FINAL TRANSCRIPT

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to Comcast's second-quarter 2008 earnings conference call. At this time all participants are in a listen-only mode. Please note that this conference call is being recorded.

I will now turn the call over to Senior Vice President and Investor Relations, Ms. Marlene Dooner. Please go ahead, Ms. Dooner.

Marlene Dooner - *Comcast Corporation - SVP of IR*

Thank you, operator, and welcome everyone to our second-quarter 2008 earnings call. Joining me on the call are Brian Roberts, Steve Burke and Michael Angelakis. Before we start, let me refer everybody to slide number two which contains our safe harbor disclaimer and remind you that this conference call includes forward-looking statements subject to certain risks and uncertainties.

In addition, in this call we will refer to certain non-GAAP financial measures. Please refer to our press release for the reconciliation of non-GAAP financial measures to GAAP.

And now for opening remarks, I will pass to Brian Roberts for his comments. Brian?

Brian Roberts - *Comcast Corporation - Chairman, President and CEO*

Thanks, Marlene, and good morning everyone. We've delivered solid results in the second quarter as we continue to focus on our financial priorities and to execute well in an environment that continues to be challenging, with economy and competition. Michael and Steve will provide lots of detail in the call. Let me go through some highlights.

The second-quarter apples-to-apples we delivered revenue and OCF growth of 8%. For the first half of the year, we are executing according to our plan with revenue growth of 9% and OCF growth of 10%. As revenue and units are growing more slowly, we are appropriately continuing to focus on expenses. Second-quarter results include slightly higher cable margins even as we invest in marketing, new businesses like CDV and business services and improving customer service.

Earlier this year I outlined our commitment to improving the customer experience end-to-end as one of our [core] key initiatives for the company and we are working hard on every aspect. While it is still early, we are starting to see some real benefit of these efforts. Today and in future calls, we will continue to update you on our progress.

Our second-quarter capital expenditures were 20% lower than last year and we remain focused on returns and growth. Our capital budget is on track. Steve Burke called it his fighter's budget but as we continue to invest to recapture bandwidth and improve reliability and enhance our products and maintain our competitive advantage; while doing all of that, we are still able to bring in lower capital spending.

Later in the year we will begin to deploy DOCSIS 3.0 and an all digital lineup to the first 20% of our cable markets. As we do that, we continue to expect to meet all of our previous targets. As a result of higher cash flow and lower capital expenditures, we delivered significant free cash flow in the second quarter of about $1.2 billion, more than triple last year's amount. We also continued our program of repurchasing shares and we repurchased 48 million shares this quarter for around $1 billion.

As I look at our position halfway through the year, I am pleased with where we are. Our businesses are fundamentally strong and yet resilient. I'm pleased with how we are executing. We have a strong balance sheet which is a real asset to this Company particularly in this environment. And we are striking the right balance to enhance shareholder value investing in the business and in new opportunities while being able to return a substantial amount of capital to shareholders.

With that, let me pass it to Michael Angelakis and Steve Burke to cover the numbers and to provide an update on operations.

Michael Angelakis - *Comcast Corporation - CFO*

Thank you, Brian. Please refer to slide four which highlights our second-quarter consolidated result. The second-quarter reflects a solid operational result in our cable, programming and interactive segments as well as the consolidation of the Insight cable systems. The Company's consolidated revenue increased 11% to $8.6 billion and consolidated operating cash flow grew 11% to $3.4 billion.

On an apples-to-apples basis, our second quarter consolidated pro forma revenue growth was 8% and our consolidated pro forma OCF growth was 8%. A consolidated pro forma margin for the second quarter was 39.2%, up slightly from last year.

Our reported net income for the second quarter was $632 million or $0.21 per share. Year-to-date, reported net income was $1.4 billion or $0.46 per share. Year-to-date net income for both this year and last year include gains from the dissolution of our Insight and Texas Kansas City cable partnerships. These are the only adjustments and when excluded, our adjusted EPS for the quarter increased 11% and for the six months of the year, our adjusted EPS increased 14% to $0.41 a share.

Free cash flow for the quarter increased 216% to $1.2 billion reflecting growth in operating cash flow and a reduction in capital expenditures from $1.6 billion in the second quarter of '07 to $1.3 billion in the second quarter of '08. Free cash flow per share increased 225% during the quarter from $0.12 in the second quarter of '07 to $0.39 in the second quarter of '08.

It's important to note that our free cash flow excludes any impact on the economic stimulus package. As described on page eight of our second-quarter press release, the economic stimulus package reduced our cash taxes by $315 million for the quarter. However, for normalized comparisons, we have excluded that from our free cash flow.

