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COMCAST HOLDINGS CORP
Form 10-Q
November 13, 2003

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, 2003
OR

() Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Transition Period from _____ to _____.

Commission File Number 001-15471

COMCAST HOLDINGS 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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12-b2 of the Exchange Act).

Yes

No X

As of September 30, 2003, there were 21,591,115 shares of Class A Common Stock, 916,198,519 shares of Class A Special Common Stock and 9,444,375 shares of Class B Common Stock outstanding.

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The Registrant meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and is therefore filing this Form with the reduced disclosure format.

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED SEPTEMBER 30, 2003
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This Quarterly Report on Form 10-Q is for the three and nine months ended September 30, 2003. This Quarterly Report modifies and supersedes documents filed prior to this Quarterly Report. 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 Holdings," "we," "us," "our" and the "Company" refer to Comcast Holdings Corporation and its subsidiaries, and "Comcast" refers to Comcast Corporation.

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

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of our forward-looking statements.

Factors Affecting Future Operations

As more fully described elsewhere in this Quarterly Report, on September 17, 2003, we sold our approximate 57% interest in QVC, Inc., our electronic retailing subsidiary, to Liberty Media Corporation. The results of QVC have been reported as discontinued operations for all periods presented in the accompanying condensed consolidated financial statements.

In addition, factors that may cause our actual results to differ materially from any of our forward-looking statements presented in this Quarterly Report include, but are not limited to:

- 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 HOLDINGS CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED SEPTEMBER 30, 2003

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

(Dollars in millions,
September 30,
2003

ASSETS

CURRENT ASSETS

Cash and cash equivalents.....	\$3,213
Investments.....	1,138
Accounts receivable, less allowance for doubtful accounts of \$82 and \$74..	414
Other current assets.....	261
Current assets of discontinued operations.....	

Total current assets..... 5,026

NOTES RECEIVABLE FROM AFFILIATES..... 853

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DUE FROM AFFILIATES.....	1,342
INVESTMENTS.....	2,876
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$4,198 and \$3,398	6,513
FRANCHISE RIGHTS.....	16,619
GOODWILL.....	5,611
OTHER INTANGIBLE ASSETS, net of accumulated amortization of \$985 and \$688....	1,214
OTHER NONCURRENT ASSETS, net.....	289
NONCURRENT ASSETS OF DISCONTINUED OPERATIONS.....	

	\$40,343
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	

CURRENT LIABILITIES	
Accounts payable.....	\$249
Accrued expenses and other current liabilities.....	2,725
Due to affiliates.....	
Deferred income taxes.....	36
Current portion of long-term debt.....	375
Current liabilities of discontinued operations.....	

Total current liabilities.....	3,385

LONG-TERM DEBT, less current portion.....	7,941

NOTES PAYABLE TO AFFILIATES.....	49

DEFERRED INCOME TAXES.....	8,923

OTHER NONCURRENT LIABILITIES.....	1,187

MINORITY INTEREST.....	295

NONCURRENT LIABILITIES AND MINORITY INTEREST OF DISCONTINUED OPERATIONS.....	

COMMITMENTS AND CONTINGENCIES (NOTE 9)	
STOCKHOLDERS' EQUITY	
Preferred stock - authorized 20,000,000 shares; issued, zero.....	
Class A common stock, \$1.00 par value - authorized, 200,000,000 shares; issued, 21,591,115	22
Class A special common stock, \$1.00 par value - authorized, 2,500,000,000 shares; issued 916,198,519.....	916
Class B common stock, \$1.00 par value - authorized, 50,000,000 shares; issued, 9,444,375	9
Additional capital.....	12,331
Retained earnings.....	5,311
Accumulated other comprehensive income (loss).....	(26)

Total stockholders' equity.....	18,563

	\$40,343
	=====

See notes to condensed consolidated financial statements.

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COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
 FORM 10-Q
 QUARTER ENDED SEPTEMBER 30, 2003
 CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
 (Unaudited)

	(Dollars in Three Months Ended September 30, 2003 2002 ----- -----	
SERVICE REVENUES.....	\$1,882	\$1,698
COSTS AND EXPENSES		
Operating (excluding depreciation).....	661	597
Selling, general and administrative.....	491	459
Depreciation.....	330	321
Amortization.....	49	50
	-----	-----
	1,531	1,427
OPERATING INCOME.....	351	271
OTHER INCOME (EXPENSE)		
Interest expense.....	(161)	(172)
Interest income (expense) on affiliate notes, net.....	(10)	
Investment loss, net.....	(166)	(47)
Equity in net losses of affiliates.....	(15)	(9)
Other income (expense).....	(1)	5
	-----	-----
	(353)	(223)
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST.....	(2)	48
INCOME TAX BENEFIT (EXPENSE).....	84	(27)
	-----	-----
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST.....	82	21
MINORITY INTEREST.....	(14)	3
	-----	-----
INCOME (LOSS) FROM CONTINUING OPERATIONS.....	68	24
INCOME FROM DISCONTINUED OPERATIONS, net of tax.....	39	52
GAIN ON DISCONTINUED OPERATIONS, net of tax.....	3,290	
	-----	-----
NET INCOME (LOSS).....	\$3,397	\$76
	=====	=====

See notes to condensed consolidated financial statements.

