MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, and welcome to Comcast's Third 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 third quarter 2010 earnings call. Joining me on the call are Brian Roberts, Michael Angelakis, Steve Burke 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. Please join me on slide three. Today we are pleased to report strong financial results. This marks the third consecutive quarter of accelerating growth in revenue, which increased 7% and an operating cash flow which increased 8%.

We generated free cash flow of $1 billion this quarter and almost $4.3 billion year-to-date, an increase of 17% compared to the first nine months of last year. These results reflect our continued focus on profitable growth, a very resilient residential business, a robust advertising market, and a continued focus and strength on Business Services.

We obviously still have a tough economy which combined with the anniversary of the broadcast digital transition continued to impact video units. However, as Michael will discuss in a few minutes, we started to see some real year-over-year improvement toward the end of the third quarter and for October.

Overall, we are executing well, delivering strong financial results as we focus on high value video customers, on growing our relationships in broadband and phone and expanding Business Services. We're also continuing to invest to foster growth and to further strengthen our competitive position with All-Digital, now in about 65% of our markets, and DOCSIS 3.0 deployed in more than 80% of our footprint.

As we near completion of these important projects we're starting to see the fruits of those investments. In video we've tripled the number of high def channels and have doubled the amount of foreign language programming. In HSD we are reinforcing our product superiority as we double the speeds to our existing customers and introduce new higher speed services with 50 megabits currently available to more than 40 million homes and 105 megabits to more than 25 million homes.

Our On Demand service is also expanding. With our new library server infrastructure which takes advantage of our scale, we call the Comcast Content Delivery Network or CCDN, we now have the capacity to offer 70,000 hours of content. As a result, Comcast customers in more than 20% of our footprint now have access to over 25,000 On Demand choices including 11,000 movies. By the end of this year, a majority of our markets will have this level of choice, and with CCDN, we have the ability to continue to expand the On Demand choices we offer our customers.

As we do this, we are rolling out enhanced guides with better linear and on demand search, improved DVR functionality, and more interactivity, including a unique new feature that automatically informs you if the content is available in high definition. And just with the click of one extra button, immediately takes you to the HD version, which our customers really love.

Our new guide has already been rolled out to three-quarters of our markets and will be in all our markets in the next six months. We are also deploying remote DVR and multi-room DVR and they're available in a majority of our markets today.

Please turn to slide four. This week we relaunched Xfinity TV, our authenticated On Demand Online service with a new and I think great marketing campaign. Xfinity TV gives customers online access to 150,000 entertainment choices including movies, TV shows, premium and HD content with a compelling search and discovery platform. All of our digital video customers will receive a customer ID to access Xfinity TV for no extra cost. It's a tremendous value added service.

And before the end of this year, we will be launching the Xfinity TV remote app which will work on all the iPhones and iPads and eventually right after they come out, on the Android-based tablets. This is an entirely new form factor and device for consumers, these tablets, which I think makes the search and discovery and the enjoyment of television that much greater because we've all been looking for how to navigate these 150,000 choices or whatever the consumer actually has. And this with the touch of a finger allows you to change channels as well as do search and discovery. I think you'll like it when you get one.

So as you can see, we have an exciting road map for new product introductions, and we're delivering more and faster innovation to our customers. All of these enhancements and new features really are starting to bring to life our Xfinity brand. And you're going to continue to see and hear many new products from Comcast in the months and years ahead.

In order to deliver the best customer experience, you have to marry great products with consistently good customer service. We've worked hard to improve our service but under the leadership of Neil Smit, who has now been with Comcast for seven months, I have never seen the organization as focused on the customer experience and making it better all the time. Neil's commitment to take service and also this rapid product innovation and getting it completed and to the next level while at the same time keeping us focused on strong operating performance like you're seeing this quarter makes me really excited about where our cable business is going.

Finally, on NBC Universal, the regulatory reviews are continuing, and we believe they're on track to enable us to close by the end of this year. The integration of NBC Universal is a huge task, and I'm delighted that Steve Burke will become the new CEO of NBC Universal upon closing. Over the past 11 months Steve has been spending a lot of time planning so we can hit the ground running when the deal closes. I believe we're in a strong position to deliver a great entertainment experience to consumers and to really drive new value creation for our shareholders

Before I pass the call over to Michael, I want to mention that we're following a new format for today's call, shortening the prepared remarks from Michael and me and allowing more time for your questions for not only Mike and myself but also for Steve and Neil.

So Michael, with that, please cover the results of the third quarter in more detail.

Michael J. Angelakis, Chief Financial Officer

Thank you, Brian. Let me begin by briefly reviewing our consolidated results starting on slide five. We are pleased with our third quarter results which reflect a consistent focus on profitable growth. We are executing well and continue to balance revenue, operating cash flow, and customer growth as well as remain very focused on expense and capital management.

For the third quarter, consolidated revenue increased 7.3% to 9.5 billion, and operating cash flow grew 7.6% to 3.6 billion resulting in a consolidated operating cash flow margin of 37.7%.

