COMCAST HOLDINGS CORP
Form 10-Q
August 11, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

(X) Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarterly Period Ended:
JUNE 30, 2004
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 June 30, 2004, 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.

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
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QUARTER ENDED JUNE 30, 2004
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This Quarterly Report on Form 10-Q is for the three and six months ended June 30, 2004. 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" and "our" 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 should particularly consider any risk factors that we set forth in this Quarterly Report and in other reports or documents that we file from time to time with the SEC. In this Quarterly Report, we state our beliefs of future events and of our future financial performance. In some cases, you can identify 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. In evaluating those statements, you should specifically consider various factors, including the risks outlined below. Actual events or our actual results may differ materially from any of our forward-looking statements.

Our businesses may be affected by, among other things:

- 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.

As more fully described elsewhere in this Quarterly Report and in our Annual Report on Form 10-K for the year ended December 31, 2003, on September 17, 2003, we sold to Liberty Media Corporation our approximate 57% interest in QVC, Inc., which markets a wide variety of products directly to consumers primarily on merchandise-focused television programs. Accordingly, financial information related to QVC is presented as a discontinued operation in our financial statements.

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
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QUARTER ENDED JUNE 30, 2004

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

	(Dollars in mill June 30, 2004
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$578
Investments	181
Accounts receivable, less allowance for doubtful accounts of $71 and $74	466
Other current assets	183
Total current assets	1,408
NOTES RECEIVABLE FROM AFFILIATES	4,143
DUE FROM AFFILIATES, net	1,530
INVESTMENTS	3,228
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $4,940 and $4,456	6,450
FRANCHISE RIGHTS	16,625
GOODWILL	5,667
OTHER INTANGIBLE ASSETS, net of accumulated amortization of $1,180 and $1,022	1,723

OTHER NONCURRENT ASSETS, net	269
	$41,043
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Accounts payable	$281
Accrued expenses and other current liabilities	1,895
Deferred income taxes	7
Current portion of long-term debt	27
Total current liabilities	2,210
LONG-TERM DEBT, less current portion	7,534
NOTES PAYABLE TO AFFILIATES	641
DEFERRED INCOME TAXES	8,657
OTHER NONCURRENT LIABILITIES	2,262
MINORITY INTEREST	405
COMMITMENTS AND CONTINGENCIES (NOTE 8)	
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	12,357
Retained earnings	6,035
Accumulated other comprehensive loss	(5)
Total stockholders' equity	19,334
	$41,043

See notes to condensed consolidated financial statements.

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
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QUARTER ENDED JUNE 30, 2004
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	(Dollars i	
	Three Months Ended June 30,	
	2004	2003
REVENUES	$2,148	$1,93

COSTS AND EXPENSES		
Operating (excluding depreciation)	709	66
Selling, general and administrative	553	50
Depreciation	302	32
Amortization	43	4
	1,607	1,53
OPERATING INCOME	541	39
OTHER INCOME (EXPENSE)		
Interest expense	(147)	(16
Interest income on affiliate notes, net	41	1
Investment income (loss), net	146	(
Equity in net losses of affiliates	(11)	(2
Other income	10	
	39	(17
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST	580	22
INCOME TAX EXPENSE	(250)	(8
INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST	330	14
MINORITY INTEREST	(16)	(
INCOME FROM CONTINUING OPERATIONS	314	13
INCOME FROM DISCONTINUED OPERATIONS, net of tax		7
NET INCOME	$314	$20

See notes to condensed consolidated financial statements.

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2004
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

(Dollars in mil
Six Months Ended

	2004
OPERATING ACTIVITIES	
Net income	$412
Income from discontinued operations	
Income from continuing operations	412
Adjustments to reconcile net income from continuing operations to net cash provided by operating activities from continuing operations:	
Depreciation	635
Amortization	90
Non-cash interest expense, net	23
Non-cash interest (income) expense on affiliate notes, net	(82)
Equity in net losses of affiliates	19
Losses (gains) on investments and other (income) expense, net	(70)
Non-cash contribution expense	23
Minority interest	19
Deferred income taxes	264
Proceeds from sales of trading securities	
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures	
Change in accounts receivable, net	(3)
Change in accounts payable	(22)
Change in other operating assets and liabilities	5
Net cash provided by operating activities from continuing operations	1,313
FINANCING ACTIVITIES	
Proceeds from borrowings	4
Retirements and repayments of debt	(570)
Net transactions with affiliates	(704)
Net cash used in financing activities from continuing operations	(1,270)
INVESTING ACTIVITIES	
Acquisitions, net of cash acquired	(304)
Proceeds from sales (purchases) of short-term investments, net	3
Proceeds from sales of investments	48
Purchases of investments	(55)
Capital expenditures	(618)
Additions to intangible and other noncurrent assets	(48)
Net cash used in investing activities from continuing operations	(974)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(931)
CASH AND CASH EQUIVALENTS, beginning of period	1,509
CASH AND CASH EQUIVALENTS, end of period	$578

See notes to condensed consolidated financial statements.

