

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

COMCAST HOLDINGS CORP
Form 10-Q
May 15, 2003

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

FORM 10-Q

(Mark One)

(X) Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarterly Period Ended:
MARCH 31, 2003
OR

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

Commission File Number 001-15471

COMCAST HOLDINGS CORPORATION
(Exact name of registrant as specified in its charter)

PENNSYLVANIA

23-1709202

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

1500 Market Street, Philadelphia, PA 19102-2148

(Address of principal executive offices)
(Zip Code)

Registrant's telephone number, including area code: (215) 665-1700

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such requirements for the past 90 days.

Yes X

No _____

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12-b2 of the Exchange Act). Yes _____ No X

As of March 31, 2003, there were 21,591,115 shares of Class A Common Stock, 916,198,519 shares of Class A Special Common Stock and 9,444,375 shares of Class B Common Stock outstanding.

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

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED MARCH 31, 2003
TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION	
ITEM 1. Financial Statements	
Condensed Consolidated Balance Sheet as of March 31, 2003 and December 31, 2002 (Unaudited).....	
Condensed Consolidated Statement of Operations for the Three Months Ended March 31, 2003 and 2002 (Unaudited).....	
Condensed Consolidated Statement of Cash Flows for the Three Months Ended March 31, 2003 and 2002 (Unaudited).....	
Notes to Condensed Consolidated Financial Statements (Unaudited).....	
ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	
ITEM 4. Controls and Procedures.....	
PART II. OTHER INFORMATION	
ITEM 1. Legal Proceedings.....	
ITEM 6. Exhibits and Reports on Form 8-K.....	
SIGNATURES.....	
CERTIFICATIONS.....	

This Quarterly Report on Form 10-Q is for the three months ended March 31, 2003. This Quarterly Report modifies and supersedes documents filed prior to this Quarterly Report. Information that we file with the SEC in the future will automatically update and supersede information contained in this Quarterly Report. In this Quarterly Report, "Comcast Holdings," "we," "us," "our" and the "Company" refer to Comcast Holdings Corporation and its subsidiaries, and "Comcast" refers to Comcast Corporation.

You should carefully review the information contained in this Quarterly Report and in other reports or documents that we file from time to time with the SEC. In this Quarterly Report, we state our beliefs of future events and of our future financial performance. In some cases, you can identify those so-called "forward-looking statements" by words such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of those words and other comparable words. You should be aware that those statements are only our predictions. Actual events or results may differ materially. In evaluating those statements, you should specifically consider various factors, including the risks outlined below. Those factors may cause our actual results to differ materially from any of our forward-looking statements.

Factors Affecting Future Operations

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

- o changes in laws and regulations,
- o changes in the competitive environment,

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

- o changes in technology,
- o industry consolidation and mergers,
- o franchise related matters,
- o market conditions that may adversely affect the availability of debt and equity financing for working capital, capital expenditures or other purposes,
- o demand for the programming content we distribute or the willingness of other video program distributors to carry our content, and
- o general economic conditions.

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED MARCH 31, 2003

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

	(Dollars in millions, March 31, 2003 -----)
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents.....	\$1,151
Investments.....	320
Accounts receivable, less allowance for doubtful accounts of \$157 and \$160	961
Inventories, net.....	482
Deferred income taxes.....	129
Other current assets.....	163

Total current assets.....	3,206

NOTES RECEIVABLE FROM AFFILIATE.....	351
INVESTMENTS.....	625
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$3,872 and \$3,604	6,939
FRANCHISE RIGHTS.....	16,617
GOODWILL.....	6,446
OTHER INTANGIBLE ASSETS, net of accumulated amortization of \$1,035 and \$975	1,456
OTHER NONCURRENT ASSETS, net.....	452

	\$36,092
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Accounts payable.....	\$884
Accrued expenses and other current liabilities.....	1,991
Due to affiliates.....	491
Deferred income taxes.....	27

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

Current portion of long-term debt.....	24

Total current liabilities.....	3,417

LONG-TERM DEBT, less current portion.....	8,451

NOTES PAYABLE TO AFFILIATES.....	451

DEFERRED INCOME TAXES.....	6,894

OTHER NONCURRENT LIABILITIES.....	1,224

MINORITY INTEREST.....	1,184

COMMITMENTS AND CONTINGENCIES (NOTE 8)	
STOCKHOLDERS' EQUITY	
Preferred stock - authorized 20,000,000 shares; issued, zero	
Class A common stock, \$1.00 par value - authorized,	
200,000,000 shares; issued, 21,591,115	22
Class A special common stock, \$1.00 par value - authorized,	
2,500,000,000 shares; issued 916,198,519.....	916
Class B common stock, \$1.00 par value - authorized, 50,000,000 shares;	
issued, 9,444,375	9
Additional capital.....	11,818
Retained earnings.....	1,710
Accumulated other comprehensive income (loss).....	(4)

Total stockholders' equity.....	14,471

	\$36,092
	=====

See notes to condensed consolidated financial statements.

2

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED MARCH 31, 2003
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	(Dollars in
	Three Months E
	2003

REVENUES	
Service revenues.....	\$1,875
Net sales from electronic retailing.....	1,062

	2,937

COSTS AND EXPENSES	
Operating (excluding depreciation).....	844

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

Cost of goods sold from electronic retailing (excluding depreciation)	673
Selling, general and administrative.....	528
Depreciation.....	323
Amortization.....	57

	2,425

OPERATING INCOME.....	512
OTHER INCOME (EXPENSE)	
Interest expense.....	(172)
Investment loss, net.....	(35)
Equity in net losses of affiliates.....	(13)
Other expense.....	(1)

	(221)

INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST.....	291
INCOME TAX EXPENSE.....	(121)

INCOME (LOSS) BEFORE MINORITY INTEREST	170
MINORITY INTEREST.....	(55)

NET INCOME (LOSS).....	\$115
	=====

See notes to condensed consolidated financial statements.

