

Edgar Filing: COMCAST CORP - Form 10-Q

COMCAST CORP
Form 10-Q
August 14, 2002

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, 2002

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 0-6983

[GRAPHIC OMITTED - LOGO]

COMCAST CORPORATION
(Exact name of registrant as specified in its charter)

PENNSYLVANIA

23-1709202

(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

As of June 30, 2002, there were 915,707,981 shares of Class A Special Common Stock, 21,591,115 shares of Class A Common Stock and 9,444,375 shares of Class B Common Stock outstanding.

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2002
TABLE OF CONTENTS

Edgar Filing: COMCAST CORP - Form 10-Q

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

Condensed Consolidated Balance Sheet as of June 30, 2002
and December 31, 2001 (Unaudited).....

Condensed Consolidated Statement of Operations and Retained Earnings for
the Three and Six Months Ended June 30, 2002 and 2001 (Unaudited).....

Condensed Consolidated Statement of Cash Flows for the Six Months
Ended June 30, 2002 and 2001 (Unaudited).....

Notes to Condensed Consolidated Financial Statements (Unaudited).....

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings.....

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

ITEM 6. Exhibits and Reports on Form 8-K.....

SIGNATURE.....

This Quarterly Report on Form 10-Q is for the three months ended June 30, 2002. This Quarterly Report modifies and supersedes documents filed prior to this Quarterly Report. The 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. In this Quarterly Report, "Comcast," "we," "us" and "our" refer to Comcast Corporation and its subsidiaries.

You should carefully review the information contained 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 those 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 those words and other comparable words. You should be aware that those statements are only our predictions. Actual events or results may differ materially. In evaluating those statements, you should specifically consider various factors, including the risks outlined below. Those factors may cause our actual results to differ materially from any of our forward-looking statements.

Factors Affecting Future Operations

On December 19, 2001, we entered into an Agreement and Plan of Merger with AT&T Corp. ("AT&T") pursuant to which we agreed to a transaction which will

Edgar Filing: COMCAST CORP - Form 10-Q

result in the combination of Comcast and a holding company of AT&T's broadband business ("AT&T Broadband"). On July 10, 2002, the shareholders of both Comcast and AT&T approved the transaction. Upon closing of the transaction, which is subject to regulatory and other approvals, we will own cable systems in new communities in which we do not have established relationships with the cable subscribers, franchising authority and community leaders. Further, a substantial number of new employees must be integrated into our business practices and operations. Our results of operations may be significantly affected by our ability to efficiently and effectively manage these changes.

In addition, our businesses may be affected by, among other things:

- o changes in laws and regulations,
- o changes in the competitive environment,
- o changes in technology,
- o industry consolidation and mergers,
- o franchise related matters,
- o market conditions that may adversely affect the availability of debt and equity financing for working capital, capital expenditures or other purposes,
- o demand for the programming content we distribute or the willingness of other video program distributors to carry our content, and
- o general economic conditions.

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2002

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

(Dollars in millions,
June 30,
2002
-----)

ASSETS

CURRENT ASSETS

Cash and cash equivalents.....	\$557.8
Investments.....	1,057.6
Accounts receivable, less allowance for doubtful accounts of \$166.9 and \$153.9.....	957.0
Inventories, net.....	414.0
Deferred income taxes.....	135.9
Other current assets.....	337.7

Total current assets.....	3,460.0

INVESTMENTS.....	727.6
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$3,238.2 and \$2,725.7	7,023.1
GOODWILL.....	6,446.3
FRANCHISE RIGHTS.....	16,599.4
OTHER INTANGIBLE ASSETS, net of accumulated amortization of \$803.3 and \$664.6...	1,471.7

Edgar Filing: COMCAST CORP - Form 10-Q

OTHER NONCURRENT ASSETS, net.....	390.7

	\$36,118.8
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	

CURRENT LIABILITIES	
Accounts payable.....	\$680.1
Accrued expenses and other current liabilities.....	1,371.7
Deferred income taxes.....	121.8
Current portion of long-term debt.....	206.9

Total current liabilities.....	2,380.5

LONG-TERM DEBT, less current portion.....	10,543.5

DEFERRED INCOME TAXES.....	6,755.2

OTHER NONCURRENT LIABILITIES.....	1,421.1

MINORITY INTEREST.....	986.7

COMMITMENTS AND CONTINGENCIES (NOTE 10)	
STOCKHOLDERS' EQUITY	
Class A special common stock, \$1 par value - authorized, 2,500,000,000 shares; issued, 915,707,981 and 937,256,465; outstanding, 915,707,981 and 913,931,554.....	915.7
Class A common stock, \$1 par value - authorized, 200,000,000 shares; issued, 21,591,115 and 21,829,422.....	21.6
Class B common stock, \$1 par value - authorized, 50,000,000 shares; issued, 9,444,375.....	9.4
Additional capital.....	11,791.5
Retained earnings.....	1,317.3
Accumulated other comprehensive income (loss).....	(23.7)

Total stockholders' equity.....	14,031.8

	\$36,118.8
	=====

See notes to condensed consolidated financial statements.

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2002
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND
RETAINED EARNINGS
(Unaudited)

(Amounts in millions,
Three Months Ended
June 30,
2002 2001
----- -----

REVENUES

Edgar Filing: COMCAST CORP - Form 10-Q

Service revenues.....	\$1,714.4	\$1,462.7
Net sales from electronic retailing.....	994.5	876.0
	2,708.9	2,338.7
COSTS AND EXPENSES		
Operating (excluding depreciation).....	723.4	671.7
Cost of goods sold from electronic retailing (excluding depreciation)..	628.8	555.2
Selling, general and administrative.....	490.1	418.9
Depreciation.....	342.8	273.9
Amortization.....	45.4	552.3
	2,230.5	2,472.0
OPERATING INCOME (LOSS).....	478.4	(133.3)
OTHER INCOME (EXPENSE)		
Interest expense.....	(182.6)	(178.5)
Investment income (expense).....	(459.1)	502.7
Equity in net losses of affiliates.....	(43.0)	(9.5)
Other income (expense).....	9.6	(6.3)
	(675.1)	308.4
INCOME (LOSS) BEFORE INCOME TAXES, MINORITY INTEREST AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE.....	(196.7)	175.1
INCOME TAX BENEFIT (EXPENSE).....	32.9	(103.0)
INCOME (LOSS) BEFORE MINORITY INTEREST AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE.....	(163.8)	72.1
MINORITY INTEREST.....	(45.8)	(36.9)
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE.....	(209.6)	35.2
CUMULATIVE EFFECT OF ACCOUNTING CHANGE.....		
NET INCOME (LOSS).....	(\$209.6)	\$35.2
RETAINED EARNINGS		
Beginning of period.....	\$1,541.4	\$2,040.6
Net income (loss).....	(209.6)	35.2
Retirement of common stock.....	(14.5)	
End of period.....	\$1,317.3	\$2,075.8
BASIC EARNINGS (LOSS) PER COMMON SHARE		
Income (loss) before cumulative effect of accounting change.....	(\$0.22)	\$0.04
Cumulative effect of accounting change.....		
Net income (loss).....	(\$0.22)	\$0.04
BASIC WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING.....		
	952.3	951.1
DILUTED EARNINGS (LOSS) PER COMMON SHARE		
Income (loss) before cumulative effect of accounting change.....	(\$0.22)	\$0.04
Cumulative effect of accounting change.....		
Net income (loss).....	(\$0.22)	\$0.04
DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING.....		
	952.3	965.6

See notes to condensed consolidated financial statements.

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2002
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	(Dollars Six Months 2002 -----)
OPERATING ACTIVITIES	
Net income (loss).....	(\$298.5
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Depreciation.....	676.6
Amortization.....	98.7
Non-cash interest expense, net.....	21.5
Equity in net losses of affiliates.....	48.4
Losses (gains) on investments and other income (expense), net.....	738.8
Minority interest.....	89.4
Cumulative effect of accounting change.....	
Deferred income taxes.....	(4.2
Proceeds from sales of trading security.....	
Other.....	(9.7
	----- 1,361.0
Changes in working capital, net of effects of acquisitions and divestitures:	
Decrease in accounts receivable, net.....	8.9
Decrease (increase) in inventories, net.....	40.5
Increase in other current assets.....	(18.2
(Decrease) increase in accounts payable, accrued expenses and other current liabilities.....	(341.7
	----- (310.5
Net cash provided by operating activities.....	1,050.5

FINANCING ACTIVITIES	
Proceeds from borrowings.....	632.1
Retirements and repayments of debt.....	(1,169.3
Proceeds from settlement of interest rate exchange agreements.....	56.8
Issuances of common stock.....	11.2
Deferred financing costs.....	(2.3
	----- (471.5

INVESTING ACTIVITIES	
Acquisitions, net of cash acquired.....	(16.1
Sales (purchases) of short-term investments, net.....	3.0
Purchases of investments.....	(31.6
Proceeds from sales of investments.....	595.9
Capital expenditures.....	(788.9
Additions to intangible and other noncurrent assets.....	(133.5

Edgar Filing: COMCAST CORP - Form 10-Q

Net cash used in investing activities.....	(371.2)
INCREASE IN CASH AND CASH EQUIVALENTS.....	207.8
CASH AND CASH EQUIVALENTS, beginning of period.....	350.0
CASH AND CASH EQUIVALENTS, end of period.....	\$557.8

See notes to condensed consolidated financial statements.