Cable was the largest driver of these results but our Programming businesses also performed well with revenue growth of 9% and operating cash flow growth of 26%. These results reflect the impact of a strong advertising market across all of our networks and ratings strength at E!, which had record viewership in the third quarter.

This quarter's consolidated operating cash flow results also include approximately $21 million of expenses related to the NBC Universal transaction, which is included in corporate and other. Excluding these transaction related costs, consolidated operating cash flow grew 8.2% and our operating cash flow margin increased to 37.9% from 37.6% in 2009.

We also remain very focused on free cash flow, free cash flow per share, and earnings per share as important metrics in evaluating the strength of the company. In each of these key metrics, our performance during the third quarter and on a year-to-date basis was strong and reflects solid progress and growth.

During the third quarter, we generated consolidated free cash flow of $1 billion, a modest decline compared to last year, primarily the result of higher cash income taxes and a slight increase in capital expenditures. However, we prefer to evaluate free cash flow on an LTM or year-to-date basis, and year-to-date free cash flow has increased 17% to 4.3 billion from 3.6 billion in 2009. Year-to-date free cash flow per share increased 19.8% to $1.51 per share.

Earnings per share in the third quarter grew 14.3% to $0.32 per share from $0.28 per share last year when you exclude NBC Universal related costs of $66 million and tax benefits and a one-time financing expense in 2009.

On a year-to-date basis, EPS grew 17.1% over the comparable period in 2009, again excluding NBC Universal related costs of 154 million and last year's tax benefits and one-time financing expenses. Please refer to table four in the press release for more detail on these items.

Please refer to slide six to review our Cable division's third quarter results. Third quarter Cable revenue increased 6.9% to $9 billion reflecting accelerating growth in our residential business and continued strength in Business Services and cable advertising. Total video, high-speed Internet, and voice customers grew 202,000 for the third quarter, and on a year-to-date basis, we have added 875,000 customers compared to 1.2 million in the first three quarters of last year.

As discussed on the second quarter earnings call and at recent investor conferences, customer addition trends were soft in July and August reflecting a continuing weak economy, the impact of last year's broadcast digital transition, the roll-off of customers on discounted promotions, and continued competitive pressures.

However, year-over-year customer trends improved in September, and now that the impact from the broadcast digital transition is substantially behind us, we have experienced steady improvement in October. This quarter's loss of 275,000 video customers was impacted by the factors I just mentioned, and we are very focused on improving our retention efforts.

Year-to-date we have lost 622,000 video customers compared to 424,000 in 2009 where we benefited from the broadcast digital transition. Over 40% of this year's video losses are in our lower end basic video package and the impact from these customer losses is more muted on the financial side as their average ARPU is less than half of our normalized video ARPU.

With regards to the economy, we remain cautiously optimistic about its overall direction and strength. However, the housing market is still weak and unemployment remains high, which we believe continues to impact many consumers. Even with these macroeconomic challenges we are optimistic about our ability to continue to execute. We continue to manage the business for profitable growth if we've been effective in driving organic revenue.

Total revenue per video customer increased 10% to almost $130 per month in the third quarter reflecting strong ARPU management and an increasing number of customers taking multiple products. At the end of the third quarter, 32% of our video customers took all three services, compared to 27% at the end of last year's third quarter.

For the third quarter, total video revenue continued to accelerate and increased 2.2% reflecting rate adjustments and an increasing number of our customers taking higher levels of our digital and Advanced Services. This quarter we deployed over 500,000 advanced high def and/or DVR set tops and we added 228,000 Advanced Service customers. We now have 9.9 million Advanced Service customers, equal to 51% of our digital customer base, and 43% of all video customers

High speed Internet revenue increased a healthy 12.2% during the quarter reflecting rate adjustments and continued growth in our customer base. We added 249,000 high speed Internet customers in the third quarter and year-to-date we have added 766,000 high speed Internet customers, slightly above the 755,000 we added in the first three quarters of last year.

Our penetration continues to trend upward and is now at 33%. In addition, we continue to see more customers take our high speed services compared to our economy service. Today, 22% of our residential high speed Internet customers take our Blast! or above levels of service.

Voice revenue also posted strong growth increasing 12.6% for the quarter reflecting continued growth in our residential customer base as well as a growing contribution from Business Services. We added 228,000 voice customers in the third quarter and year-to-date we have added 731,000 voice customers compared to 906,000 in the first three quarters of last year. Compared to the third quarter of last year, our penetration has increased 150 basis points and is now at 17%.

We also had a strong quarter for Business Services, with revenue increasing 54.5% to 333 million. Excluding the contribution from Cimco and NGT which were acquisitions that were completed in the first quarter, revenue increased 44%.

We expect the momentum in the small end of the business market to continue and we remain very enthusiastic about our opportunity to serve mid-sized businesses and to expand our cell backhaul efforts.