3

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED MARCH 31, 2003
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	(Dollars in million)
	Three Months Ended March
	2003
	2002

OPERATING ACTIVITIES	
Net income (loss).....	\$115
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Depreciation.....	323
Amortization.....	57
Non-cash interest expense, net.....	7
Equity in net losses of affiliates.....	13
Losses (gains) on investments and other (income) expense, net	40
Minority interest.....	55

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

Deferred income taxes.....	39	
Proceeds from sales of trading securities.....	32	
Other.....	(29)	
	-----	-----
	652	
Changes in working capital, net of effects of acquisitions and divestitures		
Decrease (increase) in accounts receivable, net.....	54	
(Increase) decrease in inventories, net.....	(3)	
Increase in other current assets.....	(10)	
Increase (decrease) in accounts payable, accrued expenses and other current liabilities.....	192	
	-----	-----
	233	
Net cash provided by operating activities.....	885	
	-----	-----
FINANCING ACTIVITIES		
Proceeds from borrowings.....	210	
Retirements and repayments of debt.....	(1,016)	
Net transactions with affiliates.....	415	
Proceeds from notes payable to affiliates.....	429	
Other.....		
	-----	-----
Net cash provided by financing activities.....	38	
	-----	-----
INVESTING ACTIVITIES		
Acquisitions, net of cash acquired.....		
Proceeds from sales of (purchases of) short-term investments, net	(8)	
Proceeds from sales of investments.....	115	
Increase in notes receivable from affiliate.....	(160)	
Purchases of investments.....	(11)	
Capital expenditures.....	(354)	
Additions to intangible and other noncurrent assets.....	(30)	
	-----	-----
Net cash used in investing activities.....	(448)	
	-----	-----
INCREASE IN CASH AND CASH EQUIVALENTS.....	475	
CASH AND CASH EQUIVALENTS, beginning of period.....	676	
	-----	-----
CASH AND CASH EQUIVALENTS, end of period.....	\$1,151	
	=====	=====

See notes to condensed consolidated financial statements.

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

(Unaudited)

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presentation

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

These financial statements include all adjustments that are necessary for a fair presentation of the Company's results of operations and financial condition for the interim periods shown including normal recurring accruals and other items. The results of operations for the interim periods presented are not necessarily indicative of results for the full year.

For a more complete discussion of the Company's accounting policies and certain other information, refer to the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to those classifications used in 2003. In the first quarter of 2003, QVC, Inc. ("QVC") completed the sale of its infomercial operations in Mexico ("QVC Mexico"). The results of operations for QVC Mexico for the 2003 and 2002 interim periods were not significant and are included in equity in net losses of affiliates in the Company's consolidated statement of operations.

2. RECENT ACCOUNTING PRONOUNCEMENTS

SFAS No. 143

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations," in June 2001. SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company adopted SFAS No. 143 on January 1, 2003, in accordance with the new statement. The adoption of SFAS No. 143 had no impact on the Company's financial condition or results of operations.

SFAS No. 148

The FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," in December 2002. SFAS No. 148 amends SFAS No. 123 to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 also amends the disclosure provisions of SFAS No. 123 to require disclosure about the effects on reported net income of an entity's stock-based employee compensation in interim financial statements. SFAS No. 148 is effective for fiscal years beginning after December 31, 2002. The Company adopted SFAS No. 148 on January 1, 2003. The Company did not change to the fair value based method of accounting for stock-based employee compensation. Accordingly, the adoption of SFAS No. 148 would only affect the Company's financial condition or results of operations if Comcast elects to change to the fair value method specified in SFAS No. 123. The adoption of SFAS No. 148 requires the Company to disclose the effects of its stock-based employee compensation in interim financial statements beginning with the first quarter of 2003 (see Note 6).

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

SFAS No. 149

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

5

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED MARCH 31, 2003
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

prospective basis at its effective date in the fiscal third quarter. The Company is assessing the impact SFAS No. 149 may have on its financial statements.

FIN 45

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 expands on the accounting guidance of SFAS No.'s 5, 57, and 107 and supercedes FIN 34. FIN 45 clarifies that a guarantor is required to disclose in its interim and annual financial statements its obligations under certain guarantees that it has issued, including the nature and terms of the guarantee, the maximum potential amount of future payments under the guarantee, the carrying amount, if any, for the guarantor's obligations under the guarantee, and the nature and extent of any recourse provisions or available collateral that would enable the guarantor to recover the amounts paid under the guarantee. FIN 45 also clarifies that, for certain guarantees, a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. FIN 45 does not prescribe a specific approach for subsequently measuring the guarantor's recognized liability over the term of the related guarantee. The initial recognition and initial measurement provisions of FIN 45 apply on a prospective basis to certain guarantees issued or modified after December 31, 2002. The disclosure requirements in FIN 45 are effective for financial statements of interim or annual periods ending after December 15, 2002. The Company adopted the disclosure provisions of FIN 45 in the fourth quarter of 2002 and adopted the initial recognition and measurement provisions of FIN 45 on January 1, 2003, as required by the Interpretation. The impact of the adoption of FIN 45 will depend on the nature and terms of guarantees entered into or modified by the Company in the future. The adoption of FIN 45 in the first quarter of 2003 did not have a material impact on the Company's consolidated financial statements (see Note 8).

3. INVESTMENTS

March 31,
2003

(in millions)

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

Fair value method		
AT&T Corp.....		\$110
Sprint Corp. PCS Group.....		334
Other		72

		516
Equity method.....		314
Cost method.....		115

Total investments.....		945
Less, current investments.....		320

Non-current investments.....		\$625
		=====

Fair Value Method

The Company holds unrestricted equity investments in certain publicly traded companies, which it accounts for as available for sale or trading securities. The net unrealized pre-tax gains on investments accounted for as available for sale securities as of March 31, 2003 and December 31, 2002 of \$46 million and \$70 million, respectively, have been reported in the Company's consolidated balance sheet principally as a component of accumulated other comprehensive income (loss), net of related deferred income taxes of \$16 million and \$25 million, respectively.

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED MARCH 31, 2003
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

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

	March 31, 2003	De

Cost.....	\$121	
Gross unrealized gains.....	46	
Gross unrealized losses.....		