4

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2002
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presentation

Comcast Corporation and its subsidiaries (the "Company") has prepared these unaudited condensed consolidated financial statements based upon Securities and Exchange Commission rules that permit reduced disclosure for interim periods.

These financial statements include all adjustments that are necessary for a fair presentation of the Company's results of operations and financial condition for the interim 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 the Company's accounting policies and certain other information, refer to the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to those classifications used in 2002 (see Note 2).

2. RECENT ACCOUNTING PRONOUNCEMENTS

SFAS No. 133, as Amended

On January 1, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivatives and Hedging Activities," as amended. SFAS No. 133 establishes accounting and reporting standards for derivatives and hedging activities. SFAS No. 133 requires that all derivative instruments be reported on the balance sheet at their fair values. Upon adoption of SFAS No. 133, the Company recognized as income a cumulative effect of accounting change, net of related income taxes, of \$384.5 million. The increase in income consisted of a \$400.2 million adjustment to record the debt component of indexed debt at a discount from its value at maturity and \$191.3 million principally related to the reclassification of gains previously recognized as a component of accumulated other comprehensive income (loss) on the Company's equity derivative instruments, net of related deferred income taxes of \$207.0 million.

Edgar Filing: COMCAST CORP - Form 10-Q

SFAS No. 142

The Financial Accounting Standards Board ("FASB") issued SFAS No. 142, "Goodwill and Other Intangible Assets," in June 2001. SFAS No. 142 addresses how intangible assets that are acquired individually or with a group of other assets should be accounted for in financial statements upon and subsequent to their acquisition. The Company adopted SFAS No. 142 on January 1, 2002, as required by the new statement. Upon adoption, the Company no longer amortizes goodwill and other indefinite lived intangible assets, which consist of cable and sports franchise rights. The Company is required to test its goodwill and intangible assets that are determined to have an indefinite life for impairment at least annually. The provisions of SFAS No. 142 require the completion of an initial transitional impairment assessment, with any impairments identified treated as a cumulative effect of a change in accounting principle. The Company completed this assessment and determined that no cumulative effect results from adopting this change in accounting principle. The provisions of SFAS No. 142 also require the completion of an annual impairment test, with any impairments recognized in current earnings. The Company completed the annual impairment test during the three months ended June 30, 2002 and determined that no impairment charge is necessary (see Note 6).

SFAS No. 143

The FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," in June 2001. SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for fiscal years beginning after June 15,

5

COMCAST CORPORATION AND SUBSIDIARIES

FORM 10-Q

QUARTER ENDED JUNE 30, 2002

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

2002. The Company does not expect the adoption of SFAS No. 143 will have a material impact on its financial condition or results of operations.

SFAS No. 144

The FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," in August 2001. SFAS No. 144, which addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of, supercedes SFAS No. 121 and is effective for fiscal years beginning after December 15, 2001. The Company adopted SFAS No. 144 on January 1, 2002. The adoption of SFAS No. 144 had no impact on the Company's financial condition or results of operations.

SFAS No. 145

The FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," in April 2002. SFAS No. 145 rescinds, amends or makes various technical corrections to certain existing authoritative pronouncements. Among other things, SFAS No. 145 will change the accounting for certain gains and losses resulting from extinguishments of debt by requiring that a gain or loss from extinguishments of debt be classified as an extraordinary item only if it meets the specific criteria of APB Opinion No. 30. SFAS No. 145 also requires that cash flows from all trading securities, such as the Company's investment in Sprint PCS, be classified as cash flows from operating activities in its statement of cash flows.

Edgar Filing: COMCAST CORP - Form 10-Q

The Company adopted the provisions of SFAS No. 145 effective April 1, 2002, as permitted by the new statement. The Company previously classified losses from debt extinguishments as extraordinary items in its statement of operations. Upon adoption of SFAS No. 145, the Company reclassified these losses from extraordinary items to interest expense for all periods presented in its statement of operations. The change in classification had no effect on the Company's net income (loss) or financial condition. The Company previously classified cash flows from purchases, sales and maturities of its investment in Sprint PCS as cash flows from investing activities in its statement of cash flows. The change in classification was to increase the Company's net cash provided by operating activities and to increase the Company's net cash used in investing activities for the six months ended June 30, 2001.

SFAS No. 146

The FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," in June 2002. SFAS No. 146 changes the standards for recognition of a liability for a cost associated with an exit or disposal activity. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. SFAS No. 146 establishes that fair value is the objective for initial measurement of the liability. SFAS No. 146 nullifies the guidance of Emerging Issues Task Force ("EITF") 94-3 under which an entity recognized a liability for an exit cost on the date that the entity committed itself to an exit plan. The Company will adopt the provisions of SFAS No. 146 for exit or disposal activities that are initiated after December 31, 2002, as required by the new statement. The Company does not expect the adoption of SFAS No. 146 will have a material impact on its financial condition or results of operations.

EITF 01-9

In November 2001, the EITF of the FASB reached a consensus on EITF 01-9, "Accounting for Consideration Given to a Customer (Including a Reseller of the Vendor's Products)". EITF 01-9 requires, among other things, that consideration paid to customers should be classified as a reduction of revenue unless certain criteria are met. Certain of the Company's content subsidiaries have paid or may pay distribution fees to cable television and satellite broadcast systems for carriage of their programming. The Company previously classified the amortization of these distribution fees as expense in its statement of operations. Upon adoption of EITF 01-9 on January 1, 2002, the Company reclassified certain of these distribution fees from expense to a revenue reduction for all periods presented in its statement of operations. The change in classification had no impact on the Company's reported operating income (loss) or financial condition. This change does not apply to distribution fees paid by the Company's consolidated subsidiary, QVC, Inc. ("QVC") as the counterparties to QVC's distribution agreements

6

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2002
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

do not make revenue payments to QVC. Amortization expense includes \$5.0 million, \$7.0 million, \$9.6 million and \$14.1 million during the three months ended June 30, 2002 and 2001 and during the six months ended June 30, 2002 and 2001, respectively, related to QVC distribution fees.

Edgar Filing: COMCAST CORP - Form 10-Q

EITF 01-14

In November 2001, the FASB staff announced EITF Topic D-103, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred," which has subsequently been recharacterized as EITF 01-14. EITF 01-14 requires that reimbursements received for out-of-pocket expenses incurred be characterized as revenue in the statement of operations.

Under the terms of its franchise agreements, the Company is required to pay up to 5% of its gross revenues derived from providing cable services to the local franchising authority. The Company normally passes these fees through to its cable subscribers. The Company previously classified cable franchise fees collected from its cable subscribers as a reduction of the related franchise fee expense included within selling, general and administrative expenses in its statement of operations.

EITF 01-14, by analogy, applies to franchise fees. Upon adoption of EITF 01-14 on January 1, 2002, the Company reclassified franchise fees collected from cable subscribers from a reduction of selling, general and administrative expenses to a component of service revenues for all periods presented in its statement of operations. The change in classification had no impact on the Company's reported operating income (loss) or financial condition.

3. EARNINGS (LOSS) PER COMMON SHARE

Earnings (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period on a basic and diluted basis.

The following table reconciles the numerator and denominator of the computations of diluted earnings (loss) per common share ("Diluted EPS") for the interim periods presented.

	(Amounts in millions, except per share)		
	Three Months Ended		Six Months
	June 30,		June 30
	2002	2001	2002
	-----	-----	-----
Income (loss) before cumulative effect of accounting change used for Diluted EPS.....	(\$209.6)	\$35.2	(\$298.5)
	=====	=====	=====
Basic weighted average number of common shares outstanding.....	952.3	951.1	951.9
Dilutive securities:			
Series B convertible preferred stock.....			
Stock option and restricted stock plans.....		14.5	
	-----	-----	-----
Diluted weighted average number of common shares outstanding.....	952.3	965.6	951.9
	=====	=====	=====
Diluted income (loss) before cumulative effect of accounting change per common share.....	(\$0.22)	\$0.04	(\$0.31)
	=====	=====	=====

Potentially dilutive securities related to the Company's Zero Coupon

Edgar Filing: COMCAST CORP - Form 10-Q

Debentures, stock options and restricted stock plans (see below) were excluded from the computation of Diluted EPS for the three and six months ended June 30, 2002 because their effect on loss per common share was antidilutive.

7

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2002
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

The Company's Zero Coupon Convertible Debentures due 2020 (the "Zero Coupon Debentures" - see Note 7) may be converted at any time prior to maturity if the closing sale price of the Company's Class A Special Common Stock is greater than 110% of the accreted conversion price (as defined). Diluted EPS for the three months ended June 30, 2002 and 2001 and for the six months ended June 30, 2002 and 2001, respectively, excludes approximately 19.8 million, 21.1 million, 19.8 million and 21.1 million potential common shares related to the Zero Coupon Debentures, respectively, as the weighted average closing sale price of the Company's Class A Special Common Stock was not greater than 110% of the accreted conversion price.

