MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, and welcome to Comcast's Second Quarter 2010 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, Investor Relations, Ms. Marlene Dooner. Please go ahead, Ms. Dooner.

Marlene S. Dooner, Senior Vice President, Investor Relations

Thank you, operator. And welcome, everyone, to our second quarter 2010 earnings call. Joining me on the call are Brian Roberts, Steve Burke and Michael Angelakis; and Neil Smit.

As always, let me first refer you to slide number two, which contains our Safe Harbor disclaimer, and remind you that this conference call may include 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 8-K for the reconciliation of non-GAAP financial measures to GAAP.

With that, let me now turn the call to Brian Roberts for his comments. Brian?

Brian L. Roberts, Chairman and Chief Executive Officer

Thanks, Marlene, and good morning everyone. Today we were pleased to report strong financial results for the second quarter and the first half as we continue to focus on profitable growth. In the second quarter, revenue and operating cash flow growth accelerated to 6% and we generated $1.4 billion of free cash flow, an increase of 16%.

These results reflect improved video revenue, double-digit growth in high-speed Internet and voice revenues and strong momentum in our Business Services group. In addition, a stronger advertising market helped us achieve advertising revenue growth of 20% or more in both our Cable and Programming businesses.

These healthy financial results also take into account the typical seasonality in our Cable markets in the second quarter and other promotional activities last year including the country's digital transition. I believe our strong results demonstrate that we are striking a good balance between revenue, cash flow, and customer growth, and that we remain disciplined in managing operating expenses and capital.

It's still difficult to see perfectly the direction and strength of the economy, so we remain cautious, but optimistic about our ability to continue to execute in this environment.

Under the new leadership, Neil Smit who is off to a fantastic start internally, we are continuing to make steady progress deploying All-Digital and DOCSIS 3.0, strategic initiatives that dramatically improve our product offerings to consumers and strengthen our competitive position now and in the future.

We have now deployed All-Digital in about 60% of our markets and we are currently active in 80% of our footprint allowing us to significantly increase our product offering in HD television, foreign language programming and On Demand.

We're also building a leadership position in 3D with movies, events and sports. We now reach more than 80% of our footprint with DOCSIS 3.0 which reinforces our product superiority as we double the speeds to our existing customers and introduce new, higher speed services like 50 megabits to more than 40 million homes available.

We're also delivering accelerating growth in revenues and operating cash flow and strong growth in free cash flow while we invest to improve the customer experience and to support new growth opportunities that position the company for future success.

Another opportunity for Comcast is NBC Universal where Steve Burke has turned much of his focus to planning on a successful integration. We're eight months into the regulatory approval process and we're on track to close this transaction we hope by year-end. As Steve will discuss, we are well underway in our planning and we're more excited about the prospects of this combination now than when we first announced the transaction last December. It provides a real opportunity to deliver the best entertainment experience to consumers and to drive value creation for our shareholders.

So let me now pass to Mike Angelakis to cover the second quarter results in more detail. Mike?

Michael J. Angelakis, Chief Financial Officer

Thank you, Brian. Let me begin by briefly reviewing our consolidated results starting on slide four. Overall, we are pleased with our second quarter results reflecting our continued focus on profitable growth as we continue to balance revenue, operating cash flow, and customer growth and remain very focused on expense and capital management.

Second quarter consolidated revenue increased 6.1% to 9.5 billion and operating cash flow grew 5.7% to 3.7 billion resulting in a consolidated operating cash flow margin of 39.2%. This quarter's operating cash flow results include approximately $22 million of operating expense related to the NBC Universal transaction, which is included in our corporate and other segment. Excluding these costs, consolidated operating cash flow grew 6.3% and our operating cash flow margin increased to 39.5% from 39.4% in 2009.

We are also very focused on free cash flow, free cash flow per share and earnings per share as important metrics in evaluating the strength of the enterprise. In each of these key metrics, our performance during the second quarter and on a year-to-date basis were strong and reflected continued progress and growth.

During the second quarter, we generated consolidated free cash flow of 1.4 billion, an increase of 15.8%, versus the second quarter of last year. On a year-to-date basis, free cash flow has increased 27.8% to 3.2 billion from 2.5 billion in 2009.

In addition, free cash flow per share increased 20% in the quarter to $0.48 per share and year-to-date free cash flow per share has increased 31% to $1.15 per share compared to the same period in 2009.

In the second quarter, excluding total NBCU related costs of 59 million and tax benefits in last year's second quarter, earnings per share grew 13.8% to $0.33 per share from $0.29 per share last year. On a year-to-date basis, again, excluding NBCU related costs of 88 million in the first half of this year and tax benefits during the first half of 2009, EPS grew 18.5% over the comparable period in 2009.

Please refer to slide five to review the Cable division's second quarter results. Second quarter Cable revenue increased 5.1% to 8.9 billion reflecting accelerating organic growth in each of our businesses, including video, high-speed Internet, voice and Business Services, as well as a continued improvement in cable advertising.