Fair value.....	\$167	
	=====	

Investment Loss, Net

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

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

	Three Months Ended March 31, 2003

Interest and dividend income.....	\$5
Gains on sales and exchanges of investments, net	22
Investment impairment losses.....	(55)
Unrealized losses on trading securities.....	(2)
Mark to market adjustments on derivatives related to trading securities.....	3
Mark to market adjustments on derivatives and hedged items	(8)

Investment loss, net.....	(\$35)
	=====

4. GOODWILL

The changes in the carrying amount of goodwill by business segment (see Note 9) for the periods presented are as follows (in millions):

	Cable	Commerce	Corporate and Other
	-----	-----	-----
Balance, December 31, 2002.....	\$4,693	\$835	\$918
Intersegment transfers.....	20		(20)
	-----	-----	-----
Balance, March 31, 2003.....	\$4,713	\$835	\$898
	=====	=====	=====

5. LONG-TERM DEBT

The Cross-Guarantee Structure

To simplify Comcast's capital structure, effective with its acquisition of AT&T Corp.'s broadband business ("Broadband") on November 18, 2002, Comcast and four of its cable holding company subsidiaries, including the Company's wholly owned subsidiary Comcast Cable Communications, Inc. ("Comcast Cable"), fully and unconditionally guaranteed each other's debt securities (the "Cross-Guarantee Structure"). Comcast Holdings is not a guarantor, and none of its debt is guaranteed. Comcast MO of Delaware, Inc. (formerly, MediaOne of Delaware, Inc. and Continental Cablevision, Inc.) was not originally a part of the Cross-Guarantee Structure. On March 12, 2003, Comcast announced the successful completion of a bondholder consent solicitation related to

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

FORM 10-Q

QUARTER ENDED MARCH 31, 2003

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

Comcast MO of Delaware, Inc.'s \$1.7 billion aggregate principal amount in debt securities to permit it to become part of the Cross-Guarantee Structure. As of March 31, 2003, \$24.432 billion of Comcast's debt securities were entitled to the benefits of the Cross-Guarantee Structure, including \$7.093 billion of Comcast Cable's debt securities.

Repayments and Redemptions of Debt

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

On May 9, 2003, the Company redeemed, at its scheduled redemption price, the outstanding principal amount of its 8 1/4% senior subordinated notes due 2008. The Company refinanced the redemption with amounts available under the Company's existing credit facilities. As of March 31, 2003, \$150 million of these notes were outstanding.

ZONES

At maturity, holders of the Company's 2.0% Exchangeable Subordinated Debentures due 2029 (the "ZONES") are entitled to receive in cash an amount equal to the higher of the principal amount of the ZONES or the market value of Sprint PCS common stock. Prior to maturity, each ZONES is exchangeable at the holders' option for an amount of cash equal to 95% of the market value of Sprint PCS Stock. As of March 31, 2003, the number of Sprint PCS shares held by the Company exceeded the number of ZONES outstanding.

The Company split the accounting for the ZONES into derivative and debt components. The Company records the change in the fair value of the derivative component of the ZONES (see Note 3) and the change in the carrying value of the debt component of the ZONES as follows (in millions):

	ZONES	
	Three Months Ended March 31,	
	2003	2002
Balance at Beginning of Period:		
Debt component.....	\$491	\$468
Derivative component.....	208	1,145
	699	1,613
Total		
Increase in debt component to interest expense.....	6	6
Decrease in derivative component to investment loss, net.....	(1)	(664)
Balance at End of Period:		
Debt component.....	497	474

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

Derivative component.....	207	481
	-----	-----
Total	\$704	\$955
	=====	=====

Interest Rates

Excluding the derivative component of the ZONES whose changes in fair value are recorded to investment loss, net, the Company's effective weighted average interest rate on its total debt outstanding was 7.51% and 7.07% as of March 31, 2003 and December 31, 2002, respectively.

8

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
 FORM 10-Q
 QUARTER ENDED MARCH 31, 2003
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
 (Unaudited)

Derivatives

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

Lines and Letters of Credit

As of March 31, 2003, certain subsidiaries of the Company had unused lines of credit of \$4.397 billion under their respective credit facilities. On May 5, 2003, Comcast borrowed an aggregate of \$2.75 billion, representing all amounts available under two new credit agreements. The new credit agreements replaced the Company's 364-day credit facility, which expired in May 2003. As a result of the refinancing, amounts available under the Company's unused lines of credit were reduced to \$2.472 billion.

As of March 31, 2003, the Company and certain of its subsidiaries had unused irrevocable standby letters of credit totaling \$43 million to cover potential fundings under various agreements.

6. STOCKHOLDERS' EQUITY

Stock-Based Compensation

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

The following table illustrates the effect on net income (loss) if the Company had applied the fair value recognition provisions of SFAS No. 123

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

to stock-based compensation (dollars in millions):

	Three Months Ended March 31,	
	2003	2002
	-----	-----
Net income (loss), as reported.....	\$115	(\$89)
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	(21)	(33)
	-----	-----
Pro forma, net income (loss).....	\$94	(\$122)
	=====	=====

Total stock-based compensation expense was determined under the fair value method for all awards assuming accelerated vesting of the Company's stock options as permitted under SFAS No. 123. Had the Company applied the fair value recognition provisions of SFAS No. 123 assuming straight-line rather than accelerated vesting of its stock options, total stock-based compensation expense, net of related tax effects, would have been \$19 million and \$27 million for the interim periods in 2003 and 2002, respectively.

The weighted-average fair value at date of grant of a Class A common stock option granted under Comcast's option plans during the 2003 interim period was \$11.62. The weighted-average fair value at date of grant of a Class A Special common stock option granted under the option plans during the interim period in 2002 was \$16.43. The

9

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED MARCH 31, 2003
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

fair value of each option granted during the interim periods in 2003 and 2002 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Three Months Ended March 31,	
2003	2002
-----	-----
Class A Common Stock	Class A Special Common Stock
-----	-----

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

Dividend yield.....	0%	0%
Expected volatility.....	29.2%	29.2%
Risk-free interest rate.....	3.8%	5.3%
Expected option lives (in years)	8.0	8.0
Forfeiture rate.....	3.0%	3.0%

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

Comprehensive Income (Loss)

The Company's total comprehensive income (loss) for the interim periods was as follows (in millions):