Diluted EPS for the three and six months ended June 30, 2002 excludes approximately 64.7 million and 63.7 million potential common shares related to the Company's stock option and restricted stock plans because the assumed issuance of such potential common shares is antidilutive in periods in which there is a loss. Diluted EPS for the three and six months ended June 30, 2001 excludes approximately 2.3 million and 2.1 million potential common shares, respectively, related to the Company's stock option plans because the option exercise price was greater than the average market price of the Company's common stock for the period.

4. ACQUISITIONS AND OTHER SIGNIFICANT EVENTS

Agreement and Plan of Merger with AT&T Broadband

On December 19, 2001, the Company entered into an Agreement and Plan of Merger with AT&T Corp. ("AT&T") pursuant to which the Company agreed to a transaction which will result in the combination of the Company and a holding company of AT&T's broadband business ("AT&T Broadband") that AT&T will spin off to its shareholders immediately prior to the combination. As of June 30, 2002, AT&T Broadband served approximately 13.3 million subscribers. Under the terms of the transaction, the combined company will issue approximately 1.235 billion shares of its voting common stock to AT&T Broadband shareholders in exchange for all of AT&T's interests in AT&T Broadband, and approximately 115 million shares of its common stock to Microsoft Corporation ("Microsoft") in exchange for AT&T Broadband shares that Microsoft will receive immediately prior to the completion of the transaction for settlement of their \$5 billion aggregate principal amount in quarterly income preferred securities. Excluding AT&T Broadband's exchangeable notes, which are mandatorily redeemable at AT&T Broadband's option into shares of certain publicly traded companies held by AT&T Broadband, the Company currently estimates that the combined company will require approximately \$20 billion of assumed, refinanced and new indebtedness upon completion of the AT&T Broadband transaction. For each share of a class of common stock of Comcast that they hold at the time of the merger, each Comcast shareholder will receive one share of a corresponding class of stock of the combined company. The Company expects that the transaction will qualify as tax-free to both the Company and to AT&T. The Company will account for the transaction as an acquisition under

Edgar Filing: COMCAST CORP - Form 10-Q

the purchase method of accounting, with the Company as the acquiring entity. Consideration of facts and circumstances leading to the identification of the Company as the acquiring entity is described in Note 5 to the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001. On July 10, 2002, shareholders of both the Company and AT&T approved the transaction. The transaction is subject to customary closing conditions and regulatory and other approvals. The Company expects to close the transaction by the end of 2002.

Unaudited Pro Forma Information

The following unaudited pro forma information has been presented as if the acquisitions made by the Company in 2001 each occurred on January 1, 2001. For a discussion of the Company's 2001 acquisitions, refer to the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001. This information is based on historical results of operations and has been adjusted for acquisition costs. This information is not necessarily indicative of what the results would have been had the Company operated the entities acquired since January 1, 2001.

8

COMCAST CORPORATION AND SUBSIDIARIES
 FORM 10-Q
 QUARTER ENDED JUNE 30, 2002
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
 (Unaudited)

(Amounts in millions,
 except per share data)
 Six Months Ended
 June 30, 2001

Revenues.....	\$4,806.1
Income before cumulative effect of accounting change.....	\$605.9
Net income.....	\$990.4
Diluted EPS.....	\$1.03

Other Income (Expense)

On January 1, 2001, the Company completed its cable systems exchange with Adelphia Communications Corporation ("Adelphia"). The Company received cable systems serving approximately 445,000 subscribers from Adelphia and Adelphia received certain of the Company's cable systems serving approximately 441,000 subscribers. The Company recorded to other income (expense) a pre-tax gain of \$1.199 billion, representing the difference between the estimated fair value of \$1.799 billion as of the closing date of the transaction and the Company's cost basis in the systems exchanged (see Note 9).

5. INVESTMENTS

June 30,
 2002

Edgar Filing: COMCAST CORP - Form 10-Q

(Dollars in mil)

Fair value method	
AT&T Corp.....	\$444.2
Sprint Corp. PCS Group.....	758.2
Other.....	100.8

	1,303.2
Cost method.....	128.3
Equity method.....	353.7

Total investments.....	1,785.2

Less, current investments.....	1,057.6

Non-current investments.....	\$727.6
	=====

Fair Value Method

The Company holds unrestricted equity investments in certain publicly traded companies which it accounts for as available for sale or trading securities. The unrealized pre-tax gains on available for sale investments as of June 30, 2002 and December 31, 2001 of \$32.4 million and \$280.3 million, respectively, have been reported in the Company's balance sheet principally as a component of accumulated other comprehensive income (loss), net of related deferred income taxes of \$11.3 million and \$95.3 million, respectively.

9

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2002
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

The cost, fair value and gross unrealized gains and losses related to the Company's available for sale securities are as follows:

	June 30, 2002	December 31, 2001
	-----	-----
	(Dollars in millions)	
Cost.....	\$469.7	\$1,355.0
Gross unrealized gains.....	33.1	283.2
Gross unrealized losses.....	(0.7)	(2.9)
	-----	-----
Fair value.....	\$502.1	\$1,635.3
	=====	=====

Derivatives

Edgar Filing: COMCAST CORP - Form 10-Q

The Company uses derivative financial instruments to manage its exposure to fluctuations in interest rates, securities prices and certain foreign currencies. The Company also invests in businesses, to some degree, through the purchase of equity call option or call warrant agreements. The Company has issued indexed debt instruments and prepaid forward sale agreements whose value, in part, is derived from the market value of Sprint PCS common stock.

The unrealized pre-tax losses on cash flow hedges as of June 30, 2002 and December 31, 2001 of \$1.7 million and \$0.9 million have been reported in the Company's balance sheet as a component of accumulated other comprehensive income (loss), net of related deferred income taxes of \$0.6 million and \$0.3 million, respectively.

Investment Income (Expense)

Investment income (expense) for the interim periods includes the following (in millions):

	Three Months Ended June 30,		Six Months June
	2002	2001	2002
Interest and dividend income.....	\$10.6	\$17.4	\$17.5
(Losses) gains on sales and exchanges of investments, net..	(102.5)	448.0	(100.9)
Investment impairment losses.....	(208.7)	(45.0)	(221.3)
Reclassification of unrealized gains.....			
Unrealized (loss) gain on Sprint PCS common stock.....	(420.2)	392.4	(1,439.7)
Mark to market adjustments on derivatives related to Sprint PCS common stock.....	324.2	(317.9)	1,171.1
Mark to market adjustments on derivatives and hedged items.....	(62.5)	7.8	(133.8)
	-----	-----	-----
Investment income (expense).....	(\$459.1)	\$502.7	(\$707.1)
	=====	=====	=====

The investment impairment losses for the three and six months ended June 30, 2002 and the six months ended June 30, 2001 relate principally to other than temporary declines in the Company's investment in AT&T.

The Company reclassified its investment in Sprint PCS from an available for sale security to a trading security in connection with the adoption of SFAS No. 133 on January 1, 2001. In connection with this reclassification, the Company recorded to investment income (expense) the accumulated unrealized gain of \$1.092 billion on the Company's investment in Sprint PCS which was previously recorded as a component of accumulated other comprehensive income (loss).

Edgar Filing: COMCAST CORP - Form 10-Q

6. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill by business segment (see Note 11) for the periods presented are as follows (in millions):

	Cable -----	Commerce -----	Corporate and Other -----
Balance, December 31, 2001.....	\$4,688.4	\$834.8	\$766.2
Purchase price allocation adjustments.....	5.1		151.8
	-----	-----	-----
Balance, June 30, 2002.....	\$4,693.5	\$834.8	\$918.0
	=====	=====	=====

During the six months ended June 30, 2002, the Company recorded the final purchase price allocation related to the Company's acquisition, on October 30, 2001, of Outdoor Life Network, which resulted in an increase in goodwill and a corresponding decrease in cable and satellite television distribution rights. In addition, during the six months ended June 30, 2002, the Company recorded the final purchase price allocation related to certain of its cable system acquisitions, which resulted in an increase in goodwill and a corresponding decrease in franchise rights.