With year to date pro forma revenue growth of 9% and pro forma operating cash flow growth of 10%, our results are consistent with the full-year target we provided at the beginning of the year all despite an economic environment that remains challenging. As such, we remain comfortable with our full-year guidance.

Let's review our revenue results in more detail so please refer to slide five. Pro forma cable revenue for the second quarter increased 7.2% to $8.1 billion. Our video revenue growth of 3% reflects advanced services growth and rate adjustments offset by weak pay-per-view comparisons, continued promotional activity and the effect of a larger portion of our subscriber base in bundled planning.

At the end of the second quarter of '08, one out of five of our customers took all three of our products. That compares to one out of nine in the second quarter of 2007. As I mentioned, this quarter's video revenue growth was negatively impacted by pay-per-view as last year's second quarter included two major events that generated $33 million in revenue.

Our high-speed data revenue grew 10% in the quarter reflecting continued unit growth and relatively stable ARPU. We continue to gain market share and early indications continue to look favorable for our customer mix as new premium tier editions are outpacing those of our economy of service by four to one.

Our phone revenue increased 50% in the second quarter of '08 reflecting continued penetration of our market and growth in our CDV subscriber base. Consistent with each of the last eight quarters, we added 1 percentage point of CDV penetration this quarter which now stands at 12.5% of homes passed. Our legacy circuit-switched phone service continues to be a drag on revenue growth as phone revenue would have increased 77% year on year if we excluded the decline from our circuit switch business.

Our business services group continues to experience healthy growth with second-quarter '08 revenue of $131 million, an increase of 38% versus last year. Steve will spend more time discussing each of our services later in the call.

Unfortunately cable advertising revenue decreased 2% in the second quarter of '08 highlighting that this business area continues to feel the impact of a softer economy, particularly our local business as well as the auto and housing related categories. We did recognize some political spend this quarter which accounted for approximately 2 percentage points of growth. While the advertising environment continues to look soft, we expect heavier political spending in the second half of the year.

As we review the programming division, this area continues to grow nicely with revenue increasing 10% to $366 million in the second quarter due to higher viewership, higher distribution and higher advertising revenue. The corporate and other category also saw strong revenue growth this quarter as we benefited from increased display and search advertising at our CIM property and incremental revenue from our Spectacor properties.

Please refer to slide six. The Company's consolidated pro forma operating cash flow increased to $3.35 billion, an increase of 8% for the second quarter. Pro forma operating cash flow for the cable division increased 7.6% to $3.36 billion. During the second quarter of '08, cable's operating cash flow margin modestly increased to 41.5% from 41.3%. There are clearly some pluses and minuses impacting our overall cable margins and we are very focused on managing these levers.

For example, we continue to extract operating efficiencies in our CDV cost structure as we scaled to 5.6 million customers. Our direct cost per subscriber continued to see a meaningful decline of approximately 40% versus last year. Total direct costs related to our high-speed Internet business actually declined 5% on an absolute basis this quarter as we continue to migrate more traffic to our own network.

As we mentioned last quarter, we have been very focused on bad debt expense and this metric is back to levels similar to those in last year's second-quarter. We also had improvements in churn across all of our product categories compared to the prior year which we believe reflects improved retention and lower move activity in the marketplace. While we are benefiting from these efforts, we continued to invest in marketing by increasing our spend by 10% in the second quarter and 15% year-to-date and we expect to continue to do so throughout the year.

Another area of operational investment is in business services where expenses increased almost 70% this quarter driven by an increase in headcount and an acceleration in marketing as we continue to invest in the growth of these services. As the market evolves, we are very focused on proactive management of our expenses and aggressively investing where appropriate.

The programming division's operating cash flow increased 17% from $75 million in the second quarter of '07 to $89 million in the second-quarter of '08. Year-to-date programming operating cash flow has increased 44% from $140 million to $202 million. As we mentioned in the first quarter, we expect to see a higher marketing and programming expenses in the second half of the year as we launch new programs in the fall. And as such, we do not expect this level of growth to remain throughout the year.

Please refer to slide seven. Total capital expenditures for the quarter were $1.3 billion, down approximately 20% compared to pro forma capital expenditures of $1.6 billion for the second quarter of '07. On a year-to-date basis, consolidated CapEx has decreased 13% from $3.1 billion to $2.7 billion. Consolidated CapEx as a percentage of revenue decreased this quarter to 15.2% from 20.6% in the second quarter of '07 and year-to-date consolidated CapEx has decreased to 16.1% of revenue from 20.1 last year.