	Three Months Ended March 31,	
	2003	2002
	-----	-----
Net income (loss).....	\$115	(\$89)
Unrealized losses on marketable securities	(37)	(141)
Reclassification adjustments for losses included in net income (loss).....	22	5
Unrealized losses on the effective portion ofcash flow hedges		(4)
Foreign currency translation gains (losses)	6	(12)
	-----	-----
Comprehensive income (loss).....	\$106	(\$241)
	=====	=====

7. STATEMENT OF CASH FLOWS - SUPPLEMENTAL INFORMATION

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

	Three Months Ended March 31,	
	2003	2002
	-----	-----
Interest.....	\$106	\$110
Income taxes.....	\$36	\$30

8. COMMITMENTS AND CONTINGENCIES

Contingencies

On March 3, 2003, Comcast announced that Liberty Media Corporation ("Liberty") delivered a notice to it, pursuant to the stockholders agreement between the Company and Liberty, that triggers an exit rights process with respect to Liberty's approximate 42% interest in QVC. An appraisal process will determine the value of QVC. The Company will then

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

have the right to purchase Liberty's interest in QVC based on the determined value. The

10

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED MARCH 31, 2003
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Company may pay Liberty for the QVC stock in cash, in a promissory note maturing not more than three years after issuance, in Comcast's equity securities or in a combination of these, subject to Liberty's right to request payment in all equity securities and the parties' obligation to use reasonable efforts to consummate the purchase in the most tax efficient method available (provided that Comcast is not required to issue securities representing more than 4.9% of the outstanding equity or vote of Comcast's common stock). If the Company elects not to purchase Liberty's interest in QVC, Liberty then will have a similar right to purchase the Company's approximate 57% interest in QVC. If neither the Company nor Liberty elect to purchase the interest of the other, then the Company and Liberty are required to use their best efforts to sell QVC; either company is permitted to be a purchaser in any such sale. The Company and Liberty may agree not to enter into a transaction, or may agree to a transaction other than that specified in the stockholders agreement. Under the current terms of the stockholders agreement between the Company and Liberty, the Company would no longer control QVC if it elects not to purchase Liberty's interest in QVC.

Litigation has been filed against the Company as a result of alleged conduct of the Company with respect to its investment in and distribution relationship with At Home Corporation. At Home was a provider of high-speed Internet access and content services which filed for bankruptcy protection in September 2001. Filed actions are: (i) class action lawsuits against the Company, Brian L. Roberts (the Company's President and Chief Executive Officer and a director), AT&T (the former controlling shareholder of At Home and also a former distributor of the At Home service) and other corporate and individual defendants in the Superior Court of San Mateo County, California, alleging breaches of fiduciary duty on the part of the Company and the other defendants in connection with transactions agreed to in March 2000 among At Home, the Company, AT&T and Cox Communications, Inc. (Cox is also an investor in At Home and a former distributor of the At Home service); (ii) class action lawsuits against Comcast Cable Communications, Inc., AT&T and others in the United States District Court for the Southern District of New York, alleging securities law violations and common law fraud in connection with disclosures made by At Home in 2001; and (iii) a lawsuit brought in the United States District Court for the District of Delaware in the name of At Home by certain At Home bondholders against the Company, Brian L. Roberts, Cox and others, alleging breaches of fiduciary duty relating to the March 2000 transactions and seeking recovery of alleged short-swing profits of at least \$600 million pursuant to Section 16(b) of the Securities Exchange Act of 1934 purported to have arisen in connection with certain transactions relating to At Home stock effected pursuant to the March 2000 agreements. The actions in San Mateo County, California have been stayed by the United States Bankruptcy Court for the Northern District of California, the court in which At Home filed for bankruptcy, as violating the automatic bankruptcy stay. In the Southern District of New York actions, the court ordered the actions consolidated

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

into a single action. An amended consolidated class action complaint was filed on November 8, 2002. All of the defendants served motions to dismiss on February 11, 2003.

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

Some of the entities formerly attributed to Broadband which are now subsidiaries of Comcast are parties to an affiliation term sheet with Starz Encore Group LLC, an affiliate of Liberty Media Corporation, which extends to 2022. The term sheet requires annual fixed price payments, subject to adjustment for various factors, including inflation. The term sheet also requires Comcast to pay two-thirds of Starz Encore's programming costs above levels designated in the term sheet.

By letter dated May 29, 2001, Broadband disputed the enforceability of the excess programming pass-through provisions of the Starz Encore term sheet and questioned the validity of the term sheet as a whole. Broadband also has raised certain issues concerning the uncertainty of the provisions of the term sheet and the contractual interpretation and application of certain of its provisions to, among other things, the acquisition and disposition of

11

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED MARCH 31, 2003
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

cable systems. In July 2001, Starz Encore filed a lawsuit in Colorado state court seeking payment of the 2001 excess programming costs and a declaration that the term sheet is a binding and enforceable contract. In October 2001, Broadband and Starz Encore agreed to delay any further proceedings in the litigation until August 31, 2002 to allow the parties time to continue negotiations toward a potential business resolution of this dispute. As part of this standstill agreement, Broadband and Starz Encore settled Starz Encore's claim for the 2001 excess programming costs, and Broadband agreed to continue to make the standard monthly payments due under the term sheet, with a full reservation of rights with respect to these payments. In connection with the standstill agreement, the court granted a stay on October 30, 2001. The terms of the stay order allowed either party to petition the court to lift the stay after April 30, 2002 and to proceed with the litigation. Broadband and Starz Encore agreed to extend the standstill agreement to and including January 31, 2003, with a requirement that the parties attempt to mediate the dispute. A mediation session held in January 2003 did not result in any resolution of the matter.

On November 18, 2002, the Company and Comcast filed suit against Starz Encore in the United States District Court for the Eastern District of

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

Pennsylvania. The Company and Comcast seek a declaratory judgment that, pursuant to their rights under a March 17, 1999 contract with a predecessor of Starz Encore, upon the completion of the Broadband acquisition that contract now provides the terms under which Starz Encore programming is acquired and transmitted by Comcast's cable systems. On January 8, 2003, Starz Encore filed a motion to dismiss the lawsuit on the grounds that claims asserted by the Company and Comcast raised issues of state law that the United States District Court should decline to decide. The Company and Comcast have responded contesting these assertions. That motion has been submitted to the Court for decision.