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2004
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presentation

We have prepared these unaudited condensed consolidated financial statements based upon Securities and Exchange Commission ("SEC") rules that permit reduced disclosure for interim periods. We are an indirect wholly owned subsidiary of Comcast Corporation ("Comcast"). Our presentation differs from the consolidated financial statements of Comcast by excluding both Comcast's corporate operations and certain cable operations, primarily those acquired from AT&T in November 2002 (the "Broadband acquisition"). Subsequent to the Broadband acquisition, all of our and Comcast's cable operations are operated as a single integrated cable business unit. Our condensed consolidated financial statements reflect the assets, liabilities, revenues and expenses directly attributable to us, as well as allocations deemed reasonable by management, to present our financial position, results of operations and cash flows on a stand-alone basis. These allocations are further described in Note 10. All significant intercompany accounts and transactions within our financial statements have been eliminated.

These financial statements include all adjustments that are necessary for a fair presentation of our 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.

Effective in the first quarter of 2004, we changed the unit of accounting used for testing impairment of our indefinite-lived franchise rights to geographic regions and performed impairment testing of our cable franchise rights. We did not record any impairment charges in connection with this impairment testing.

For a more complete discussion of our accounting policies and certain other information, refer to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2003.

On September 17, 2003, we completed the sale of our 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."

The results of operations of QVC included within income from discontinued operations, net of tax are as follows (in millions):

	Three Months Ended June 30, 2003	Six Months Ended June 30, 200
Revenues...	$1,101	$2,16
Income before income taxes and minority interest..........	$199	$37
Income tax expense.....................................	$64	$13

Reclassifications
Certain reclassifications have been made to the prior year financial statements to conform to those classifications used in 2004.

2. RECENT ACCOUNTING PRONOUNCEMENTS

FIN 46/FIN 46R
In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). We adopted the provisions of FIN 46 effective January 1, 2002. Since our initial application of FIN 46, the FASB addressed various implementation issues regarding the application of FIN 46 to entities outside its originally interpreted scope, focusing on Special Purpose Entities, or SPEs. In December 2003, the FASB revised FIN 46 ("FIN 46R"), which delayed the required implementation date until March 31, 2004 for

entities that are not SPEs. The adoption of FIN 46R did not have a material impact on our financial condition or results of operations.

EITF 03-16
In March 2004, the Emerging Issues Task Force ("EITF") reached a consensus regarding Issue No. 03-16, "Accounting for Investments in Limited Liability Companies" ("EITF 03-16"). EITF 03-16 requires investments in limited liability companies ("LLCs") that have separate ownership accounts for each investor to be accounted for similar to a limited partnership investment under Statement of Position No. 78-9, "Accounting for Investments in Real Estate Ventures." Investors would be required to apply the equity method of accounting to their investments at a much lower ownership threshold than the 20% threshold applied under Accounting Principles Board ("APB") No. 18, "The Equity Method of Accounting for Investments in Common Stock." EITF 03-16 is effective for the first period beginning after June 15, 2004. The adoption of EITF 03-16 will not have a material impact on our financial condition or results of operations.

3. ACQUISITION

On May 10, 2004, we completed the purchase of TechTV, Inc. ("TechTV") by acquiring all outstanding common and preferred stock of TechTV from Vulcan

Programming, Inc. for approximately $300 million in cash, funded with borrowings under a note payable to affiliate. Substantially all of the purchase price has been recorded as an intangible asset pending the completion of a formal valuation. The results of TechTV are not material for pro forma presentation. On May 28, 2004, G4 and TechTV began operating as one network called G4techTV, which is available to approximately 42 million cable and satellite homes nationwide. We have classified G4techTV as part of our content business segment (see Note 9).

