolidate it with the Pennsylvania case.

We believe the claims in these actions are without merit and are defending the actions vigorously. The final disposition of these claims is not expected to have a material adverse effect on our consolidated financial position, but could possibly be material to our consolidated results of operations of any one period. Further, no assurance can be given that any adverse outcome would not be material to our consolidated financial position.

Other

We are subject to other legal proceedings and claims that arise in the ordinary course of our business. The amount of ultimate liability with respect to such actions is not expected to materially affect our financial position, results of operations or liquidity.

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QUARTER ENDED JUNE 30, 2007

Note 12: Financial Data by Business Segment

Our reportable segments consist of our Cable and Programming businesses. In evaluating the profitability of our segments, the components of net income (loss) below operating income (loss) before depreciation and amortization are not separately evaluated by our management. Assets are not allocated to segments for management reporting. Our financial data by business segment is as follows:

(in millions)	Cable (a)(b)(c)	Programming(d)	Corporate and Other(e)(f)(c)	Eliminations(f)(g)	Total
Three months ended June 30, 2007					
Revenues(h)	$ 7,330	$ 334	$ 103	$ (55)	$ 7,712
Operating income (loss) before depreciation and amortization(i)	3,031	75	(92)	(2)	3,012
Depreciation and amortization	1,471	46	32	(5)	1,544
Operating income (loss)	1,560	29	(124)	3	1,468
Capital Expenditures	1,586	10	8		1,604
Three months ended June 30, 2006					
Revenues(h)	$ 5,599	$ 273	$ 73	$ (37)	$ 5,908
Operating income (loss) before depreciation and amortization(i)	2,327	59	(74)	(1)	2,311
Depreciation and amortization	1,078	41	23	(4)	1,138
Operating income (loss)	1,249	18	(97)	3	1,173
Capital Expenditures	915	5	9	47	976
Six months ended June 30, 2007					
Revenues(h)	$ 14,328	$ 636	$ 258	$ (122)	$ 15,100
Operating income (loss) before depreciation and amortization(i)	5,824	140	(187)	(2)	5,775
Depreciation and amortization	2,911	93	52	(10)	3,046
Operating income (loss)	2,913	47	(239)	8	2,729
Capital Expenditures	3,029	14	15		3,058
Six months ended June 30, 2006					
Revenues(h)	$ 10,868	$ 512	$ 202	$ (79)	$ 11,503
Operating income (loss) before depreciation and amortization(i)	4,432	109	(128)	(2)	4,411
Depreciation and amortization	2,112	82	49	(9)	2,234
Operating income (loss)	2,320	27	(177)	7	2,177
Capital Expenditures	1,740	13	15	86	1,854

(a) For the three and six months ended June 30, 2007 and 2006, Cable segment revenues were derived from the following services:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Video	60.9%	63.1%	61.6%	63.6%
High-speed Internet	21.7	20.2	21.7	20.2
Phone	5.7	3.4	5.4	3.3

Advertising	5.4	6.3	5.0	5.8
Other	6.3	7.0	6.3	7.1
Total	**100%**	**100%**	**100%**	**100%**

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(b) Our regional sports and news networks (Comcast SportsNet, Comcast SportsNet Mid-Atlantic, Comcast SportsNet Chicago, Comcast SportsNet West, Cable Sports Southeast, MountainWest Sports Network, CN8-The Comcast Network and, effective June 30, 2007, Sports Channel New England and Bay Area SportsNet) are included in our Cable segment.

(c) The 2006 Cable segment and Corporate and Other amounts have been adjusted for segment reclassifications to be consistent with our 2007 management reporting presentation. The adjustments resulted in the reclassification of revenue for the three and six months ended June 30, 2006 of $13 million and $26 million, respectively, and the reclassification of operating income (loss) before depreciation and amortization of $8 million and $17 million, respectively, from our Cable segment to Corporate and Other.

(d) Programming includes our consolidated national programming networks (E!, Style, The Golf Channel, VERSUS, G4 and AZN Television) and other entertainment-related businesses.

(e) Corporate and Other includes Comcast Spectacor, Comcast Interactive Media, a portion of operating results of our less than wholly owned technology development ventures (see (f) below), corporate activities and all other businesses not presented in our Cable or Programming segments.