On January 31, 2003, Starz Encore filed an amended complaint in its lawsuit against Broadband in Colorado state court. The amended complaint adds the Company and Comcast as defendants and adds new claims against the Company, Comcast and Broadband asserting alleged breaches of, and interference with, the standstill agreement relating to the lawsuit filed by the Company and Comcast in federal District Court in Pennsylvania and to the defendants' position that since the completion of the Broadband acquisition, the March 17, 1999 contract now provides the terms under which Starz Encore programming is acquired and transmitted by the Company's cable systems.

On March 3, 2003, Starz Encore filed a motion for leave to file a second amended complaint that would add allegations that Broadband has breached certain joint-marketing obligations under the term sheet and that the Company and Comcast have breached certain joint-marketing obligations under the March 17, 1999 contract and other agreements. The Company, Comcast and Broadband intend to oppose Starz Encore's motion for leave to file a second amended complaint and, in light of Starz Encore's pending motion for leave to amend, have sought an extension of time from the Court to respond to Starz Encore's amended complaint.

On April 3, 2003, the Company and Comcast filed a motion for summary judgment in the federal action in Pennsylvania. On April 16, 2003, Starz Encore filed a motion seeking (i) to strike the affidavit supporting the summary judgment motion or, in the alternative, (ii) a general postponement of Starz Encore's response date (or at a minimum a three week extension). On April 29, 2003, the Company and Comcast filed an opposition to Starz Encore's motion. The Court has not yet ruled on either motion.

An entity formerly attributed to Broadband, which is now Comcast's subsidiary, is party to a master agreement that may not expire until December 31, 2012, under which it purchases certain billing services from CSG Systems, Inc. The master agreement requires monthly payments, subject to adjustment for inflation. The master agreement also contains a most favored nation provision that may affect the amounts paid thereunder.

On May 10, 2002, Broadband filed a demand for arbitration against CSG before the American Arbitration Association asserting, among other things, the right to terminate the master agreement and seeking damages under the most favored nation provision or otherwise. On May 31, 2002, CSG answered Broadband's arbitration demand and asserted various counterclaims, including for (i) breach of the master agreement; (ii) a declaration that Comcast is now bound by the master agreement to use CSG as its exclusive provider for certain billing and customer care

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

QUARTER ENDED MARCH 31, 2003
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

services; (iii) tortious interference with prospective contractual relations; and (iv) civil conspiracy. A hearing in the arbitration commenced on May 9, 2003.

On June 21, 2002, CSG filed a lawsuit against the Company in federal court in Denver, Colorado asserting claims related to the master agreement and the pending arbitration. On November 4, 2002, CSG withdrew its complaint against the Company without prejudice. On November 15, 2002, Comcast initiated a lawsuit against CSG in federal court in Philadelphia, Pennsylvania asserting that cable systems owned by the Company are not required to use CSG as a billing service or customer care provider pursuant to the master agreement, and that the former Broadband cable systems owned by Comcast may be added to a billing service agreement between Comcast and CSG. CSG moved to dismiss or stay the lawsuit on the ground that the issues raised by the complaint could be wholly or substantially determined by the above-mentioned arbitration. By Order dated February 10, 2003, the Court stayed the lawsuit until further notice.

In management's opinion, the final disposition of the Starz Encore and CSG contractual disputes is not expected to have a material adverse effect on the Company's consolidated financial position or results of operations. However, no assurance can be given that any adverse outcome would not be material to such consolidated financial position or results of operations.

The Company is subject to other legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to such actions is not expected to materially affect the financial condition, results of operations or liquidity of the Company.

In connection with a license awarded to an affiliate, the Company is contingently liable in the event of nonperformance by the affiliate to reimburse a bank which has provided a performance guarantee. The amount of the performance guarantee is approximately \$165 million; however the Company's current estimate of the amount of expenditures (principally in the form of capital expenditures) that will be made by the affiliate necessary to comply with the performance requirements will not exceed \$50 million.

13

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED MARCH 31, 2003
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

9. FINANCIAL DATA BY BUSINESS SEGMENT

The following represents the Company's significant business segments, "Cable" and "Commerce." The components of net income (loss) below operating income (loss) before depreciation and amortization are not separately evaluated by the Company's management on a segment basis (in millions).

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

	Cable -----	Commerce -----	Corporate and Other (1) -----
Three Months Ended March 31, 2003 -----			
Revenues (2).....	\$1,645	\$1,062	\$230
Operating income before depreciation and amortization (3).....	675	211	6
Depreciation and amortization.....	299	31	50
Operating income (loss).....	376	180	(44)
Interest expense.....	139	1	32
Capital expenditures.....	335	13	6
Three Months Ended March 31, 2002 -----			
Revenues (2).....	\$1,469	\$988	\$210
Operating income before depreciation and amortization (3).....	597	192	19
Depreciation and amortization.....	293	27	67
Operating income (loss).....	304	165	(48)
Interest expense.....	146	3	38
Capital expenditures.....	358	32	9
As of March 31, 2003 -----			
Assets.....	\$29,006	\$3,083	\$4,003
Long-term debt, less current portion	7,103		1,348
As of December 31, 2002 -----			
Assets.....	\$29,844	\$3,000	\$2,845
Long-term debt, less current portion	7,908	1	1,348

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED MARCH 31, 2003
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

10. RELATED PARTY TRANSACTIONS

QVC has an affiliation agreement with Comcast Cable Communications Holdings, Inc. ("CCCH"), a wholly owned subsidiary of Comcast, to carry QVC's programming. In return for carrying QVC programming, QVC pays CCCH an allocated portion, based upon market share, of a percentage of net sales of merchandise sold to QVC customers located in CCCH's service area. These amounts, which are included in selling, general and administrative expenses

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

in the Company's consolidated statement of operations, totaled \$4 million during the 2003 interim period. Amounts related to a similar affiliation agreement between QVC and Comcast Cable are eliminated in the Company's consolidated financial statements.

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

Effective January 1, 2003, Comcast has entered into management agreements with the Company's cable subsidiaries. The management agreements generally provide that Comcast supervise the management and operations of the cable systems and arrange for and supervise certain administrative functions. As compensation for such services, the agreements provide for Comcast to charge management fees based on a percentage of gross revenues. These charges, which are included in selling, general and administrative expenses in the Company's consolidated statement of operations, totaled \$37 million during the 2003 interim period. During the 2002 interim period, similar management agreements existed between Comcast Cable and its subsidiaries. Accordingly, amounts related to those agreements were eliminated in the Company's consolidated financial statements during the 2002 interim period.