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COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
 FORM 10-Q
 QUARTER ENDED SEPTEMBER 30, 2003
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 (Unaudited)

		(Dollars in million)
		Nine Months Ended
		September 30,
		2003
		2002

OPERATING ACTIVITIES		
Net income (loss).....	\$3,716	
Income from discontinued operations.....	(168)	
Gain on discontinued operations.....	(3,290)	
	-----	-----
Income (loss) from continuing operations.....	258	
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities from continuing operations:		
Depreciation.....	965	
Amortization.....	136	
Non-cash interest expense, net.....	22	
Equity in net losses of affiliates.....	45	
Losses (gains) on investments and other (income) expense, net.....	213	
Minority interest.....	33	
Deferred income taxes.....	128	
Proceeds from sales of trading securities.....	85	
Other.....	2	
	-----	-----
	1,887	
Changes in working capital, net of effects of acquisitions and divestitures:		
Decrease in accounts receivable, net.....	30	
Increase in other current assets.....	(135)	
Increase in accounts payable, accrued expenses and other current liabilities.....	284	
	-----	-----
	179	
Net cash provided by operating activities from continuing operations	2,066	
	-----	-----
FINANCING ACTIVITIES		
Proceeds from borrowings.....	1,260	
Retirements and repayments of debt.....	(2,293)	
Net transactions with affiliates.....	(1,430)	
Capital contribution from parent.....	467	
Proceeds from notes payable to affiliates.....	27	
Other.....		
	-----	-----
Net cash used in financing activities from continuing operations....	(1,969)	
	-----	-----
INVESTING ACTIVITIES		
Acquisitions, net of cash acquired.....	(22)	
Proceeds from sales of (purchases of) short-term investments, net.....	4	
Increase in notes receivable from affiliates.....	(662)	

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Proceeds from sale of discontinued operations.....	1,350
Proceeds from sales of Liberty Notes.....	3,000
Proceeds from sales of investments.....	213
Purchases of investments.....	(68)
Capital expenditures.....	(1,038)
Additions to intangible and other noncurrent assets.....	(61)

Net cash provided by (used in) investing activities from continuing operations	2,716

INCREASE IN CASH AND CASH EQUIVALENTS.....	2,813
CASH AND CASH EQUIVALENTS, beginning of period.....	400

CASH AND CASH EQUIVALENTS, end of period.....	\$3,213
	=====

See notes to condensed consolidated financial statements.

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COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
 FORM 10-Q
 QUARTER ENDED SEPTEMBER 30, 2003
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presentation

Comcast Holdings Corporation ("Comcast Holdings") and its subsidiaries (the "Company") has prepared these unaudited condensed consolidated financial statements based upon Securities and Exchange Commission ("SEC") rules that permit reduced disclosure for interim periods. The Company is an indirect wholly owned subsidiary of Comcast Corporation ("Comcast").

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, 2002.

On September 17, 2003, the Company completed the sale of its approximate 57% interest in QVC, Inc. ("QVC"). Accordingly, QVC has been presented as a discontinued operation pursuant to Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (see Note 3).

Reclassifications

Certain reclassifications have been made to the prior year financial statements

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to conform to those classifications used in 2003.

2. RECENT ACCOUNTING PRONOUNCEMENTS

SFAS No. 143

The Financial Accounting Standards Board ("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. The Company adopted SFAS No. 143 on January 1, 2003, in accordance with the new statement. The adoption of SFAS No. 143 had no impact on the Company's financial condition or results of operations.

SFAS No. 148

The FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," in December 2002. SFAS No. 148 amends SFAS No. 123 to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 also amends the disclosure provisions of SFAS No. 123 to require disclosure about the effects on reported net income of an entity's stock-based employee compensation in interim financial statements. SFAS No. 148 is effective for fiscal years beginning after December 31, 2002. The Company adopted SFAS No. 148 on January 1, 2003. The Company did not change to the fair value based method of accounting for stock-based employee compensation. Accordingly, the adoption of SFAS No. 148 would only affect the Company's financial condition or results of operations if Comcast elects to change to the fair value method specified in SFAS No. 123. The adoption of SFAS No. 148 requires the Company to disclose the effects of its stock-based employee compensation in interim financial statements beginning with the first quarter of 2003 (see Note 7).

SFAS No. 149

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." The Statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, for hedging relationships designated after June 30, 2003, and to certain preexisting contracts. The Company adopted SFAS No. 149 on July 1, 2003 on a

prospective basis in accordance with the new statement. The adoption of SFAS No. 149 had no material impact on the Company's financial condition or results of operations.

SFAS No. 150

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement establishes standards for how an issuer classifies and measures certain

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financial instruments with characteristics of both liabilities and equity. SFAS No. 150 requires that an issuer classify a financial instrument that is within its scope as a liability or, in some circumstances, as an asset, with many such financial instruments having been previously classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise was effective July 1, 2003. The adoption of SFAS No. 150 did not have a material impact on the Company's financial condition or results of operations.

The FASB is addressing certain implementation issues associated with the application of SFAS No. 150. On October 29, 2003, the FASB decided to defer certain provisions of SFAS No. 150 related to mandatorily redeemable financial instruments representing noncontrolling interests in subsidiaries included in consolidated financial statements. The Company will monitor the actions of the FASB and assess the impact, if any, that these actions may have on its financial statements.

FIN 45

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 expands on the accounting guidance of SFAS No.'s 5, 57, and 107 and supercedes FIN 34. FIN 45 clarifies that a guarantor is required to disclose in its interim and annual financial statements its obligations under certain guarantees that it has issued, including the nature and terms of the guarantee, the maximum potential amount of future payments under the guarantee, the carrying amount, if any, for the guarantor's obligations under the guarantee, and the nature and extent of any recourse provisions or available collateral that would enable the guarantor to recover the amounts paid under the guarantee. FIN 45 also clarifies that, for certain guarantees, a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. FIN 45 does not prescribe a specific approach for subsequently measuring the guarantor's recognized liability over the term of the related guarantee. The initial recognition and initial measurement provisions of FIN 45 apply on a prospective basis to certain guarantees issued or modified after December 31, 2002. The disclosure requirements in FIN 45 are effective for financial statements of interim or annual periods ending after December 15, 2002. The Company adopted the disclosure provisions of FIN 45 in the fourth quarter of 2002 and adopted the initial recognition and measurement provisions of FIN 45 on January 1, 2003, as required by the Interpretation. The impact of the adoption of FIN 45 will depend on the nature and terms of guarantees entered into or modified by the Company in the future. The adoption of FIN 45 in the first quarter of 2003 did not have a material impact on the Company's financial condition or results of operations (see Note 9).