We remain disciplined with our capital expenditure program and consistent with historical trend, cable capital expenditures continue to be predominately growth oriented and are directly tied to revenue generation. As you can see on the slide, growth CapEx was 76% of total CapEx -- total cable CapEx for the first six months of the year. The most significant driver in this year's -- in this quarter's CapEx decline was CPE given the significant number of set top boxes deployed last year as part of our digital acceleration plan ahead of the July 1, 2007 regulatory deadline. During the second quarter, we added 490,000 digital set top boxes as compared to 2.1 million in the second quarter of '07.

We are also being impacted by the economic slowdown related to the housing market as capital spent on new construction has declined 50% versus last year. These declines were somewhat offset by our continued investment in business services. The timing of CapEx will vary from quarter to quarter and as expected, the bulk of our bandwidth and product enhancing investments such as all digital and DOCSIS 3.0 will begin in the second half of the year. Clearly these investments are multiyear projects that will begin in the third and fourth quarter of this year and will likely extend into 2010.

While the strategic importance of transitioning to all digital is obvious, our initial analysis indicates that converting a market to all digital can also generate attractive financial returns under relatively conservative operating assumptions. This is an area we hope to provide more granularity on later in the year.

Just to confirm, these initiatives as well as a few others are all contemplated in this year's plan. We remain comfortable with our full-year guidance for capital expenditures as a percentage of revenue declining to approximately 18% of revenue for 2008 from 20% in 2007.

Please refer to slide eight. As we have said in the past, we have a disciplined financial strategy where we look to invest for growth and differentiation with a strong focus on returns on invested capital. Our strategy is supported by a sharp focus on free cash flow. And given the continued growth in our operating cash flow and lower capital expenditures, we generated free cash flow of $1.2 billion this quarter. On a per-share basis, we generated $0.39 of free cash flow in the quarter, an increase of 225% over last year.

Year-to-date, we generated $1.9 billion of free cash flow versus $810 million last year, or $0.62 per share, an increase of 138% from $0.26 per share during the first six months of last year. Remember our definition of free cash flow remains unchanged and specifically eliminates any impact from the economic stimulus package.

Free cash flow generation is a priority for the Company and we are on track to achieve our full-year target of at least 20% in free cash flow this year.

We have also maintained a disciplined investment and acquisition strategy that is returns focused and centered on extending our product leadership and cross-platform features of our services. Recent investments in the regional sports networks, (inaudible), and our proposed wired investment, are all consistent with this strategy to build long-term shareholder value.

At the same time, we are committed to returning capital to shareholders. In the second quarter of 2008, we repurchased $1 billion of our stock reducing our shares outstanding by nearly 2%. This coupled with the payment of our dividend back in April equates to the Company returning over 100% of free cash flow to shareholders. Over the last 12 months, we have repurchased approximately 3.9 billion of our stock reducing shares by approximately 6%. And as of June 30, we had 4.9 billion remaining in our current stock repurchase plan and our goal continues to be to complete this program by the end of '09.

Now let me pass the call to Steve.

Steve Burke - *Comcast Corporation - COO*

Thanks, Mike. Halfway through 2008, we are right about where we thought we would be executing well on the plan we laid out for the year. We are going to stick with the key elements of the plan including a balanced approach with aggressive marketing, continued high-speed data and telephone growth, investment in new businesses like commercial, and managing operating expenses and capital to generate strong operating cash flow and free cash flow.

At the beginning of the year, we said revenue growth would be in the 8% to 10% range. In the second quarter, cable revenue growth was basically at the low end of that range due to difficult comps in pay-per-view, the unwinding of our circuit-switched phone business, and as Michael talked about, continued softness in the local advertising business. We managed expenses very well during the quarter. Now that our phone business is scaled, we have slowed down hiring and reduced contract labor which is actually down $80 million year to date.

We've also put a number of tools in place to increase productivity. For example, we've given over 13,000 of our technicians handheld devices and have seen productivity in our technical workforce improve by 15%. With over five million phone customers, our direct unit costs for providing phone service continues to decline, as Mike mentioned, down approximately 40% versus last year.

Capital costs are declining as well. As a result of true two-way in the RNG program, our advanced set-top box costs are down over 25%. Thanks to DOCSIS 3.0, our downstream CMTS costs are 50% lower than a year ago. VOD costs are down 40% per stream.

Now moving onto individual product areas in the next slide, during the second quarter, we traditionally have had a slow quarter for basic subscribers given our footprint. We lost slightly less video customers than we expected and keep adding digital subscribers during the quarter. Digital penetration is currently at 67% and we are starting to convert markets to all digital in the fourth quarter of 2008. We think our digital conversion and the country's broadcast digital transition represent opportunities for us in 2009. Bringing up analog capacity will also make us more competitive as a high def platform as more people convert to high def television.