(f) We consolidate our less than wholly owned technology development ventures, which we control or of which we are considered the primary beneficiary. These ventures are with various corporate partners, such as Motorola and Gemstar. The ventures have been created to share the costs of development of new technologies for set-top boxes and other devices. The results of these entities are included within Corporate and Other. Cost allocations are made to the Cable segment based on our percentage ownership in each entity. The remaining net costs related to the minority corporate partners are included in Corporate and Other.

(g) Included in the Eliminations column are intersegment transactions that our segments enter into with one another. The most common types of transactions are the following:

- our Programming segment generates revenue by selling cable network programming to our Cable segment, which represents a substantial majority of the revenue elimination amount
- our Cable segment receives incentives offered by our Programming segment when negotiating programming contracts that are recorded as a reduction of programming expenses
- our Cable segment generates revenue by selling the use of satellite feeds to our Programming segment

(h) Non-U.S. revenues were not significant in any period. No single customer accounted for a significant amount of our revenue in any period.

(i) To measure the performance of our operating segments, we use operating income (loss) before depreciation and amortization, excluding impairment charges related to fixed and intangible assets, and gains or losses from the sale of assets, if any. This measure eliminates the significant level of noncash depreciation and amortization expense that results from the capital-intensive nature of our businesses and from intangible assets recognized in business combinations. It is also unaffected by our capital structure or investment activities. We use this measure to evaluate our consolidated operating performance, the operating performance of our operating segments, and to allocate resources and capital to our operating segments. It is also a significant performance measure in our annual incentive compensation programs. We believe that this measure is useful to investors because it is one of the bases for comparing our operating performance with other companies in our industries, although our measure may not be directly comparable to similar measures used by other companies. This measure should not be considered a substitute for operating income (loss), net income (loss), net cash provided by operating activities or other measures of performance or liquidity reported in accordance with GAAP.

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COMCAST CORPORATION AND SUBSIDIARIES FORM 10-Q

QUARTER ENDED JUNE 30, 2007

Note 13: Condensed Consolidating Financial Information

Comcast Corporation and five of our cable holding company subsidiaries, Comcast Cable Communications, LLC (CCCL), Comcast Cable Communications Holdings, Inc. (CCCH), Comcast MO Group, Inc. (Comcast MO Group), Comcast Cable Holdings, LLC (CCH), and Comcast MO of Delaware, LLC (Comcast MO of Delaware), fully and unconditionally guarantee each other s debt securities. Comcast MO Group, CCH and Comcast MO of Delaware are collectively referred to as the Combined CCHMO Parents.

Comcast Corporation unconditionally guarantees Comcast Holdings ZONES due October 2029 and its 10 5/8% Senior Subordinated Debentures due 2012, both of which were issued by Comcast Holdings. Accordingly, we have included Comcast Holdings condensed consolidated information for all periods presented. Our condensed consolidating financial information is presented below:

Comcast Corporation

Condensed Consolidating Balance Sheet

June 30, 2007

(in millions)	Comcast Parent	CCCL Parent	CCCH Parent	Combined CCHMO Parents	Comcast Holdings	Non-Guarantor Subsidiaries	Elimination and Consolidation Adjustments	Consolidated Comcast Corporation
ASSETS								
Cash and cash equivalents	$ 36	$	$	$	$	$ 792	$	$ 828
Investments						395		395
Accounts receivable, net						1,441		1,441
Other current assets	29	3				846		878
Total current assets	65	3				3,474		3,542
Investments						6,211		6,211
Investments in and amounts due from subsidiaries eliminated upon consolidation	65,340	31,666	38,992	42,141	24,856	2,132	(205,127)	
Property and equipment, net	61		1			22,838		22,900
Franchise rights						57,914		57,914
Goodwill						14,416		14,416
Other intangible assets, net						5,165		5,165
Other noncurrent assets, net	227	13	18		31	319		608
Total assets	**$ 65,693**	**$ 31,682**	**$ 39,011**	**$ 42,141**	**$ 24,887**	**$ 112,469**	**$ (205,127)**	**$ 110,756**
LIABILITIES AND STOCKHOLDERS EQUITY								
Accounts payable and accrued expenses related to trade creditors	$	$ 1	$	$	$	$ 2,977	$	$ 2,978
Accrued expenses and other current liabilities	675	253	75	98	81	2,119		3,301
Deferred income taxes						102		102
Current portion of long-term debt		349		19		90		458
Total current liabilities	675	603	75	117	81	5,288		6,839
Long-term debt, less current portion	15,907	4,052	3,498	3,032	1,011	294		27,794
Deferred income taxes	6,221				675	19,637		26,533
Other noncurrent liabilities	1,065	39			116	6,267		7,487
Minority interest						278		278