Customer growth was relatively strong in the first five months of the year, but in June, customer additions were softer than expected and this has continued into July. We believe this reflects a continuing soft economy and competition, as well as the natural roll off of single product video customers we had gained from the 12-month promotions related to the broadcast digital transition.

For the second quarter, total video, high-speed Internet and voice customers grew to 47.8 million, an increase of 3.4%, or 1.6 million new customer additions over the last 12 months. Despite the seasonally affected customer growth, total revenue per video customer increased 8% to $128 per month in the second quarter and reflects rate increases in video and high-speed data, a higher contribution from Comcast Business Services and the increasing number of customers taking multiple products. At the end of the second quarter, 31% of our video customers took all three services compared to 26% at the end of last year's second quarter.

For the second quarter of 2010, total video revenue has started to accelerate and increased 0.7% reflecting rate adjustments, an increasing number of our customers taking higher level of our digital services and improved pay-per-view performance driven by day and date movies and events. We now have 23.2 million video customers.

High speed Internet revenue increased a healthy 10.3% during the quarter, reflecting rate adjustments and more customers taking higher speed services. We now have 16.4 million high-speed Internet customers with penetration of 32.2%.

Voice revenue also posted a strong growth by increasing 14.3% for the quarter, as we continued to grow our customer base. We now have over 8 million voice customers with penetration of 16.5%. We continued to have real success in the small end of the business market with Business Services revenue increasing 54.4% to 306 million for the second quarter.

Excluding the contribution from our Cimco and NGT acquisitions completed in the first quarter, revenue increased 45%. We expect the momentum in the small end of the business market to continue and we are enthusiastic about the opportunity to expand our cell backhaul business and our capabilities to serve mid-sized businesses.

As I mentioned, cable advertising continued to rebound as revenue in the second quarter increased 22.6%. This improvement was led by a continued strength in automotive as well as a solid recovery in almost every category.

Please refer to slide six to review our Cable division's operating cash flow results. Second quarter operating cash flow increased 5.7% to 3.7 billion. Our Cable operating cash flow margin remained relatively stable at 41.3%, a 20 basis point improvement compared to last year's second quarter.

Total expenses in our Cable segment increased 4.6%, reflecting higher programming and marketing expenses. Programming expenses increased 6.4% this quarter, reflecting the addition of new programming, contract resets and higher pay-per-view expenses. As I mentioned last quarter, we do expect programming expenses to increase at a higher rate in the subsequent quarters.

Marketing expenses increased 12.3% this quarter reflecting a continued investment in direct sales, our retail channel, as well as costs associated with the ongoing roll-out of our new Xfinity branding campaign which will be in 80% of our markets by year-end.

We are constantly evaluating our cost structure to gain more efficiencies and in the second quarter, customer service expense declined 2.4% and technical labor expense declined 7.6% as we benefited from a number of efficiency initiatives, which resulted in lower activity levels, higher call automation and customer self-service. Given the economic backdrop, we have also been very focused on delinquencies and our bad debt expense an now have seen bad debt expense decline for four consecutive quarters.

Please refer to slide seven to review our capital expenditures for this quarter. In the second quarter of 2010, capital expenditures increased 1.5% to 1.1 billion representing 11.9% of total revenue. The modest uptick in the level of CapEx spend this quarter reflects an increased investment to support the growth and expansion in Business Services and product enhancement initiatives in the areas of converged products, IP technology and switched digital video. These items together with the timing of CPE purchases contributed to the sequential increase in CapEx from the first to the second quarter.

During the second quarter, we deployed 4.6 million digital set tops and adapters including 4 million digital adapters in support of the All-Digital roll-out. We have now deployed almost 13 million digital adapters since the inception of the All-Digital project. This quarter, we also deployed almost 500,000 Advanced HD and/or DVR set tops as we added 154,000 Advanced Service customers in the second quarter. We now have 9.7 million high-def and/or DVR customers, equal to 50% of our digital customer base and 42% of all video customers.

Year-to-date, capital expenditures decreased 9.6% to 2.1 billion, or 11% of revenue. However, looking ahead we do expect CapEx will modestly increase in the second half of 2010, as we continue to invest to sustain momentum in Business Services, and expand our efforts for the mid-sized businesses and cell backhaul.

With over 80% our footprint now wideband enabled we have substantially completed our wideband project, but we will continue our roll-out of All-Digital and expect to be substantially complete with this project by year-end. Even with all the product and business-oriented growth investments, we expect our 2010 capital expenditures will be lower in both absolute dollars and as a percentage of revenue when compared with last year.

Please refer to slide eight. Our priority for allocating capital has been consistent to be returns-oriented and to profitably invest in the operating and strategic needs of our business. We will continue to deploy capital to our businesses that provide attractive incremental returns, enhance our competitive position and deliver sustainable organic growth.