4. INVESTMENTS

	June 30, 2004
	(in milli
Fair value method	
Liberty Media Corporation	$1,981
Liberty Media International	407
Sprint	515
Other	45
	2,948
Equity method	338
Cost method	123
Total investments	3,409
Less, current investments	181
Noncurrent investments	$3,228

Fair Value Method
We hold unrestricted equity investments, which we account for as available for sale or trading securities, in certain publicly traded companies. The net unrealized pre-tax gains on investments accounted for as available for sale securities as of June 30, 2004 and December 31, 2003 of $38 million and $42 million, respectively, have been reported in our consolidated balance sheet principally as a component of accumulated other comprehensive loss, net of related deferred income taxes of $13 million and $15 million, respectively.

On June 7, 2004, we received approximately 11 million shares of Liberty Media International, Inc. ("Liberty International") Series A common stock in connection with the spin-off by Liberty Media Corporation ("Liberty") of

Liberty International. In the spin-off, each share of Liberty Series A and Series B common stock received 0.05 shares of the new Liberty International Series A common stock. As of June 30, 2004, we have classified all of the shares of Liberty International Series A common stock that we received as trading securities recorded at fair value within noncurrent investments. Approximately 5 million of these shares collateralize a portion of the ten year prepaid forward sale of Liberty common stock that we entered into in December 2003.

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

	June 30, 2004
Cost	$32
Unrealized gains	38
Unrealized losses	
Fair value	$70

Investment Income (Loss), Net

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

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six 200
Interest, dividend and other investment income (expense)	($2)	$4	
(Losses) gains on sales and exchanges of investments, net	(1)	1	
Investment impairment losses	(3)	(14)	
Mark to market adjustments on trading securities	(38)	71	
Mark to market adjustments on derivatives related to trading securities	200	(68)	
Mark to market adjustments on derivatives and hedged items	(10)	5	
Investment income (loss), net	$146	($1)	

5. LONG-TERM DEBT

The Cross-Guarantee Structure

To simplify Comcast's capital structure, Comcast and certain of its cable holding company subsidiaries, including our wholly owned subsidiary Comcast Cable Communications, LLC ("Comcast Cable"), have unconditionally guaranteed each other's debt securities and indebtedness for borrowed money. As of June 30, 2004, $20.675 billion of Comcast's debt securities were entitled to the benefits of the cross-guarantee structure, including $6.317 billion of Comcast Cable's debt securities.

Comcast Holdings Corporation is not a guarantor, and none of its debt is guaranteed. As of June 30, 2004, $981 million of debt was outstanding at Comcast Holdings Corporation.

Repayments of Senior Notes
On March 31, 2004, we repaid all $250 million principal amount of our 8.875% senior notes due 2007. On May 1, 2004, we repaid all $300 million principal amount of our 8.125% senior notes due 2004. The repayments were both financed with available cash.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

ZONES
At maturity, holders of our 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 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 common stock. As of June 30, 2004, the number of Sprint shares we held exceeded the number of ZONES outstanding.

We separated the accounting for the ZONES into derivative and debt components. We record the change in the fair value of the derivative component of the ZONES and the change in the carrying value of the debt component of the ZONES as follows (in millions):

	ZONES	
	Six Months Ended June 30,	
	2004	2003
Balance at Beginning of Period:		
Debt component......................................	$515	$491
Derivative component................................	268	208
Total..	783	699
Change in debt component to interest expense.............	13	12
Change in derivative component to investment income (loss), net...	(56)	65
Balance at End of Period:		
Debt component......................................	528	503
Derivative component................................	212	273
Total..	$740	$776

Interest Rates
Excluding the derivative component of the ZONES whose changes in fair value are recorded to investment income (loss), net, our effective weighted average interest rate was 7.51% and 7.56% as of June 30, 2004 and December 31, 2003, respectively.

Derivatives
We use derivative financial instruments to manage our exposure to fluctuations in interest rates and securities prices. We have 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 June 30, 2004, we and certain of our subsidiaries had unused lines of credit of $287 million under our respective credit facilities.

As of June 30, 2004, we and certain of our subsidiaries had unused irrevocable standby letters of credit totaling $13 million to cover potential fundings under various agreements.