FIN 46

The Company adopted the provisions of FASB Interpretation No. 46 "Consolidation of Variable Interest Entities" ("FIN 46") effective January 1, 2002. FIN 46 clarifies the application of Accounting Research Bulletin 51 to certain entities, defined as variable interest entities ("VIEs"), in which equity investors do not have characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated support from other parties. At the time of the initial application, FIN 46 had no impact on the Company's financial condition or results of operations because the Company previously consolidated all VIEs in which it was the primary beneficiary. Since the Company's initial application, the FASB has been addressing various implementation issues that could potentially broaden the application of FIN 46 to entities outside its originally interpreted scope and has issued and proposed several FASB Staff Positions. The Company does not expect that these FASB Staff Positions will have a material impact on its financial statements.

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COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
 FORM 10-Q
 QUARTER ENDED SEPTEMBER 30, 2003
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
 (Unaudited)

3. ACQUISITIONS AND OTHER SIGNIFICANT EVENTS

Sale of QVC

On September 17, 2003, the Company completed the sale to Liberty Media Corporation ("Liberty") of all shares of QVC common stock held by a number of indirect wholly-owned subsidiaries of the Company, for an aggregate amount of approximately \$7.7 billion, consisting of \$4 billion principal amount of Liberty's Floating Rate Senior Notes due 2006 (the "Liberty Notes"), \$1.35 billion in cash and approximately 218 million shares of Liberty Series A common stock. The shares had a fair value on the closing date of \$10.73 per share. The consideration received, net of transaction costs, over the Company's carrying value of the net assets of QVC resulted in a gain of approximately \$3.290 billion, net of approximately \$2.865 billion of related income taxes.

The Liberty Notes and shares of Liberty Series A common stock received in the transaction have been registered with the SEC. On September 24, 2003, the Company, through its wholly-owned indirect subsidiaries, sold an aggregate of \$3.0 billion principal amount of the Liberty Notes for net proceeds of approximately \$3.0 billion. The remaining Liberty Notes held by the Company, which bear interest at LIBOR plus 1.5%, are classified as available for sale and the shares of Liberty Series A common stock received by the Company in connection with the sale of QVC are classified as trading securities (see Note 4).

The current and noncurrent assets and liabilities of QVC included within the related discontinued operations captions are as follows (in millions):

	December 31, 2002

Cash.....	\$276
Accounts receivable, less allowance for doubtful accounts.....	569
Inventories, net.....	479
Other current assets.....	157

Total current assets of discontinued operations.....	\$1,481
	=====
Property and equipment, net of accumulated depreciation.....	\$485
Goodwill.....	835
Other intangible assets, net of accumulated amortization.....	170
Other noncurrent assets, net.....	105

Total noncurrent assets of discontinued operations.....	\$1,595
	=====
Accounts payable.....	\$367
Accrued expenses and other current liabilities.....	449

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Total current liabilities of discontinued operations.....	\$816
Minority interest.....	\$867
Other noncurrent liabilities.....	56
Total noncurrent liabilities and minority interest of discontinued operations.....	\$923

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COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
 FORM 10-Q
 QUARTER ENDED SEPTEMBER 30, 2003
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
 (Unaudited)

The results of operations of QVC prior to its disposition are included within income from discontinued operations, net of tax in the following periods (in millions):

	Three Months Ended September 30,		Nine Mo Septe
	2003	2002	2003
Revenues.....	\$752	\$1,012	\$2,915
Income before income taxes and minority interest.....	\$123	\$146	\$496

The 2003 periods include QVC operations through August 31, 2003 as reported to the Company by QVC. The amount of income from discontinued operations and gain on discontinued operations is subject to reallocation as additional information is obtained from QVC, which will have no effect on net income.

4. INVESTMENTS

	September 30, 2003	De
Fair value method		
AT&T Corp.....	\$	
Liberty.....	3,212	

(in millio

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Sprint Corp. PCS Group.....	354
Other	23

	3,589
Equity method.....	316
Cost method.....	109

Total investments.....	4,014
Less, current investments.....	1,138

Non-current investments.....	\$2,876
	=====

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 net unrealized pre-tax gains on investments accounted for as available for sale securities as of September 30, 2003 and December 31, 2002 of \$29 million and \$70 million, respectively, have been reported in the Company's consolidated balance sheet principally as a component of accumulated other comprehensive income (loss), net of related deferred income taxes of \$10 million and \$25 million, respectively.

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

	September 30, 2003	December 31, 2002
	-----	-----
Cost.....	\$1,024	\$269
Unrealized gains.....	34	71
Unrealized losses.....	(5)	(1)
	-----	-----
Fair value.....	\$1,053	\$339
	=====	=====

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
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 QUARTER ENDED SEPTEMBER 30, 2003
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
 (Unaudited)

Investment Loss, Net

Investment loss, net for the interim periods includes the following (in millions):

Three Months Ended Nine
 September 30, Sep

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	2003	2002	2003
	-----	-----	-----
Interest and dividend income.....	\$4	\$6	
Gains (losses) on sales and exchanges of investments, net.....			
Investment impairment losses.....		(6)	
Unrealized losses on trading securities.....	(167)	(181)	
Mark to market adjustments on derivatives related to trading securities.....	(1)	139	
Mark to market adjustments on derivatives and hedged items.....	(2)	(5)	
	-----	-----	-----
Investment loss, net.....	(\$166)	(\$47)	(\$)
	=====	=====	=====

5. GOODWILL

The changes in the carrying amount of goodwill by business segment (see Note 10) for the periods presented are as follows (in millions):

	Cable	Corporate and Other	Total
	-----	-----	-----
Balance, December 31, 2002.....	\$4,693	\$918	\$5,611
Intersegment transfers.....	20	(20)	
	-----	-----	-----
Balance, September 30, 2003.....	\$4,713	\$898	\$5,611
	=====	=====	=====

6. LONG-TERM DEBT

The Cross-Guarantee Structure

To simplify Comcast's capital structure, effective with its acquisition of AT&T Corp.'s broadband business ("Broadband") on November 18, 2002, Comcast and certain of its cable holding company subsidiaries, including the Company's wholly owned subsidiary Comcast Cable Communications, Inc. ("Comcast Cable"), fully and unconditionally guaranteed each other's debt securities (the "Cross-Guarantee Structure"). Comcast Holdings is not a guarantor, and none of its debt is guaranteed. As of September 30, 2003, \$22.568 billion of Comcast's debt securities were entitled to the benefits of the Cross-Guarantee Structure, including \$6.932 billion of Comcast Cable's debt securities.

