COMCAST CORP
Form 10-Q
November 02, 2001

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:
SEPTEMBER 30, 2001
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 September 30, 2001, there were 913,655,155 shares of Class A Special Common Stock, 21,829,422 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 SEPTEMBER 30, 2001

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This Quarterly Report on Form 10-Q is for the three months ended September 30, 2001. 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

We have acquired and we anticipate acquiring cable communications systems in new communities in which we do not have established relationships with the franchising authority, community leaders and cable subscribers. Further, a substantial number of new employees are being and must continue to 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:

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

COMCAST CORPORATION AND SUBSIDIARIES
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QUARTER ENDED SEPTEMBER 30, 2001

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

	(Dollars in millions, September 30, 2001
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$658.4
Investments	1,271.9
Accounts receivable, less allowance for doubtful accounts of $152.1 and $141.7	829.7
Inventories, net	504.3
Other current assets	165.5
Total current assets	3,429.8
INVESTMENTS	3,302.3
PROPERTY AND EQUIPMENT	8,989.6
Accumulated depreciation	(2,207.5)
Property and equipment, net	6,782.1
DEFERRED CHARGES AND OTHER ASSETS	30,919.3
Accumulated amortization	(5,652.1)
Deferred charges and other assets, net	25,267.2
	$38,781.4

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts payable and accrued expenses	$3,294.0
Accrued interest	191.5
Deferred income taxes	194.6
Current portion of long-term debt	554.4
Total current liabilities	4,234.5
LONG-TERM DEBT, less current portion	11,494.8
DEFERRED INCOME TAXES	6,453.1
MINORITY INTEREST AND OTHER	1,760.2
COMMITMENTS AND CONTINGENCIES (NOTE 9)	
COMMON EQUITY PUT OPTIONS	
STOCKHOLDERS' EQUITY	
Preferred stock - authorized, 20,000,000 shares 5.25% series B mandatorily redeemable convertible, $1,000 par value; issued, zero and 59,450 at redemption value	
Class A special common stock, $1 par value - authorized, 2,500,000,000 shares; issued, 936,980,066 and 931,340,103; outstanding, 913,655,155 and 908,015,192	913.7
Class A common stock, $1 par value - authorized, 200,000,000 shares; issued, 21,829,422 and 21,832,250	21.8
Class B common stock, $1 par value - authorized, 50,000,000 shares; issued, 9,444,375	9.4
Additional capital	11,742.6
Retained earnings	1,952.0
Accumulated other comprehensive income	199.3
Total stockholders' equity	14,838.8
	$38,781.4

See notes to condensed consolidated financial statements.

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED SEPTEMBER 30, 2001
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND
RETAINED EARNINGS (ACCUMULATED DEFICIT)
(Unaudited)

(Amounts in millions, exc

	Three Months Ended September 30, 2001	2000	N
REVENUES			
Service revenues	$1,460.4	$1,139.7	$

Net sales from electronic retailing	895.1	820.3	
	2,355.5	1,960.0	
COSTS AND EXPENSES			
Operating	679.1	516.5	
Cost of goods sold from electronic retailing	573.8	529.2	
Selling, general and administrative	396.8	308.6	
Depreciation	288.2	223.2	
Amortization	595.8	438.9	
	2,533.7	2,016.4	
OPERATING LOSS	(178.2)	(56.4)	
OTHER INCOME (EXPENSE)			
Interest expense	(190.7)	(175.2)	
Investment income	328.3	65.4	
Income related to indexed debt		1,064.0	
Equity in net losses of affiliates	(19.5)	(3.7)	
Other income (expense)	(7.0)	1,133.1	
	111.1	2,083.6	
INCOME (LOSS) BEFORE INCOME TAXES, MINORITY INTEREST, EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(67.1)	2,027.2	
INCOME TAX EXPENSE	(13.5)	(752.3)	
INCOME (LOSS) BEFORE MINORITY INTEREST, EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(80.6)	1,274.9	
MINORITY INTEREST	(26.2)	(25.8)	
INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(106.8)	1,249.1	
EXTRAORDINARY ITEMS		(2.3)	
CUMULATIVE EFFECT OF ACCOUNTING CHANGE			
NET INCOME (LOSS)	(106.8)	1,246.8	
PREFERRED DIVIDENDS		(7.6)	
NET INCOME (LOSS) FOR COMMON STOCKHOLDERS	($106.8)	$1,239.2	
RETAINED EARNINGS (ACCUMULATED DEFICIT)			
Beginning of period	$2,075.8	($878.2)	$
Net income (loss)	(106.8)	1,246.8	
Retirement of common stock	(17.0)	(60.2)	
End of period	$1,952.0	$308.4	$
BASIC EARNINGS (LOSS) FOR COMMON STOCKHOLDERS PER COMMON SHARE			
Income (loss) before extraordinary items and cumulative effect of accounting change	($0.11)	$1.37	
Extraordinary items			
Cumulative effect of accounting change			
Net income (loss)	($0.11)	$1.37	
BASIC WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	951.5	908.8	
DILUTED EARNINGS (LOSS) FOR COMMON STOCKHOLDERS PER COMMON SHARE			
Income (loss) before extraordinary items and cumulative effect of accounting change	($0.11)	$1.29	
Extraordinary items			

Cumulative effect of accounting change		
Net income (loss)	($0.11)	$1.29
DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	951.5	965.6

See notes to condensed consolidated financial statements.