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

6. STOCKHOLDERS' EQUITY

Stock-Based Compensation
We account for stock-based compensation in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, as permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," ("SFAS No. 123") 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. We record 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. We record 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 that applying the fair value recognition provisions of SFAS No. 123 to stock-based compensation would have had on net income. Upon further analysis during 2003, it was determined that the expected option lives for options granted in prior years should have been 7 years rather than the 8 years used previously. The amounts in the table reflect this revision for all periods presented. 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 (in millions):

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Si 20
Net income, as reported..................................	$314	$203	
Add:Total stock-based compensation expense included in net income, as reported above........	6	1	
Deduct: Total stock-based compensation expense determined under fair value based method for all awards relating to continuing operations, net of related tax effects...........	(21)	(22)	
Deduct: Total stock-based compensation expense determined under fair value based method for all awards relating to discontinued operations, net of related tax effects......................		(4)	
Pro forma, net income....................................	$299	$178	

The pro forma effect on net income for the interim periods by applying SFAS No. 123 may not be indicative of the effect on net income or loss in future years because additional awards in future years are anticipated.

Comprehensive Income
Our total comprehensive income for the interim periods was as follows (in millions):

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Month June 2004
Net income..	$314	$203	$412
Unrealized losses on marketable securities..........	(1)	(1)	(1)
Reclassification adjustments for losses (gains) included in net income.........................	7	(1)	15
Foreign currency translation gains..................		9	
Comprehensive income................................	$320	$210	$426

7. STATEMENT OF CASH FLOWS - SUPPLEMENTAL INFORMATION

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

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Mont June 2004
Interest	$194	$226	$289
Income taxes	$86	$33	$103

During the three and six month interim periods in 2004, Comcast received a federal income tax refund of approximately $536 million.

During the six months ended June 30, 2004, property, plant and equipment allocations were made to another Comcast subsidiary through non-cash intercompany transactions in the amount of $107 million. During the six months ended June 30, 2004, we recorded additional liabilities of approximately $32 million relating to a subsidiary of Comcast, a transaction that is considered a non-cash financing activity. This additional liability resulted in a corresponding increase to due from affiliates, net, in our consolidated balance sheet.

During the three months ended June 30, 2004, in connection with the acquisition of TechTV (see Note 3), we issued shares in G4techTV with a value of approximately $70 million, which is considered a non-cash financing and investing activity.

8. COMMITMENTS AND CONTINGENCIES

Contingencies

At Home

Litigation has been filed against us as a result of our alleged conduct with respect to our investment in and distribution relationship with At Home Corporation. At Home was a provider of high-speed Internet services that filed for bankruptcy protection in September 2001. Filed actions are: (i) class action lawsuits against us, Brian L. Roberts (our 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 in connection with transactions agreed to in March 2000 among At Home, AT&T, Cox Communications, Inc. (Cox is also an investor in At Home and a former distributor of the At Home service) and us; (ii) class action lawsuits against Comcast Cable Communications, LLC, AT&T and others in the United States District Court for the Southern District of New York,

(Unaudited)

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 us, 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 us and Mr. Roberts, leaving only a claim for "control person" liability under the Securities Exchange Act of 1934. In a subsequent decision, the court limited the remaining claim against us and Mr. Roberts to disclosures that are alleged to have been made by At Home prior to August 28, 2000. The Delaware case has been transferred to the United States District Court for the Southern District of New York, and we have moved to dismiss the Section 16(b) claims.

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

Other

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

9. FINANCIAL DATA BY BUSINESS SEGMENT

Our reportable segments consist of our Cable and Content businesses. Beginning in the first quarter of 2004, although they do not meet the quantitative disclosure requirements of SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," we elected to disclose our content businesses separately as a reportable segment. Our content segment consists of our national networks E! Entertainment, Style Network, The Golf Channel, Outdoor Life Network and G4techTV. As a result of this change, we have presented the comparable 2003 Content segment amounts. In evaluating our segments' profitability, the components of net income (loss) below operating income (loss) before depreciation and amortization are not separately evaluated by our management (amounts in millions).