Moving onto high-speed data, our high-speed business continues to perform well with net adds equal to 82% of last year's level, a comparable index to the first quarter. These results continue to suggest as some have said that DSL may be the new dial-up. This quarter approximately two-thirds of our net adds came from DSL customers.

Our ARPU has been stable as we balance premium and economy tiers. We have been testing a 50 Mb service in the Twin City area and plan to launch this to 20% of our systems by the end of the year using DOCSIS 3.0.

Our phone business continues to do well and we are on pace to add over two million new customers this year. We added less phone customers in the second quarter than the first but think this is probably due to seasonality and as you can see from the graph, we are still on a very steep ramp. With phone penetration overall around 12.5% and in some markets over 20%, we would anticipate many more quarters of growth ahead.

Of note, we have now essentially unwound the remainder of the circuit-switch business during the quarter. We inherited over 1.4 million circuit-switch customers from the AT&T Broadband deal and getting out of this business has been a drag on our results. We are glad it is behind us.

Our commercial business is now growing rapidly with revenues up 38% for the quarter. This is now a $500 million plus business getting big quickly. We have 2500 employees and are approaching full staffing levels. We've launched eight line phone service across our footprint so we have the right set of products now to be fully competitive. This business is really starting to move.

We are also investing in reliability and service. Improving the customer experience is a key priority for the Company and we are working on every aspect of it from call centers to technicians to network reliability. During the last few years, we integrated 4.5 million video subscribers and launched residential phone. Now that this work is behind us, we look forward to optimizing the business and improving service.

As we look to the second half of 2008, we will be launching two major initiatives that will position us for the future, going all digital and DOCSIS 3.0. These initiatives will allow us to have more high def channels and faster data speeds in the future.

Moving to slide 14, as we've grown each of our businesses and added new features our ARPU has increased from $91 in the second quarter of 2006 to $110 in the second quarter of 2008. This slide really reflects our approach to growth. Single-digit growth in video ARPU complemented by high-speed data, CDV and new digital features such as DVRs and high def.

Halfway through what is a difficult year for the economy and the country, we are doing well and are right on plan. When you look at our results compared to our wireline competitors, I think it speaks volumes about the strength of the cable platform and our team's ability to execute.

Marlene, let's open it up for questions.

Marlene Dooner - *Comcast Corporation - SVP of IR*

Thanks, Steve. Operator, please let's open the call to Q&A.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS) Jessica Reif Cohen, Merrill Lynch.

Jessica Reif Cohen - *Merrill Lynch - Analyst*

Thank you. I was just wondering if you could comment on the outlook for program cost growth? We've heard from several companies who received (inaudible) from you that they are expecting double-digit increases. We've heard some broadcasters talking about retransmission fees. I'm just wondering if you could comment on your own outlook given the 3% video ARPU, the 3% video revenue growth?

Brian Roberts - *Comcast Corporation - Chairman, President and CEO*

Well, part of this is I think the revenue you have to look at is the combined package because the way we are choosing to market where we are creating promotions for the consumer, which products are more -- work well in the bundle. So I personally am focused on the total $110 combined ARPU number myself. Year-over-year, that has shown good growth and quarter-over-quarter good growth.

Programming costs are always each year is a little different. There are definitely some things happening in the sports area that are creating some upward momentum on price as people create more networks with different teams or different leagues or different colleges. And generally, I think we are comfortable that there is no great change that is going to happen on the edges. There might be some increased distributors that are going to create an opportunity for programmers to try to increase rates we've seen that trends in years gone by. Retransmission consent continues to be an area that there's always a lot of tension around and it is not my favorite public policy because I think it puts the consumer in the middle of free television and broadcast television.

So I think we are going to have a pretty -- ability to manage that cost line. It may creep up a bit one year and creep down another year. So far this year we are pretty on track.

Marlene Dooner - *Comcast Corporation - SVP of IR*

Thanks, Jessica. Operator, let's take the next question please.

Operator

Craig Moffett, Sanford Bernstein.

Craig Moffett - *Sanford Bernstein - Analyst*

Two questions. First, Mike, for you, you described in the past a little bit a new capital budgeting process or a new budgeting process with the regional business unit that pushes free cash flow responsibility out and sort of syndicates it out to the field. I wonder if you could just talk about what you've found so far in implementing that process and what your key learnings are?

And then, Steve, if you could comment on the Company's plans for the digital TV transition and what kind of initiatives and expectations you've got in place for next February?

Michael Angelakis - *Comcast Corporation - CFO*

Why don't I take the first one. Hi Craig.