Our discipline and returns-focused approach to CapEx has helped drive significant growth in free cash flow generation and as I mentioned previously, this quarter's free cash flow increased 15.8% to 1.4 billion and free cash flow per share increased 20% to $0.48 per share. Year to date, free cash flow increased 27.8% to 3.2 billion and free cash flow per share increased 30.7% to $1.15 per share.

Reflecting our strong commitment to return capital directly to shareholders, in the second quarter we repurchased 17.3 million of our common shares for 300 million and year to date, we have re-purchased 36.4 million shares for $600 million. As of June 30, we have approximately 2.7 billion of availability remaining under our share repurchase authorization and as we have previously indicated we intend to complete this repurchase subject to market conditions by the end of 2012.

Also during the quarter, we paid a cash dividend totaling 267 million. Today, we paid our third quarterly dividend totaling 265 million for a total of 800 million year to date. The combination of dividends and stock buybacks results in a total payout ratio of approximately 44% of our last 12 months free cash flow. Based on our current stock price, this combined return of capital now represents in excess of a 4% yield. Now let me turn it over to Steve.

Stephen B. Burke, Chief Operating Officer, President, Comcast Cable Communications

Thanks, Mike. As you just heard, we're pleased with our second quarter results as we are effectively balancing financial and customer growth. Financially, we saw good acceleration in both revenue and operating cash flow and believe our product and efficiency initiatives like All-Digital, DOCSIS 3.0 and Challenge 2010 are beginning to have a real positive impact on our results.

On the unit side, the second quarter is seasonally slow for us in both video and high-speed data due to the number of customers in college and vacation towns. In fact, for high-speed data, the more successful we are at adding these customers in the third quarter, the more pronounced this second quarter seasonality becomes the following year. However, I think it's important to note that in the first half of 2010, we've added 517,000 new high-speed data customers. That's an increase of 31% over the first half of 2009.

In addition to seasonality, last year's second quarter included a significant amount of promotional activity related to the national digital transition. As these deeply discounted promotions are rolling off, we are being disciplined in the offers we're providing these customers. However, these are price sensitive, high churn customers and we elected not to chase them.

When you look at the quarter overall, we effectively managed the business for profitable growth. In the second quarter we reported improved video revenue, double-digit growth in high-speed Internet and voice revenue. Also, the momentum in Business Service continues. We're firing on all cylinders in this business and as Mike mentioned, we're maintaining our 40 to 50% growth rate even as our base gets bigger. In addition, advertising continued to really turn around.

Also our financials show that we've been very effective in driving average revenue per unit, or ARPU growth. Over the last three quarters, video ARPU has increased 5% and high-speed data ARPU has increased over 4%. As a result, both revenue and operating cash flow growth in the second quarter accelerated. We expect the momentum to continue in the second half of this year as we continue to focus on targeted retention and acquisition offers in an effort to get the right balance and the right products to the right customer.

Moving on to advertising, in the first half of 2010 Cable advertising increased 23%. The turnaround in the advertising business has been dramatic, particularly compared to the first half of 2009 when advertising declined 21%. As Mike mentioned earlier, this growth was led by the auto sector but we're seeing real improvements across many categories including retail, food and beverage, healthcare and education, which all posted double-digit increases. Importantly, political advertising is starting to ramp for November 2010. We should see this gain momentum in the second half of 2010 as political campaigns heat up around the country. This rebound in advertising is occurring across all areas including local, regional and national.

We're also seeing advertising strength in our Programming business. Ad revenue is up 21% in the second quarter for the Programming group compared to a 7% decline in the second quarter of last year. Driven by a strong advertising performance across all our networks and real ratings strength at E!, VERSUS and G4. Both E! and G4 had their most watched and highest rated second quarters in their history, and VERSUS had its most watched second quarter prime driven by the NHL playoffs. The scatter market continues to be very strong and we're optimistic about the momentum in advertising in our Programming business.

When you look at advertising for Comcast combining the Programming business and Cable, advertising is about $2.5 billion a year, a large number but not all that significant compared to 35 billion in total revenues. With a combined NBC Universal and Comcast, advertising revenue will approach a very meaningful $10 billion. Having the advertising market rebound is a very good thing for the combined company.

Moving on to NBC Universal, we, as all of you know, have done a number of successful acquisitions over the years, but in every deal, it seems like from the time you announce to the time you close a number of things inevitably go wrong. What's been really exciting about NBC Universal is that since we announced the deal in December, there have been mainly positive turnarounds.

Most notably the advertising business which is very important, but also our ability to put in place some financing given market conditions that is very attractive and a number of creative improvements. At NBC, at the strong cable channels and also at Universal Studios with a recent hit at the box office of the new movie Despicable Me which could turn into a real successful franchise.

On our end, currently we're highly focused on the planning as to how we will execute once we close this transition. We're careful about the rules and regulations regarding this and we're planning both administratively and strategically for the business post-close. We're meeting weekly to identify growth opportunities in order to hit the ground running when the deal closes. At this point, we remain even more excited than we were when we announced the transaction in December and look forward to close by the end of this year.