COMCAST CORPORATION AND SUBSIDIARIES
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QUARTER ENDED SEPTEMBER 30, 2001
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	(Dollars in Nine Months End 2001
OPERATING ACTIVITIES	
Net income	$929.6
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	760.4
Amortization	1,698.7
Non-cash interest expense (income), net	31.2
Non-cash income related to indexed debt	
Equity in net losses of affiliates	26.1
Gains on investments and other income, net	(2,172.8)
Minority interest	89.8
Extraordinary items	1.5
Cumulative effect of accounting change	(384.5)
Deferred income taxes and other	(128.7)
	851.3
Changes in working capital	403.4
Net cash provided by operating activities	1,254.7
FINANCING ACTIVITIES	
Proceeds from borrowings	5,030.9
Retirements and repayments of debt	(3,791.1)
Issuances of common stock and sales of put options on common stock	23.2
Repurchases of common stock	(27.1)
Deferred financing costs	(22.5)
Net cash provided by (used in) financing activities	1,213.4
INVESTING ACTIVITIES	
Acquisitions, net of cash acquired	(917.5)
Proceeds from sales of (purchases of) short-term investments, net	(173.3)
Purchases of investments	(238.7)
Increase in notes receivable	(400.0)
Proceeds from sales of investments	1,151.5

Capital expenditures	(1,691.2)
Additions to deferred charges	(192.0)
Net cash used in investing activities	(2,461.2)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6.9
CASH AND CASH EQUIVALENTS, beginning of period	651.5
CASH AND CASH EQUIVALENTS, end of period	$658.4

See notes to condensed consolidated financial statements.

COMCAST CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED SEPTEMBER 30, 2001
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, 2000.

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 Derivative Instruments 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.

For derivative instruments designated and effective as fair value hedges, changes in the fair value of the derivative instrument will be substantially offset in the statement of operations by changes in the fair value of the hedged item. For derivative instruments designated as cash flow hedges, the effective portion of any hedge is reported in other comprehensive income until it is recognized in earnings during the same period in which the hedged item affects earnings. The ineffective portion of all hedges will be recognized in current earnings each period. Changes in the fair value of derivative instruments that are not designated as a hedge will be recorded each period in current earnings.

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 and a cumulative decrease in other comprehensive income, net of related income taxes, of $127.0 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 (see Note 6) and $191.3 million principally related to the reclassification of gains previously recognized as a component of accumulated other comprehensive income on the Company's equity derivative instruments, net of related deferred income taxes.

The decrease in other comprehensive income consisted principally of the reclassification of the gains noted above.

SFAS No's. 141 and 142

The Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets" in June 2001. These statements address how intangible assets that are acquired individually, with a group of other assets or in connection with a business combination should be accounted for in financial statements upon and subsequent to their acquisition. The new statements require that all business combinations initiated after June 30, 2001 be accounted for using the purchase method and establish specific criteria for the recognition of intangible assets separately from goodwill.

The Company adopted SFAS No. 141 on July 1, 2001, as required by the new statement. The Company does not expect the adoption of SFAS No. 141 to have a material impact on its financial position or its results of operations.

The Company will adopt SFAS No. 142 on January 1, 2002, as required by the new statement. Upon adoption, the Company will no longer amortize goodwill and other indefinite lived intangible assets, which consist primarily of cable franchise operating rights. The Company will be required to test its goodwill and intangible assets that are determined to have an indefinite life for impairment at least annually. Other than in those periods in which the Company may record an asset impairment, the Company expects that the adoption of SFAS No. 142 will result in increased income as a result of reduced amortization expense.

Based on the Company's preliminary evaluation, the estimated pro forma effect of adoption of SFAS No. 142 would be to decrease amortization expense by approximately $1.5 billion for the nine months ended September 30, 2001 and $2.0 billion for the year ended December 31, 2001.

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, 2002. While the

Company is currently evaluating the impact the adoption of SFAS No. 143 will have on its financial position and results of operations, it does not expect such impact to be material.

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. While the Company is currently evaluating the impact the adoption of SFAS No. 144 will have on its financial position and results of operations, it does not expect such impact to be material.

EITF 00-25
In April 2001, the Emerging Issues Task Force ("EITF") of the FASB reached a consensus on EITF 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products." EITF 00-25 requires that consideration paid to customers should be classified as a reduction of revenue unless certain criteria are met. Certain of the Company's programming networks have paid or may pay distribution fees to cable television and satellite broadcast systems for carriage of their programming. The Company currently classifies these distribution fees as expense in its statement of operations. Upon adoption of EITF 00-25, the Company will reclassify certain of these distribution fees from expense to a revenue reduction for all periods presented in its statement of operations. The change in classification will have no impact on the Company's reported operating loss or financial position. The Company will adopt EITF 00-25 on January 1, 2002. The effect of the reclassification of cable television and satellite broadcast distribution fees from expense to a reduction of revenue is to decrease the amounts reported in the Company's statement of operations as follows (in millions):

	Three Months Ended September 30, 2001	Three Months Ended September 30, 2000	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000	Year E Decembe 2000
Service revenues......................	$6.5	$5.8	$23.1	$11.5	$17.3
Selling, general and administrative expense...........................	$1.1	$1.4	$3.6	$4.3	$5.3
Amortization expense.................	$5.4	$4.4	$19.5	$7.2	$12.0

COMCAST CORPORATION AND SUBSIDIARIES
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

3. EARNINGS (LOSS) PER SHARE

Earnings (loss) for common stockholders per common share is computed by dividing net income (loss), after deduction of preferred stock dividends, when applicable, 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) for common stockholders per common share ("Diluted EPS") for the interim periods presented.

(Amounts in millions, except per sha	Three Months Ended September 30, 2001	Three Months Ended September 30, 2000	Nine Months September 2001
Net income (loss) for common stockholders............	($106.8)	$1,239.2	$929.6
Preferred dividends.................................		7.6	
Net income (loss) for common stockholders used for Diluted EPS..................................	($106.8)	$1,246.8	$929.6
Basic weighted average number of common shares outstanding.......................................	951.5	908.8	949.3
Dilutive securities:			
Series B convertible preferred stock...............		42.5	1.4
Stock option and restricted stock plans............		14.0	14.0
Put options on Class A Special Common Stock........		0.3	
Diluted weighted average number of common shares outstanding.......................................	951.5	965.6	964.7
Diluted earnings (loss) for common stockholders per common share..................................	($0.11)	$1.29	$0.96

In December 2000 and January 2001, the Company issued $1.478 billion aggregate principal amount at maturity of Zero Coupon Convertible Debentures due 2020 (the "Zero Coupon Debentures" - see Note 6). The Zero Coupon Debentures 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). The Zero Coupon Debentures were excluded from the computation of Diluted EPS for the interim periods in 2001 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.