	Cable (1)	Content	Corporate and Other (2)
Three Months Ended June 30, 2004			
Revenues (3)	$1,902	$199	$47
Operating income (loss) before depreciation and amortization (4)	846	77	(37)
Depreciation and amortization	294	39	12
Operating income (loss)	552	38	(49)
Capital expenditures	334	6	3
Three Months Ended June 30, 2003			
Revenues (3)	$1,716	$159	$57
Operating income (loss) before depreciation and amortization (4)	738	56	(26)
Depreciation and amortization	325	32	15
Operating income (loss)	413	24	(41)
Capital expenditures	350	4	2
Six Months Ended June 30, 2004			
Revenues (3)	$3,721	$375	$141
Operating income (loss) before depreciation and amortization (4)	1,585	146	(95)
Depreciation and amortization	623	74	28
Operating income (loss)	962	72	(123)
Capital expenditures	595	10	13
Six Months Ended June 30, 2003			
Revenues (3)	$3,361	$304	$148
Operating income (loss) before depreciation and amortization (4)	1,413	97	(60)
Depreciation and amortization	624	64	34
Operating income (loss)	789	33	(94)
Capital expenditures	685	7	3
As of June 30, 2004			
Assets	$35,755	$2,460	$2,828
As of December 31, 2003			
Assets	$34,952	$2,110	$3,340

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

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(1) Our regional programming networks Comcast SportsNet, Comcast SportsNet Mid-Atlantic, Comcast SportsNet Chicago, Cable Sports Southeast and CN8-The Comcast Network are included in our cable segment.
(2) Corporate and other includes corporate activities, elimination entries and all other businesses not presented in our cable or content segments. Assets included in this caption consist primarily of our investments (see Note 4).
(3) Non-US revenues were not significant in any period. No single customer accounted for a significant amount of our revenue in any period.
(4) Operating income (loss) before depreciation and amortization is defined as operating income before depreciation and amortization, impairment charges, if any, related to fixed and intangible assets and gains or losses from the sale of assets, if any. 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. 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.

10. RELATED PARTY TRANSACTIONS

Our related party transactions for the interim periods presented are as follows (in millions):

	Three Months Ended June 30,		Six
	2004	2003	200
Content affiliation agreement revenue	$15	$8	
Comcast management fees	40	34	
Comcast cost sharing charges:			
Cable-related costs	52	42	
Other costs	49	38	
Software licensing fees	3		
Interest income on affiliate notes, net	41	14	

Our content businesses generate a portion of their revenues through the sale of subscriber services under affiliation agreements with cable subsidiaries of Comcast. These amounts are included in service revenues in our consolidated statement of operations. Amounts related to similar affiliation agreements between our content businesses and our wholly owned subsidiaries are eliminated in our consolidated financial statements.

Comcast has entered into management agreements with our 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 are included in selling, general and administrative expenses in our consolidated statement of operations.

We reimburse Comcast for certain cable-related costs under a cost sharing agreement. These charges are included in selling, general and administrative expenses in our consolidated statement of operations.

We purchase certain other services from Comcast under cost sharing arrangements on terms that reflect Comcast's actual cost. These charges are included in selling, general and administrative expenses in our consolidated statement of operations.

Comcast has purchased long-term, non-exclusive patent and software licenses to use on Comcast's and our interactive program guides. Comcast charges us a licensing fee for use of this software. This charge is included in selling, general and administrative expenses in our consolidated statement of operations.

Comcast Financial Agency Corporation ("CFAC"), an indirect wholly owned subsidiary of ours, provides cash management services to Comcast and to certain cable subsidiaries of Comcast. Under this arrangement, Comcast's and these subsidiaries' cash receipts are deposited with and held by CFAC, as custodian and agent, which invests and disburses such funds at our direction. Interest income related to this cash was not significant during the 2004 or 2003 interim periods.

With the exception of cash payments related to interest and income taxes, we consider all of our transactions with Comcast or its affiliates to be financing transactions, which are presented as net transactions with affiliates in our consolidated statement of cash flows. Our significant financing transactions with Comcast and its affiliates are described below.

As of June 30, 2004 and December 31, 2003, due from affiliates in our consolidated balance sheet primarily consists of amounts due from Comcast and from certain cable subsidiaries of Comcast for advances we made for working capital and capital expenditures in the ordinary course of business. Also, included within accrued expenses and other current liabilities as of June 30, 2004 and December 31, 2003 is approximately $560 million and $528 million, respectively, related to other Comcast subsidiaries.

QVC, a discontinued operation, has an affiliation agreement with certain cable subsidiaries of Comcast to carry QVC's programming. In return for carrying QVC programming, QVC pays these Comcast subsidiaries an allocated portion, based upon market share, of a percentage of net sales of merchandise sold to QVC customers located in their service areas. These amounts are not significant and are included in income from discontinued operations in our consolidated statement of operations. Amounts related to a similar affiliation agreement between QVC and our wholly owned subsidiaries are not significant and are included in service revenues and income from discontinued operations in our consolidated statement of operations.