Repayments and Redemptions of Debt

On March 31, 2003, in connection with the closing of the restructuring of Time Warner Entertainment Company L.P., an investment accounted for under the cost method by Comcast, Comcast received \$2.1 billion in cash which was used to repay debt, including \$800 million of amounts outstanding under Comcast Cable's revolving credit facility.

In May 2003, the Company redeemed, at its scheduled redemption price, the \$154 million outstanding principal amount of its 8 1/4% senior subordinated notes due 2008. The Company financed the redemption with amounts available under its existing credit facilities.

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 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
 (Unaudited)

Repayments of Debt with Proceeds from Sales of QVC and Liberty Notes

In September 2003, in connection with the sale of QVC and the sale of the Liberty Notes, the Company received an aggregate of approximately \$4.35 billion in cash (see Note 3). In September 2003, the Company used a portion of the cash proceeds to repay \$550 million on the Comcast Cable revolving credit facility due 2005 and also repaid \$1.130 billion outstanding on certain of Comcast's bank credit facilities.

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, 2003, the number of Sprint PCS shares held by the Company exceeded the number of ZONES outstanding.

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 4) and the change in the carrying value of the debt component of the ZONES as follows (in millions):

	Nine Months Ended September 30,	
	2003	2002
Balance at Beginning of Period:		
Debt component.....	\$491	\$468
Derivative component.....	208	1,145
	699	1,613
Increase in debt component to interest expense.....	18	17
Increase (decrease) in derivative component to investment loss, net.....	64	(1,053)
Balance at End of Period:		
Debt component.....	509	485
Derivative component.....	272	92
	\$781	\$577

Interest Rates

Excluding the derivative component of the ZONES whose changes in fair value are recorded to investment loss, net, the Company's effective weighted average interest rate on its total debt outstanding was 7.49% and 7.07% as of September 30, 2003 and December 31, 2002, respectively.

Derivatives

The Company uses derivative financial instruments to manage its exposure to

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fluctuations in interest rates and securities prices. The Company has issued indexed debt instruments and prepaid forward sale agreements whose value, in part, is derived from the market value of certain publicly traded common stock.

Lines and Letters of Credit

As of September 30, 2003, certain subsidiaries of the Company had unused lines of credit of \$2.508 billion under their respective credit facilities.

As of September 30, 2003, the Company and certain of its subsidiaries had unused irrevocable standby letters of credit totaling \$42 million to cover potential fundings under various agreements.

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
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 QUARTER ENDED SEPTEMBER 30, 2003
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
 (Unaudited)

7. STOCKHOLDERS' EQUITY

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, as permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," as amended. Compensation expense for stock options is measured as the excess, if any, of the quoted market price of the stock at the date of the grant over the amount an employee must pay to acquire the stock. The Company records compensation expense for restricted stock awards based on the quoted market price of the stock at the date of the grant and the vesting period. The Company records compensation expense for stock appreciation rights based on the changes in quoted market prices of the stock or other determinants of fair value.

The following table illustrates the effect on net income (loss) if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based compensation (dollars in millions):

	Three Months Ended September 30, 2003	September 30, 2002	Nine Se 200
	-----	-----	-----
Net income (loss), as reported.....	\$3,397	\$76	\$3,
Deduct: Total stock-based compensation expense determined under fair value based method for all awards relating to continuing operations, net of related tax effects.....	(25)	(33)	
Total stock-based compensation expense determined			

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	under fair value based method for all awards relating to discontinued operations, net of related tax effects	(5)	(4)	
		-----	-----	-----
Pro forma, net income (loss).....	\$3,367		\$39	\$3,
	=====		=====	=====

Total stock-based compensation expense was determined under the fair value method for all awards using the accelerated recognition method as permitted under SFAS No. 123. Had the Company applied the fair value recognition provisions of SFAS No. 123 using the straight-line rather than the accelerated recognition method of its stock options, total stock-based compensation expense relating to continuing operations, net of related tax effects, would have been \$21 million and \$26 million for the three months ended September 30, 2003 and 2002, respectively, and \$55 million and \$75 million for the nine months ended September 30, 2003 and 2002, respectively.

The weighted-average fair value at date of grant of a Class A common stock option granted under Comcast's option plan during the three and nine months ended September 30, 2003 was \$12.94 and \$10.76, respectively. The weighted-average fair value at date of grant of a Class A Special common stock option granted under the Company's option plans during the three and nine months ended September 30, 2002 was \$10.33 and \$15.50, respectively. The fair value of each option granted during the interim periods in 2003 and 2002 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

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	Three Months Ended September 30,		Nine Months September
	2003	2002	2003
	-----	-----	-----
	Class A Common Stock	Class A Special Common Stock	Class A Common Stock
	-----	-----	-----
Dividend yield.....	0%	0%	0%
Expected volatility.....	28.2%	31.5%	29.3%
Risk-free interest rate.....	4.1%	4.6%	3.4%
Expected option lives (in years)...	8.0	8.0	6.9
Forfeiture rate.....	3.0%	3.0%	3.0%

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The pro forma effect on net income (loss) for the interim periods by applying SFAS No. 123 may not be indicative of the effect on net income or loss in future years since SFAS No. 123 does not take into consideration pro forma compensation expense related to awards made prior to January 1, 1995 and since additional awards in future years are anticipated.