Craig Moffett - *Sanford Bernstein - Analyst*

Hi Mike.

Michael Angelakis - *Comcast Corporation - CFO*

With regards to free cash flow and CapEx, we actually have from a budgeting standpoint categorized CapEx into three areas, maintenance, growth and discretionary, really driven that kind of mode into the field so people are really understanding where they are spending dollars whether it is on the maintenance side or the strategic or discretionary side or on the growth side which really needs to have a pure revenue component. Clearly CapEx has a very meaningful impact on free cash flow. And I think people in the field or throughout the Company understand that that is a primary focus of ours.

Steve Burke - *Comcast Corporation - COO*

Craig, in terms of the country's digital transition, we think this is a real opportunity. It is very, very difficult to precisely determine how big the opportunity is but just to give some range, we think there is between six and eight million people who live in our footprint who currently get their television signals over the air. And somewhere around 20% or 30% of those six to eight million people will not be able to get digital signals over the air in our engineer's estimation. So there is a number, one million, two million people that live in our footprint that are going to have to get satellite or cable to have connectivity to their television.

In addition, the other people who can get over the air signals, the evidence suggests right now that a lot of the coupons are not being redeemed. Once somebody redeems a coupon for the antennas, you've got to go home and set it up. So we provide I think a very low cost alternative for somebody to reliably get service after the transition. And we have a full marketing, comprehensive marketing campaign that we are going to be launching in the not too distant future to go after the opportunity.

But the real $64,000 question here is how many units is it going to generate? And the thing I will leave it at is we think it's going to be a substantial number of new basic customers.

Craig Moffett - *Sanford Bernstein - Analyst*

Thanks, Steve.

Marlene Dooner - *Comcast Corporation - SVP of IR*

Thanks, Craig. Operator, let's take the next question, please.

Operator

Benjamin Swinburne, Morgan Stanley.

Benjamin Swinburne - *Morgan Stanley - Analyst*

Thanks, good morning, guys. I wanted to ask about the digital to analog converter project and the all-digital shift for 2009. I know you said you would be talking more about the economic benefits later in the year but if you look at what Cablevision saw when they went through their all digital transition, in some of their systems they picked up a lot of -- eliminated a lot of piracy and saw a nice basic sublift. They also obviously saw a CapEx lift.

I'm wondering on both of those ends, do you think there is a chance you can see basic subscriber growth by attacking that piracy issue as you convert people over to a digital platform because you can encrypt better? And within the context of your long-term view of that CapEx decline as a percent of the sales, does that change [nine] because of the move toward all digital or does that fit into your broader long-term view on capital intensity?

Brian Roberts - *Comcast Corporation - Chairman, President and CEO*

Right now only a very small percentage of the Company has actually gone all digital. We've taken parts of Chicago all digital, for example. And the initial results indicate that a lot of good things happen once you go all-digital. Good things happen in terms of theft reduction, good things happen in terms of the elimination of truck rolls when you disconnect a customer because you have the ability to do that on a remote basis. So the initial results would indicate that there are good solid economic returns in addition to the benefit of getting all that analog spectrum back.

As Mike mentioned, we will be sharing those numbers with you but what we would like to do is start to roll out more markets which we will be doing in the fourth quarter so that when we share the numbers, we have a bigger sample size. But there is no question in my mind, theft remains a real issue for cable companies, it always has been. And the digital delivery mechanism has never been hacked. The fact that it has never been hacked, and by definition, it is going to be harder to try to steal our service would indicate that we should get a lift in basic subs.

Michael Angelakis - *Comcast Corporation - CFO*

I will take the capital intensity side. It is clearly still our goal that as a percentage of revenue, the trend goes downward. And we think we are able to both this year and next year manage that appropriately.

Benjamin Swinburne - *Morgan Stanley - Analyst*

Thank you very much.

Marlene Dooner - *Comcast Corporation - SVP of IR*

Thanks, Ben. Operator, let's take the next question please.

Operator

John Hodulik, UBS.

John Hodulik - *UBS - Analyst*

Good morning. A couple of quick questions on the video competition. It looks like you guys were able to defy the typical seasonality we see here in the second quarter. Could you just talk about some of the promotions or what you guys are doing to really defend your share in the quarter? And talk about any increase or changes in the competitive levels you are seeing from Tier Verizon during the quarter?

And then lastly, with the new promotion with the Nintendo Wii, if you could give us any detail on the economics there or what impact it may have on the margins?

Brian Roberts - *Comcast Corporation - Chairman, President and CEO*

Let me just start and then kick it over to Steve on the specifics of some the marketing promotions. But I think we are -- one of the things we said at the beginning of the year is that one of the goals of the Company is to [maintain] superior products.