As of June 30, 2004 and December 31, 2003, notes receivable from affiliates and notes payable to affiliates consist of notes receivable from and notes payable to Comcast and certain cable subsidiaries of Comcast. Our notes receivable and notes payable, whose interest receivable and payable are included in our condensed consolidated balance sheet, have the following characteristics (amounts in millions):

	June 30, 2004		December
	Notes Receivable	Notes Payable	Notes Receivable
Principal balance	$4,107	$629	$3,284
Interest receivable (payable)	$36	($12)	$26
Interest rate range	5.0% to 7.5%	5.0% to 7.5%	5.0% to 7.5%
Maturity date range	2009-2014	2012-2014	2012-2013

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

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

Overview

We are an indirect wholly owned subsidiary of Comcast Corporation ("Comcast"). We are principally involved in the management and operation of broadband communications networks (our cable segment) and in the management of programming content over cable and satellite television networks (our content segment). During the six months ended June 30, 2004, we received over 87% of our revenue from our cable segment, primarily through monthly subscriptions to our video, high-speed Internet and phone services, as well as from advertising. Subscribers typically pay us monthly, based on rates and related charges that vary according to their chosen level of service and the type of equipment they use. Revenue from our content segment is derived from the sale of advertising time and affiliation agreements with cable and satellite television companies.

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 common stock, borrowings of long-term debt, sales of investments and from existing cash, cash equivalents and short-term investments.

Business Developments

On July 28, 2004, Comcast and Liberty Media Corporation ("Liberty") completed their previously announced agreement in which Liberty redeemed 120.3 million shares of its Series A common stock we held in exchange for 100% of the stock of a Liberty subsidiary that held Liberty's 10% ownership interest in E! Entertainment Television, Inc., its 100% ownership interest in International Channel Networks, all of Liberty's rights, benefits and obligations under a TCI Music contribution agreement, and approximately $545 million of cash (the "Liberty transaction"). The Liberty transaction also removed all litigation pending between Comcast and Liberty regarding the TCI Music contribution agreement, which Comcast assumed as part of its acquisition of Broadband in November 2002.

Refer to Note 3 to our financial statements included in Item 1 for a discussion of our acquisition.

Results of Continuing Operations

Revenues

Consolidated revenues for the three and six month interim periods in 2004 increased $216 million and $424 million, respectively, from the same periods in 2003. Of these increases, $186 million and $360 million relate to our cable segment, which is discussed separately below. The remaining increases are primarily the result of our content segment, which achieved combined revenue growth of 25.3% and 23.4%, respectively, during the three and six month interim periods in 2004 compared to the same periods in 2003. These increases in our content segment were the result of increases in distribution revenue and advertising revenue.

Operating, selling, general and administrative expenses

Consolidated operating, selling, general and administrative expenses for the three and six month interim periods in 2004 increased $98 million and $238 million, respectively, from the same periods in 2003. Of these increases, $78 million and $188 million, respectively, relate to our cable segment, which is discussed separately below. The remaining increases for the three month interim period relate primarily to increases in our content divisions' expenses while the remaining increases for the six month interim period relate to increases in both our content divisions' expenses and to corporate expenses.

Depreciation

Depreciation expense decreased $27 million and increased $2 million, respectively, for the three and six month interim periods in 2004 compared to the same periods in 2003. The changes are primarily attributable to our cable segment and are principally due to the allocations of property, plant and equipment to other Comcast subsidiaries during the 2004 interim periods.

Amortization

Amortization expense remained consistent for the three and six month interim periods in 2004 compared to the same periods in 2003.

Cable Segment Operating Results

The following table presents our cable segment operating results (dollars in millions):

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Inc $
Video	$1,330	$1,257	$7
High-speed Internet	314	229	8
Advertising sales	129	109	2
Other	71	68	
Franchise fees	58	53	
Revenues	1,902	1,716	18
Operating, selling, general and administrative expenses	1,056	978	7
Operating income before depreciation and amortization (a)	$846	$738	$10

	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003	Inc $
Video	$2,630	$2,486	$14
High-speed Internet	601	433	16
Advertising sales	234	202	3
Other	142	136	
Franchise fees	114	104	1
Revenues	3,721	3,361	36
Operating, selling, general and administrative expenses	2,136	1,948	18
Operating income before depreciation and amortization (a)	$1,585	$1,413	$17

(a) Operating income before depreciation and amortization is defined as operating income before depreciation and amortization, impairment charges, if any, related to fixed and intangible assets and gains or losses from the sale of assets, if any. 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 operating income before depreciation and amortization 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.