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
	2003	2002	2003
Net income (loss).....	\$3,397	\$76	\$3,716
Unrealized (losses) gains on marketable securities...	(19)	25	(44)
Reclassification adjustments for (gains) losses included in net income (loss).....	(14)		7
Unrealized losses (gains) on the effective portion of cash flow hedges.....	1	(198)	1
Foreign currency translation gains (losses).....	3	(1)	5
	\$3,368	(\$98)	\$3,685
	=====	=====	=====

8. STATEMENT OF CASH FLOWS - SUPPLEMENTAL INFORMATION

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

	Three Months Ended September 30,		Nine Month September
	2003	2002	2003
Interest.....	\$90	\$101	\$420
Income taxes.....	\$12	\$2	\$56

The Liberty shares and Liberty Notes received in connection with the sale of QVC are non-cash investing activities (see Note 3).

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9. COMMITMENTS AND CONTINGENCIES

Contingencies

At Home.

Litigation has been filed 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 was a provider of high-speed Internet 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 Chief Executive Officer 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 and Cox Communications, Inc. (Cox is also an investor in At Home and a former distributor of the At Home service); (ii) class action lawsuits against Comcast Cable Communications, Inc., 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; and (iii) a lawsuit brought in the United States District Court for the District of Delaware in the name of At Home by certain At Home bondholders against the Company, Brian L. Roberts, Cox and others, alleging breaches of fiduciary duty relating to the March 2000 transactions and seeking recovery of alleged short-swing profits of at least \$600 million 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. 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. In the Southern District of New York actions, the court ordered the actions consolidated into a single action. All of the defendants served motions to dismiss on February 11, 2003. The court dismissed the common law claims against the Company and Mr. Roberts, leaving only a claim against them for "control person" liability under the Securities Exchange Act of 1934. The Delaware case has been transferred to the United States District Court for the Southern District of New York.

The Company denies any wrongdoing in connection with the claims which have been made directly against the Company, its subsidiaries and Brian L. Roberts, and intends to defend all of these claims vigorously. In management's opinion, the final disposition of these claims is not expected to have a material adverse effect on the Company's consolidated financial position, but could possibly be material to the Company's consolidated results of operations of any one period. Further, no assurance can be given that any adverse outcome would not be material to such consolidated financial position.

Starz Encore.

Some of the entities formerly attributed to Broadband which are now subsidiaries of Comcast were parties to a 1997 affiliation term sheet with Starz Encore Group LLC ("Starz Encore"), an affiliate of Liberty, which was the subject of a lawsuit by Starz Encore against Broadband in Colorado State Court that preceded

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Comcast's acquisition of Broadband. In November 2002, the Company and Comcast filed suit against Starz Encore in the United States District Court for the Eastern District of Pennsylvania relating to that term sheet.

In January 2003, Starz Encore filed an amended complaint in its lawsuit against Broadband in Colorado state court. The amended complaint added the Company and Comcast as defendants and added new claims against the Company, Comcast and Broadband asserting alleged breaches of, and interference with, a standstill agreement relating to the lawsuit filed by the Company and Comcast in federal District Court in Pennsylvania. On September 19, 2003, Comcast, Starz Encore and certain of their affiliates entered into a confidential settlement agreement that provided for the dismissal with prejudice of both the Colorado lawsuit and the Pennsylvania lawsuit, subject to the execution of a contemporaneous amendment to an existing affiliation agreement between Comcast and Starz Encore

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that originally applied only to the cable systems of the Company. The amended affiliation agreement now applies to all Comcast owned and operated systems, including the former Broadband systems, and provides for: (i) payment on a per-subscriber basis rather than the flat fee arrangement that formerly existed under the 1997 term sheet between Broadband and Starz Encore; (ii) elimination of the pass-through of any of Starz Encore's incremental programming costs, such as there had been under the 1997 term sheet between Broadband and Starz Encore; and (iii) enhanced joint marketing efforts promoting Starz Encore products. The parties have filed stipulations of dismissal of both the Colorado and Pennsylvania lawsuits with prejudice.

Other.

The Company is subject to other 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 \$165 million; however the Company's current estimate of the amount of 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 \$50 million.

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10. FINANCIAL DATA BY BUSINESS SEGMENT

As a result of the sale of QVC, the Company's only reportable segment is "Cable." The Company's other business segments, including the Company's content operations, do not meet the quantitative guidelines for segment reporting. The components of net income (loss) below operating income (loss) before depreciation and amortization are not separately evaluated by the Company's management on a segment basis (in millions).

	Cable	Corporate and Other (1)	Total
<u>Three Months Ended September 30, 2003</u>			
Revenues (2).....	\$1,718	\$164	\$1,882
Operating income (loss) before depreciation and amortization (3).....	742	(12)	730
Depreciation and amortization.....	333	46	379
Operating income (loss).....	409	(58)	351
Interest expense.....	130	31	161
Capital expenditures.....	324	19	343
<u>Three Months Ended September 30, 2002</u>			
Revenues (2).....	\$1,548	\$150	\$1,698
Operating income (loss) before depreciation and amortization (3).....	645	(3)	642
Depreciation and amortization.....	309	62	371
Operating income (loss).....	336	(65)	271
Interest expense.....	140	32	172
Capital expenditures.....	322	7	329
<u>Nine Months Ended September 30, 2003</u>			
Revenues (2).....	\$5,079	\$624	\$5,703
Operating income before depreciation and amortization (3).....	2,155	25	2,180
Depreciation and amortization.....	957	144	1,101
Operating income (loss).....	1,198	(119)	1,079
Interest expense.....	405	95	500
Capital expenditures.....	1,009	29	1,038
<u>Nine Months Ended September 30, 2002</u>			
Revenues (2).....	\$4,558	\$544	\$5,102
Operating income before depreciation and amortization (3).....	1,896	35	1,931
Depreciation and amortization.....	900	191	1,091
Operating income (loss).....	996	(156)	840

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Interest expense.....	428	107	535
Capital expenditures.....	1,011	24	1,035
As of September 30, 2003			