Now let me turn it back to Marlene for Q&A.

Marlene S. Dooner, Senior Vice President, Investor Relations

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

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from the line of Jason Bazinet with Citi. Please go ahead.

<Q – Jason Bazinet>: Thanks so much. I just have a question for Mr. Smit. I was wondering if could you give us a compare and contrast between your experience at Charter and what you experienced so far at Comcast, and weigh in on where you see the greatest opportunities either on the cost side or on the revenue side based on what you've learned so far? Thanks.

<A – Neil Smit>: Hi, Jason. I think that number one is I've been really impressed by the enthusiasm and the motivation of folks here. There's a real pride in being part of Comcast. I think the scale of the business is impressive and that as we do things as one entity and we're well aligned, we can really move the needle.

I think I'm really focused on aligning the business around some big themes and getting focused as well as customer service. I think we've made a lot of progress prior to my arrival here in customer service, and we're now leveraging some of that. We're sharing calls more between the various entities. We are doing more in self-service area. We're doing more intra-day monitoring of calls and really we're focusing on sharing the best practices between the regions. Since I've been out to the regions and divisions there's a lot of good things happening. We're trying to leverage that across the business. So those are the areas we're really focused on here.

<Q – Jason Bazinet>: Okay. Thank you very much

<A – Marlene Dooner>: Thanks, Jason. Operator, let's go to the next question, please.

Operator: Our next question comes from the line of Jessica Reif Cohen with Bank of America/Merrill Lynch.

<Q – Jessica Reif Cohen>: Thank you. Both Brian and Steve mentioned that you are more excited now than even before regarding NBC Universal. So I'm just wondering what's different? Is it just the advertising turnaround, or are there things you think you can do that you didn't think before? Can you give us just an update on the regulatory side? Do you still expect a year-end close, or is that too optimistic?

<A – Stephen Burke>: Well, Jessica, I think advertising's got to be sort of the biggest headline. If you look, we signed the deal last December, most companies that were advertising based were going backwards. Today, eight months later, to be going up 15, 20, 25% is a big deal for a company that's going to have $10 billion worth of advertising. Secondly, a lot of the financing that we're putting in place because the market is more favorable than we assumed it would be is coming in, has come in at very attractive rates. Third, I think really in a number of the businesses they've had a number of wins, and that stretches from NBC to the cable channels to Universal Studios. The entry into the animation business with Despicable Me is a big deal, in our opinion. And then finally, we spent a lot of time doing post-merger planning and have been through a lot of the businesses. The NBC executives have looked at our cable businesses and we keep identifying more and more opportunities to do things together that can enhance value.

So if you look at some of our other deals when we did the AT&T broadband deal, it was right before Enron, right before the world fell apart. The stock market went down, interest rates started to gyrate. So we've been there before when it feels like everything is going against you and in this instance, it certainly feels like everything that we can see that's major is going our way.

<A – Brian Roberts>: I think on the regulatory front, Jessica, there's really no new news. The process is well underway, and we're still hopeful for a year-end – before year-end close.

<A – Marlene Dooner>: Thanks, Jessica. Operator, let's go to the next question, please.

Operator: Our next question comes from the line of John Hodulik with UBS. Please go ahead.

<Q – John Hodulik>: Okay, thanks. Good morning. Could you just comment on the level of competition you're seeing in the residential market? It looks like the broadband weakness that you guys' saw was also prevalent throughout the industry. Maybe a sense for what's happening there? Is it just sort of seasonal and maybe cyclical issues? And then, following up on Jessica's question about the regulatory side, is it possible at this point to handicap the possibility of a negotiated settlement as it comes to Title II? Thanks.

<A – Neil Smit>: Hi, John, it's Neil. I think, clearly, we saw a sequential slowdown at HSD, but year over year in the quarter we were up 80%. And year to date, we put on 517K subs and are up 31%. Revenue this quarter was up 10%. So, and over the past four quarters, we put on more HSD subs than AT&T and Verizon combined.

<Q – John Hodulik>: Right.

<A – Neil Smit>: So we're very pleased with our financial performance. We're very pleased with the way our product is positioned, and we see great opportunity going forward. I'll pass it over to Brian.

<A – Brian Roberts>: On Title II, or reclassification of broadband or whatever you want to refer to it, we feel pretty pleased that there's a constructive dialogue around this area and with the FCC and with a number of stakeholders. On the one hand, the National Broadband Plan needs reasonable rules to allow them to implement a plan that we think many elements that we're very supportive of, and so as the Chairman has talked about a third way proposal and that's one possibility.

It seems like the extreme scenarios are off the table from our perspective, but there is – we're hopeful that there is a constructive process underway to try to find regulatory solutions that can allow the businesses to go forward with some certainty, to be pro-investment and pro-innovation and at the same time, establish some ground rules that everyone can find constructive. So we're working on that, and when there's something definitive, we'll be able to report it, but I'm still hopeful.