Potentially dilutive securities related to the Company's stock options and restricted stock plans were excluded from the computation of Diluted EPS for the three months ended September 30, 2001 because their effect on loss for common stockholders per common share was antidilutive.

4. ACQUISITIONS AND OTHER SIGNIFICANT EVENTS

Adelphia Cable Systems Exchange

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 a pre-tax gain of $1.199 billion representing the difference

between the estimated fair value as of the closing date of the transaction and the Company's cost basis in the systems exchanged.

Home Team Sports Acquisition

On February 14, 2001, the Company acquired Home Team Sports (now known as Comcast SportsNet - MidAtlantic), a regional sports programming network serving approximately 4.8 million homes in the Mid-Atlantic region, from Viacom, Inc. ("Viacom") and Affiliated Regional Communications, Ltd. (an affiliate of Fox Cable Network Services, LLC ("Fox")). The Company agreed to increase the distribution of certain of Viacom's and Fox's programming networks on certain of the Company's cable systems. The estimated fair value of Home Team Sports as of the closing date of the acquisition was $240.0 million.

AT&T Cable Systems Acquisition

On April 30, 2001, the Company acquired cable systems serving approximately 585,000 subscribers from AT&T Corp. ("AT&T") in exchange for approximately 63.9 million shares of AT&T common stock then held by the Company. The market value of the AT&T shares was approximately $1.423 billion, based on the price of the AT&T common stock on the closing date of the transaction. Under the terms of the agreement between the Company and AT&T, however, approximately 39.6 million shares of the AT&T common stock included in the exchange were valued at $54.41 per share for purposes of the exchange. The transaction is expected to qualify as tax free to both the Company and to AT&T.

Acquisition of Controlling Interest in the Golf Channel

On June 8, 2001, the Company acquired the approximate 30.8% interest in The Golf Channel ("TGC") held by Fox Entertainment Group, Inc. ("Fox Entertainment"), a subsidiary of The News Corporation Limited ("News Corp."). In addition, Fox and News Corp. agreed to a five-year non-competition agreement. The Company paid aggregate consideration of $364.9 million in cash. The Company previously accounted for TGC under the equity method. The Company now owns approximately 91.0% of TGC and consolidates TGC.

Baltimore, Maryland System Acquisition

On June 30, 2001, the Company acquired the cable system serving approximately 112,000 subscribers in Baltimore, Maryland from AT&T for $518.7 million in cash. The purchase price is subject to adjustment.

The Company accounted for the acquisitions under the purchase method of accounting. As such, the Company's results include the operating results of the acquired businesses from the dates of acquisition. The Company's cable systems exchange with Adelphia, the Home Team Sports acquisition and the AT&T cable systems acquisition had no significant impact on the Company's statement of cash flows during 2001 due to their noncash nature. The allocations of the purchase price for the 2001 acquisitions are preliminary pending completion of final appraisals (see Note 8).

Option to Acquire Outdoor Life Network

During the third quarter of 2001, the Company exercised its option to acquire from Fox Entertainment the approximate 83.2% interest in Outdoor Life Network ("OLN") not previously owned by the Company. Upon closing of the acquisition on October 30, 2001, the Company exchanged its 14.5% interest in the Speedvision Network ("SVN"), together with a previously made loan, with Fox Entertainment for Fox Entertainment's interest in OLN. The Company no longer owns any interest in SVN and now owns 100% of OLN. The Company will consolidate OLN beginning in the fourth quarter of 2001.

Offer to Acquire AT&T Broadband

On July 8, 2001, the Company made an unsolicited proposal to acquire the core broadband assets of AT&T ("AT&T Broadband") by issuing 1.0525 billion shares of the Company's common stock and assuming $13.5 billion of AT&T debt. On July 18, 2001, AT&T announced that it had rejected the Company's proposal and authorized the exploration of financial and strategic alternatives relating to AT&T Broadband. On September 28, 2001, the Company entered into a reciprocal confidentiality agreement with AT&T that will permit the exchange of

information between the two companies. There can be no assurance that any transaction relating to AT&T Broadband will occur, or, if a transaction does occur, what the terms of the transaction would be.

Excite@Home Services

On September 28, 2001, Excite@Home Corporation ("Excite@Home"), the Company's provider of high-speed Internet access services, filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Subsequent to this filing, the Company and Excite@Home entered into an amendment to the Company's distribution agreement under which Excite@Home agreed to continue to provide high-speed Internet access services to existing and new customers through November 30, 2001. While there can be no assurance that further developments in this bankruptcy proceeding will not adversely affect the Company's ability to provide high-speed Internet access, the Company believes that it will be able to continue to provide such services to existing and new customers through and following November 30, 2001. Further, while there can be no assurance that future developments will not result in additional short-term costs for the Company, the Company believes that such costs will not have a material adverse effect on the Company's financial results.

Unaudited Pro Forma Information

The following unaudited pro forma information has been presented as if the acquisitions and cable systems exchanges made by the Company in 2001 and 2000 each occurred on January 1, 2000. For a discussion of the Company's 2000 acquisitions and cable systems exchange, refer to the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.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, 2000.

	(Amounts in millions, except per share data) Nine Months Ended September	
	2001	2000
Revenues...	$7,043.6	$6,402
Income before extraordinary items and cumulative effect of accounting change............	$535.6	$1,036
Net income...	$918.6	$1,018
Diluted EPS..	$0.95	$1.

Other Income

In August 2000, the Company obtained the right to exchange its Excite@Home Series A Common Stock (the "Excite@Home Stock") with AT&T and waived certain of its Excite@Home Board level and shareholder rights under a stockholders agreement (the "Share Exchange Agreement"- see Note 5). The Company also agreed to cause its existing appointee to the Excite@Home Board of Directors to resign. In connection with the transaction, the Company recorded to other income a pre-tax gain of $1.045 billion, representing the estimated fair value of the investment as of the closing date.

In August 2000, the Company exchanged all of the capital stock of a wholly owned subsidiary which held certain wireless licenses for approximately 3.2 million shares of AT&T common stock. In connection with the exchange, the Company recorded to other income a pre-tax gain of $98.1 million, representing the difference between the fair value of the AT&T shares received of $100.0 million and the Company's cost basis in the subsidiary.