How you communicate that to the consumer with our marketing and our messaging and different promotions is critical. And I think that in an age where more and more people want to use video over the Internet, whether that is YouTube or now just tons and tons of streaming video, and we've always said video is friend of Comcast over the Internet. It is going to create more broadband demand and I think it is going to help differentiate what it means to have faster more reliable speed. And I think that that proved out in this quarter once again.

The same goes for whether it is our on-demand platform, and what Steve was just talking about in our all-digital plan, we have all the specifics of how we are going to do it and all the possible short-term benefits but longer term having a roadmap without needing a rebuild is going to give us an ability to innovate and have more creative products both through video, on the data side and on the communications front and cross-platform services. It is critical that we maintain our superiority and I think that is what showed through here when you compare our industry to some others. Steve?

Steve Burke - *Comcast Corporation - COO*

In terms of the other product categories during the quarter, we are spending more on marketing than we did last year and we are trying to be aggressive in terms of the message that we are bringing out to customers but we are also trying to be balanced in terms of generating operating cash flow and free cash flow. If you look at basic subscribers, we actually the second quarter we traditionally lost basic subscribers. We have a lot of college campuses and Florida residents who disconnect because they go back north. But just for reference, in 2005, we lost 95,000 subscribers; in the second quarter 2006, 91,000; in 2007, [101,000]; in 2008, [138,000].

So we think with all of the new competition on the basic subscriber front that was pretty good performance and as I mentioned in the opening remarks, better than we had thought.

In terms of the telephone, even though we added less phone customers in the second quarter than the first, 550,000 new phone customers is a lot of customers. We are on a ramp to add over two million phone customers this year and that business is growing really rapidly so we feel good about that.

In terms of the packaging and the promotions, we launched a promotion where if you get a certain level of triple play service, you get a Wii videogame unit and we are marketing that and we are going to be pretty aggressive with that. And we are going to try to continually come up with new ways to talk to customers about our bundles and three product versus two product versus one product. I think it is a very competitive world and we had a major promotion with the launch of the Batman that we were really proud of.

So I think what you are seeing is we are stepping up our game here and we want to do it in a balanced way and I think we need to be realistic that with more competition there will be quarters where basic subs do well and basic subs don't do well. But as a whole, I think we are pretty pleased with our platform and pleased with the performance.

Marlene Dooner - *Comcast Corporation - SVP of IR*

Thanks, John. Operator, let's go to the next question, please.

Operator

Ingrid Chung, Goldman Sachs.

Ingrid Chung - *Goldman Sachs - Analyst*

Thank you, good morning. So two quick questions if I may. The first one on business services, I think you just reported revenue up 38% year-on-year. Very strong growth rate but a tad slower than the year ago growth rate for the full year. I was just wondering if you expect this growth rate to accelerate in the second half and do you think the soft economy is helping you or hurting you?

And then secondly, I was wondering about net neutrality. Would you ever go to a consumption-based model for broadband?

Steve Burke - *Comcast Corporation - COO*

Let me start with business services. I think that business is really starting to ramp and you may be looking at -- since the business was so much smaller if you look at the annual growth rates, but I think the speed of the ramp now I'm very pleased with. And I mentioned on one of these calls a few quarters ago that I was getting impatient that the hiring was taking longer -- everything else. We are now in my estimation on a very, very aggressive ramp that I am very pleased with.

Just to give you a range, we added 90,000 units, close to 90,000 units in the second quarter of this year; in the business space, we added 47,000 in the second quarter of last year. So that is a pretty rapid ramp. What is great about this business is we now have a lot of our sales people on board, they have been trained and we have an eight-line phone product virtually ubiquitous in our footprint which was not the case just a few months ago. And so I think in my mind that the velocity of the ramp is speeding up, not slowing down.

Brian Roberts - *Comcast Corporation - Chairman, President and CEO*

On the consumption-based billing model for the net neutrality, as I think we have said before, we disagree with the FCC's apparent finding by three commissioners. We believe our network management choices were reasonable, consistent with industry practices and we have never blocked any websites or any applications as some of the articles have suggested. In fact, today's Wall Street Journal had an interesting editorial on this raging debate that was whether this is the right path.

That said, we have already said that we were going to adjust our network management techniques to go to a bit more of a consumption-based model for individual consumers and to -- you have to manage your network to give everybody a great experience. I think almost universally people are coming to that view from different perspectives, different network operators. I think we will continue along this road and find proper techniques that work that give many, many people a great experience and are in some ways less offensive to some for those that are offended.