Assets.....	\$29,754	\$10,589	\$40,343
Long-term debt, less current portion.....	6,634	1,307	7,941
As of December 31, 2002			
Assets.....	\$29,844	\$5,845	\$35,689
Long-term debt, less current portion.....	7,908	1,348	9,256

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- (1) Other includes segments not meeting certain quantitative guidelines for reporting and elimination entries related to the segment presented. Corporate and other assets consist primarily of the Company's investments and intangible assets related to the Company's content operations and, as of December 31, 2002, \$3.076 billion of assets associated with discontinued operations (see Notes 3, 4 and 5).
- (2) No single customer accounted for a significant amount of the Company's revenues in any period.
- (3) Operating income (loss) before depreciation and amortization is defined as operating income (loss) before depreciation and amortization and impairment charges, if any, related to fixed and intangible assets. As such, it eliminates the significant level of non-cash depreciation and amortization expense that results from the capital intensive nature of the Company's businesses and intangible assets recognized in business combinations, and is unaffected by the Company's capital structure or investment activities. The Company's management and Board of Directors use this measure in evaluating the Company's consolidated operating performance and the operating performance of all of its operating segments. This metric is used to allocate resources and capital to the Company's operating segments and is a significant component of the Company's annual incentive compensation programs. This measure is also useful to investors as it is one of the bases for comparing the Company's operating performance with other companies in its industries, although the Company's measure may not be directly comparable to similar measures used by other companies. This measure should not be considered as a substitute for operating income (loss), net income (loss), net cash provided by operating activities or other measures of performance or liquidity reported in accordance with generally accepted accounting principles.

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11. RELATED PARTY TRANSACTIONS

QVC has an affiliation agreement with Comcast Cable Communications Holdings, Inc. ("CCCH"), a wholly owned subsidiary of Comcast, to carry QVC's programming. In return for carrying QVC programming, QVC pays CCCH an allocated portion, based upon market share, of a percentage of net sales of merchandise sold to QVC customers located in CCCH's service area. These amounts, which are included in income from discontinued operations in the Company's consolidated statement of operations, totaled \$3 million and \$11 million during the three and nine months ended September 30, 2003, respectively. Amounts related to a similar affiliation agreement between QVC and Comcast Cable, which are included in service revenues and income from discontinued operations in the Company's consolidated statement of operations, totaled \$4 million and \$13 million during the three and nine months ended September 30, 2003, respectively.

The Company's content businesses generate a portion of their revenues through the sale of subscriber services to CCCH under affiliation agreements. These amounts, which are included in service revenues in the Company's consolidated statement of operations, totaled \$9 million and \$26 million during the three and nine months ended September 30, 2003, respectively. Amounts related to similar affiliation agreements between the Company's content businesses and Comcast Cable are eliminated in the Company's consolidated financial statements.

Effective January 1, 2003, Comcast has entered into management agreements with the Company's cable subsidiaries. The management agreements generally provide that Comcast supervise the management and operations of the cable systems and arrange for and supervise certain administrative functions. As compensation for such services, the agreements provide for Comcast to charge management fees based on a percentage of gross revenues. These charges, which are included in selling, general and administrative expenses in the Company's consolidated statement of operations, totaled \$39 million and \$109 million during the three and nine months ended September 30, 2003, respectively. During the 2002 interim periods, similar management agreements existed between Comcast Cable and its subsidiaries. Accordingly, amounts related to those agreements were eliminated in the Company's consolidated financial statements during the 2002 interim periods.

Effective January 1, 2003, Comcast Cable reimburses Comcast Cable Communications Management, LLC ("CCCM"), a wholly owned subsidiary of Comcast but not of the Company, for certain costs under a cost sharing agreement. These charges, which are included in selling, general and administrative expenses in the Company's consolidated statement of operations, totaled \$47 million and \$129 million during the three and nine months ended September 30, 2003, respectively. During the 2002 interim periods, similar costs were included in selling, general and administrative expenses in the Company's consolidated statement of operations.

Effective upon the closing of Comcast's acquisition of Broadband on November 18, 2002, the Company purchases certain other services, including insurance and employee benefits, from Comcast under cost sharing arrangements on terms that reflect Comcast's actual cost. These charges, which are included in selling, general and administrative expenses in the Company's consolidated statement of operations, totaled \$40 million and \$116 million during the three and nine months ended September 30, 2003, respectively. During the 2002 interim periods, similar cost sharing agreements existed between Comcast Holdings and Comcast Cable. Accordingly, amounts related to those agreements were eliminated in the Company's consolidated financial statements during the 2002 interim periods.

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Comcast Financial Agency Corporation ("CFAC"), an indirect wholly owned subsidiary of the Company, provides cash management services to Comcast and CCCH. Under this arrangement, Comcast's and CCCH's cash receipts are deposited with and held by CFAC, as custodian and agent, which invests and disburses such funds at the direction of the Company. Interest income related to cash deposited by Comcast and CCCH in CFAC was not significant during the 2003 interim periods.

Due from affiliates in the Company's consolidated balance sheet as of September 30, 2003 primarily consists of amounts due from Comcast, CCCH and CCCM for advances made by the Company for working capital and capital expenditures in the ordinary course of business. Due to affiliates in the Company's consolidated balance sheet as

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of December 31, 2002 primarily consists of amounts due to Comcast and its affiliates under the cost sharing arrangements described above and amounts payable to Comcast and its affiliates as reimbursements for costs incurred, in the ordinary course of business, by such affiliates on behalf of the Company.

As of September 30, 2003 and December 31, 2002, notes receivable from affiliates consist of an aggregate of \$843 million and \$191 million principal amount, respectively, of notes receivable from Comcast and from a subsidiary of CCCH. The notes receivable bear interest at rates ranging from 5.0% to 7.5% and are due between 2012 and 2013. As of September 30, 2003, notes receivable from affiliates includes \$10 million of interest receivable related to the notes. As of September 30, 2003 and December 31, 2002, notes payable to affiliates consist of an aggregate of \$47 million and \$22 million principal amount, respectively, of notes payable to subsidiaries of CCCH. The notes payable bear interest at 7.5% and are due between 2012 and 2013. As of September 30, 2003, notes payable to affiliates includes \$2 million of interest payable related to the notes.