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COMCAST CORPORATION AND SUBSIDIARIES
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QUARTER ENDED SEPTEMBER 30, 2001
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

5. INVESTMENTS

	September 30, 2001	De
	(Dollars in mil	
Fair value method		
AT&T Corp..	$1,611.8	
Sprint Corp. PCS Group.............................	2,216.3	
Other..	172.5	
	4,000.6	
Cost method...	345.1	
Equity method...	228.5	

Total investments	4,574.2
Less, current investments	1,271.9
Non-current investments	$3,302.3

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 September 30, 2001 and December 31, 2000 of $341.5 million and $707.1 million, respectively, have been reported in the Company's balance sheet principally as a component of accumulated other comprehensive income, net of related deferred income taxes of $119.5 million and $240.0 million, respectively.

In June 2001, the Company and AT&T entered into an Amended and Restated Share Issuance Agreement (the "Share Issuance Agreement"). AT&T issued to the Company approximately 80.3 million unregistered shares of AT&T common stock and the Company agreed to settle its right under the Share Exchange Agreement (see Note 4 - Other Income) to exchange an aggregate 31.2 million Excite@Home shares and warrants held by the Company for shares of AT&T common stock. The Company has registration rights, subject to customary restrictions, which allow the Company to require AT&T to register the AT&T shares received. Under the terms of the Share Issuance Agreement, the Company retained the Excite@Home shares and warrants held by it. The Company recorded to investment income a pre-tax gain of $296.3 million, representing the fair value of the increased consideration received by the Company to settle its right under the Share Exchange Agreement.

Derivatives
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.

In August 2001, the Company entered into a ten year prepaid forward sale (the "Prepaid Forward") of 4.0 million shares of Sprint PCS common stock held by the Company with a fair value of approximately $98 million and the Company received $78.3 million in cash. At maturity, the counterparty is entitled to receive between 2.5 million and 4.0 million shares of Sprint PCS common stock, or an equivalent amount of cash at the Company's option, based upon the market value of Sprint PCS common stock at that time. The Company split the Prepaid Forward into its liability and derivative components and recorded the Prepaid Forward obligation in other long-term liabilities.

The unrealized pre-tax losses on cash flow hedges as of September 30, 2001 of $4.7 million have been reported in the Company's balance sheet as a component of accumulated other comprehensive income, net of related deferred income taxes of $1.6 million.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Investment Income

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

	Three Months Ended September 30, 2001	Three Months Ended September 30, 2000	Nine M[onths Ended] Sept[ember 30,] 2001
Interest and dividend income	$25.6	$37.9	$60.
Gains on sales and exchanges of investments	17.2	27.5	476.
Investment impairment losses	(15.7)		(954.
Reclassification of unrealized gains	237.9		1,330.
Unrealized gain on Sprint PCS common stock	154.5		420.
Mark to market adjustments on derivatives related to Sprint PCS common stock	(120.2)		(311.
Mark to market adjustments on derivatives and hedged items	29.0		24.
Investment income	$328.3	$65.4	$1,045.

The investment impairment loss for the nine months ended September 30, 2001 relates principally to an other than temporary decline in the Company's investment in AT&T, a portion of which was exchanged on April 30, 2001 (see Note 4 - AT&T Cable Systems Acquisition).

During the three months ended September 30, 2001, the Company wrote-off its investment in Excite@Home common stock based upon a decline in the investment that was considered other than temporary. In connection with the realization of this impairment loss, the Company reclassified to investment income the accumulated unrealized gain of $237.9 million on the Company's investment in Excite@Home common stock which was previously recorded as a component of accumulated other comprehensive income. The Company recorded this accumulated unrealized gain prior to the Company's designation of its right under the Share Exchange Agreement as a hedge of the Company's investment in the Excite@Home common stock (see Note 4 - Other Income).

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. As a result, the Company reclassified to investment income 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.

6. LONG-TERM DEBT

Senior Notes Offerings

Comcast Cable Communications, Inc. ("Comcast Cable"), a wholly owned subsidiary of the Company, sold an aggregate of $3.0 billion of public debt during the nine months ended September 30, 2001 consisting of the following (dollars in millions):

Issue Date	Amount	Rate	Maturity

January 2001	$500.0	6.375%	2006
January 2001	1,000.0	6.75%	2011
May/June 2001	750.0	6.875%	2009
May/June 2001	750.0	7.125%	2013
Total	$3,000.0		

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Comcast Cable used substantially all of the net proceeds from the offerings to repay a portion of the amounts outstanding under its commercial paper program, revolving credit facility and notes payable to affiliates, and to fund acquisitions.

Zero Coupon Convertible Debentures
In December 2000, the Company issued $1.285 billion principal amount at maturity of Zero Coupon Debentures for proceeds of $1.002 billion. In January 2001, the Company issued an additional $192.8 million principal amount at maturity of Zero Coupon Debentures for proceeds of $150.3 million. The Company used substantially all of the net proceeds from the offering to repay a portion of the amounts outstanding under Comcast Cable's commercial paper program and revolving credit facility.

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 September 30, 2001, the number of Sprint PCS shares held by the Company exceeded the number of ZONES outstanding.

As of September 30, 2001 and December 31, 2000, long-term debt includes $1.697 billion and $1.807 billion, respectively, of ZONES. Upon adoption of SFAS No. 133, the Company split the ZONES into their derivative and debt components. In connection with the adoption of SFAS No. 133, the Company recorded the debt component of the ZONES at a discount from its value at maturity resulting in a reduction in the outstanding balance of the ZONES of $400.2 million (see Note 2).

The Company recorded the increase 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

	September 30, 2001	S
Increase in derivative component to investment income.........	$98.5	
Increase in debt component to interest expense................	$5.6	

Extraordinary Items
Extraordinary items during the interim periods consist of unamortized debt issue costs and debt extinguishment costs, net of related tax benefits, expensed principally in connection with the redemption and retirement of certain indebtedness.

Interest Rates
As of September 30, 2001 and December 31, 2000, the Company's effective weighted average interest rate on its long-term debt outstanding was 5.73% and 6.30%, respectively.