As of June 30, 2002, the weighted average amortization period for the Company's intangible assets subject to amortization is 8.3 years and estimated related amortization expense for each of the five years ended December 31 is as follows (in millions):

2002.....	\$200.7
2003.....	\$188.4
2004.....	\$173.4
2005.....	\$159.1
2006.....	\$136.9

11

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2002
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

The following pro forma financial information for the three and six months ended June 30, 2001, and for the years ended December 31, 2001, 2000 and 1999, is presented as if SFAS No. 142 was adopted as of January 1, 1999 (amounts in millions, except per share data):

Three	Six
Months	Months

Edgar Filing: COMCAST CORP - Form 10-Q

	Ended June 30, 2001	Ended June 30, 2001	Years 2001	Ended December 2000
	-----	-----	-----	-----
Net Income				
As reported.....	\$35.2	\$1,036.4	\$608.6	\$2,021.5
Amortization of goodwill.....	81.8	154.4	334.8	303.5
Amortization of equity method goodwill..	6.8	11.1	15.0	15.2
Amortization of franchise rights.....	274.7	529.4	1,083.7	858.1
	-----	-----	-----	-----
As adjusted.....	\$398.5	\$1,731.3	\$2,042.1	\$3,198.3
	=====	=====	=====	=====
Income before extraordinary items and cumulative effect of accounting change, as adjusted.....	\$398.5	\$1,346.8	\$1,659.1	\$3,221.9
	=====	=====	=====	=====
Basic EPS				
As reported.....	\$0.04	\$1.09	\$0.64	\$2.24
Amortization of goodwill.....	0.08	0.17	0.35	0.34
Amortization of equity method goodwill..	0.01	0.01	0.02	0.02
Amortization of franchise rights.....	0.29	0.56	1.14	0.96
	-----	-----	-----	-----
As adjusted.....	\$0.42	\$1.83	\$2.15	\$3.56
	=====	=====	=====	=====
Diluted EPS				
As reported.....	\$0.04	\$1.07	\$0.63	\$2.13
Amortization of goodwill.....	0.08	0.16	0.35	0.32
Amortization of equity method goodwill..	0.01	0.01	0.02	0.02
Amortization of franchise rights.....	0.28	0.55	1.12	0.90
	-----	-----	-----	-----
As adjusted.....	\$0.41	\$1.79	\$2.12	\$3.37
	=====	=====	=====	=====

7. LONG-TERM DEBT

Commercial Paper

The Company's senior bank credit facility consists of a \$2.25 billion, five-year revolving credit facility and a \$1.925 billion, 364-day revolving credit facility (together, the "Comcast Cable Revolver"). The 364-day revolving credit facility supports the commercial paper program of Comcast Cable Communications, Inc., a wholly owned subsidiary of the Company. Amounts outstanding under the commercial paper program are classified as long-term in the Company's balance sheet as of June 30, 2002 and December 31, 2001 as the Company has both the ability and the intent to refinance these obligations, if necessary, on a long-term basis with amounts available under the Comcast Cable Revolver.

Edgar Filing: COMCAST CORP - Form 10-Q

The Company's Zero Coupon Debentures have a yield to maturity of 1.25%, computed on a semi-annual bond equivalent basis. The Zero Coupon Debentures may be converted, subject to certain restrictions, into shares of the Company's Class A Special Common Stock at the option of the holder at a conversion rate of 14.2566 shares per \$1,000 principal amount at maturity, representing an initial conversion price of \$54.67 per share. The Zero Coupon Debentures are senior unsecured obligations. The Company may redeem for cash all or part of the Zero Coupon Debentures on or after December 19, 2005.

Holder's may require the Company to repurchase the Zero Coupon Debentures on December 19, 2002, 2003, 2005, 2010 and 2015. Holders may surrender the Zero Coupon Debentures for conversion at any time prior to maturity if the closing price of the Company's Class A Special Common Stock is greater than 110% of the accreted conversion price for at least 20 trading days of the 30 trading days prior to conversion. Amounts outstanding under the Zero Coupon Debentures are classified as long-term in the Company's balance sheet as of June 30, 2002 and December 31, 2001 as the Company has both the ability and the intent to refinance the Zero Coupon Debentures on a long-term basis with amounts available under the Comcast Cable Revolver in the event holders of the Zero Coupon Debentures exercise their rights to require the Company to repurchase the Zero Coupon Debentures in December 2002.

ZONES

At maturity, holders of the Company's 2.0% Exchangeable Subordinated Debentures due 2029 (the "ZONES") are entitled to receive in cash an amount equal to the higher of the principal amount of the ZONES or the market value of Sprint PCS common stock.

Prior to maturity, each ZONES is exchangeable at the holders' option for an amount of cash equal to 95% of the market value of Sprint PCS Stock. As of June 30, 2002, the number of Sprint PCS shares held by the Company exceeded the number of ZONES outstanding.

As of June 30, 2002 and December 31, 2001, long-term debt includes \$689.1 million and \$1.613 billion, respectively, of ZONES. Upon adoption of SFAS No. 133, the Company split the accounting for the ZONES into derivative and debt components. The Company records the change in the fair value of the derivative component of the ZONES (see Note 5) and the increase in the carrying value of the debt component of the ZONES as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Increase (decrease) in derivative component to investment income (expense).....	(\$271.3)	\$245.0	(\$935.0)	\$171.0
Increase in debt component to interest expense.....	\$5.8	\$5.5	\$11.5	\$11.5

New Credit Facilities

On May 3, 2002, AT&T Broadband Corp. and AT&T Comcast Corporation, a company owned 50% each by AT&T and the Company ("AT&T Comcast"), entered into definitive credit agreements with a syndicate of lenders for an aggregate of \$12.825 billion of new indebtedness in order to obtain the financing necessary to complete the AT&T Broadband transaction (see Note 4)

Edgar Filing: COMCAST CORP - Form 10-Q

and for the combined company's financing needs after the transaction. This financing requires subsidiary guarantees, including guarantees by certain of the Company's wholly owned subsidiaries and by subsidiaries of AT&T Broadband. Under the terms of the new credit facilities, the obligations of the lenders to provide the financing upon the completion of the AT&T Broadband transaction are subject to a number of conditions, including the condition that the combined company holds investment-grade credit ratings from both the Standard & Poor's and Moody's rating agencies at the time of closing. Accordingly, there can be no

13

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2002
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

assurance that AT&T Broadband Corp. and AT&T Comcast will be able to obtain the financing necessary to complete the AT&T Broadband transaction.

Interest Rates

Excluding the derivative component of the ZONES whose changes in fair value are recorded to investment income (expense), the Company's effective weighted average interest rate on its long-term debt outstanding was 6.35% and 6.03% as of June 30, 2002 and December 31, 2001, respectively.

Interest Rate Risk Management

During the six months ended June 30, 2002, the Company settled \$950.0 million aggregate notional amount of fixed to variable interest rate exchange agreements ("Swaps") and received proceeds of \$56.8 million. This amount is being recognized as an adjustment to interest expense over the term of the related debt. During the six months ended June 30, 2002, variable to fixed Swaps with an aggregate notional amount of \$70.2 million expired. As of June 30, 2002, the Company has variable to fixed Swaps with an aggregate notional amount of \$180.1 million with an average pay rate of 4.9% and an average receive rate of 1.9%. The Swaps mature between 2002 and 2003.

In June 2002, the Company entered into interest rate lock agreements ("Rate Locks") to hedge the risk that the cash flows related to the interest payments on an anticipated issuance or assumption of certain fixed rate debt in connection with the AT&T Broadband transaction may be adversely affected by interest rate fluctuations. The Rate Locks mature in the fourth quarter of 2002, the timing of the anticipated issuance or assumption of the fixed rate debt. To the extent the Rate Locks are effective in offsetting the variability of the hedged cash flows, changes in the fair value of the Rate Locks will not be included in earnings but will be reported as a component of accumulated other comprehensive income (loss). Upon the issuance or assumption of the debt, the value of the Rate Locks will be recognized as an adjustment to interest expense over the same period in which the related interest costs on the debt are recognized in earnings.

Lines and Letters of Credit

As of June 30, 2002, certain subsidiaries of the Company had unused lines of credit of \$3.363 billion under their respective credit facilities.

As of June 30, 2002, the Company and certain of its subsidiaries had unused irrevocable standby letters of credit totaling \$85.4 million to cover potential fundings under various agreements.

Edgar Filing: COMCAST CORP - Form 10-Q

8. STOCKHOLDERS' EQUITY

Retirement of Shares

In March 2002, as a result of the merger of a wholly owned subsidiary into the Company, approximately 23.3 million shares of the Company's Class A Special Common Stock held by the subsidiary were retired and returned to authorized but unissued status.

14

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2002
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Comprehensive Income (Loss)

The Company's total comprehensive income (loss) for the interim periods was as follows (in millions):

	Three Months Ended June 30, 2002	2001	Six Months June 30 2002
	-----	-----	-----
Net income (loss).....	(\$209.6)	\$35.2	(\$298.5)
Unrealized (losses) gains on marketable securities...	(223.0)	82.3	(364.3)
Reclassification adjustments for losses (gains) included in net income (loss).....	198.4	(65.4)	203.1
Unrealized gains (losses) on the effective portion of cash flow hedges.....	3.7	(0.5)	(0.5)
Foreign currency translation gains (losses).....	5.2	2.7	(6.4)
	-----	-----	-----
Comprehensive income (loss).....	(\$225.3)	\$54.3	(\$466.6)
	=====	=====	=====

9. STATEMENT OF CASH FLOWS - SUPPLEMENTAL INFORMATION

The fair values of the assets and liabilities acquired by the Company through noncash transactions during the six months ended June 30, 2001 are as follows (in millions):

Current assets.....	\$56.6
Property, plant & equipment.....	686.1
Intangible assets.....	2,755.8
Current liabilities.....	(37.0)

Net assets acquired.....	\$3,461.5
	=====

The Company made cash payments for interest and income taxes during the interim periods as follows (in millions):

Edgar Filing: COMCAST CORP - Form 10-Q

	Three Months Ended June 30,		Six Mon Jun
	2002	2001	2002
	-----	-----	-----
Interest.....	\$237.5	\$193.5	\$347.3
Income taxes.....	\$128.9	\$111.3	\$158.4

10. COMMITMENTS AND CONTINGENCIES

Certain litigation has been filed, and other litigation has been threatened, against the Company as a result of alleged conduct of the Company with respect to its investment in and distribution relationship with At Home Corporation ("At Home"). At Home was a provider of high-speed Internet access and content services, which filed for bankruptcy protection in September 2001. Filed actions are: (i) class action lawsuits against the Company, Brian L. Roberts (the Company's President and a director), AT&T (the former controlling shareholder of At Home and also a former distributor of the At Home service) and other corporate and individual defendants in the Superior Court of San Mateo County, California, alleging breaches of fiduciary duty on the part of the Company and the other defendants in connection with transactions agreed to in March 2000 among At Home, the Company, AT&T, Cox Communications, Inc. ("Cox," also an investor in At Home and a former distributor of the At Home service); and (ii) class action lawsuits against the Company, AT&T 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. The actions in San Mateo County, California have been stayed by the United States Bankruptcy Court for the Northern District of California, the court in which At Home filed for bankruptcy,

15

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2002
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

as violating the automatic bankruptcy stay. The plaintiffs have submitted an amended complaint to the Bankruptcy Court, which is expected to decide in September 2002 whether the amended complaint can proceed. In the Southern District of New York actions, the court has ordered the actions consolidated into a single action. It is expected that an amended consolidated complaint will be served in mid-October 2002.