Our cable advertising business continues to perform well as third quarter revenue increased 27.2%. This improvement was again led by strength in automotive as well as higher political revenue. Excluding the impact of political, core cable advertising revenue increased 19% this quarter. We expect advertising growth to remain strong in the fourth quarter, particularly given all the political activity.

Please refer to slide seven to review our Cable division's operating cash flow results. Third quarter Cable operating cash flow increased 7.1% to 3.5 billion. Our Cable operating cash flow margin remained relatively stable at 39.5%, a 10 basis point improvement compared to last year's third quarter.

Total expenses in our Cable segment increased 6.8%, primarily reflecting higher programming and marketing expenses as well as continued investment to expand our capabilities in Business Services. Program expenses increased 4.9% this quarter, reflecting a real focus on controlling costs offset by an increasing number of our customers taking higher levels of our digital services, the addition of new programming and contract resets. In addition, we are receiving more value in our programming contracts particularly with more On Demand programming and increasing availability of content across multiple platforms.

Marketing expenses increased 17.3% this quarter as a result of higher overall advertising and media spend including Xfinity branding as well as a continued investment in direct sales in our retail channels. Customer service expense declined 2.7% in the third quarter as we benefited from a number of efficiency initiatives such as higher call automation and better call center optimization.

Please refer to slide eight to review our capital expenditures for the quarter. In the third quarter, capital expenditures increased 139 million to 1.4 billion representing 14.4% of total revenue. The level of CapEx spend this quarter principally reflects the timing of CPE purchases, primarily advanced set top and D to As offset by more favorable equipment pricing. We have now deployed over 15 million digital adapters since the inception of the All-Digital project including 2.2 million during the third quarter.

We have also continued to increase our investment to support growth and expansion in Business Services. We view our capital expenditure program on an LTM or year-to-date basis, and year-to-date capital expenditures have decreased 2.2% to 3.4 billion, equal to 12.2% of revenue. In addition, consistent with prior years, our growth oriented capital expenditures represents approximately 72% of our year-to-date total spend.

With regards to the fourth quarter, we expect CapEx to increase sequentially as we continue to invest to sustain our momentum in Business Services, expand our efforts for the mid-sized businesses and cell backhaul, and complete our rollout of all digital. However, we still expect our full-year capital expenditures to be lower in both absolute dollars and as a percentage of revenue when we compare it to 2009.

Please refer to slide nine. Our priority for allocating capital has been consistent, to profitably invest in the operating and strategic needs of our businesses, deploy capital to areas that provide attractive incremental returns, and enhance our competitive position and deliver sustainable organic growth. This disciplined and returns focused approach to CapEx has helped drive significant growth in free cash flow generation, and as I mentioned previously, year-to-date free cash flow increased 17% to 4.3 billion and free cash flow per share increased 19.8% to $1.51 per share.

With the recent extension of bonus depreciation for 2010, we anticipate the company will realize a benefit by paying lower income taxes in the fourth quarter. As we've done in the past, we will continue to report comparable results that both include and exclude cash impact on free cash flow from the economic stimulus packages.

Year-to-date, we have returned approximately 40% of our free cash flow to shareholders or 1.7 billion including three dividend payments totaling 800 million and 300 million per quarter of share repurchases totaling $900 million. The remainder of our free cash flow which is currently reflected in our cash balance will be used to fund a portion of the NBC Universal transaction which will be approximately 6.5 billion.

We are pleased that over the past six months NBC Universal has successfully raised 9.1 billion in the public debt markets. This permanent financing for NBCU is now complete and was accomplished with a weighted average cost of debt of approximately 4.5% and an average duration of 13.3 years. When we close the NBC Universal transaction, we expect our consolidated leverage will be approximately 2.5 times. And as we have said in the past, we remain comfortable with the debt-to-OCF leverage target of between 2 and 2.5 times.

Last December, we articulated a clear capital allocation strategy for 2010, and we have executed well on that plan. Once the NBC Universal transaction is completed, we will reevaluate and communicate a new financial strategy for 2011.

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

Marlene S. Dooner, Senior Vice President, Investor Relations

Thanks, Michael. Operator, let's open up the call for 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 John Hodulik with UBS.

<Q – John Hodulik>: Okay. Thanks, guys. Good morning. The video losses were a little higher than we expected. Can you comment on what do you think is driving that, is that – said some hangover from the digital transition, but is there evidence in the numbers that you're seeing more cord cutting from over the top or even competition from AT&T and Verizon? And if can you also comment on just the competitive environment? I think the carriers were a little bit more competitive or aggressive on the DSL side at least on the lower end. If you could just comment on what kind of competitive activity you're seeing there these days that would be great.

<A – Neil Smit>: Hi, John, it's Neil.

<Q – John Hodulik>: Hey, Neil.

<A – Neil Smit>: I think there were a few factors. Let me break them down. The first was the economic situation that Mike referred to. We're seeing fewer occupied housing units and the unemployment is still a factor. The second is the digital transition and the promotional roll-off. 42% of the customers we lost were basic customers. The digital transition appears to be mostly behind us. I think the third reason is the rate increases we took, so this year we took rate increases over the last six months, so Q2 and Q3 in about 75% of our footprint versus about 3% last year.