Interest Rate Risk Management
During the nine months ended September 30, 2001, the Company entered into $500.0 million aggregate notional amount of fixed to variable interest rate exchange agreements ("Swaps") which mature between 2006 and 2008. During the nine months ended September 30, 2001, $94.0 million aggregate notional amount of the Company's variable to fixed Swaps were either terminated or expired. As of September 30, 2001, the Company has Swaps with an aggregate notional amount of $1.234 billion.

Lines and Letters of Credit
As of September 30, 2001, certain subsidiaries of the Company had unused lines of credit of $3.943 billion under their respective credit facilities.

As of September 30, 2001, the Company and certain of its subsidiaries had unused irrevocable standby letters of credit totaling $115.8 million to cover potential fundings under various agreements.

7. STOCKHOLDERS' EQUITY

Board-Authorized Repurchase Programs
The Company repurchased shares of its common stock during the interim periods as follows (shares and dollars in millions):

	Three Months Ended September 30,		Nine Mont Septembe	
	2001	2000	2001	
Shares repurchased..................................	0.8	2.1	0.8	
Aggregate consideration.............................	$27.1	$70.7	$27.1	

Common Equity Put Options
The Company sold put options on 2.0 million shares of its Class A Special Common Stock during the nine months ended September 30, 2000 in connection with the Company's repurchase programs. Put options on 0.7 million shares expired unexercised during the fourth quarter of 2000 while the remaining put options on 1.3 million shares expired unexercised during the nine months ended September 30, 2001.

The Company reclassified $54.6 million, the amount it would have been obligated to pay to repurchase such shares had the put options been exercised, from common equity put options to additional capital upon expiration of the put options during 2001.

Conversion of Series B Preferred Stock
In March 2001, the Company issued approximately 4.2 million shares of its Class A Special Common Stock to the holder of the Company's Series B Preferred Stock in connection with the holder's election to convert the remaining $59.5 million at redemption value of Series B Preferred Stock.

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

	Three Months Ended September 30,		Nine Months September
	2001	2000	2001
Net income (loss)....................................	($106.8)	$1,246.8	$929.6
Unrealized losses on marketable securities...........	(88.4)	(1,316.7)	(220.6)
Unrealized losses on the effective portion of cash flow hedges................................	(1.4)		(3.1)
Foreign currency translation losses..................	(2.7)	(4.8)	(9.4)
Comprehensive income (loss)..........................	($199.3)	($74.7)	$696.5

8. STATEMENT OF CASH FLOWS - SUPPLEMENTAL INFORMATION

The fair values of the assets and liabilities acquired by the Company through noncash transactions during 2001 (see Note 4) are as follows (in millions):

Current assets.............................	$56.6
Property, plant & equipment................	686.1
Deferred charges...........................	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):

	Three Months Ended September 30, 2001	Three Months Ended September 30, 2000	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
Interest....................................	$129.8	$96.4	$426.5	$454.8
Income taxes................................	$10.4	$63.9	$136.8	$660.8

9. COMMITMENTS AND CONTINGENCIES

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 position, 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.

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10. 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 an Other (1)
Three Months Ended September 30, 2001			

Revenues	$1,309.4	$895.1	$151.0
Operating income (loss) before depreciation and amortization (2)	572.3	153.7	(20.2)
Depreciation and amortization	765.7	35.2	83.1
Operating income (loss)	(193.4)	118.5	(103.3)
Interest expense	143.9	6.7	40.1
Capital expenditures	449.6	39.4	43.3
Nine Months Ended September 30, 2001			
Revenues	$3,704.4	$2,655.1	$490.6
Operating income (loss) before depreciation and amortization (2)	1,610.0	486.2	(49.1)
Depreciation and amortization	2,175.0	106.6	177.5
Operating income (loss)	(565.0)	379.6	(226.6)
Interest expense	405.4	21.8	122.0
Capital expenditures	1,398.9	107.4	184.9
Three Months Ended September 30, 2000			
Revenues	$1,058.6	$820.3	$81.1
Operating income (loss) before depreciation and amortization (2)	490.1	139.3	(23.7)
Depreciation and amortization	602.7	32.0	27.4
Operating income (loss)	(112.6)	107.3	(51.1)
Interest expense	129.4	8.7	37.1
Capital expenditures	358.0	51.3	35.6
Nine Months Ended September 30, 2000			
Revenues	$3,056.9	$2,411.9	$342.2
Operating income (loss) before depreciation and amortization (2)	1,394.4	418.0	(17.0)
Depreciation and amortization	1,674.8	91.0	76.4
Operating income (loss)	(280.4)	327.0	(93.4)
Interest expense	372.4	26.7	107.9
Capital expenditures	849.6	129.2	77.2
As of September 30, 2001			
Assets	29,114.1	2,545.4	7,121.9
Long-term debt, less current portion	7,874.6	123.8	3,496.4
As of December 31, 2000			
Assets	$25,750.3	$2,503.0	$7,491.2
Long-term debt, less current portion	6,711.0	302.0	3,504.4

(1) Other includes segments not meeting certain quantitative guidelines for reporting including the Company's content and business

communications operations as well as elimination entries related to the segments presented. Corporate and other assets consist primarily of the Company's investments (see Note 5).

(2) Operating income (loss) before depreciation and amortization is commonly referred to in the Company's businesses as "operating cash flow (deficit)." Operating cash flow is a measure of a company's ability to generate cash to service its obligations, including debt service obligations, and to finance capital and other expenditures. In part due to the capital intensive nature of the Company's businesses and the resulting significant level of non-cash depreciation and amortization expense, operating cash flow is frequently used as one of the bases for comparing businesses in the Company's industries, although the Company's measure of operating cash flow may not be comparable to similarly titled measures of other companies. Operating cash flow is the primary basis used by the Company's management to measure the operating performance of its businesses. Operating cash flow does not purport to represent net income or net cash provided by operating activities, as those terms are defined under generally accepted accounting principles, and should not be considered as an alternative to such measurements as an indicator of the Company's performance.

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

Overview

We have grown significantly in recent years both through 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.

We have acquired cable systems in new communities in which we do not have established relationships with the franchising authority, community leaders and cable subscribers. Further, a substantial number of new employees are being and must continue to 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.