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

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Information for this item is omitted pursuant to SEC General Instruction H to Form 10-Q, except as noted below.

We are an indirect wholly owned subsidiary of Comcast Corporation ("Comcast").

Business Developments

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 acquisitions and capital expenditures through issuances of our common stock, borrowings of long-term debt, sales of investments and from existing cash, cash equivalents and short-term investments.

As more fully described in Note 3 to our financial statements included in Item 1 (see Sale of QVC), on September 17, 2003 we sold to Liberty Media Corporation ("Liberty") our approximate 57% interest in QVC, Inc. ("QVC") for approximately \$7.7 billion under a stock purchase agreement. We received from Liberty three-year senior unsecured notes (the "Liberty Notes") bearing interest at LIBOR plus 1.5%, approximately 218 million shares of Liberty Series A common stock and cash. The values of the notes, shares and cash received were approximately \$4.0 billion, \$2.339 billion and \$1.35 billion, respectively. In accordance with Statement of Financial Accounting Standards No. 144 ("SFAS 144"), QVC's operations are presented as a discontinued operation in our financial statements.

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

	Three Months Ended		Increase \$
	September 30, 2003	2002	
Service revenues.....	\$1,882	\$1,698	\$184
Operating, selling, general and administrative expenses.....	1,152	1,056	96
Depreciation.....	330	321	9
Amortization.....	49	50	(1)
Operating income.....	351	271	80
Interest expense.....	(161)	(172)	11
Interest expense on affiliate notes, net.....	(10)	-	(10)
Investment loss, net.....	(166)	(47)	119
Equity in net losses of affiliates.....	(15)	(9)	6
Other income (expense).....	(1)	5	(6)
Income tax benefit (expense).....	84	(27)	111
Minority interest.....	(14)	3	(17)
Income from continuing operations.....	\$68	\$24	\$44

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	Nine Months Ended September 30,		Increase
	2003	2002	\$
Service revenues.....	\$5,703	\$5,102	\$60
Operating, selling, general and administrative expenses.....	3,523	3,171	35
Depreciation.....	965	957	
Amortization.....	136	134	
	1,079	840	23
Interest expense.....	(500)	(535)	(3)
Interest income on affiliate notes, net.....	2		
Investment loss, net.....	(198)	(702)	(50)
Equity in net losses of affiliates.....	(45)	(55)	(1)
Other income (expense).....	1	(12)	1
Income tax benefit (expense).....	(48)	123	(17)
Minority interest.....	(33)	(23)	1
	\$258	(\$364)	\$62

Consolidated Operating Results

Revenues

Consolidated revenues for the three and nine month interim periods increased \$184 million and \$601 million, respectively. Of these increases, \$170 million and \$521 million, respectively, relate to our cable segment, which is discussed separately below. The remaining increases are primarily the result of our content businesses, which achieved combined revenue growth of 17.5% and 16.2%, respectively, for the three and nine month interim periods. Such increases were primarily the result of increases in distribution revenues and in advertising.

Operating, selling, general and administrative expenses

Consolidated operating, selling, general and administrative expenses for the three and nine month interim periods increased \$96 million and \$352 million, respectively. Of these increases, \$73 million and \$262 million, respectively, relate to our cable segment, which is discussed separately below. The remaining increases for the interim periods are primarily attributable to costs associated with management agreements between Comcast and the Company's cable subsidiaries during the 2003 interim periods that had been eliminated in consolidation in 2002 and to increased expenses in our content operations. These increases were offset, in part, by the effects of reduced corporate overhead which, upon closing of Comcast's acquisition of Broadband on November 18, 2002, are recorded

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by the Comcast parent rather than by the Comcast Holdings parent.

Cable Operating Results

The following represents the operating results of our Cable segment. The remaining components of our operations are not independently significant to our consolidated financial condition or results of operations (dollars in millions).

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Cable

The following table presents financial information for our Cable segment (dollars in millions).

	Three Months Ended September 30,		I
	2003	2002	\$
Video.....	\$1,249	\$1,180	\$
High-speed Internet.....	244	156	
Advertising sales.....	102	93	
Other.....	71	70	
Franchise fees.....	52	49	
	\$1,718	1,548	1
Revenues.....			
Operating, selling, general and administrative expenses.....	976	903	
	\$742	\$645	\$
Operating income before depreciation and amortization (a).....	\$742	\$645	\$
	Nine Months Ended September 30,		I
	2003	2002	\$
Video.....	\$3,735	\$3,516	\$2
High-speed Internet.....	677	415	2
Advertising sales.....	304	274	
Other.....	206	202	
Franchise fees.....	157	151	
	\$5,079	4,558	5
Revenues.....			
Operating, selling, general and administrative expenses.....	2,924	2,662	2
	\$2,155	\$1,896	\$2
Operating income before depreciation and amortization (a).....	\$2,155	\$1,896	\$2

(a) Operating income before depreciation and amortization is defined as operating income before depreciation and amortization and impairment charges, if any, related to fixed and intangible assets. As such, it eliminates the significant level of non-cash depreciation and amortization expense that results from the capital intensive nature of our businesses and intangible assets recognized in business combinations, and is unaffected by our capital structure or investment activities. Our management and Board of Directors use this measure in evaluating our consolidated operating performance and the operating performance of all of our operating segments. This metric is used to allocate resources and capital to our operating segments and is a significant component of our annual incentive compensation programs. We believe that this measure is also useful to investors as it is one of the bases for comparing our operating performance with other companies in our industries, although our measure may not be directly comparable to similar measures used by other companies. Because we use this measure as the measure of our segment profit or loss, we reconcile it to operating income, the most directly comparable financial measure calculated and presented in accordance with Generally Accepted Accounting Principles (GAAP), in the business segment footnote to our financial statements. This measure should not be considered as a substitute for operating income (loss), net income (loss), net cash provided by operating activities or other measures of performance or liquidity reported in accordance with GAAP.