In the At Home bankruptcy proceeding, certain creditors of At Home have been threatening, and have negotiated for themselves the right to bring, claims against the Company, AT&T and Cox arising from the March 2000 agreements and for alleged breaches of fiduciary duty. Further, the creditors have negotiated for the right to bring claims against the Company and Cox seeking recovery of alleged short-swing profits pursuant to 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 pursuant to the March 2000 agreements.

Following closing of the AT&T Broadband transaction, the Company may be contractually liable for 50% of the liabilities of AT&T relating to At Home (AT&T would be liable for the other 50% of such liabilities). The Company

Edgar Filing: COMCAST CORP - Form 10-Q

denies any wrongdoing in connection with these actual and potential claims, and intends to defend all such claims vigorously. In management's opinion, the final disposition of all such claims (including taking into account any liability of the Company on account of AT&T as described in the second preceding sentence), will not have a material adverse effect on the Company's or, following the closing of the AT&T Broadband transaction, the combined company's consolidated financial condition or results of operations.

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to such actions is not expected to materially affect the financial condition, results of operations or liquidity of the Company.

In connection with a license awarded to an affiliate, the Company is contingently liable in the event of nonperformance by the affiliate to reimburse a bank which has provided a performance guarantee. The amount of the performance guarantee is approximately \$200 million; however the Company's current estimate of the amount of future expenditures (principally in the form of capital expenditures) that will be made by the affiliate necessary to comply with the performance requirements will not exceed \$75 million.

16

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2002
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

11. FINANCIAL DATA BY BUSINESS SEGMENT

The following represents the Company's significant business segments, "Cable" and "Commerce." The components of net income (loss) below operating income (loss) are not separately evaluated by the Company's management on a segment basis (dollars in millions).

	Cable -----	Commerce -----	Corporate Other (1) -----
Three Months Ended June 30, 2002			

Revenues (2).....	\$1,540.8	\$994.5	\$173.6
Operating income before depreciation and amortization (3).....	653.2	194.5	18.9
Depreciation and amortization.....	298.1	28.1	62.0
Operating income (loss)	355.1	166.4	(43.1)
Interest expense.....	141.8	2.9	37.9
Capital expenditures.....	330.6	50.6	8.6
 Three Months Ended June 30, 2001			

Revenues (2).....	\$1,325.9	\$876.0	\$136.8
Operating income (loss) before depreciation and amortization (3).....	548.6	159.8	(15.5)

Edgar Filing: COMCAST CORP - Form 10-Q

Depreciation and amortization.....	740.8	36.8	48.6
Operating income (loss)	(192.2)	123.0	(64.1)
Interest expense.....	128.9	7.1	42.5
Capital expenditures.....	513.2	41.9	71.7
Six Months Ended June 30, 2002			

Revenues (2).....	\$3,010.2	\$1,988.0	\$383.2
Operating income before depreciation and amortization (3).....	1,250.7	386.8	37.3
Depreciation and amortization.....	590.7	55.5	129.1
Operating income (loss).....	660.0	331.3	(91.8)
Interest expense.....	287.3	6.4	75.6
Capital expenditures.....	688.7	82.4	17.8
Six Months Ended June 30, 2001			

Revenues (2).....	\$2,520.3	\$1,760.0	\$290.4
Operating income (loss) before depreciation and amortization (3).....	1,035.7	332.5	(41.1)
Depreciation and amortization.....	1,424.8	71.4	64.7
Operating income (loss).....	(389.1)	261.1	(105.8)
Interest expense.....	261.7	15.1	84.0
Capital expenditures.....	950.9	68.0	124.8
As of June 30, 2002			

Assets.....	\$28,840.3	\$2,800.9	\$4,477.6
Long-term debt, less current portion.....	8,147.7	1.4	2,394.4
As of December 31, 2001			

Assets.....	\$29,084.6	\$2,809.2	\$6,366.7
Long-term debt, less current portion.....	8,363.2	62.7	3,315.7

18

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2002

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We have grown significantly in recent years through both strategic acquisitions and growth in our existing businesses. We have historically met our cash needs for operations through our cash flows from operating activities. We have generally financed our cash requirements for acquisitions and capital expenditures through borrowings of long-term debt, sales of investments and from existing cash, cash equivalents and short-term investments.

Except where specifically indicated, the following management's discussion and analysis of financial condition and results of operations does not include the anticipated effects of the AT&T Broadband transaction.

Edgar Filing: COMCAST CORP - Form 10-Q

General Developments of Business

Refer to Note 4 to our financial statements included in Item 1 and Note 5 to our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2001 for a discussion of our acquisitions and other significant events.

Liquidity and Capital Resources

The cable communications and the electronic retailing industries are experiencing increasing competition and rapid technological changes. Our future results of operations will be affected by our ability to react to changes in the competitive environment and by our ability to implement new technologies. We believe that competition and technological changes will not significantly affect our ability to obtain financing.

We believe that we will be able to meet our current and long-term liquidity and capital requirements, including fixed charges, through our cash flows from operating activities, existing cash, cash equivalents and investments, and through available borrowings under our existing credit facilities.

We have both the ability and intent to redeem the \$1.1 billion outstanding Zero Coupon Debentures with amounts available under subsidiary credit facilities if holders exercise their rights to require us to repurchase the Zero Coupon Debentures in December 2002. As of June 30, 2002, certain of our subsidiaries had unused lines of credit of \$3.363 billion under their respective credit facilities.

Refer to Note 7 to our financial statements included in Item 1 for a discussion of our Zero Coupon Debentures. Refer to Note 10 to our financial statements included in Item 1 for a discussion of our commitments and contingencies.

AT&T Broadband Transaction

Excluding AT&T Broadband's exchangeable notes, which are mandatorily redeemable at AT&T Broadband's option into shares of certain publicly traded companies held by AT&T Broadband, we currently estimate that the combined company will require approximately \$20 billion of assumed, refinanced and new indebtedness upon completion of the AT&T Broadband transaction. Of this \$20 billion of indebtedness, approximately \$7 billion to \$8 billion will be assumed indebtedness of AT&T Broadband's subsidiaries, \$9 billion to \$10 billion will retire amounts we expect AT&T Broadband will owe AT&T Corp. ("AT&T") at, and will be required to pay, upon closing of the AT&T Broadband transaction, and \$2 billion to \$4 billion will be needed to refinance AT&T Broadband debt that will become due on or shortly after the closing of the AT&T Broadband transaction and to provide appropriate cash reserves to fund AT&T Broadband's operations and capital expenditures. We can not provide assurances that the actual amount of this indebtedness will not exceed \$20 billion.

On August 12, 2002, AT&T, AT&T Comcast Corporation ("AT&T Comcast"), AT&T Broadband, our wholly owned subsidiary Comcast Cable Communications, Inc. ("Comcast Cable"), and two of AT&T's broadband subsidiaries filed a registration statement with the Securities and Exchange Commission detailing a potential exchange offer for some of AT&T's existing public indebtedness. The exchange offer is designed to satisfy one of the conditions to the AT&T Broadband transaction and, if successful, would result in the assumption of a portion of AT&T's indebtedness by AT&T Broadband. The exchange offer is subject to market conditions and the resolution of continued negotiations between us and AT&T. The \$9 billion to \$10 billion that we expect AT&T Broadband will be required to pay AT&T upon closing of the AT&T Broadband transaction would be reduced based upon the amount of AT&T indebtedness assumed by AT&T Broadband in the exchange in an

Edgar Filing: COMCAST CORP - Form 10-Q

amount to be mutually agreed.

On May 3, 2002, AT&T Broadband Corp. and

19

COMCAST CORPORATION AND SUBSIDIARIES FORM 10-Q QUARTER ENDED JUNE 30, 2002

AT&T Comcast entered into definitive credit agreements with a syndicate of lenders for an aggregate of \$12.825 billion to provide the financing to complete the AT&T Broadband transaction and for the combined company's financing needs after the transaction. The amount of AT&T's indebtedness assumed by AT&T Broadband in the exchange offer, if any, will not reduce the amounts available under these credit agreements.

Refer to Note 7 to our financial statements included in Item 1 for a discussion of the new credit facilities.