<Q – John Hodulik>: Okay, thanks.

<A – Marlene Dooner>: Thanks, John. Operator, let's go to the next question, please.

Operator: Our next question comes from the line of Jason Armstrong with Goldman Sachs. Please go ahead.

<Q – Jason Armstrong>: Hey, thanks. Good morning. A couple of questions. Maybe first, just on video competition, if you can talk about what you saw during the quarter, in particular relative to some of the satellite promotions including free HD. And then on the margin trajectory, surprising upside on a couple of the key ARPU metrics, video and HSI, should we be thinking about this translating into further margin expansion over the balance of the year? Thanks.

<A – Neil Smit>: Hi, Jason, it's Neil. On the video side, I think there were a few factors that Steve referred to. The first was seasonality, and I think the impact has been more pronounced as we've executed better on some of the back-to-school campaigns. The second was DTV and the promo roll off. We estimate about 100K gain for – more than 100K gain for the DTV campaign last year, and we had some promo roll off that occurred within the quarter.

And I think on the competitive side, I think it's no surprise that it's a more competitive environment. We've got three plus competitors in most of our markets and I think with the economy, you're going to see more promotional activity. I think as you go to the destination price that the customer ultimately pays at the end of all the promotional activities rolling off, we feel very good about our products and our pricing. I'll turn it over to Michael on the margin side.

<A – Michael Angelakis>: Yeah. Good morning, Jason. So on the margin side, we've been very pleased with the stability of the margin. We've actually seen it grow a little bit both on a Cable side and on the consolidated side, and that includes absorbing a lot of initiatives that we've been pursuing as well as the NBCU costs. So I think the team has done a terrific job of really managing our margin over several years. If you look at one of the slides that I had, you can see that the margins are remarkably stable over a long period of time, and that again, involves absorbing meaningful costs.

With regards to ARPU, you're seeing a couple of things. One we have done rate adjustments which I mentioned on both video and high-speed, and also we are selling more three product and double product bundles. We've really – now about almost one out of three of our customers take three services so that has helped a lot as well, and I think it's just a testament to the execution of the Cable team.

<Q – Jason Armstrong>: Great, thanks.

<A – Marlene Dooner>: Thanks, Jason. Operator let's go to the next question, please.

Operator: Our next question comes from the line of Spencer Wang with Credit Suisse. Please go ahead.

<Q – Spencer Wang>: Thanks, good morning. Two quick questions. The first, I guess is for Neil. Some of the housing data points over the last couple of months have been fairly troublesome I guess. So I was wondering if you could just speak to how you think this will affect the RGU outlook for the second half?

And then the second question is for Brian. It seems like IP video was a big topic at the Cable show this year. So I was interested in your thoughts or interest in going out of market or out of your footprint with IP delivery video. Thanks.

<A – Neil Smit>: Hi, Spencer. It's Neil. I think your point is fair that I think consumer confidence isn't recovered yet and there are fewer occupied living units to buy our services. That being said, as Michael mentioned, our ARPU is strong. We're selling more Advanced Services. We're selling more Triple Play and we've got a great value proposition in our phone product. So I think we're able to offset a lot of that, the foreclosure issue with the economy. And we'll continue to be competitive in our product set and continue to adjust our product bundling and our offers to meet the market conditions.

<A – Brian Roberts>: On our technological plans, our principal focus really is in-market. We continue to believe that's a business that we understand, that we understand the business model. We've not seen other business models that make sense to us at this time so out of market. In-market, we've tried with Fancast, national websites, but in-market our focus is trying to really give our customers the benefit of the IP technology.

That can be in the form of the iPad app that we showed at the Cable show, where you're able to get on the web and see what's available and control your TV better, to more on demand on-line features on devices. If you are one of our customers and this cross platform acceleration of capabilities using IP technology is going to continue happen, it's an exciting time, but we continue to believe that this is part of what's powering our broadband business.

Wi-Fi really helps enable the last foot, if you will to let the consumer device be almost whatever they want it to be for that last foot, but that last mile is best with our cable, and we're pretty bullish on consumption and usage and how that's going to power our business and the investments we're making in capital to have the best facilities two-way, broadband, video on demand, high-def and the like.

<Q – Spencer Wang>: Great. Thank you.

<A – Marlene Dooner>: Thanks, Spencer. Operator let's go to the next question please.

Operator: Our next question comes from the line of Craig Moffett with Sanford Bernstein. Please go ahead.

<Q – Craig Moffett>: Hi. Good morning, a question for Neil and I guess for Brian, a sort of strategic question. As you get to the end of Project Calvary or at least you've now got All-Digital rolled out in enough markets, what does your capacity utilization look like in those markets and how has your thinking evolved about what do you actually do with all of that extra capacity? And how do you take advantage of it strategically and competitively once it's there?