General Developments of Business

Refer to Note 4 to our financial statements included in Item 1 for a discussion of our 2001 acquisitions and other significant events.

Liquidity and Capital Resources

The cable communications and the electronic retailing industry 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 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 2001. As of September 30, 2001, certain of our subsidiaries had unused lines of credit of $3.943 billion under their respective credit facilities.

Refer to Note 6 to our financial statements included in Item 1 for a discussion of our Zero Coupon Debentures. Refer to Note 9 to our financial statements included in Item 1 for a discussion of our commitments and contingencies.

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 September 30, 2001 were $1.930 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. 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.

Capital Expenditures

As previously disclosed, we have accelerated our cable system rebuild program and have increased deployment of cable modems and digital converters to our customers. Additionally, our cable operations are accelerating our plans for the migration of our high-speed Internet access customers from Excite@Home's national network to our own broadband communications network. As a result, we currently expect to invest $2.025 billion in capital expenditures for our cable, commerce and content businesses in 2001, up from our previous estimate of $1.95 billion. We expect our consolidated capital expenditures for 2001 to be between $2.2 billion and $2.3 billion, consistent with our previous estimates.

Financing

As of September 30, 2001 and December 31, 2000, our long-term debt, including current portion, was $12.049 billion and $10.811 billion, respectively.

The $1.238 billion increase from December 31, 2000 to September 30, 2001 results principally from the effects of our net borrowings, offset by the $109.5 million aggregate reduction to the carrying value of our ZONES during 2001.

Excluding the effects of interest rate risk management instruments, 10.0% and 28.5% of our long-term debt as of September 30, 2001 and December 31, 2000, respectively, was at variable rates. The decrease from December 31, 2000 to September 30, 2001 in the percentage of our variable rate debt was due principally to the effects of our 2001 financings described below.

During 2001, our wholly owned subsidiary, Comcast Cable Communications, Inc. ("Comcast Cable") sold an aggregate of $3.0 billion of senior notes with interest rates ranging from 6.375% to 7.125% and maturing between 2006 and 2013. In addition, in January 2001, we issued an additional $192.8 million principal amount at maturity of our Zero Coupon Debentures. We used substantially all of the net proceeds from the offerings to repay a portion of the amounts outstanding under Comcast Cable's commercial paper program, revolving credit facility and notes payable to affiliates, and to fund acquisitions.

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 Notes 6 and 7 to our financial statements included in Item 1 for a discussion of our 2001 financing activities.

Equity Price Risk

During 1999, we entered into cashless collar agreements (the "Equity Collars") covering $1.365 billion notional amount of our Sprint PCS common stock which we account for at fair value. The Equity Collars limit our exposure to and benefits from price fluctuations in the Sprint PCS common stock. During the three and nine months ended September 30, 2001, $193.5 million and $483.7 million, respectively, notional amount of Equity Collars matured and we sold or entered into prepaid forward sales of the related Sprint PCS common stock. Refer to Note 5 (see Derivatives) to our financial statements included in Item 1 for a discussion of our prepaid forward sales of Sprint PCS common stock. The remaining $881.0 million notional amount of Equity Collars mature between 2002 and 2003. As we had accounted for the Equity Collars as a hedge, changes in the value of the Equity Collars were substantially offset by changes in the value of the Sprint PCS common stock which were also marked to market through accumulated other comprehensive income in our balance sheet through December 31, 2000.

In connection with the adoption of Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended on January 1, 2001, we reclassified our investment in Sprint PCS from an available for sale security to a trading security. During the three and nine months ended September 30, 2001, the increase in the fair value of our investment in Sprint PCS common stock of $154.5 million and $420.1 million, respectively, was substantially offset by the decrease in the fair value of the Equity Collars and the increase in the fair value of the derivative components of the ZONES and prepaid forward sales. See "Results of Operations - Investment Income" below.

Interest Rate Risk

During the nine months ended September 30, 2001, we entered into $500.0 million aggregate notional amount of fixed to variable interest rate exchange agreements ("Swaps") which mature between 2006 and 2008. During the nine months ended September 30, 2001, $94.0 million aggregate notional amount of our variable to fixed Swaps were either terminated or expired. As of September 30, 2001, the Company has $283.7 million aggregate notional amount of variable to fixed Swaps with an average pay rate of 5.3% and an average receive rate of 3.7% and $950.0 million aggregate notional amount of fixed to variable Swaps with an average pay rate of 5.1% and an average receive rate of 7.5%.

Statement of Cash Flows

Cash and cash equivalents increased $6.9 million as of September 30, 2001 from December 31, 2000. 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 $1.255 billion for the nine months ended September 30, 2001, 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 provided by financing activities includes borrowings and repayments of debt, as well as the issuances and repurchases of our equity securities. Net cash provided by financing activities was $1.213 billion for the nine months ended September 30, 2001. During the nine months ended September 30, 2001, we borrowed $5.031 billion, consisting primarily of:

- $2.991 billion from Comcast Cable's senior notes offerings,
- $150.3 million from our Zero Coupon Debentures offering,
- $1.369 billion under Comcast Cable's commercial paper program, and
- $517.7 million under revolving credit facilities.

During the nine months ended September 30, 2001, we repaid $3.791 billion of our long-term debt, consisting primarily of:

- $2.256 billion under Comcast Cable's commercial paper program, and
- $1.520 billion on certain of our revolving credit facilities.

In addition, during the nine months ended September 30, 2001, we received proceeds of $23.2 million related to issuances of our common stock, we repurchased $27.1 million of our common stock, and we incurred $22.5 million of deferred financing costs.

Net cash used in investing activities includes the effects of acquisitions, net of cash acquired, purchases of investments, capital expenditures, increases in notes receivable and additions to deferred charges, offset by proceeds from sales of investments. Net cash used in investing activities was $2.461 billion for the nine months ended September 30, 2001.

During the nine months ended September 30, 2001, acquisitions, net of cash acquired, amounted to $917.5 million, consisting primarily of:

- $518.7 million for the cable system serving Baltimore City, and
- $305.9 million for a controlling interest in The Golf Channel.