Revenues

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 2003 to 2004 are primarily due to the effects of rate increases in our traditional video service and growth in digital subscribers. From June 30, 2003 to June 30, 2004, we added approximately 412,000 digital subscribers, or a 17.0% increase in digital subscribers. We expect continued growth in our video services revenue.

The increases in high-speed Internet revenue for the interim periods from 2003 to 2004 are primarily due to the addition of approximately 593,000 high-speed Internet subscribers from June 30, 2003 to June 30, 2004, or a 31.5% increase in high-speed Internet subscribers. We expect continued high-speed Internet revenue growth as overall demand for our services continues to increase.

The increases in advertising sales revenue for the interim periods from 2003 to 2004 are primarily due to the effects of growth in regional/national advertising as a result of the continuing success of our regional interconnects and a stronger local advertising market.

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

Expenses

Total operating, selling, general and administrative expenses increased for the interim periods from 2003 to 2004 primarily as a result of increases in the costs of cable programming, increases in labor and other volume related expenses associated with the growth in our high-speed Internet and digital cable services, and increases in charges from cost-sharing arrangements.

Consolidated Income (Expense) Items

Interest Expense

The changes in interest expense for the interim periods from 2003 to 2004 are due to our decreased amount of debt outstanding as a result of our debt reduction during 2003.

Interest Income on Affiliate Notes, Net

The changes in interest income on affiliate notes, net for the interim periods from 2003 to 2004 are principally due to an increase in our notes receivable from affiliates during 2003 and 2004.

Investment Income (Loss), Net

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

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six M J 200
Interest, dividend and other investment income (expense)......	($2)	$4	
(Losses) gains on sales and exchanges of investments, net.....	(1)	1	
Investment impairment losses................................	(3)	(14)	
Mark to market adjustments on trading securities.............	(38)	71	
Mark to market adjustments on derivatives related to trading securities...........................	200	(68)	
Mark to market adjustments on derivatives and hedged items....	(10)	5	
Investment income (loss), net...........................	$146	($1)	

We have entered into derivative financial instruments that we account for at fair value and which economically hedge the market price fluctuations in the common stock of certain of our investments accounted for as trading securities.

Investment income (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 was substantially offset by the changes in the fair value of the related derivatives, except for the mark to market adjustments on our investment in Sprint, 116 million shares of Liberty and 6 million shares of Liberty International for the three and six months ended June 30, 2004.

During the three months ended June 30, 2004, investment income (loss), net includes $224 million of investment income related to the decrease in the fair value of the derivative component of the ZONES debt. This fair value adjustment results principally from the change in the common stock underlying the ZONES debt from the non-dividend paying Sprint PCS tracking stock to the dividend paying Sprint FON common stock as a result of the elimination by Sprint of its tracking stock in April 2004. In the future, we expect that changes in the fair value of the derivative component of the ZONES debt will be substantially offset by changes in the fair value of the Sprint FON common stock we hold and account for as a trading security.

We are exposed to changes in the fair value of approximately 116 million shares of Liberty common stock through the closing date of the Liberty transaction and we will continue to be exposed to changes in the fair value of approximately 6 million shares of Liberty International common stock we hold and account for as trading securities because we have not entered into a corresponding derivative to hedge either of these market exposures.

Accordingly, our investment income (loss) is affected by fluctuations in the fair values of the Liberty and Liberty International common stocks. Investment income (loss), net for the three and six month interim periods in 2004 includes losses of $8 million and $118 million, respectively, related to these financial instruments.

Income Tax Expense

The changes in income tax expenses for the interim periods from 2003 to 2004 are primarily the result of the effects of the increases in our income from continuing operations before taxes and minority interest.

Minority Interest

The changes in minority interest for the interim periods from 2003 to 2004 are attributable to the effects of changes in the net income or loss of our less than wholly owned consolidated subsidiaries.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no significant changes to the information required under this Item from what was disclosed in our 2003 Form 10-K.

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 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 effective 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 are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Refer to Note 8 to our condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q 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:

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

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.

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED JUNE 30, 2004

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, Chief Accounting Officer and Controller
(Principal Accounting Officer)

Date: August 11, 2004