<A – Neil Smit>: Hi, Craig. Well, as Brian mentioned, our All-Digital is rolled out to about 60% of our footprint and we're active in about 80%. We've been successful in those roll-outs and we're seeing great opportunity as you mentioned in freeing – in upping our bandwidth capacity. I think a few examples of that as we've rolled out Xfinity in markets, we're offering over 100 high-def channels. We've doubled the amount of foreign language programming to between 50 or 70 channels. We've launched On Demand with more than 20,000 TV and movie choices. We've eliminated in some of our more mature markets about 25% of the truck rolls.

So it comes in the form of being able to offer more content on the video side, higher speeds on the HSD side and more operational efficiencies and I think those are some of the tangible benefits of that. I think as we move forward and our capacity is increased, it will really depend on consumer needs and demands, how we utilize that capacity going forward.

<A – Brian Roberts>: I think that's a good answer. I'd add 3D, interactive advertising, ethnic programming, business services. One of the great things about what's happened to Comcast and the cable industry in general the last 5 to 10 years, Steve used to refer to us as we're going to be a new products company. For a long time, I never quite understood what that would mean and if you really think about it, that's what we've become, and we have a number of products and as the competitive nature of each of those areas and the demand that's put on them to have a network that's finding a way to get more capacity is a really important and strategic asset for the company.

<Q – Craig Moffett>: Is there anything you can say, Brian about the differences in operating or financial results in post-Calvary markets and pre-Calvary markets?

<A – Brian Roberts>: I can say operationally, generally, we have what we call power rankings between our different regions, and it stacks up financial results, customer service type results, operational results, and generally speaking, the markets that are more mature in their Calvary roll-out that have had it for the longest time period tend to be higher in our overall power rankings, which is a very comprehensive way of looking at the business. So that's probably the most tangible evidence we have of the benefits of Calvary.

<A – Michael Angelakis>: And just to add to that, Craig, it's been a very good, let's say ROI effort for us as well. We spent time analyzing those mature markets and certainly as Neil mentioned from a cost standpoint, there's real savings and we've been very pleased. We will look to possibly share some of that later this year, early next year as more data matures.

<Q – Craig Moffett>: Okay, that's helpful. Thank you.

<A – Marlene Dooner>: Thanks, Craig. Operator, let's go to the next question, please.

Operator: Our next question comes from the line of Ben Swinburne with Morgan Stanley. Please go ahead.

<Q – Benjamin Swinburne>: Thank you. Good morning. Just a couple of questions, I guess to anybody who wants to take them. But I think, Mike, maybe you mentioned video on demand premiums earlier in your prepared remarks and video ARPU showed a very nice acceleration this quarter. I'm just curious – or maybe it was Steve, if you could talk about how much the shifting window on VOD is helping that business and obviously, with Universal coming down the pike, you're going to have more opportunities to look at how you maximize the VOD platform? I think this is a business that probably has a lot of upside. So I'm curious if you could talk about that.

And then second, maybe for Neil, I don't think anybody mentioned the Clearwire High-Speed To Go product. I'm just curious how that roll-out is going and if you're putting a lot of marketing muscle behind that, how you think the customer reception and price points are working so far?

<A – Michael Angelakis>: Why don't I take the VOD. I mean, VOD is performing well. We are having more and more titles with day and date which has driven some VOD pay-per-view revenue. That's a real positive effort and Universal, we think will be an integral part of how that strategy develops. So we've seen real progress in the day and date aspect and that has converted into revenue growth which we're pretty happy about.

<A – Stephen Burke>: I still think there's a lot more potential there. About half the films right now we're getting day and date with DVD, and as that 50% gets closer to 100 and consumers can pretty much count on it, the films being there day and date, I think there's a chance for a big jump. As part of project Xfinity, we now have 70,000 hours of VOD capacity in many of our big markets and you look at the ability to deliver lots and lots of movies and increasingly lots and lots of movies day and date with DVD, to me, it feels like there's a lot of upside. I think we're just starting to see that reflected in the financials.

<Q – Benjamin Swinburne>: And Steve, I don't know if you can answer at this point, but it sounds like you probably don't feel there's any real DVD cannibalization from that day and date shift?

<A – Stephen Burke>: No. We've done a lot of testing and a lot of the studios have done a lot of testing and all the test results suggest that it's incremental.

<Q – Benjamin Swinburne>: Got you.

<A – Stephen Burke>: And that's why studios like Warner Brothers have basically as a matter of policy and Universal and others as a matter of policy have said this makes sense. We're going to do it. It just takes time to chip away at old habits. But I haven't seen any data that suggests it's not incremental for everybody.

<A – Neil Smit>: And with regards to High-Speed To Go, as you know, we're positioning our HSI in-home product together with our 4G wireless product. So you're getting basically the fastest home Internet product with the fastest mobility product. To ensure that there's broad access to the 4G network, we're also offering High-Speed To Go that includes 4G-3G as well as the 3G standalone option right now. We're actively deploying High-Speed To Go in seven different markets, and as of the second quarter, we'll have the product available to about 17 million of our homes and we're looking to expand that by the end of 2010.