Stockholders Equity								
Common stock	35							35
Other stockholders equity	41,790	26,988	35,438	38,992	23,004	80,705	(205,127)	41,790
Total stockholders equity	41,825	26,988	35,438	38,992	23,004	80,705	(205,127)	41,825
Total liabilities and stockholders equity	**$ 65,693**	**$ 31,682**	**$ 39,011**	**$ 42,141**	**$ 24,887**	**$ 112,469**	**$ (205,127)**	**$ 110,756**

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COMCAST CORPORATION AND SUBSIDIARIES FORM 10-Q

QUARTER ENDED JUNE 30, 2007

Comcast Corporation

Condensed Consolidating Balance Sheet

December 31, 2006

(in millions)	Comcast Parent	CCCL Parent	CCCH Parent	Combined CCHMO Parents	Comcast Holdings	Non-Guarantor Subsidiaries	Elimination and Consolidation Adjustments	Consolidated Comcast Corporation
ASSETS								
Cash and cash equivalents	$ 77	$	$	$	$	$ 1,162	$	$ 1,239
Investments						1,735		1,735
Accounts receivable, net						1,450		1,450
Other current assets	15	1				762		778
Total current assets	92	1				5,109		5,202
Investments						8,847		8,847
Investments in and amounts due from subsidiaries eliminated upon consolidation	62,622	31,152	37,757	41,151	24,250	1,629	(198,561)	
Property and equipment, net	17		1			21,230		21,248
Franchise rights						55,927		55,927
Goodwill						13,768		13,768
Other intangible assets, net						4,881		4,881
Other noncurrent assets, net	176	16	20		31	289		532
Total assets	**$ 62,907**	**$ 31,169**	**$ 37,778**	**$ 41,151**	**$ 24,281**	**$ 111,680**	**$ (198,561)**	**$ 110,405**
LIABILITIES AND STOCKHOLDERS EQUITY								
Accounts payable and accrued expenses related to trade creditors	$ 11	$	$	$	$	$ 2,851	$	$ 2,862
Accrued expenses and other current liabilities	616	247	83	106	69	1,911		3,032
Deferred income taxes						563		563
Current portion of long-term debt		600		242		141		983
Total current liabilities	627	847	83	348	69	5,466		7,440
Long term-debt, less current portion	15,358	4,397	3,498	3,046	949	744		27,992
Deferred income taxes	4,638				887	21,564		27,089
Other noncurrent liabilities	1,117	46			76	5,237		6,476
Minority interest						241		241
Stockholders Equity								
Common stock	35							35
Other stockholders equity	41,132	25,879	34,197	37,757	22,300	78,428	(198,561)	41,132
Total stockholders equity	41,167	25,879	34,197	37,757	22,300	78,428	(198,561)	41,167
Total liabilities and stockholders equity	**$ 62,907**	**$ 31,169**	**$ 37,778**	**$ 41,151**	**$ 24,281**	**$ 111,680**	**$ (198,561)**	**$ 110,405**