From an over the top impact we've – all our exit surveys have seen almost no impact. We have seen customers who are disconnecting and not going to a competitor, that small number of customers appear to be going over the air much more than any over the top impact. The competitive situation really hasn't changed much. We've seen year-over-year a build-out of the RBOCs, so AT&T about 2.2 million home build-out. We haven't seen a significant increase of that competitive factor. The DSL players appear to be playing more on rate, but we're very pleased with our HSD numbers. We once again gained share as we put out more HSD subs than Verizon and AT&T combined, we're pleased with that number. Our HSD ARPU was up 4.9%. We're pleased with that number.

I think there's some really positive news in the quarter. If you look at a year-over-year customer trending, so net adds per month, every month of the quarter improved, so August was better than July, September was better than August. And we're seeing that positive trend continue into October.

The other piece of positive news is we're really pleased with our Advanced Services. So we sold about 228,000 more Advanced Service customers, about 500K more HSD, and HD and HD DVR boxes. Our revenue for Advanced Services was up 11%, so we are seeing some positive trends. I think net we're going to keep focusing on the quality of our customers. I said on last call, we're not going to chase volume. We're going to keep looking at customer service and focusing on the customer experience and improving the value of our service.

<Q – John Hodulik>: Great. Thanks, Neil.

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

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

<Q – Douglas Mitchelson>: Thanks so much. Just one quick follow-up on the video side, Neil, any sense of how much of 3Q was due to gross adds versus churn just so we can try to parse out some of those drivers you were talking about? Then I've got a question for Brian.

<A – Neil Smit>: I think that versus Q1 and Q2 where our churn was really – generally trended very good, we saw a slight uptick in churn in Q3. However, I think the good news is we identified some of the cause of that which was the step-up off of our promotional roll-off. So there was a pretty significant step in pricing, and now we're handling that in a much more effective manner. I think the very good news was as we increased our marketing spend throughout the quarter, we saw positive connect trends. So the customer base was responding to our offers, and we were pleased with that.

<Q – Douglas Mitchelson>: So was the improvement marketing spend, not a greater promotional or discounting or retention effort then is what you're saying?

<A – Neil Smit>: No, I think it was just marketing spend. We were more active in the marketplace. We weren't overly discounting. As I said before, I don't believe in overly discounting the product but more looking at the value of the services we're offering. So as Brian mentioned, we launched Xfinity TV, we've launched WiFi in the Philly market to see how that breaks out, we've increased our Infinity product so more VOD. So I'm a big believer in not overly discounting but increasing the value of our service.

<Q – Douglas Mitchelson>: Thanks, Neil. For Brian, when you announced NBCU a year or so ago, you emphasized the risk adverse nature of the JV structure. Cable network advertising has to be better than anyone budgeted and that bodes well for NBC's results and value and the financing markets have been remarkable. So the question is, is it time to move up the risk curve and consider accelerating the purchase of the remaining 50% of NBCU from GE? I understand the mechanisms of the deal, but GE might be open to completing the full transaction faster and if there was ever an environment where levering up might have made sense, it's in this environment. So any thoughts on that would be helpful.

<A – Brian Roberts>: Well, I'm glad you like the advertising, the financing, put an underscore on that, because I totally agree with you. Things have appeared to go quite well since we announced the transaction. We're still awaiting the regulatory approval, so no, we haven't even thought about that question. I like the structure that we have. It's I think, exactly right for both corporations, so I don't anticipate any change.

I just want to touch on one other thing that Neil said to just make sure everybody understood some of the step-up lingo. 12 months ago, during the digital transition, we gave a lot of customers a 12-month offer. Many of those customers were for the first time coming on to multi-channel television. At the end of the 12 months they then went to kind of "normalized rates" and that step-up. And what happens sometimes in promotions but there was an awful lot of that happening in the second and the beginning of the third quarter. Marlene?

<Q – Douglas Mitchelson>: Thanks.

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

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

<Q – Craig Moffett>: Hi, good morning, guys. There was a – there have been some reports recently that Netflix amounts to as much as 20% of all the traffic carried on the net these days, and I know you guys have been working on beefing up core facilities to sort of create a VPN if you will. Can you talk about what you are seeing in terms of network traffic and how you think about addressing the simultaneous needs of on the one hand making sure the network is robust enough to deliver a good service and then on the other hand as you think about TV Everywhere and that sort of thing maintaining neutrality and the like in the way that you deliver broadband services?

<A – Neil Smit>: Yeah. Hi, Craig, it's Neil. The – I think right now we feel comfortable, A, with our caps, we've got 250 gig caps. The average consumption, the median usage is about 2 to 4 gigabytes, so we feel very comfortable with where we are. That being said, we've rolled out DOCSIS 3.0 to about 83% of our footprint to increase our ability to offer higher speeds, and the – I think with Netflix, I did read the same report that about 20% of prime time usage appears to be streaming. We'll continue to monitor that. We feel good about where we are. The all digital initiative we have frees up more bandwidth.