So I think it is going to be an evolution. The technology changes all the time. What people are doing on the Internet changes all the time, the vast amounts of quantities they consume, but net-net, I think people love our product. There is a lots of trust in our product and that is why I think you see a growing as well, as Steve might have said, better than any certainly of the DSL.

Marlene Dooner - *Comcast Corporation - SVP of IR*

Thanks, Ingrid. Operator, let's go to the next question please.

Operator

Vijay Jayant, Lehman Brothers.

Vijay Jayant - *Lehman Brothers - Analyst*

Thanks. If I could, two questions. First, for Steve. You have about a quarter and a half of your dual play voice data bundle to the non-video, the private base. Can you talk about any traction there how you are investing to get them to come on board?

And a question for Mike, on your free cash flow derivation, there is an add back of $220 million of tax payment on non-operating items. Can you just explain what that is? Thanks.

Steve Burke - *Comcast Corporation - COO*

Well on the two play bundles, right now if you look at the whole company, about 20% of our 24.5 million video customers take all three products, our triple-play customers, and that is up dramatically over the last couple of years. About 55% of our customers take two products. And what we are finding is that the two product bundles particularly in this kind of economy, this is an area where the economy clearly impacts our business. If we can offer low price two play bundles, it seems to be getting some real traction.

And really what we are doing is we have a mix of offers. There are three product offers, the Wii offer which we refer to as actually a relatively high-end offer. But then we have two product economy offers for people who may not be able to afford all three products or don't want to for whatever reason don't want to shift on one of the three. And I think we are getting better at managing this spectrum of promotional offers.

Michael Angelakis - *Comcast Corporation - CFO*

We can walk you through off-line a little bit of the detail but this is really a bunch of working capital items as well as taxes paid on things below the line. So we can go through the details. It's a lot of different items.

Vijay Jayant - *Lehman Brothers - Analyst*

Thanks.

Marlene Dooner - *Comcast Corporation - SVP of IR*

Thanks, Vijay. Operator, let's take the next question, please.

Operator

Doug Mitchelson, Deutsche Bank.

Doug Mitchelson - *Deutsche Bank - Analyst*

Great, thanks. Two questions; one for Brian and one for Steve. Brian, you talked about the balance sheet as a terrific asset in this environment. So my question is, is it an asset you are willing to use aggressively for acquisitions or does it just help everyone sleep better at night?

And then for Steve, you talked about DSL being the new dial-up. That's a nice catch phrase. So are you seeing these broadband share gains continuing into the third quarter? And how do you feel about the overall broadband marketplace? Its hard to imagine the telcos are just going to take these market share gains lying down. Thanks.

Brian Roberts - *Comcast Corporation - Chairman, President and CEO*

Okay, well, I think the point that I was trying to make was that you see a lot of companies who can't access the capital markets who are having issues with the stability of their balance sheet and it has impacted their business in a radical way. That is not hopefully ever going to happen. That is something that we are very proud that we have got all our financing in place. We are generating free cash flow, we are able to use that free cash flow. So I think it is the strength of the balance sheet as you put it to sleep at night.

At the same time obviously, there is always an opportunity to take advantage of situations and having strength, that has always proved well in the way that we look at new opportunities. Mike, do you want to add anything there?

Michael Angelakis - *Comcast Corporation - CFO*

Sure. I mean, I think which Brian is referring to obviously we are in a pretty severe credit crunch so having a strong balance sheet we think clearly is an asset. Secondly, with regards to I think where you are going, Doug, is on acquisitions. I think you can hear from the tone of the call today, we are very focused on execution. But as we said before, we also look at a number of acquisitions and we've made a few and I referenced a few of them in the call today with the key that we will be very disciplined and we are really looking to build long-term shareholder value. So I think that is where our heads are.

Steve Burke - *Comcast Corporation - COO*

In terms of the cable's relative share with DSL, if you look at what is going on now on the Internet, we had a meeting the other day where we looked at the amount of video that is being streamed on the Internet and the growth in that usage is phenomenal. And in some ways that growth trend is faster than other technologies like DVRs or DVD usage or even cell phones. And what I think people are finding as they use more and more bandwidth intensive applications, having half a meg or a meg of a down speed capacity just doesn't cut it. So I think we have a platform advantage in that we are offering much higher data speeds and we plan to continue that advantage and certainly continue our business moving in the future.

And the main way that we intend to get very aggressive in this space really going into 2009 is a technology called DOCSIS 3.0 which is going to allow us instead of devoting one analog channel to our high-speed data business to devote three or four and instead of offering speeds of six or eight meg got to 50 or even 100 meg and do that in all of our footprint, not just in specific areas.