Effective January 1, 2003, Comcast Cable reimburses Comcast Cable Communications Management, LLC ("CCCM"), a wholly owned subsidiary of Comcast but not of the Company, for certain costs under a cost sharing agreement. These charges, which are included in selling, general and administrative expenses in the Company's consolidated statement of operations, totaled \$33 million during the 2003 interim period. During the 2002 interim period, a similar cost sharing agreement existed between Comcast Cable and its subsidiaries. Accordingly, amounts related to that agreement were eliminated in the Company's consolidated financial statements during the 2002 interim period.

Effective upon the closing of Comcast's acquisition of Broadband on November 18, 2002, the Company purchases certain other services, including insurance and employee benefits, from Comcast under cost sharing agreements on terms that reflect Comcast's actual cost. These charges, which are included in selling, general and administrative expenses in the Company's consolidated statement of operations, totaled \$38 million during the 2003 interim period. During the 2002 interim period, similar cost sharing agreements existed between Comcast Holdings and Comcast Cable. Accordingly, amounts related to those agreements were eliminated in the Company's consolidated financial statements during the 2002 interim period.

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

Current due to affiliates in the Company's consolidated balance sheet primarily consists of amounts due to Comcast and its affiliates under the management and cost sharing agreements described above and amounts payable to Comcast and its affiliates as reimbursements for costs incurred, in the ordinary course of business, by such affiliates on behalf of the Company.

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
 FORM 10-Q
 QUARTER ENDED MARCH 31, 2003
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONCLUDED
 (Unaudited)

As of March 31, 2003 and December 31, 2002, notes receivable from affiliate consist of an aggregate of \$351 million and \$191 million principal amount, respectively, of notes receivable from Comcast. The notes receivable bear interest at rates ranging from 5.25% to 7.5% and are due between 2012 and 2013. As of March 31, 2003 and December 31, 2002, notes payable to affiliates consist of an aggregate of \$451 million and \$22 million principal amount, respectively, of notes payable to Comcast and a subsidiary of CCCH. The notes payable bear interest at rates ranging from 5.25% to 7.5% and are due between 2012 and 2013. Interest relating to such notes as of March 31, 2003 and December 31, 2002 was not significant and is included in due to affiliates in the Company's consolidated balance sheet.

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
 FORM 10-Q
 QUARTER ENDED MARCH 31, 2003

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

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

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

Overview

We have grown significantly in recent years through both strategic acquisitions and growth in our existing businesses. We have historically met our cash needs for operations through our cash flows from operating activities. We have generally financed our acquisitions and capital expenditures through issuances of our common stock, borrowings of long-term debt, sales of investments and from existing cash, cash equivalents and short-term investments.

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

Three Months Ended		Increase \$
March 31, 2003	2002	

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

Revenues.....	\$2,937	\$2,667	\$27
Cost of goods sold from electronic retailing	673	629	4
Operating, selling, general and administrative expenses	1,372	1,230	14
Depreciation and amortization.....	380	387	(
Operating income.....	512	421	9
Interest expense.....	(172)	(187)	(1
Investment loss, net.....	(35)	(248)	(21
Equity in net losses of affiliates.....	(13)	(5)	
Other expense.....	(1)	(23)	(2
Income tax expense.....	(121)	(3)	11
Minority interest.....	(55)	(44)	1
Net income (loss).....	\$115	(\$89)	\$20
Operating income before depreciation and amortization (1)	\$892	\$808	\$8

17

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED MARCH 31, 2003

Consolidated Operating Results

Revenues

The increase in consolidated revenues for the interim period from 2002 to 2003 is primarily attributable to an increase in service revenues in our Cable segment and, to a lesser extent, to an increase in net sales in our Commerce segment (see "Operating Results by Business Segment" below). The remaining increase is primarily the result of increases in revenues from our content operations, principally due to increases in distribution of our cable channels.

Cost of goods sold from electronic retailing

Refer to the "Commerce" section of "Operating Results by Business Segment" below for a discussion of the increase in cost of goods sold from electronic retailing.

Operating, selling, general and administrative expenses

The increase in consolidated operating, selling, general and administrative expenses for the interim period from 2002 to 2003 is primarily attributable to increases in expenses in our Cable segment and, to a lesser extent, to increases in expenses in our Commerce segment (see "Operating Results by Business Segment" below). The remaining increases are primarily the result of increased expenses in our content operations, principally due to growth in our historical operations.

Operating Results by Business Segment

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

The following represent the operating results of our significant business segments, "Cable" and "Commerce." The remaining components of our operations are not independently significant to our consolidated financial condition or results of operations. Refer to Note 9 to our financial statements included in Item 1 for a summary of our financial data by business segment.

Cable

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

	Three Months Ended March 31,		
	2003	2002	\$
Video.....	\$1,230	\$1,150	\$
High-speed Internet.....	204	119	
Advertising sales.....	92	81	
Other.....	68	68	
Franchise fees.....	51	51	
	1,645	1,469	1
Revenues.....			
Operating, selling, general and administrative expenses	970	872	
	\$675	\$597	\$
Operating income before depreciation and amortization (a).....	\$675	\$597	\$

Video revenue consists of our basic, expanded basic, premium, pay-per-view, equipment and digital cable services. The \$80 million increase in video revenues for the interim period from 2002 to 2003 is attributable to the effects of subscriber growth, driven principally by growth in digital subscribers, and rate increases. From March 31, 2002 to March 31, 2003, we added approximately 466,000 digital subscribers or a 25.1% increase in digital subscribers. During the 2003 interim period, we added approximately 76,000 digital subscribers.

The increase in high-speed Internet revenue for the interim period from 2002 to 2003 is primarily due to growth in high-speed Internet subscribers. From March 31, 2002 to March 31, 2003, we added approximately 678,000 high-speed Internet subscribers or a 65.1%

increase in high-speed Internet subscribers. During the 2003 interim period, we added approximately 192,000 high-speed Internet subscribers.