We're looking at – I should say recapturing even more bandwidth as we go to B1 or basic digitization in some of our markets. So we feel very good about our bandwidth situation. We'll continue to monitor it. We do have meters in place, so consumers can see how much they're consuming. We feel that's a useful consumer service, and we'll continue to monitor it as things progress. But it's a very small percentage of the population consuming those large percentages of bandwidth. We're supporters of TV Everywhere, and we will continue to work on that as we said in our Xfinity TV launch.

<Q – Craig Moffett>: Thanks, Neil.

<A – Neil Smit>: Yep.

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

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

<Q – Jessica Reif Cohen>: Thanks two questions. You mentioned that fourth quarter subs are improving, or you said each month is actually sequentially improving. I was wondering if you could give us some color on kind of all the segments, not just Video but Advanced Services within Video and then maybe data and Voice as well? And then separately, Steve, as you wind your way through the integration process with NBC Universal, can you highlight where you see the biggest pockets of growth or opportunity? And maybe like a separate, nobody mentioned Canoe. Can you give us an update on that?

<A – Michael Angelakis>: Why don't I take actually the first question? Jessica, I don't think we're going to provide any more data related to where we're seeing trends. I think we feel pretty good about how we're performing, so I think we'll just leave it at that. We really wanted to address I know some of the concern related to primarily basic video. So let me just push it over to Steve.

<A – Stephen Burke>: In terms of the opportunities for NBC Universal, I think since we signed the deal last December, almost all of the news has been positive. Obviously the NBC Network still has its challenges, but if you look at advertising, the business is significantly better than we thought. Universal Studios invested in an animation company that's first release was a film called Despicable Me that was a tremendous success, and obviously the animation businesses is one of the best parts, if not the best part of the film business. Universal Studios opened Harry Potter down in Florida, which has been a sort of standing room only success. And then really the cable channels that we will have when we get this company put together offer, I think, real opportunity, opportunities to sort of cross promote, provide new programming, just bring everything to a different level. So I think we've done a lot of deals over the last number of years, and I think sometimes everything happens to the negative between signing and closing. This time it seems like the vast majority of things are very positive.

In terms of Canoe, we now have – Canoe now has 10 million homes right now today where you can buy interactive advertising on the Style Network and AMC has also launched and a number of other networks. So Canoe is now live, is out selling, and out sort of starting to do what we've wanted the interactive advertising business to do for a long, long time. And that 10 million number is going to grow very dramatically because it's based on the rollout of EBIF, which those of you who follow the industry know is now sort of the industry standard for interactive television. So we're very pleased with the progress of Canoe and optimistic that finally after years of putting together the infrastructure and the partnership and everything else, interactive advertising is going to deliver real results.

<Q – Jessica Reif Cohen>: Thank you.

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

Operator: Your next question comes from the line of Jason Bazinet with Citi. Please go ahead.

<Q – Jason Bazinet>: Hi, thanks. I just have a question regarding Netflix and players like that. I think if you went back a few years, people would have thought that that was maybe a potential impact to your VOD business or maybe premium channels. And I think the hope of the Netflix investors and maybe the fear of cable investors is that it becomes a real viable substitute several years from now. Do you think that's a cogent concern as the market evolves, and if not, why not?

<A – Brian Roberts>: Well, this is Brian. I think even Netflix on their own call felt that they were more complementary than anything else to the existing marketplace. I also think you're seeing an expansion of usage as you can use more devices. So our On Demand usage continues to be quite large and growing, and we are adding content. We were a great and are a great user interface. That is now something as you can see in articles today in the paper, something a lot of people are working on. As new devices come out, we're very excited about, for instance, as I mentioned earlier, the iPad. It gives us a chance to now start from scratch with a user interface that is using web technology, not cable box technology.

We also have better and newer boxes coming out and we have new guides to replace old guides. So there is an awful lot happening. But I think with a new series of devices that allow people to consume more, you're seeing actual usage go up, and you're seeing more people in the space, and that's just the reality. And part of that is great for our broadband business. Part of it increases our innovation speed, and part of it establishes relationships that are new for the consumer like a Netflix and all that is in the market. But net-net, I think there is – we're in a wonderful position to grow, and that's what I think we're focused on, and hopefully we'll integrate well with others as they enter the marketplace, because that's something our consumers want. That's sort of what Neil is talk about with the end-to-end consumer experience.

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

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

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

<Q – Jason Armstrong>: Great. Thanks. Good morning. A couple questions, first on programming costs, it's the largest sequential decline we've seen in several years. I'm just wondering what's driving this. And then margins surprising upside on most of the ARPU metrics it looks like. It would seem to point to opportunities for margin expansion, so how should we be thinking through this? Thanks.