So if you look at the broadband marketplace, there is no question that the conversion of narrowband to broadband is slowing down because there are just less narrowband customers out there left you convert. But there is also no question in my mind that consumers are going to go for higher data speeds when they are unavailable. And we intend really ubiquitously throughout our footprint to have very, very competitive data speeds and DOCSIS 3.0 is going to let us really shift into another gear next year.

Doug Mitchelson - *Deutsche Bank - Analyst*

And so if I could follow on to the whole business, the RBOCs to the extent the RBOCs try to cut price to normalize that share, it's not going to work because the demand for video is so high right now?

Steve Burke - *Comcast Corporation - COO*

I don't think it's about price, I think the functionality and the use and the advantage of having a really fast Internet connection for the last five years, you've always been able to get lower speed product at $9 or $19. So the price point I think is not the issue. I think the issue is what is the value that somebody gets and what are they using the Internet for? If you just look at your own behavior or that of your kids or your friends, when you are streaming video, you really want to have a fast data connection and whether it is $9 or $40, if you are using it every day for an hour a day, you are prepared to pay the higher price to get those kind of speeds.

Marlene Dooner - *Comcast Corporation - SVP of IR*

Thanks, Doug. Operator, let's take one last question, please.

Operator

Bryan Goldberg, JPMorgan.

Bryan Goldberg - *JPMorgan - Analyst*

Thanks. Question on your digitization efforts of the cable network. Could you share with us any important operational lessons you learned in Chicago with the process more or less disruptive to your customers or your organization than you thought heading into the process? And then secondarily, in the current economic environment, have you seen any change in premium video downgrade trends? Thanks.

Steve Burke - *Comcast Corporation - COO*

The answer to the premium video downgrade trends is no, we really haven't seen that. We are seeing more promotional activity on the part of consumers when they sign up. People I think are much more inclined to comparison shop and look for deals. We also have some customers which we really didn't have a year or two ago that will call us up and say look, I'm paying $120. I really need to get that number down to $90.

So there is clearly an economic tension out there but I wouldn't say we are having premium customers downgrade. We continue to add advanced set-top boxes etc.

In terms of Chicago and the experience we've had on the digital conversion, the good news is right now about -- we are coming up on 70% of our customers having digital service already. And then of the remaining 30%, about half of those remaining 30% are what we call life line B-1 customers, a little less than that. So really you are down to call it 15% of your base that you need to convert. For that 15%, it's a complicated and intrusive process. You've got to get set-top boxes or converters into those homes and that is not without some pain.

That having been said, we are planning this very, very carefully. We are going to be doing it node by node and we've done other things like billing conversions and upgrades that have also been intrusive. And in the scheme of those things, we don't think this is worse.

The good news from Chicago is once we made those changes, once we took the market all digital, everything else financially has been much better than we thought since we did it. Now that may not happen in every market but we are pretty comfortable that once you go through that change, by the way, we are going to be giving customers more products and services after they make the digital transition. Their picture quality will be better, they will have VOD, they will have more channels.

So once you get through it, that coupled with the operating savings and everything else, I think economically it clearly is a good trade off realizing when you go through it for some people it requires a truck roll and an intrusive process.

Brian Roberts - *Comcast Corporation - Chairman, President and CEO*

It's really a relaunch of our cable operations. It's going to give us a new platform so like any of these major initiatives, there will be some minority noise around customer experiences and I think we are very sensitive to it, very focused on getting it right. It's going to be done gradually. We will learn as we go. So I don't personally think it's going to be super disruptive.

People who have digital today if they have a second, third, fourth or fifth set that doesn't have digital, they may want to get a box. So there is going to be an opportunity we think we have a very exciting little unintrusive device that is much, much smaller than any box anyone has ever deployed before for people that want that for just without VOD capabilities. And then we have our standard box with VOD capabilities and then we have the high def box and the DVR boxes.

So there is going to be a suite of choices, many, many different things than what you traditionally would think of coming from cable. So, I think it is going to be great.

Marlene Dooner - *Comcast Corporation - SVP of IR*

Thank you, Brian.

Brian Roberts - *Comcast Corporation - Chairman, President and CEO*

Thank you.

Marlene Dooner - *Comcast Corporation - SVP of IR*

-- and thank you all for joining us this morning.

Operator

Thank you. We have no further questions at this time. There will be a replay available of today's call starting at 11:30 a.m. Eastern time. It will run through Monday, August 4 at Midnight Central Time. The dial-in number is 800-642-1687 and the conference ID number is 51566777. A recording of the conference call will also be a available on the Company's website beginning at 12:30 p.m. today.

This concludes today's teleconference. Thank you all for participating. You may all disconnect.