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 September 30, 2001	Three Months Ended September 30, 2000	Increase $
Revenues	$2,355.5	$1,960.0	$395.
Cost of goods sold from electronic retailing	573.8	529.2	44.
Operating, selling, general and administrative expenses	1,075.9	825.1	250.
Operating income before depreciation and amortization (1)	705.8	605.7	100.
Depreciation	288.2	223.2	65.
Amortization	595.8	438.9	156.
Operating loss	(178.2)	(56.4)	121.
Interest expense	(190.7)	(175.2)	15.
Investment income	328.3	65.4	262.
Income related to indexed debt		1,064.0	(1,064.
Equity in net losses of affiliates	(19.5)	(3.7)	15.
Other income (expense)	(7.0)	1,133.1	(1,140.
Income tax expense	(13.5)	(752.3)	(738.
Minority interest	(26.2)	(25.8)	0.
Income (loss) before extraordinary items and cumulative effect of accounting change	($106.8)	$1,249.1	($1,355.

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	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000	Increase $

Revenues	$6,850.1	$5,811.0	$1,039.1
Cost of goods sold from electronic retailing	1,685.6	1,544.4	141.2
Operating, selling, general and administrative expenses	3,117.4	2,471.2	646.2
Operating income before depreciation and amortization (1)	2,047.1	1,795.4	251.7
Depreciation	760.4	599.9	160.5
Amortization	1,698.7	1,242.3	456.4
Operating loss	(412.0)	(46.8)	365.2
Interest expense	(549.2)	(507.0)	42.2
Investment income	1,045.7	1,024.8	20.9
Income related to indexed debt		666.0	(666.0
Equity in net losses of affiliates	(26.1)	(7.7)	18.4
Other income	1,180.9	1,124.5	56.4
Income tax expense	(602.9)	(905.6)	(302.7
Minority interest	(89.8)	(86.7)	3.1
Income before extraordinary items and cumulative effect of accounting change	$546.6	$1,261.5	($714.9

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(1) Operating income before depreciation and amortization is commonly referred to in our businesses as "operating cash flow." Operating cash flow is a measure of a company's ability to generate cash to service its obligations, including debt service obligations, and to finance capital and other expenditures. In part due to the capital intensive nature of our businesses and the resulting significant level of non-cash depreciation expense and amortization expense, operating cash flow is frequently used as one of the bases for comparing businesses in our industries, although our measure of operating cash flow may not be comparable to similarly titled measures of other companies. Operating cash flow is the primary basis used by our management to measure the operating performance of our businesses. Operating cash flow does not purport to represent net income or net cash provided by operating activities, as those terms are defined under generally accepted accounting principles, and should not be considered as an alternative to such measurements as an indicator of our performance. See "Statement of Cash Flows" above for a discussion of net cash provided by operating activities.

Operating Results by Business Segment

The following represent the operating results of our significant business segments, "Cable" and "Commerce." Refer to Note 10 to our financial statements included in Item 1 (dollars in millions).:

Cable Three Months Ended

	September 30, 2001	2000	Increas $
Video	$1,110.2	$926.0	$184
Cable modem	83.4	30.0	53
Advertising sales	83.3	69.2	14
Other	32.5	33.4	(0
Revenues	1,309.4	1,058.6	250
Operating, selling, general and administrative expenses	737.1	568.5	168
Operating income before depreciation and amortization (a)	$572.3	$490.1	$82

	Nine Months Ended September 30, 2001	2000	I $
Video	$3,154.5	$2,683.4	$471
Cable modem	202.7	77.0	125
Advertising sales	235.2	199.2	36
Other	112.0	97.3	14
Revenues	3,704.4	3,056.9	647
Operating, selling, general and administrative expenses	2,094.4	1,662.5	431
Operating income before depreciation and amortization (a)	$1,610.0	$1,394.4	$215

(a) See footnote (1) on page 20.

Video revenue consists of our basic, expanded basic, premium, pay-per-view and digital subscriptions. Of the $184.2 million and $471.1 million increases in video revenues for the interim periods from 2000 to 2001, $73.2 million and $244.6 million are attributable to the effects of our acquisitions and exchanges of cable systems and $111.0 million and $226.5 million relate to changes in rates and subscriber growth in our historical operations, driven principally by growth in digital subscriptions. During the three and nine months ended September 30, 2001 through acquisitions and normal operations we added approximately 282,000 and 768,000 digital subscriptions, respectively.

The increases in cable modem revenue are primarily due to the addition of approximately 117,000 and 393,000 cable modem customers during the three and nine months ended September 30, 2001, respectively. On September 28, 2001, Excite@Home Corporation ("Excite@Home"), our provider of high-speed Internet access services, filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Subsequent to this filing, we and Excite@Home entered into an amendment to our distribution agreement under which Excite@Home agreed to continue to provide high-speed Internet access services to our existing and new customers through November 30, 2001. While there can be no assurance that further developments in this bankruptcy proceeding will not adversely affect our ability to provide high-speed Internet access, we believe that we will be able to continue to provide such services to our existing and new customers through and following November 30, 2001. Further, while there can be no assurance that future developments will not result in additional short-term costs for us, we believe that such costs will not have a material adverse effect on our financial results.

The increases in advertising sales revenue are attributable to the effects of new advertising contracts, market-wide fiber interconnects and the continued leveraging of our existing fiber networks, as well as to the effects of an additional broadcast week in the third quarter of 2001, helping to offset an otherwise weak advertising environment.

Other revenue includes installation revenues, guide revenues, commissions from electronic retailing and other product offerings. The increase for the nine month period is primarily attributable to growth in our historical operations.

The increases in operating, selling, general and administrative expenses are primarily due to the effects of our acquisitions and exchanges of cable systems, as well as to the effects of increases in the costs of cable programming, cable modem 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 and exchanges of cable systems. 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 September 30, 2001	2000	I $
Net sales from electronic retailing.........................	$895.1	$820.3	$74
Cost of goods sold from electronic retailing................	573.8	529.2	44
Operating, selling, general and administrative expenses..	167.6	151.8	15
Operating income before depreciation and amortization (a)..................................	$153.7	$139.3	$14
Gross margin..	35.9%	35.5%	

	Nine Months Ended September 30, 2001	2000	I $
Net sales from electronic retailing.........................	$2,655.1	$2,411.9	$243
Cost of goods sold from electronic retailing................	1,685.6	1,544.4	141
Operating, selling, general and administrative			

expenses	483.3	449.5	33
Operating income before depreciation and amortization (a)	$486.2	$418.0	$68
Gross margin	36.5%	36.0%	

(a) See footnote (1) on page 20.