<A – Neil Smit>: Hi, Jason, it's Neil. I think programming costs, they'll fluctuate quarter-to-quarter, year-to-year, based on the terms of the deal and the deals that are renewing at that time. So I don't think I'd read too much into that. They were up about 5% in the third quarter and year-to-date. I think we're getting more value out of our programming relationships in terms of VOD and online availability of content, and I think from a margin perspective, I think there were – the programming costs were not able to increase our video rates at the rate that the programming costs are going up, and I think that's a trend that will probably continue.

On the margin side, we're focusing on both effectiveness and efficiency. So you saw customer service improvement in costs year-over-year. And I think that's due to efficiency. We're managing our operations from a call center perspective a little bit more efficiently while improving service levels. And I think we're going to try and manage the business so that we can try and hold margins, but I think that will fluctuate and time will tell.

<Q – Jason Armstrong>: Okay. Thank you.

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

Operator: Your next question comes from the line of Stefan Anninger with Credit Suisse. Please go ahead.

<Q – Stefan Anninger>: Hi, thanks for taking my question. My question is for Neil. I'm here with Spencer who has a question for Steve. Neil, can you discuss your HSD pricing strategy over the longer term? And more specifically, do you believe that you can increase the price differential between bundled and unbundled HSD and perhaps helping to offset any future basic losses?

<A – Neil Smit>: I think the pricing strategy will fluctuate based on market conditions. I mean, I don't think there's any – I'm a believer that we have a fixed strategy. We respond to market conditions. From a bundling perspective, as we've seen the Triple Play continues to offer more value to customers, and we have continued to increase the percentage of Triple Play customers. We do sell an HSD only package to customers who want that, and we'll – if that continues to sell well, we'll continue to respond to market conditions in that regard.

<Q – Spencer Wang>: Hi, it's Spencer. I just have a quick question for perhaps Brian or Steve. Just given the number of programmer and MSO disputes over the last 12 months, can you just update us on your thoughts on the whole retrans regime and your thoughts? Do you think that the retrans must carry regime needs to be modified, or what would you advocate for? Thanks.

<A – Brian Roberts>: I think we've consistently said that with this new transaction, we can hopefully play a constructive role in any new thinking that has to take place around the space. And so this doesn't really change anything, because I think the anticipation that there'd be disputes, so we're having – seeing one in the marketplace today, but at this point, by being a cable operator and a broadcaster, perhaps we can foster ideas that will not have the consumer be caught in the middle there. So we'll just have to take it one step at a time. But we're very – think there is an opportunity to play a constructive role.

<Q – Spencer Wang>: Great. Thank you.

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

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

<**Q – Benjamin Swinburne**>**:** Thank you. Good morning. Just to follow up on the cost side for Neil, and then I have a question for Brian. Two of the expense buckets you guys break out, technical labor and administrative and other which were both down in the first half of the year were up quite a bit in Q3, which surprised me a little bit just because you guys are moving through I think towards the end of the All-Digital rollout where I think you're going to see some pretty nice savings in terms of truck rolls and sort of overall activity levels. I don't know, Neil, if there is any comment you want to make there to help us think about going forward or what the drivers are were.

And for Brian, everyone is very focused on Xfinity TV or TV Everywhere, however you want to describe it. It's probably one of the most focused on initiatives in TV in many years. Now that it's launched, can you sort of talk about your vision for the product particularly given that you've done a deal now with CBS, a 10-year deal which I think contemplates a lot of what you're trying to do here. How do we think about the number of screens you can push this product to, devices, mobile, broadband, Internet connected TVs, how you're thinking about windowing? Are you going to get – looking to have in-season access to all these shows on multiple windows or prior seasons? No one is really in the position that Comcast is in to sort of drive this product, and I'm curious what your vision is for the service.

<**A – Brian Roberts**>**:** Neil or Mike, you want to talk about the first part?

<**A – Neil Smit**>**:** Yeah. I'll talk about expenses. Those two categories, technical labor was higher due to a couple factors. One is our capitalization, and there was less capitalization and more expense or OpEx as adjusted for that. The second reason in tech labor was that we launched a program that really focuses on the quality of our CPE, so we're doing much more testing of the CPE across various facets, and it provides a temporary OpEx hit, but we think it's the right thing to do for the customer in the long-term, and long-term it will take the boxes out of the system that are prone to problems, and we think it's the right thing to do for the customer. On the admin side, I don't think I'd read much into that. It's just fluctuation quarter-to-quarter, and overall that expense we feel good about on the year.

<**A – Brian Roberts**>**:** I think for Infinity TV and TV Everywhere, we're at the beginning of that in my opinion, not anywhere near the end. Ultimately when we laid out our initial vision, which we called project Infinity a couple years ago at CES, as a technical matter where you would like to get to is have a architecture and a capability that any piece of content could be accessed by the consumer on any device at any time, and then it's up to the content rights holder to determine whether they want to sell it at all, at that moment, in different windows, all the things you said, make it advertising supported, have an additional charge for it, or any other model.