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COMCAST CORPORATION AND SUBSIDIARIES FORM 10-Q

QUARTER ENDED JUNE 30, 2007

Comcast Corporation

Condensed Consolidating Statement of Operations

For the Three Months Ended June 30, 2007

(in millions)	Comcast Parent	CCCL Parent	CCCH Parent	Combined CCHMO Parents	Comcast Holdings	Non-Guarantor Subsidiaries	Elimination and Consolidation Adjustments	Consolidated Comcast Corporation
Revenues								
Service revenues	$	$	$	$	$	$ 7,712	$	$ 7,712
Management fee revenue	159	54	84	84			(381)	
	159	54	84	84		7,712	(381)	7,712
Costs and Expenses								
Operating (excluding depreciation)						2,754		2,754
Selling, general and administrative	74	54	84	84	5	2,026	(381)	1,946
Depreciation	2					1,250		1,252
Amortization						292		292
	76	54	84	84	5	6,322	(381)	6,244
Operating income (loss)	83				(5)	1,390		1,468
Other Income (Expense)								
Interest expense	(260)	(91)	(80)	(54)	(23)	(42)		(550)
Investment income (loss), net	2		5		(38)	157		126
Equity in net (losses) income of affiliates, net	702	474	412	445	418	(19)	(2,448)	(16)
Other income (expense)	1							1
	445	383	337	391	357	96	(2,448)	(439)
Income (loss) from continuing operations before income taxes and minority interest	528	383	337	391	352	1,486	(2,448)	1,029
Income tax (expense) benefit	60	32	27	21	23	(616)		(453)
Income (loss) from continuing operations before minority interest	588	415	364	412	375	870	(2,448)	576
Minority interest						12		12
Net Income (loss)	**$ 588**	**$ 415**	**$ 364**	**$ 412**	**$ 375**	**$ 882**	**$ (2,448)**	**$ 588**

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COMCAST CORPORATION AND SUBSIDIARIES FORM 10-Q

QUARTER ENDED JUNE 30, 2007

Comcast Corporation

Condensed Consolidating Statement of Operations

For the Three Months Ended June 30, 2006

(in millions)	Comcast Parent	CCCL Parent	CCCH Parent	Combined CCHMO Parents	Comcast Holdings	Non-Guarantor Subsidiaries	Elimination and Consolidation Adjustments	Consolidated Comcast Corporation
Revenues								
Service revenues	$	$	$	$	$	$ 5,908	$	$ 5,908
Management fee revenue	126	48	77	77	2		(330)	
	126	48	77	77	2	5,908	(330)	5,908
Costs and Expenses								
Operating (excluding depreciation)						2,130		2,130
Selling, general and administrative	62	48	77	77	3	1,530	(330)	1,467
Depreciation	2				1	902		905
Amortization					1	232		233
	64	48	77	77	5	4,794	(330)	4,735
Operating income (loss)	62				(3)	1,114		1,173
Other Income (Expense)								
Interest expense	(173)	(103)	(82)	(66)	(23)	(49)		(496)
Investment income (loss), net					55	(41)		14
Equity in net (losses) income of affiliates, net	532	602	580	623	482	41	(2,872)	(12)
Other income (expense)						85		85
	359	499	498	557	514	36	(2,872)	(409)
Income (loss) from continuing operations before income taxes and minority interest	421	499	498	557	511	1,150	(2,872)	764
Income tax (expense) benefit	39	36	28	23	(10)	(485)		(369)
Income (loss) from continuing operations before minority interest	460	535	526	580	501	665	(2,872)	395
Minority interest						4		4
Income from continuing operations	460	535	526	580	501	669	(2,872)	399
Income from discontinued operations, net of tax						61		61
Net Income (loss)	**$ 460**	**$ 535**	**$ 526**	**$ 580**	**$ 501**	**$ 730**	**$ (2,872)**	**$ 460**

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COMCAST CORPORATION AND SUBSIDIARIES FORM 10-Q

QUARTER ENDED JUNE 30, 2007

Comcast Corporation

Condensed Consolidating Statement of Operations

For the Six Months Ended June 30, 2007

(in millions)	Comcast Parent	CCCL Parent	CCCH Parent	Combined CCHMO Parents	Comcast Holdings	Non-Guarantor Subsidiaries	Elimination and Consolidation Adjustments	Consolidated Comcast Corporation
Revenues								
Service revenues	$	$	$	$	$	$ 15,100	$	$ 15,100
Management fee revenue	308	105	163	163			(739)	
	308	105	163	163		15,100	(739)	15,100
Costs and Expenses								
Operating (excluding depreciation)						5,513		5,513
Selling, general and administrative	145	105	163	163	9	3,966	(739)	3,812
Depreciation	3					2,474		2,477
Amortization						569		569
	148	105	163	163	9	12,522	(739)	12,371
Operating income (loss)	160				(9)	2,578		2,729
Other Income (Expense)								
Interest expense	(511)	(189)	(161)	(122)	(47)	(88)		(1,118)
Investment income (loss), net	2		5		(47)	340		300
Equity in net (losses) income of affiliates, net	1,651	855	1,211	1,291	749	(53)	(5,741)	(37)
Other income (expense)	2					512		514
	1,144	666	1,055	1,169	655	711	(5,741)	(341)
Income (loss) from continuing operations before income taxes and minority interest	1,304	666 &n						