<Q – Benjamin Swinburne>: And Neil, this is mainly business traveler type customers? What kind of folks are taking the product at this point?

<A – Neil Smit>: I think it's a mix of business travelers as well as people who just want to have access to the products outside of the home. So the mobility related customer. So it's both.

<Q – Benjamin Swinburne>: Thank you.

<A – Marlene Dooner>: Thanks, Ben. Operator, let's go to the next question, please.

Operator: Our next question comes from the line of Doug Mitchelson with Deutsche bank. Please go ahead.

<Q – Douglas Mitchelson>: Thanks so much. Good morning, a couple of questions. The big picture one for Brian and Steve, given how rapidly you've been improving the quality of your VOD offering are you scratching your heads a little bit on how successful Netflix has been ramping subscribers and do you see a point in the future where the lines cross so to speak, where customers start dropping Netflix because the Comcast service becomes so robust?

And separately, on high-speed data, you mentioned seasonality, I know you don't like to talk monthly, but just conceptually in June, July post the college year ending, have you seen the seasonality impact end?

And I guess sort of, I guess the third question, you talked a lot about going all digital on the DOCSIS markets, in the early markets are you seeing improved results for your high-speed data market share? Thanks.

<A – Brian Roberts>: A lot of stuff in there. So we'll try our best to get to all of that. If we don't, feel free to follow up. But on Netflix, they've done a great job. They offer a nice product, and I think all we can do is try to make our products better. A number of the On Demand offerings have improved dramatically.

We have something we call Project Infinity that has a significant leap forward in the amount of On Demand content from library servers. We're very excited about the potential of that technology, but one of the things Netflix does beautifully and others is give you a great way to search what's available and give you recommendations and that's not so easily done on our electronic program guide today. So we're improving. I think we will improve, and let me kick it over to Neil for some of your other questions.

<A – Neil Smit>: With regards to the high-speed seasonality, I think what's very evident in our Q2 to Q3 numbers last year, so you saw that become a reality there. So in Q2 of last year, we added about 65K customers and in Q3, we added about 361K customers. So a pretty significant difference and I think a lot of that is attributable to the back-to-school movement and some of the seasonal movement.

With regard to DOCSIS 3.0, we do generally see when we launch in the market and we're able to offer higher speeds, we do see the umbrella effect. People buy the higher speeds but they also tier up in their other services. And the good news is our high-speed tiers continue to outsell our economy service. So there is real appetite for the – on behalf of consumers for these higher speeds and all they bring to their capabilities in the house.

<Q – Douglas Mitchelson>: Neil, I mean, guess the crux of my seasonality question on high-speed data was should we expect a similar bump this year. Last year you did have some unique dynamics with the RBOCs being promotional in Q2 and they're less promotional in this second quarter. So I was just trying to get a sense of should we expect a similar bump this year as we saw last year?

<A – Neil Smit>: I think it's way too early to comment on that.

<Q – Douglas Mitchelson>: Great. Thanks.

<A – Marlene Dooner>: Thanks, Doug. Operator, let's go to the next question, please.

Operator: Our next question comes from James Ratcliffe with Barclays Capital. Please go ahead.

<Q – James Ratcliffe>: Thanks for taking the question. Just one conceptually, I guess, really for Mike. How do you think, looking at the future once you have the NBCU deal done about leverage within the company and just particularly between sort of 100% owned Comcast and the joint venture, do you look at it overall consolidated basis or proportional or do you really look at the two businesses separately? I'm trying to get an idea of how you think through that process?

<A – Michael Angelakis>: Yeah. We're actually going through some of that right now. But we will consolidate NBCU, so we will consolidate their debt. Obviously, it's nonrecourse but when you really will peel back the onion, some of it will be proportional, but just to be clear, once the deal closes and we issue our statements, we will be – NBCU will be consolidated with Comcast. We will control it and we will manage it. Obviously, we will have a lot of say in terms of how that business performs.

We're very pleased by the way, with regards to the financing they did earlier this year where they issued about $4 billion of financing and that's turned out to be a very smart move, took out part of the bridge facilities. But just to be clear, it will be fully consolidated.

<Q – James Ratcliffe>: And when you think about target leverage for the company as a whole, do you think about it in terms of a target leverage number for the company as a whole, or do you think about it for Cable specifically, post that transaction?

<A – Michael Angelakis>: No. I think we're going to look at it as a whole. We will be one company. Obviously, we'll have a minority investor with regards to General Electric, but we will look at it as a whole. I think where we are post-closing I think we've articulated as a consolidated basis we'll be somewhere around 2.5 times. That's a reasonable number and for Comcast consolidated, we are – have been and will be somewhere between 2 and 2.5 times depending on how the company performs.

<Q – James Ratcliffe>: Great. And just one on, I guess, for Neil. To what degree – good ARPU performance in broadband in particular, can you talk about the degree to which both DOCSIS 3.0 and Business Services drove that?