And that the technology that our industry can bring and what Comcast can perhaps lead with things like the CCDN and with the architecture of our VOD infrastructure, coupled with the WiFi in the home initially focused very much in the home, and now new devices like the tablets, which I think we're just seeing the very beginning of, the number of people who are going to make tablets and the rapid nature by which the price is going to decline in my opinion will accelerate this architecture to be taken well and used by the consumer.

We're just starting. Ultimately it would be wonderful if there was an expectation by the consumer that they would know where the shows are in what windows. Today, you know when a movie comes out, you go to the theater, and so many months later you can buy a DVD, and then you see it on pay television and et cetera and On Demand. It's all over the place right now, and people are experimenting with different windows and different models and old episodes, new episodes, future episodes, and I think until there's enough content that there's an understanding by the consumer, it will be adopted by some, but not by all. And our job is to try to make it simple, ubiquitous, and have the technical platform to handle the volumes that we hope will ultimately come.

<**Q – Benjamin Swinburne**>**:** Thank you.

<A – Stephen Burke>: We feel very confident that we can secure a lot of content, because we had this experience when we did free video-on-demand six or seven years ago. The concept didn't really even exist. We had to sit down with the content companies and talk about why we thought it was a good idea. It started a little slow in the beginning, but at a certain point it really took shape and then took off, and we think the same thing will happen with TV Everywhere, and one of the nice things about the NBC Universal deal is it will allow us to sort of speed that process up a little bit. But ultimately this would be good for our customers because they're paying for these products on one device and we'd like to give these products to them on more devices at more different times.

<Q – Benjamin Swinburne>: Thanks a lot.

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

Operator: Your next question comes from the line of Vijay Jayant with Citadel Securities. Please go ahead.

<Q – Vijay Jayant>: Thanks. A question for Neil, on the detail on high speed data ARPU growth which is nearly 5% year-over-year, can you sort of break down how much was higher speed plans being taken, price increase, as well as the commercial mix? And I really have sort of an observation and want to get your reaction to it, there's been a lot of talk about over the top impact to multichannel video, but if you sort of look at the pricing that most operators have for the faster speed tiers of broadband, if there is over the top disconnecting or cord cutting, aren't cable operators actually on the margin a little better or even neutral given the margin of the two businesses? Thanks.

<A – Neil Smit>: Yeah, a few thoughts. One is our HSD ARPU, we were pleased that most of that was due to customers taking higher speeds. So as Brian mentioned, we've rolled out 50 meg service to about 40 million homes, 105 meg to about 25 million homes, so we are continuing to offer higher speeds to customers, and that is really what's driving the ARPU. Over 20% of our customers subscribe to the higher speed tiers at our Blast! level, which is 8 megs and above. So that's what's driving the speeds. Rate adjustments were a factor, but I would say that we'll continue to monitor, rate and volume and manage that as the economy evolves.

I think you're right in terms of the potential opportunity as – if over the top and there comes into being and there is more consumption of online video. We feel very good about our capacity. That's one of the reasons we've invested so heavily in DOCSIS 3.0. We feel that that big pipe into the house is important, and we will continue to invest in speed increases like that, like DOCSIS 3.0. it's a – we think it's an important component and the consumers continue to consume more bandwidth.

<Q – Vijay Jayant>: Thank you.

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

Operator: Your next question comes from the line of Marci Ryvicker with Wells Fargo. Please go ahead.

<Q – Marci Ryvicker>: Thanks. I have two questions. One's a little bit longer term. At what point do you no longer need the set-top box, so in essence it becomes extinct, and what impact do you think this would have on your business? And then secondly more immediately, the double-digit ARPU growth that we saw in the quarter, is this a trend or is this just a one quarter event?

<A – Brian Roberts>: Mike?

<A – Michael Angelakis>: I'll take the ARPU growth. We're very focused on ARPU. I can't tell you whether the double-digit is going to be a short, medium, or long-term trend, but certainly we are focused on selling bundled services, which is Triple Play, selling Advanced Services in terms of more HD DVR, selling more pay on the VOD, so we are very focused on ARPU management as one of the really critical metrics in terms of how we manage the business. So I really don't want to forecast where that's going, but if you look at trends over the last several years, we've been able to grow that number consistently.

<A – Brian Roberts>: The set-top box thing, Neil, you might want to comment too, but basically I think there will be set-top boxes for a long time, but the world is beginning to see technologies that can in some cases do away with the set-top box for some of your services. We have digital adapters for many televisions, Neil said, over 15 million. The world's changing and evolving very rapidly, and we want to serve all spaces.

That said, the most exciting products we're working on that allow you to have tremendous functionality right on the TV do have set-top boxes involved with them. And some customers will not want all that and will want a different model, and so we're working on all across the landscape also as more and more moves into the cloud and into different architectures, we have to handle that as well. So it's an interesting time technically, and CableLabs is looking at a lot of these different things. Neil?