In addition to any assumption of AT&T indebtedness by AT&T Broadband in the exchange offer and amounts available under the new credit agreements, we may also use other available sources of financing to fund these requirements, including:

- o our existing cash, cash equivalents and short-term investments,
- o amounts available under our subsidiaries' lines of credit, which totaled \$3.363 billion as of June 30, 2002, and
- o through the sales of our and AT&T Broadband's investments, including AT&T Broadband's investment in Time Warner Entertainment.

Subsequent to closing of the AT&T Broadband transaction, we will have a substantially higher amount of debt, interest expense and capital expenditures at the combined company. If the credit rating agencies determine that the combined company is less creditworthy, on a combined basis, than that of Comcast on an historical basis, it is possible that our cost of and access to capital could be negatively affected. We currently hold investment grade ratings for our various debt securities. If our debt securities are downgraded as a result of our assumption of debt in the AT&T Broadband transaction, access to the commercial paper market would likely become limited and the costs of borrowing under alternative sources would likely increase.

Cash, Cash Equivalents and Short-term Investments

We have traditionally maintained significant levels of cash, cash equivalents and short-term investments to meet our short-term liquidity requirements. Our cash equivalents and short-term investments are recorded at fair value. Cash, cash equivalents and short-term investments as of June 30, 2002 were \$1.615 billion, substantially all of which is unrestricted.

Investments

A significant portion of our investments are in publicly traded companies and are reflected at fair value which fluctuates with market changes.

We do not have any significant contractual funding commitments with respect to any of our investments. Our ownership interests in these investments may, however, be diluted if we do not fund our investees' non-binding capital calls.

Edgar Filing: COMCAST CORP - Form 10-Q

We continually evaluate our existing investments, as well as new investment opportunities.

Refer to Note 5 to our financial statements included in Item 1 for a discussion of our investments.

Financing

As of June 30, 2002 and December 31, 2001, our long-term debt, including current portion, was \$10.750 billion and \$12.202 billion, respectively.

The \$1.452 billion decrease from December 31, 2001 to June 30, 2002 results principally from the \$923.5 million aggregate reduction to the carrying value of our ZONES during 2002, and the effects of our net repayments during 2002.

Excluding the effects of interest rate risk management instruments, 12.1% and 13.4% of our long-term debt as of June 30, 2002 and December 31, 2001, respectively, was at variable rates.

We have and may in the future, depending on certain factors including market conditions, make optional repayments on our debt obligations, which may include open market repurchases of our outstanding public notes and debentures.

Refer to Note 7 to our financial statements included in Item 1 for a discussion of our long-term debt.

Equity Price Risk

We have entered into cashless collar agreements (the "Equity Collars") and prepaid forward sales agreements ("Prepaid Forward Sales") which we account for at fair value. The Equity Collars and Prepaid Forward Sales limit our exposure to and benefits from price fluctuations in Sprint PCS common stock.

During the 2002 and 2001 interim periods, the change in the fair value of our investment in Sprint PCS common stock, classified as a trading security, were substantially offset by the changes in the fair values of the

20

COMCAST CORPORATION AND SUBSIDIARIES FORM 10-Q QUARTER ENDED JUNE 30, 2002

Equity Collars, the derivative components of the ZONES, and the Prepaid Forward Sales. See "Results of Operations - Investment Income (Expense)" below.

Interest Rate Risk

During the six months ended June 30, 2002, we settled \$950.0 million aggregate notional amount of our fixed to variable interest rate exchange agreements ("Swaps") and received proceeds of \$56.8 million. This amount is being recognized as an adjustment to interest expense over the term of the related debt. During the six months ended June 30, 2002, variable to fixed Swaps with an aggregate notional amount of \$70.2 million expired. As of June 30, 2002, we have \$180.1 million aggregate notional amount of variable to fixed Swaps with an average pay rate of 4.9% and an average receive rate of 1.9%. The Swaps mature between 2002 and 2003.

In June 2002, we entered into interest rate lock agreements ("Rate Locks") to hedge the risk that the cash flows related to the interest payments on an

Edgar Filing: COMCAST CORP - Form 10-Q

anticipated issuance or assumption of certain fixed rate debt in connection with the AT&T Broadband transaction may be adversely affected by interest rate fluctuations. The Rate Locks mature in the fourth quarter of 2002, the timing of the anticipated issuance or assumption of the fixed rate debt.

Accumulated Other Comprehensive Income (Loss)

The change in accumulated other comprehensive income (loss) from December 31, 2001 to June 30, 2002 is principally attributable to declines in unrealized gains on our investments classified as available for sale held throughout the period, and to realized losses on sales of investments and investment impairment losses on investments classified as available for sale during the six months ended June 30, 2002. Refer to Note 5 to our financial statements included in Item 1.

Statement of Cash Flows

Cash and cash equivalents increased \$207.8 million as of June 30, 2002 from December 31, 2001. The increase in cash and cash equivalents resulted from cash flows from operating, financing and investing activities which are explained below.

Net cash provided by operating activities amounted to \$1.051 billion for the six months ended June 30, 2002, due principally to our operating income before depreciation and amortization (see "Results of Operations"), and by changes in working capital as a result of the timing of receipts and disbursements and the effects of net interest and current income tax expense.

Net cash used in financing activities includes borrowings and repayments of debt, proceeds from settlement of Swaps, as well as proceeds from the issuances of our common stock. Net cash used in financing activities was \$471.5 million for the six months ended June 30, 2002. During the six months ended June 30, 2002, we borrowed \$632.1 million, consisting of:

- o \$223.9 million under Comcast Cable's commercial paper program, and
- o \$408.2 million under revolving credit facilities.

During the six months ended June 30, 2002, we repaid \$1.169 billion of our long-term debt, consisting of:

- o \$240.2 million under Comcast Cable's commercial paper program,
- o \$200.0 million of our 9.625% Senior Notes due 2002, and
- o \$729.1 million on certain of our revolving credit facilities.

In addition, during the six months ended June 30, 2002, we received proceeds of \$56.8 million from settlement of certain of our Swaps and proceeds of \$11.2 million from issuances of our common stock.

Net cash used in investing activities includes the effects of acquisitions, net of cash acquired, purchases of investments, capital expenditures, and additions to intangible and other noncurrent assets, offset by proceeds from sales of investments. Net cash used in investing activities was \$371.2 million for the six months ended June 30, 2002, consisting primarily of capital expenditures of \$788.9 million and additions to intangible and other noncurrent assets of \$133.5 million, including \$62.3 million related to the satellite and cable television affiliation agreements of QVC and our content subsidiaries. Such amounts were offset, in part, by proceeds from sales of investments of

Edgar Filing: COMCAST CORP - Form 10-Q

\$595.9 million.

21

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2002

Results of Operations

The effects of our recent acquisitions were to increase our revenues and expenses, resulting in increases in our operating income before depreciation and amortization.

We adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," on January 1, 2002, as required by the new statement. Refer to Notes 2 and 6 to our financial statements included in Item 1 for a discussion of the impact the adoption of the new statement had on our consolidated financial condition and results of operations.

Our summarized financial information for the interim periods is as follows (dollars in millions, "NM" denotes percentage is not meaningful):

	Three Months Ended June 30,		Increase
	2002	2001	\$
Revenues.....	\$2,708.9	\$2,338.7	\$370.2
Cost of goods sold from electronic retailing.....	628.8	555.2	73.6
Operating, selling, general and administrative expenses.....	1,213.5	1,090.6	122.9
Depreciation.....	342.8	273.9	68.9
Amortization.....	45.4	552.3	(506.9)
Operating income (loss).....	478.4	(133.3)	611.7
Interest expense.....	(182.6)	(178.5)	4.1
Investment income (expense).....	(459.1)	502.7	(961.8)
Equity in net losses of affiliates.....	(43.0)	(9.5)	33.5
Other income (expense).....	9.6	(6.3)	15.9
Income tax benefit (expense).....	32.9	(103.0)	135.9
Minority interest.....	(45.8)	(36.9)	8.9
Income (loss) before cumulative effect of accounting change....	(\$209.6)	\$35.2	(\$244.8)
Operating income before depreciation and amortization (1).....	\$866.6	\$692.9	\$173.7
	Six Months Ended June 30,		Increase
	2002	2001	\$

Edgar Filing: COMCAST CORP - Form 10-Q

Revenues.....	\$5,381.4	\$4,570.7	\$810.7
Cost of goods sold from electronic retailing.....	1,260.0	1,111.8	148.2
Operating, selling, general and administrative expenses.....	2,446.6	2,131.8	314.8
Depreciation.....	676.6	514.7	161.9
Amortization.....	98.7	1,046.2	(947.5)
	-----	-----	-----
Operating income (loss).....	899.5	(233.8)	1,133.3
	-----	-----	-----
Interest expense.....	(369.3)	(360.8)	8.5
Investment income (expense).....	(707.1)	717.4	(1,424.5)
Equity in net losses of affiliates.....	(48.4)	(6.6)	41.8
Other income (expense).....	(14.0)	1,187.9	(1,201.9)
Income tax benefit (expense).....	30.2	(588.6)	(618.8)
Minority interest.....	(89.4)	(63.6)	25.8
	-----	-----	-----
Income (loss) before cumulative effect of accounting change....	(\$298.5)	\$651.9	(\$950.4)
	=====	=====	=====
Operating income before depreciation and amortization (1).....	\$1,674.8	\$1,327.1	\$347.7
	=====	=====	=====

Consolidated Operating Results

Revenues

The increases in consolidated revenues for the interim periods from 2001 to 2002 are primarily attributable to increases in service revenues in our Cable segment and to increases in net sales in our Commerce segment (see "Operating Results by Business Segment" below). The remaining increases are primarily the result of increases in revenues from our content operations, principally due to growth in our historical operations and the effects of our acquisitions.