The increase in advertising sales revenue for the interim period from 2002 to 2003 is primarily due to the effects of a stronger advertising market and the

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

continued leveraging of our market-wide fiber interconnects.

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

The increase in operating, selling, general and administrative expense for the interim period from 2002 to 2003 is primarily due to the effects of increases in the costs of cable programming, high-speed Internet subscriber growth, and, to a lesser extent, increases in labor costs and other volume related expenses.

Our cost of programming increases as a result of changes in rates, subscriber growth, additional channel offerings and our acquisitions. We anticipate the cost of cable programming will increase in the future as cable programming rates increase and additional sources of cable programming become available.

Commerce (QVC, Inc. and Subsidiaries)	Three Months Ended March 31,		I
	2003	2002	\$
	-----	-----	-----
Net sales from electronic retailing.....	\$1,062	\$988	\$
Cost of goods sold from electronic retailing	673	629	
Operating, selling, general and administrative expenses.....	178	167	
	-----	-----	-----
Operating income before depreciation and amortization (a).....	\$211	\$192	\$
	=====	=====	=====
Gross margin.....	36.6%	36.4%	
	=====	=====	

The \$74 million increase in net sales from electronic retailing for the interim period from 2002 to 2003 is attributable to increases in net sales in Germany, Japan, and the United Kingdom, and to the effects of fluctuations in foreign currency exchange rates during the interim periods. Net sales from electronic retailing in the United States for the interim period in 2003 were flat as compared to the prior year period, principally as a result of a decrease in net sales per home. Changes in the average number of homes receiving QVC services and net sales per home as compared to the prior year interim period are as follows:

	Three Months Ended March 31, 2003

Increase in average number of homes.....	3.1%
Decrease in net sales per home.....	2.6%

It is unlikely that the number of homes receiving the QVC service domestically will continue to grow at rates comparable to prior periods given

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

that the QVC service is already received by approximately 97% of all U.S. cable television homes and substantially all satellite television homes in the U.S. Future growth in sales will depend increasingly on continued additions of new customers from homes already receiving the QVC service and growth in repeat sales to existing customers.

The increase in cost of goods sold is primarily related to the growth in net sales. The increase in gross margin is primarily due to the effects of a shift in sales mix.

The increase in operating, selling, general and administrative expenses is primarily attributable to higher variable costs and personnel costs associated with the increase in sales volume.

19

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES FORM 10-Q QUARTER ENDED MARCH 31, 2003

Consolidated Analysis

Interest Expense

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

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

Investment Loss, Net

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

	Three Months Ended March 31,	
	2003	2002
Interest and dividend income.....	\$5	\$7
Gains on sales and exchanges of investments, net	22	2
Investment impairment losses.....	(55)	(13)
Unrealized losses on trading securities.....	(2)	(1,020)
Mark to market adjustments on derivatives related to trading securities.....	3	847
Mark to market adjustments on derivatives and hedged items	(8)	(71)
	-----	-----
Investment loss, net.....	(\$35)	(\$248)
	=====	=====

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

Other Expense

The decrease in other expense for the interim period from 2002 to 2003 is attributable to the loss on the sale of one of our equity method investees in the 2002 interim period.

Income Tax Expense

The change in income tax expense for the interim period from 2002 to 2003 is primarily the result of the effects of changes in our income (loss) before taxes and minority interest.

Minority Interest

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

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

20

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED MARCH 31, 2003

ITEM 4. CONTROLS AND PROCEDURES

- (a) Disclosure controls and procedures. Our chief executive officer and our co-chief financial officers, after evaluating the effectiveness of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-14(c) and 15d-14(c)) as of a date (the "Evaluation Date") within 90 days before the filing date of this quarterly report, have concluded that as of the Evaluation Date, our disclosure controls and procedures were adequate and designed to ensure that material information relating to us and our consolidated subsidiaries would be made known to them by others within those entities.
- (b) Changes in internal controls. There were no significant changes in our internal controls or to our knowledge, in other factors that could significantly affect our internal controls and procedures subsequent to the Evaluation Date.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Litigation has been filed against us as a result of our alleged conduct with respect to our investment in and distribution relationship with At

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

Home Corporation. At Home was a provider of high-speed Internet access and content services which filed for bankruptcy protection in September 2001. Filed actions are: (i) class action lawsuits against us, Brian L. Roberts (our President and Chief Executive Officer and a director), AT&T (the former controlling shareholder of At Home and also a former distributor of the At Home service) and other corporate and individual defendants in the Superior Court of San Mateo County, California, alleging breaches of fiduciary duty on the part of us and the other defendants in connection with transactions agreed to in March 2000 among At Home, us, AT&T and Cox Communications, Inc. (Cox is also an investor in At Home and a former distributor of the At Home service); (ii) class action lawsuits against Comcast Cable Communications, Inc., AT&T and others in the United States District Court for the Southern District of New York, alleging securities law violations and common law fraud in connection with disclosures made by At Home in 2001; and (iii) a lawsuit brought in the United States District Court for the District of Delaware in the name of At Home by certain At Home bondholders against us, Brian L. Roberts, Cox and others, alleging breaches of fiduciary duty relating to the March 2000 transactions and seeking recovery of alleged short-swing profits of at least \$600 million pursuant to Section 16(b) of the Securities Exchange Act of 1934 purported to have arisen in connection with certain transactions relating to At Home stock effected pursuant to the March 2000 agreements. The actions in San Mateo County, California have been stayed by the United States Bankruptcy Court for the Northern District of California, the court in which At Home filed for bankruptcy, as violating the automatic bankruptcy stay. In the Southern District of New York actions, the court ordered the actions consolidated into a single action. An amended consolidated class action complaint was filed on November 8, 2002. All of the defendants served motions to dismiss on February 11, 2003.

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

Some of the entities formerly attributed to Broadband which are now subsidiaries of Comcast are parties to an affiliation term sheet with Starz Encore Group LLC, an affiliate of Liberty Media Corporation, which extends to 2022. The term sheet requires annual fixed price payments, subject to adjustment for various factors, including inflation. The term sheet also requires Comcast to pay two-thirds of Starz Encore's programming costs above levels designated in the term sheet.