<A – Neil Smit>: Yeah. I think that I agree with Brian that set-top boxes will be around for a while, simply because we feel very focused on – we feel it's very important to manage the rights of that content, and the set-top box is something that enables that. That being said, as you deploy technology such as EBIF it enables different things such as the remote iPad that Brian showed at the NTCA National show. So we can work more on the user interface and access to that content and we can work more across platforms as Steve referred to whether it's the television, the DVR, VOD, we can have a consistent user interface. And I think that's real important development in the overall customer experience.

<Q – Marci Ryvicker>: Thank you.

<A – Brian Roberts>: So net-net, we're probably more excited about our road map of innovation because of the trends that's occurring and ultimately one could say there will be less and less boxes perhaps needed over time, but I don't think it's a binary event that's going to happen any time soon.

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

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

Operator: Your next question comes from the line of Richard Greenfield with BTIG. Please go ahead.

<Q – Richard Greenfield>: Hi, thanks for the question. When you look at these broadcaster websites, whether it's ABC.com or whether it's the ABC iPad player which are available free to the world with advertising, how do you think about the impact of what the broadcasters are trying to do vis-à-vis the retrans demands that we see continue to escalate across the board? And where do you think that all shakes out over time? Even before you get NBC, just what is the impact from all of that, and where do you think, whether it's Hulu or the ABC player, how does this all change over the next couple of years?

<A – Brian Roberts>: Well, one of the points we've tried to make, there's going to be a market, and the market is going to have many other people other than Comcast involved in that, so whether it's Cablevision and Fox or other companies in their negotiations, those negotiations are going to have a free market and set a model. Clearly the broadcasters would like as many eyeballs as possible to their shows, and since they're broadcasting into the air, it makes a lot of sense to put a lot of shows on the Internet.

What exactly to show in exactly what window is up to each content company, and again I do believe we can try to help the balance that is going on as the technology enables consumers to do more, and content and distribution companies are trying to enable all that to happen in a way that is good for their stakeholders. I think we have an ability to be a constructive force and ultimately give consumers more access in more windows on more devices, and that's the strategy we're trying to pursue.

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

Operator: Your last question comes from the line of Bryan Kraft with Evercore Partners. Please go ahead.

<Q – Bryan Kraft>: Hi, thanks. Just had two short ones, I guess first, how do you see the myriad of rights issues that are today an impediment to a more comprehensive Xfinity TV online rollout being completed, and how many years do you think that process reasonably takes to complete? And then the second question was just if you could maybe give us an update on your wireless strategy and how you're thinking about approaching that market and how your thinking has changed maybe over the last year. Thank you.

<A – Brian Roberts>: Well, I think on the myriad of rights, I think Steve's answer was right on, which is it's – and it's consistent. We're – these platforms are getting enabled and we're just starting to look at each new device and new window and in the home and potentially out of the home and you're right, it's complicated. But I think everybody is trying to pull in the same direction, because of piracy. You've got a looming issue that if you don't, there are other ways consumers can get this content, so it's in everyone's interest to come up with authenticated and authentic copies of the content into the consumer.

So I think we're very pleased with the announcement this week. Xfinity TV has – I don't know, something like 150,000 different choices and you're now on devices that have wonderful navigation and search capabilities, and these are all very important steps as we now have more devices that allow you to display those contents, not just at a fixed PC.

On wireless, my sense is the steps we have taken are a couple different areas, the one that's most intriguing to me at the moment is sort of the last foot. The last foot may want to have some display on a wireless device using WiFi in the home. As you get these tablets, that's what makes them sing, and our ability combined with the EBIF that Neil was just talking about really gives us some unique capabilities to interact from the wireless device right to your set top.

For those of you that have a Crestron-type remote in your home, high-end consumers have wanted this, now we are going to be able to bring this to everyone who has a few hundred dollars and a tablet. So otherwise we're continuing to monitor the wireless business, but I think we're very pleased with where the overall data business is, and that's really how we've looked at wireless.

<Q – Bryan Kraft>: Do you -

<A – Marlene Dooner>: Go ahead, Bryan.

<Q – Bryan Kraft>: Thank you. Are you still continuing to roll out markets with the laptop connect cards with the same kind of resources and vigor behind it, or is that maybe – is there less emphasis on that now?

<A – Neil Smit>: Yes, Brian. We continue to roll out markets with the data cards. We have worked with the different pricing models, and we found that combined 3G, 4G works well, and using it as an add-on service to the Triple Play seems to improve take rate, so we'll continue to do that as well as we're looking at WiFi as I mentioned in Philadelphia, and we'll monitor how that proceeds.

<Q – Bryan Kraft>: Thanks very much.

Marlene S. Dooner, Senior Vice President, Investor Relations

Thanks, Brian. And thank you all 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, November 1st, at midnight Eastern Time. The dial-in number is 800-642-1687 and the conference ID number is 10950140. This concludes today's teleconference. Thank you for participating, and you may all disconnect.