On January 1, 2002, we adopted Emerging Issues Task Force ("EITF") 01-9, "Accounting for Consideration Given to a Customer (Including a Reseller of the Vendor's Products)" and EITF 01-14, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred."

EITF 01-9 requires, among other things, that consideration paid to customers should be classified as a reduction of revenue unless certain criteria are met. Certain of our content subsidiaries have paid or may pay distribution fees to cable television and satellite broadcast systems for carriage of their programming. Upon adoption of EITF 01-9, we reclassified certain of these distribution fees from expense to a revenue reduction for all periods presented in our statement of operations. This change does not apply to distribution fees paid by our consolidated subsidiary, QVC, Inc. ("QVC") as the counterparties to QVC's distribution agreements do not make revenue payments to QVC.

EITF 01-14 requires that reimbursements received for out-of-pocket expenses incurred be characterized as revenue in the statement of operations. Under the terms of our franchise agreements, we are required to pay up to 5% of our gross revenues derived from providing cable services to the local franchising authority. We normally pass these fees through to our cable subscribers. Upon adoption of EITF 01-14, we reclassified franchise fees collected from cable subscribers from a reduction of selling, general and administrative expenses to a component of service revenues for all periods presented in our statement of operations.

The changes in classification had no impact on our reported operating income (loss) or financial condition. Refer to Note 2 to our financial statements included in Item 1 for a discussion of the adoption of EITF 01-9 and

Edgar Filing: COMCAST CORP - Form 10-Q

EITF 01-14.

Cost of goods sold from electronic retailing

Refer to the "Commerce" section of "Operating Results by Business Segment" below for a discussion of the increase in cost of goods sold from electronic retailing.

Operating, selling, general and administrative expenses

The increases in consolidated operating, selling, general and administrative expenses for the interim periods from 2001 to 2002 are primarily attributable to increases in expenses in our Cable segment and, to a lesser extent, to increases in expenses in our Commerce segment (see "Operating Results by Business Segment" below). The remaining increases are primarily the result of increased expenses in our content operations, principally due to growth in our historical operations and the effects of our acquisitions.

Depreciation

The increases in depreciation expense for the interim periods from 2001 to 2002 in our Cable segment are primarily due to the effects of our recent acquisitions and our capital expenditures. The increases in depreciation expense for the interim periods from 2001 to 2002 in our Commerce segment are primarily due to the effects of our capital expenditures. The remaining increases are primarily the result of increases in depreciation in our

23

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2002

content operations, principally due to the effects of our acquisitions.

Amortization

Of the \$506.9 million and \$947.5 million decreases in amortization expense for the interim periods from 2001 and 2002, \$504.3 million and \$968.8 million are attributable to the adoption of SFAS No. 142 on January 1, 2002. The remaining changes are primarily the result of increases in amortization expense in our content operations, principally due to the effects of our acquisitions. Refer to Note 6 to our financial statements included in Item 1 for the pro forma impact of adoption of SFAS No. 142 on amortization expense.

Operating Results by Business Segment

The following represent the operating results of our significant business segments, "Cable" and "Commerce." The remaining components of our operations are not independently significant to our consolidated financial condition or results of operations. Refer to Note 11 to our financial statements included in Item 1 for a summary of our financial data by business segment (dollars in millions).

Cable

Three Months Ended
June 30,
2002 2001

Increa
\$

Edgar Filing: COMCAST CORP - Form 10-Q

Video.....	\$1,186.6	\$1,059.5	\$127
High-speed Internet.....	139.6	64.8	74
Advertising sales.....	99.9	85.7	14
Other.....	64.4	67.7	(3)
Franchise fees.....	50.3	48.2	2
	-----	-----	-----
Revenues.....	1,540.8	1,325.9	214
Operating, selling, general and administrative expenses.....	887.6	777.3	110
	-----	-----	-----
Operating income before depreciation and amortization (a).....	\$653.2	\$548.6	\$104
	=====	=====	=====

	Six Months Ended		
	June 30,		
	2002	2001	\$
	-----	-----	-----
Video.....	\$2,336.2	\$2,044.3	\$291
High-speed Internet.....	259.2	119.3	139
Advertising sales.....	181.0	151.9	29
Other.....	132.3	113.4	18
Franchise fees.....	101.5	91.4	10
	-----	-----	-----
Revenues.....	3,010.2	2,520.3	489
Operating, selling, general and administrative expenses.....	1,759.5	1,484.6	274
	-----	-----	-----
Operating income before depreciation and amortization (a).....	\$1,250.7	\$1,035.7	\$215
	=====	=====	=====

Video revenue consists of our basic, expanded basic, premium, pay-per-view, equipment and digital subscriptions. Of the \$127.1 million and \$291.9 million increases in video revenues for the interim periods from 2001 to 2002, \$50.2 million and \$142.5 million are attributable to the effects of our acquisitions of cable systems and \$76.9 million and \$149.4 million relate to increased rates and subscriber growth in our historical operations, driven principally by growth in digital subscriptions. During the three and six months ended June 30, 2002, we added approximately 197,900 and 401,600 digital subscriptions.

The increases in high-speed Internet revenue for the interim periods from 2001 to 2002 are primarily due to the addition of approximately 128,400 and 220,800 high-speed Internet subscribers during the three and six months ended June 30, 2002, and to the effects of rate increases.

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2002

The increases in advertising sales revenue for the interim periods from 2001 to 2002 are primarily attributable to the effects of a stronger advertising market and the continued leveraging of our market-wide fiber interconnects.

Other revenue includes installation revenues, guide revenues, commissions

Edgar Filing: COMCAST CORP - Form 10-Q

from electronic retailing, revenues of our regional sports programming networks and revenue from other product offerings. The increase for the six month period from 2001 to 2002 is primarily attributable to the effects of our acquisitions and to growth in our regional sports programming networks. The decrease for the three month period from 2001 to 2002 is primarily attributable to a decrease in installation revenue.

The increases in franchise fees collected from our cable subscribers under the terms of our franchise agreements for the interim periods from 2001 to 2002 are attributable to the increases in our revenues upon which the fees apply.

The increases in operating, selling, general and administrative expense for the interim periods from 2001 to 2002 are primarily due to the effects of our acquisitions of cable systems, as well as to the effects of increases in the costs of cable programming, high-speed Internet subscriber growth, and, to a lesser extent, increases in labor costs and other volume related expenses in our historical operations.

Our cost of programming increases as a result of changes in rates, subscriber growth, additional channel offerings and our acquisitions. We anticipate the cost of cable programming will increase in the future as cable programming rates increase and additional sources of cable programming become available.

Commerce (QVC, Inc. and Subsidiaries)	Three Months Ended		I
	June 30,		
	2002	2001	\$
	-----	-----	-----
Net sales from electronic retailing.....	\$994.5	\$876.0	\$118
Cost of goods sold from electronic retailing.....	628.8	555.2	73
Operating, selling, general and administrative expenses.....	171.2	161.0	10
	-----	-----	-----
Operating income before depreciation and amortization (a).....	\$194.5	\$159.8	\$34
	=====	=====	=====
Gross margin.....	36.8%	36.6%	
	=====	=====	

	Six Months Ended		I
	June 30,		
	2002	2001	\$
	-----	-----	-----
Net sales from electronic retailing.....	\$1,988.0	\$1,760.0	\$228
Cost of goods sold from electronic retailing.....	1,260.0	1,111.8	148
Operating, selling, general and administrative expenses.....	341.2	315.7	25
	-----	-----	-----
Operating income before depreciation and amortization (a).....	\$386.8	\$332.5	\$54
	=====	=====	=====
Gross margin.....	36.6%	36.8%	
	=====	=====	

Edgar Filing: COMCAST CORP - Form 10-Q

Of the \$118.5 million and \$228.0 million increases in net sales from electronic retailing for the interim periods from 2001 to 2002, \$80.6 million and \$166.5 million are attributable to increases in net sales in the United States. This growth is principally the result of increases over the prior year interim period in the average number of homes receiving QVC services and in net sales per home as follows:

25

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2002

	Three Months Ended June 30, 2002	Six Months Ended June 30, 2002
	-----	-----
Increase in average number of homes.....	3.5%	3
Increase in net sales per home.....	6.9%	7

It is unlikely that the number of homes receiving the QVC service domestically will continue to grow at rates comparable to prior periods given that the QVC service is already received by approximately 96% of all U.S. cable television homes and substantially all satellite television homes in the U.S. Future growth in sales will depend increasingly on continued additions of new customers from homes already receiving the QVC service and continued growth in repeat sales to existing customers.