By letter dated May 29, 2001, Broadband disputed the enforceability of the excess programming pass through provisions of the Starz Encore term sheet and questioned the validity of the term sheet as a whole. Broadband also has raised certain issues concerning the uncertainty of the provisions of the term sheet and the contractual interpretation and application of certain of its provisions to, among other things, the acquisition and disposition of

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

QUARTER ENDED MARCH 31, 2003

cable systems. In July 2001, Starz Encore filed a lawsuit in Colorado state court seeking payment of the 2001 excess programming costs and a declaration that the term sheet is a binding and enforceable contract. In October 2001, Broadband and Starz Encore agreed to delay any further proceedings in the litigation until August 31, 2002 to allow the parties time to continue negotiations toward a potential business resolution of this dispute. As part of this standstill agreement, Broadband and Starz Encore settled Starz Encore's claim for the 2001 excess programming costs, and Broadband agreed to continue to make the standard monthly payments due under the term sheet, with a full reservation of rights with respect to these payments. In connection with the standstill agreement, the court granted a stay on October 30, 2001. The terms of the stay order allowed either party to petition the court to lift the stay after April 30, 2002 and to proceed with the litigation. Broadband and Starz Encore agreed to extend the standstill agreement to and including January 31, 2003, with a requirement that the parties attempt to mediate the dispute. A mediation session held in January 2003 did not result in any resolution of the matter.

On November 18, 2002, Comcast filed suit against Starz Encore Group LLC in the United States District Court for the Eastern District of Pennsylvania. We seek a declaratory judgment that, pursuant to our rights under a March 17, 1999 contract with a predecessor of Starz Encore, upon the completion of the Broadband acquisition that contract now provides the terms under which Starz Encore programming is acquired and transmitted by Comcast's cable systems. On January 8, 2003, Starz Encore filed a motion to dismiss the lawsuit on the grounds that claims asserted by Comcast raised issues of state law that the United States District Court should decline to decide. We and Comcast have responded, contesting these assertions. That motion has been submitted to the Court for decision.

On January 31, 2003, Starz Encore filed an amended complaint in its lawsuit against Broadband in Colorado state court. The amended complaint adds us and Comcast as defendants and adds new claims against us, Comcast and Broadband asserting alleged breaches of, and interference with, the standstill agreement relating to the lawsuit filed by us and Comcast in federal District Court in Pennsylvania and to the defendants' position that since the completion of the Broadband acquisition the March 17, 1999 contract now provides the terms under which Starz Encore programming is acquired and transmitted by our cable systems.

On March 3, 2003, Starz Encore filed a motion for leave to file a second amended complaint that would add allegations that Broadband has breached certain joint-marketing obligations under the term sheet and that we and Comcast have breached certain joint-marketing obligations under the March 17, 1999 contract and other agreements. We, Comcast and Broadband intend to oppose Starz Encore's motion for leave to file a second amended complaint and, in light of Starz Encore's pending motion for leave to amend, have sought an extension of time from the Court to respond to Starz Encore's amended complaint.

On April 3, 2003, we and Comcast filed a motion for summary judgment in the federal action in Pennsylvania. On April 16, 2003, Starz Encore filed a motion seeking (i) to strike the affidavit supporting the summary judgment or, in the alternative, (ii) a general postponement of Starz Encore's response date (or at a minimum a three week extension). On April 29, 2003, we and Comcast filed an opposition to Starz Encore's motion. The Court has not yet ruled on either motion.

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

An entity formerly attributed to Broadband, which is now Comcast's subsidiary, is party to a master agreement that may not expire until December 31, 2012, under which it purchases certain billing services from CSG Systems, Inc. The master agreement requires monthly payments, subject to adjustment for inflation. The master agreement also contains a most favored nation provision that may affect the amounts paid thereunder.

On May 10, 2002, Broadband filed a demand for arbitration against CSG before the American Arbitration Association asserting, among other things, the right to terminate the master agreement and seeking damages under the most favored nation provision or otherwise. On May 31, 2002, CSG answered Broadband's arbitration demand and asserted various counterclaims, including for (i) breach of the master agreement; (ii) a declaration that Comcast is now bound by the master agreement to use CSG as its exclusive provider for certain billing and customer care services; (iii) tortious interference with prospective contractual relations; and (iv) civil conspiracy. A hearing in the arbitration commenced on May 9, 2003.

22

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED MARCH 31, 2003

On June 21, 2002, CSG filed a lawsuit against us in federal court in Denver, Colorado asserting claims related to the master agreement and the pending arbitration. On November 4, 2002, CSG withdrew its complaint against us without prejudice. On November 15, 2002, Comcast initiated a lawsuit against CSG in federal court in Philadelphia, Pennsylvania asserting that cable systems owned by us are not required to use CSG as a billing service or customer care provider pursuant to the master agreement, and that the former Broadband cable systems owned by Comcast may be added to a billing service agreement between Comcast and CSG. CSG moved to dismiss or stay the lawsuit on the ground that the issues raised by the complaint could be wholly or substantially determined by the above-mentioned arbitration. By Order dated February 10, 2003, the Court stayed the lawsuit until further notice.

In management's opinion, the final disposition of the Starz Encore and CSG contractual disputes is not expected to have a material adverse effect on our consolidated financial position or results of operations. However, no assurance can be given that any adverse outcome would not be material to such consolidated financial position or results of operations.

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

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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

None.

(b) Reports on Form 8-K:

None.

23

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES
FORM 10-Q
QUARTER ENDED MARCH 31, 2003

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMCAST HOLDINGS CORPORATION

/S/ LAWRENCE J. SALVA

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

Date: May 15, 2003

24

CERTIFICATIONS

I, Brian L. Roberts, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Comcast Holdings Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ BRIAN L. ROBERTS

Name: Brian L. Roberts
Chief Executive Officer

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

I, Lawrence S. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Comcast Holdings Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

/s/ LAWRENCE S. SMITH

Name: Lawrence S. Smith
Co-Chief Financial Officer

26

I, John R. Alchin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Comcast Holdings Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in

Edgar Filing: COMCAST HOLDINGS CORP - Form 10-Q

internal controls; and

- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ JOHN R. ALCHIN

Name: John R. Alchin
Co-Chief Financial Officer