Of the $74.8 million and $243.2 million increases in net sales from electronic retailing for the interim periods, $62.8 million and $220.0 million, respectively, is attributable to increases in net sales in the United States. This growth is principally the result of increases in the average number of homes receiving QVC services and in net sales per home as follows:

	Three Months Ended September 30, 2001	Nine Mon Ended September 30
Increase in average number of homes	3.3%	3.8
Increase in net sales per home	5.4%	6.6

The remaining increases of $12.0 million and $23.2 million in net sales from electronic retailing for the interim periods are primarily attributable to increases in net sales in Germany offset, in part, by decreases in net

sales in the United Kingdom, 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 increases in gross margin are primarily due to the effects of increases in product margins across all product categories, as well as to the effects of a shift 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 increase in sales volume.

Consolidated Analysis

The effects of our recent acquisitions were to increase our revenues and expenses, resulting in increases in our operating income before depreciation and amortization. The increases in our property and equipment and deferred charges and the corresponding increases in depreciation expense and amortization expense for the interim periods from 2000 to 2001 are primarily due to the effects of our acquisitions, our cable system exchanges, as well as our increased levels of capital expenditures.

Refer to Notes 4 and 8 to our financial statements included in Item 1 for a discussion of our 2001 acquisitions and of the effect of these acquisitions on our balance sheet.

Interest Expense

The increases in interest expense for the interim periods from 2000 to 2001 are primarily due to the increase in our net borrowings.

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.

Investment Income

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

	Three Months Ended September 30,		Nine Months September	
	2001	2000	2001	
Interest and dividend income	$25.6	$37.9	$60.6	
Gains on sales and exchanges of investments	17.2	27.5	476.8	
Investment impairment losses	(15.7)		(954.8)	
Reclassification of unrealized gains	237.9		1,330.3	
Unrealized gain on Sprint PCS common stock	154.5		420.1	
Mark to market adjustments on derivatives related to Sprint PCS common stock	(120.2)		(311.7)	
Mark to market adjustments on derivatives and hedged items	29.0		24.4	
Investment income	$328.3	$65.4	$1,045.7	$

The investment impairment loss for the nine months ended September 30, 2001 relates principally to an other than temporary decline in our investment in AT&T, a portion of which was exchanged on April 30, 2001.

During the three months ended September 30, 2001, we wrote-off our investment in Excite@Home common stock based upon a decline in the investment that was considered other than temporary. In connection with the realization of this impairment loss, we reclassified to investment income the accumulated unrealized gain of $237.9 million on our investment in Excite@Home common stock which was previously recorded as a component of accumulated other comprehensive income. We recorded this accumulated unrealized gain prior to our designation of our right under a stockholders agreement as a hedge of our investment in the Excite@Home common stock.

In connection with the reclassification of our investment in Sprint PCS from an available for sale security to a trading security, we reclassified to investment income 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.

Income Related to Indexed Debt

Through December 31, 2000, we accounted for the ZONES as an indexed debt instrument since the maturity value is dependent upon the fair value of Sprint PCS common stock. During the 2000 interim periods, we recorded income related to indexed debt of $1.064 billion and $666.0 million, respectively, to reflect fair value of the underlying Sprint PCS common stock.

Equity in Net Losses of Affiliates

The increases in equity in net losses of affiliates for the interim periods from 2000 to 2001 are primarily attributable to effects of our additional investments, as well as the effects of changes in the net income or loss of our equity method investees.

Other Income (Expense)

On January 1, 2001, we completed our cable systems exchange with Adelphia. We received cable systems serving approximately 445,000 subscribers from Adelphia in exchange for certain of our cable systems serving approximately 441,000 subscribers. We recorded a pre-tax gain of $1.199 billion, representing the difference between the estimated fair value as of the closing date of the transaction and our cost basis in the systems exchanged.

In August 2000, we obtained the right to exchange our Excite@Home Series A Common Stock with AT&T and we waived certain of our Excite@Home Board level and shareholder rights under a stockholders agreement. In connection with the transaction, we recorded a pre-tax gain of $1.045 billion, representing the estimated fair value of the investment as of the closing date.

In August 2000, we exchanged all of the capital stock of a wholly owned subsidiary which held certain wireless licenses for approximately 3.2 million shares of AT&T common stock. In connection with the exchange, we recognized a pre-tax gain of $98.1 million, representing the difference between the fair value of the AT&T shares received of $100.0 million and our cost basis in the subsidiary.

Income Tax Expense

The changes in income tax expense for the interim periods from 2000 to 2001 are primarily the result of the effects of changes in our income before taxes and minority interest, and non-deductible goodwill amortization.

Minority Interest

The changes in minority interest for the interim periods from 2000 to 2001 are attributable to the effects of changes in the net income or loss of our less than 100% owned consolidated subsidiaries.

Extraordinary Items

We incurred debt extinguishment costs and wrote off unamortized debt issue costs principally in connection with the redemption and retirement of certain indebtedness, resulting in extraordinary losses, net of tax, during the 2001 and 2000 interim periods.

Cumulative Effect of Accounting Change

Upon adoption of SFAS No. 133, we recognized as income a cumulative effect of accounting change, net of related income taxes, of $384.5 million during the nine months ended September 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 on our equity derivative instruments, net of related deferred income taxes.

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

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits required to be filed by Item 601 of Regulation S-K:

None.

(b) Reports on Form 8-K:

(i) We filed a Current Report on Form 8-K under Items 5 and 7(c) on July 9, 2001 relating to our announcement that we had made an unsolicited proposal to acquire the core broadband assets of AT&T Corp.

FORM 10-Q
QUARTER ENDED SEPTEMBER 30, 2001

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: November 2, 2001