The remaining increases of \$37.9 million and \$61.5 million in net sales from electronic retailing for the interim periods from 2001 to 2002 are primarily attributable to increases in net sales in Germany and Japan, and to the effects of fluctuations in foreign currency exchange rates during the periods.

The increases in cost of goods sold are primarily related to the growth in net sales. The changes in gross margin are primarily due to the effects of shifts in sales mix.

The increases in operating, selling, general and administrative expenses are primarily attributable to higher variable costs and personnel costs associated with the increases in sales volume.

Consolidated Analysis

Interest Expense

The increases in interest expense for the interim periods from 2001 to 2002 are primarily due to the effects of Comcast Cable's senior notes offerings in May and June 2001.

We anticipate that, for the foreseeable future, interest expense will be a significant cost to us. We believe we will continue to be able to meet our obligations through our ability both to generate operating income before depreciation and amortization and to obtain external financing.

Edgar Filing: COMCAST CORP - Form 10-Q

Investment Income (Expense)

Investment income (expense) for the interim periods includes the following (in millions):

	Three Months Ended June 30,		Six Months June
	2002	2001	2002
Interest and dividend income.....	\$10.6	\$17.4	\$17.5
(Losses) gains on sales and exchanges of investments, net.....	(102.5)	448.0	(100.9)
Investment impairment losses.....	(208.7)	(45.0)	(221.3)
Reclassification of unrealized gains.....			
Unrealized (loss) gain on Sprint PCS common stock.....	(420.2)	392.4	(1,439.7)
Mark to market adjustments on derivatives related to Sprint PCS common stock.....	324.2	(317.9)	1,171.1
Mark to market adjustments on derivatives and hedged items.....	(62.5)	7.8	(133.8)
	(459.1)	502.7	(707.1)
Investment income (expense).....	(\$459.1)	\$502.7	(\$707.1)

26

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2002

The investment impairment losses for the three and six months ended June 30, 2002 and the six months ended June 30, 2001 relate principally to other than temporary declines in our investment in AT&T.

In connection with the reclassification of our investment in Sprint PCS from an available for sale security to a trading security, we recorded to investment income (expense) the accumulated unrealized gain of \$1.092 billion on our investment in Sprint PCS which was previously recorded as a component of accumulated other comprehensive income (loss).

Equity in Net Losses of Affiliates

The increases in equity in net losses of affiliates for the interim periods from 2001 to 2002 are primarily attributable to effects of the consolidation of The Golf Channel in June 2001, the effects of our additional investments and to changes in the net income or loss of our equity method investees, offset, in part, by decreases in the amortization of equity method goodwill as a result of the adoption of SFAS No. 142 on January 1, 2002.

Other Income (Expense)

On January 1, 2001, we completed our cable systems exchange with Adelphia Communications Corporation ("Adelphia"). We received cable systems serving approximately 445,000 subscribers from Adelphia and Adelphia received certain of our cable systems serving approximately 441,000 subscribers. We recorded to other income (expense) a pre-tax gain of \$1.199 billion, representing the

Edgar Filing: COMCAST CORP - Form 10-Q

difference between the estimated fair value of \$1.799 billion as of the closing date of the transaction and our cost basis in the systems exchanged.

Income Tax Benefit (Expense)

The changes in income tax benefit (expense) for the interim periods from 2001 to 2002 are primarily the result of the effects of changes in our income before taxes, minority interest and cumulative effect of accounting change.

Minority Interest

The increases in minority interest for the interim periods from 2001 to 2002 are attributable to the effects of changes in the net income or loss of our less than wholly owned consolidated subsidiaries.

Cumulative Effect of Accounting Change

In connection with the adoption of SFAS No. 142, we completed an initial transitional impairment assessment of goodwill and other indefinite lived intangible assets, which consist of our cable and sports franchise rights. Based upon further guidance provided by the EITF, we determined that no cumulative effect results from adopting this change in accounting principle.

In connection with the adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, we recognized as income a cumulative effect of accounting change, net of related income taxes, of \$384.5 million during the six months ended June 30, 2001. The income consisted of a \$400.2 million adjustment to record the debt component of our ZONES at a discount from its value at maturity and \$191.3 million principally related to the reclassification of gains previously recognized as a component of accumulated other comprehensive income (loss) on our equity derivative instruments, net of related deferred income taxes of \$207.0 million.

We believe that our operations are not materially affected by inflation.

27

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2002

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Certain litigation has been filed, and other litigation has been threatened, against the Company as a result of alleged conduct of the Company with respect to its investment in and distribution relationship with At Home Corporation ("At Home"). At Home was a provider of high-speed Internet access and content services, which filed for bankruptcy protection in September 2001. Filed actions are: (i) class action lawsuits against the Company, Brian L. Roberts (the Company's President and a director), AT&T (the former controlling shareholder of At Home and also a former distributor of the At Home service) and other corporate and individual defendants in the Superior Court of San Mateo County, California, alleging breaches of fiduciary duty on the part of the Company and the other defendants in connection with transactions agreed to in March 2000 among At Home, the Company, AT&T, Cox Communications, Inc. ("Cox," also an investor in At Home and a former distributor of the At Home service); and (ii) class

Edgar Filing: COMCAST CORP - Form 10-Q

action lawsuits against the Company, AT&T 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. The actions in San Mateo County, California have been stayed by the United States Bankruptcy Court for the Northern District of California, the court in which At Home filed for bankruptcy, as violating the automatic bankruptcy stay. The plaintiffs have submitted an amended complaint to the Bankruptcy Court, which is expected to decide in September 2002 whether the amended complaint can proceed. In the Southern District of New York actions, the court has ordered the actions consolidated into a single action. It is expected that an amended consolidated complaint will be served in mid-October 2002.

In the At Home bankruptcy proceeding, certain creditors of At Home have been threatening, and have negotiated for themselves the right to bring, claims against the Company, AT&T and Cox arising from the March 2000 agreements and for alleged breaches of fiduciary duty. Further, the creditors have negotiated for the right to bring claims against the Company and Cox seeking recovery of alleged short-swing profits pursuant to 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 pursuant to the March 2000 agreements.

Following closing of the AT&T Broadband transaction, the Company may be contractually liable for 50% of the liabilities of AT&T relating to At Home (AT&T would be liable for the other 50% of such liabilities). The Company denies any wrongdoing in connection with these actual and potential claims, and intends to defend all such claims vigorously. In management's opinion, the final disposition of all such claims (including taking into account any liability of the Company on account of AT&T as described in the second preceding sentence), will not have a material adverse effect on the Company's or, following the closing of the AT&T Broadband transaction, the combined company's consolidated financial condition or results of operations.

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to such actions is not expected to materially affect the financial condition, results of operations or liquidity of the Company.

28

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2002

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual Meeting on July 10, 2002, the shareholders approved the following proposals:

To elect ten directors to serve for the ensuing year and until their respective successors shall have been duly elected and qualified.

Director

Class of Stock

For

Withheld

Edgar Filing: COMCAST CORP - Form 10-Q

-----	-----	---	-----
Ralph J. Roberts	Class A	18,098,310	30,377
	Class B	141,665,625	
Julian A. Brodsky	Class A	18,104,463	24,224
	Class B	141,665,625	
Brian L. Roberts	Class A	18,109,917	18,770
	Class B	141,665,625	
Decker Anstrom	Class A	18,111,843	16,844
	Class B	141,665,625	
Sheldon M. Bonovitz	Class A	18,090,050	38,637
	Class B	141,665,625	
Joseph L. Castle II	Class A	18,107,111	21,576
	Class B	141,665,625	
Felix G. Rohatyn	Class A	18,100,304	28,383
	Class B	141,665,625	
Bernard C. Watson	Class A	18,117,675	11,012
	Class B	141,665,625	
Irving A. Wechsler	Class A	18,098,290	30,397
	Class B	141,665,625	
Anne Wexler	Class A	18,082,491	46,196
	Class B	141,665,625	

To ratify the appointment of Deloitte & Touche LLP as the Company's independent auditors for the 2002 fiscal year.

Class of Stock	For	Against
-----	---	-----
Class A	18,067,949	94,439
Class B	141,665,625	

To consider a proposal to approve an amendment to the Comcast Corporation 1996 Stock Option Plan.

Class of Stock	For	Against
-----	---	-----
Class A	17,455,304	645,438
Class B	141,665,625	

Edgar Filing: COMCAST CORP - Form 10-Q

- (a) Exhibits required to be filed by Item 601 of Regulation S-K:
- 10.1 Comcast Corporation 1996 Stock Option Plan, as amended and restated, effective April 29, 2002.
 - 10.2 Comcast Corporation 1997 Deferred Stock Option Plan, as amended and restated, effective April 29, 2002.
 - 10.3 Comcast Corporation 1996 Deferred Compensation Plan, as amended and restated, effective July 9, 2002.
 - 99.1 Certifications of Chief Executive Officer and Co-Chief Financial Officers of Comcast Corporation pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.
- (b) Reports on Form 8-K:
- (i) We filed a Current Report on Form 8-K under Items 5 and 7(c) on May 3, 2002 reporting the results of our operations for the three months ended March 31, 2002.

30

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2002

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMCAST CORPORATION

/s/ LAWRENCE J. SALVA

Lawrence J. Salva
Senior Vice President
(Principal Accounting Officer)

Date: August 14, 2002

31