<A – Neil Smit>: Well, I think that clearly on the ARPU side and HSD, higher speeds and the ability to offer higher speeds is a significant driver of ARPU within that product line, and also as a whole, as you know, our overall ARPU was up about 8%. Some of that was due to rate increases. Some of that was due to better bundling and so DOCSIS 3.0 contributes to that overall equation.

With regard – excuse me. Repeat your second question.

<Q – James Ratcliffe>: I was just saying also in regards to Business Services. So essentially how much of it was like-for-like better ARPU and how much of it was change in mix?

<A – Neil Smit>: No. I think Business Services while we had a great quarter, they were up 54%, was a relatively minor contributor to the overall ARPU number.

<Q – James Ratcliffe>: Great. Thank you.

<A – Marlene Dooner>: Thanks, James. Operator, let's go to the next question, please.

Operator: Next question comes from the line of Marci Ryvicker, with Wells Fargo Securities. Please go ahead.

<Q – Marci Ryvicker>: Thanks. My first question is do you track the subs that leave, and I'm specifically referring to the 265,000 net video subs you lost, can you tell us where they're going, are they going to the Telcos, the satellite or are they cutting the cord? Then the next question would be why are they leaving, it is price, or customer service or something else?

<A – Neil Smit>: We do as customers are leaving ask them, why they're leaving and where they're going to. I think most of the customers who were leaving are – clearly satellite is our bigger competitor right now and that's a factor. I think in terms of why as Steve referred to in his comments, you had DTV and these are really low priced, single-play video customers who are seeking, a very – they're very price sensitive and generally churn at a higher rate, and I think as a whole, as how we approach business, we're not going to chase volume. We're going to remain very targeted and disciplined in how we approach the business. I think the manifestation of that is the fact that both churn and bad debt were equal to or better than last year in Q2.

<Q – Marci Ryvicker>: And I have a follow-up on your wireless data strategy. The feedback we've heard is that Clearwire experience has been kind of spotty. So you have you thought about other options to go into that segment?

<A – Brian Roberts>: Well, I think our wireless strategy focused on extending our services. The first is to build out the high-speed, next gen wireless network. The second is our wireless strategy is the Wi-Fi component where we're trialing on a targeted business. And the final piece is wireless apps. So we've made good progress on that and as I mentioned earlier with the Clear trial, we're still rolling out new markets and I think we're seeing progress on those fronts.

<Q – Marci Ryvicker>: And then one last question with regards to NBC, we've heard there's been a slowdown in pricing lately. Is there any type of comment you can have on that?

<A – Neil Smit>: I think you'd have to ask NBC, but looking at our advertising business, there's anything but a slowdown.

<Q – Marci Ryvicker>: Great. Thank you.

<A – Marlene Dooner>: Thanks, Marci. Operator, let's have the last question, please.

Operator: Our final question comes from the line of Mike McCormack with JPMorgan. Please go ahead.

<Q – Mike McCormack>: Hi, guys. Thanks. Just maybe a couple comments. One on DOCSIS 3.0 strategy. It seems like you guys have been probably targeting more FiOS areas and potentially Uverse, on a going forward basis, we're seeing pretty significant DSL losses at the Telcos. Is there an opportunity to take much more significant market share going downstream against the Telcos? And then secondly, I heard some pretty good trends at the Telcos regarding small-medium size business, just trying to get a sense for what you're seeing on the ground level on the commercial opportunity? Thanks.

<A – Neil Smit>: Hi, Mike. Concerning DOCSIS 3.0, I mean, clearly, we feel our product competes very well versus DSL. And I think we're seeing some of that in the marketplace. So I think your observation is what we're seeing as well. With regard to Business Services, I think there are a lot of opportunities that we're seeing great growth in both the small and medium business. Now we're going after mid-market and backhaul and Metro E. So we see great growth opportunity going forward in that business and the team has been executing very well on that front.

<A – Brian Roberts>: I just would add, I think, again the strategy of investing and having superior products puts you in a position to sort of see what the future holds really to those questions in terms how much market opportunity is there, but I think we're really enjoying the fruits of those investments and I think in the Business Service market that's particularly in broadband, in the Business Service market, I think we're really just getting going and the market – our market opportunities keep expanding.

The same is true on broadband. You know, as you project forward 5 years, 10 years, you know there's going to be more and more connected devices all over this country that the consumer uses. I saw some study that said there will be more than 10 connected devices in a home. So our strategy, it's not just any one product. It's having the best platform, and I think that's really critical as we go forward.

<Q – Mike McCormack>: Great guys. Thanks.

Marlene S. Dooner, Senior Vice President, Investor Relations

Thanks, Mike. And thanks all of you for joining us this morning.

Operator: There will be a replay available of today's call starting at 12:30 p.m. Eastern time. It will run through Monday, August 2 at midnight Eastern time. The dial-in number is 800-642-1687, and the conference ID number is 82686142. This concludes today's teleconference. Thank you for participating. You may all disconnect.