Video revenue consists of our basic, expanded basic, premium, pay-per-view, equipment and digital cable services. The increases in video revenue for the interim periods from 2002 to 2003 are primarily due to the effects of increases in average monthly revenue per basic subscriber as a result of rate increases in our traditional analog video service and growth in digital subscribers. From September 30, 2002 to September 30, 2003, we added approximately 437,000 digital subscribers, or a 20.7% increase in digital subscribers. During the three and nine months ended September 30, 2003, we added approximately 133,000 and 304,000 digital subscribers respectively.

The increases in high-speed Internet revenue for the interim periods from 2002 to 2003 are primarily due to the addition of approximately 733,000 high-speed Internet subscribers from September 30, 2002 to

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September 30, 2003, or a 54.8% increase in high-speed Internet subscribers. During the three and nine months ended September 30, 2003, we added approximately 190,000 and 546,000 high-speed Internet subscribers, respectively.

The increases in advertising sales revenue for the interim periods from 2002 to 2003 are primarily due to the effects of growth in regional/national advertising as a result of the continuing success of our regional interconnects, and growth in a soft local advertising market.

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Other revenue includes phone revenues, installation revenues, guide revenues, commissions from electronic retailing, revenues of our regional sports programming networks and revenue from other product offerings.

The increases in operating, selling, general and administrative expense for the interim periods from 2002 to 2003 are primarily due 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.

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.

Consolidated Analysis

Interest Expense

The decreases in interest expense for the interim periods from 2002 to 2003 are primarily attributable to the effects of our lower amount of outstanding debt as a result of our net debt repayments.

We anticipate that, for the foreseeable future, interest expense will be significant. We believe we will continue to be able to meet our obligations through our ability both to generate cash flow from operations and to obtain external financing.

Investment Loss, Net

Investment loss, net for the interim periods includes the following (in millions):

	Three Months Ended September 30,		Nine Mont Septemb
	2003	2002	2003
Interest and dividend income.....	\$4	\$6	\$12
Gains (losses) on sales and exchanges of investments, net.....			22
Investment impairment losses.....		(6)	(69)
Unrealized losses on trading securities.....	(167)	(181)	(98)
Mark to market adjustments on derivatives related to trading securities.....	(1)	139	(66)
Mark to market adjustments on derivatives and hedged items.....	(2)	(5)	1
	-----	-----	-----
Investment loss, net.....	(\$166)	(\$47)	(\$198)
	=====	=====	=====

We have entered into derivative financial instruments which we account for at fair value and which limit our exposure to and benefits from price

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fluctuations in the common stock of certain of our investments accounted for as trading securities. Investment loss, net includes the fair value adjustments related to our trading securities and derivative financial instruments. The change in the fair value of our investments accounted for as trading securities, with the exception of the Liberty Series A common shares, was substantially offset by the changes in the fair values of the related derivatives. The Liberty Series A common shares we received in the sale of QVC have been classified as trading securities; however, currently there is no corresponding derivative to hedge this market exposure. As such, the decline in value in these shares during the quarter is included in investment

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loss, net. Accordingly, our future results of operations may be affected by fluctuations in the fair value of the Liberty Series A common stock in future periods.

Equity in Net Losses of Affiliates

The increase in equity in net losses of affiliates for the three month interim period from 2002 to 2003 is primarily attributable to the effects of our additional investments and to changes in the net income or loss of our equity method investees. The decrease in equity in net losses of affiliates for the nine month interim period from 2002 to 2003 is primarily attributable to decreases in the net losses of certain of our international equity method investees, offset, in part, by the effects of our additional investments and to changes in the net income or loss of our equity method investees.

Other Income (Expense)

The change in other income (expense) for the nine month interim period from 2002 to 2003 is attributable to the loss on the sale of one of our equity method investees in the first quarter of 2002.

Income Tax Benefit (Expense)

The changes in income tax benefit (expense) for the interim periods from 2002 to 2003 are primarily the result of the effects of changes in our income (loss) before taxes and minority interest and the effects of the resolution of certain tax contingencies.

Minority Interest

The changes in minority interest for the interim periods from 2002 to 2003 are attributable to the effects of changes in the net income or loss of our less than wholly owned consolidated subsidiaries.

Discontinued Operations

The decrease in income from discontinued operations for the three month interim period from 2002 to 2003 is primarily attributable to the 2003 period including QVC's results through August 31, while the 2002 period includes results for the full three month interim period. The increase in income from

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discontinued operations for the nine month interim period from 2002 to 2003 is primarily attributable to a decrease in investment loss, net, offset in part by the 2003 period including results through August 31, while the 2002 period includes results for the full nine month interim period. As a result of the sale, we recognized a \$3.290 billion gain, net of approximately \$2.865 billion of related income taxes.

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

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ITEM 4. CONTROLS AND PROCEDURES

Our chief executive officer and our co-chief financial officers, after evaluating the effectiveness of our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) or 15d-15(e)) as of the end of the period covered by this quarterly report, have concluded, based on the evaluation of these controls and procedures required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15, that our disclosure controls and procedures were adequate and designed to ensure that material information relating to us and our consolidated subsidiaries would be made known to them by others within those entities.

Changes in internal control over financial reporting. There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our last fiscal quarter that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Refer to Note 9 to our condensed financial statements included in Item 1 for a discussion of recent developments related to our legal proceedings.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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

10.1 Amended and Restated Stock Purchase Agreement dated as of June 30, 2003 among Comcast QVC, Inc., Comcast Corporation, Liberty Media Corporation, and QVC, Inc. (incorporated by reference to Exhibit 10.1 to Comcast Corporation's Current Report on Form 8-K filed on October 1, 2003).

31 Certifications of Chief Executive Officer and Co-Chief Financial Officers pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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32 Certification of Chief Executive Officer and Co-Chief Financial Officers pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K:

None.

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SIGNATURES

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 HOLDINGS CORPORATION

/s/ LAWRENCE J. SALVA

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

Date: November 13, 2003

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