Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction and Overview

We are the nation's leading provider of cable services, offering a variety of entertainment, information and communications services to residential and commercial customers. As of December 31, 2008, our cable systems served approximately 24.2 million video customers, 14.9 million high-speed Internet customers and 6.5 million phone customers and passed over 50.6 million homes in 39 states and the District of Columbia. We report the results of these operations as our Cable segment, which generates approximately 95% of our consolidated revenue. Our Cable segment also includes the operations of our regional sports networks. Our other reportable segment, Programming, consists primarily of our national programming networks. During 2008, our operations generated consolidated revenue of approximately $34.3 billion.

Our Cable segment generates revenue primarily through subscriptions to our video, high-speed Internet and phone services ("cable services"). We market our cable services individually and in packages, to residential customers and to small and medium-sized businesses. Our video services range from a limited analog service to a full digital service with access to hundreds of channels, including premium and pay-per-view channels; On Demand; music channels; and an interactive, on-screen program guide. Digital video customers may also subscribe to advanced digital video services, including digital video recorder ("DVR") and high-definition television ("HDTV"). As of December 31, 2008, approximately 48% of the homes in the areas we serve subscribed to our video service and approximately 70% of those video customers subscribed to at least one of our digital video services. Our high-speed Internet services provide Internet access at downstream speeds of up to 24 Mbps, depending on the service selected, and up to 50 Mbps with the introduction of DOCSIS 3.0 technology, also referred to as Wideband, based on geographic market availability. As of December 31, 2008, approximately 30% of the homes in the areas we serve subscribed to our high-speed Internet services. Our digital phone services provide local and long-distance calling and other features. As of December 31, 2008, approximately 14% of the homes in the areas we serve subscribed to our digital phone services. In addition to cable services, other Cable segment revenue sources include advertising and the operation of our regional sports networks.

Our Programming segment consists primarily of our consolidated national programming networks, including E!, Golf Channel, VERSUS, G4 and Style. Revenue from our Programming segment is generated primarily from the sale of advertising, from monthly per subscriber license fees paid by multichannel video providers and from licensing our programming internationally.

Our other business interests include Comcast Interactive Media and Comcast Spectacor. Comcast Interactive Media develops and operates Comcast's Internet businesses, including Comcast.net, Fancast, thePlatform, Fandango, Plaxo and DailyCandy. Revenue from Comcast Interactive Media is generated primarily from the sale of advertising. Comcast Spectacor owns two professional sports teams, and two large, multipurpose arenas in Philadelphia, and manages other facilities for sporting events, concerts and other events. Comcast Interactive Media, Comcast Spectacor and all other consolidated businesses not included in our Cable or Programming segments are included in "Corporate and Other" activities.

We operate our businesses in an intensely competitive environment. Competition for the cable services we offer consists primarily of direct broadcast satellite ("DBS") operators and phone companies. In 2008, our competitors continued to add features and adopt aggressive pricing and packaging for services that are comparable to the services we offer and the local phone companies have continued to expand their service areas. A substantial portion of our revenue comes from residential customers whose spending patterns may be affected by prevailing economic conditions. Intensifying competition and a weakening economy affected our net customer additions in 2008 and may, if these conditions continue, adversely impact our results of operations in the future.

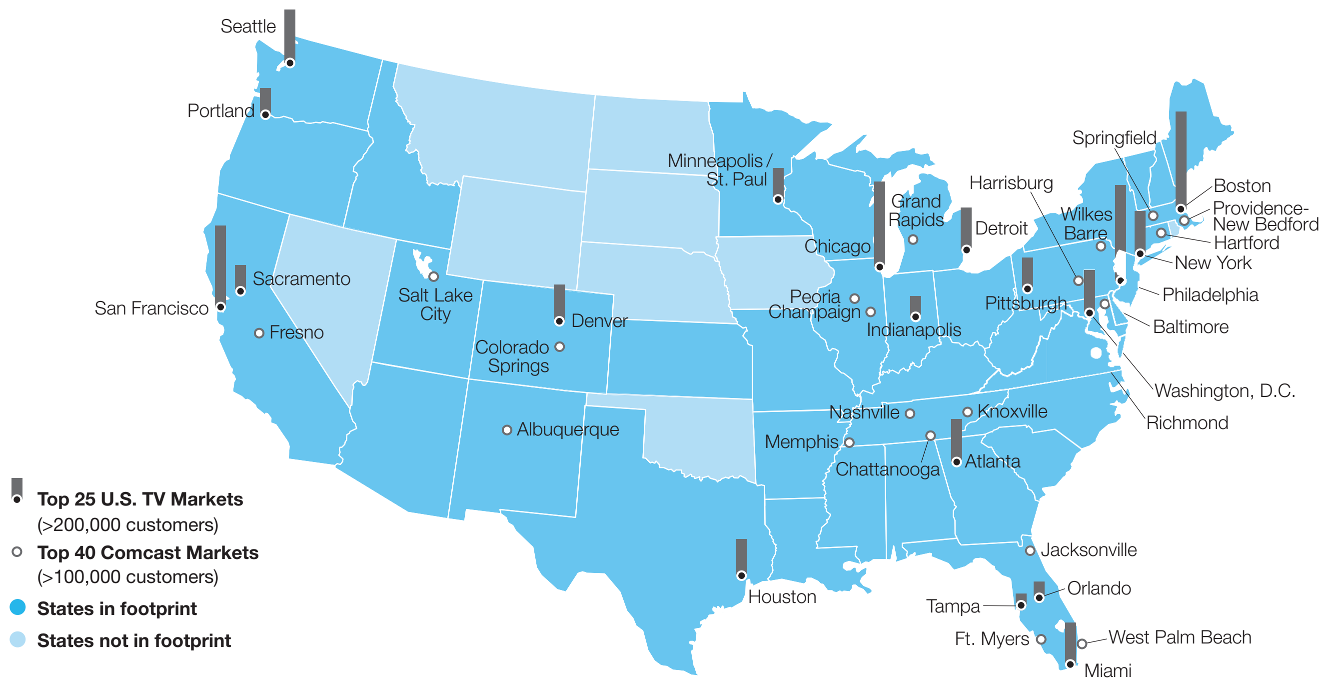
2008 Developments

- growth in consolidated revenue of 10.9% to approximately $34.3 billion and an increase in consolidated operating income of 20.7% to approximately $6.7 billion
- growth in Cable segment revenue of 10.7% to approximately $32.4 billion and an increase in operating income before depreciation and amortization of 10.5% to approximately $13.2 billion
- the addition of approximately 1.5 million digital video customers, approximately 1.3 million high-speed Internet customers, approximately 2.0 million digital phone customers and a decrease of approximately 575,000 video customers (excluding in each case customers obtained through acquisitions)
- a reduction in Cable segment capital expenditures of 7.5% to approximately $5.5 billion
- the transition of more of our programming to digital transmission rather than analog transmission in order to recapture bandwidth that will allow us to expand our service offerings

- the initial deployment of DOCSIS 3.0 high-speed Internet technology, also referred to as Wideband
- the acquisition of cable systems serving Illinois and Indiana (approximately 696,000 video customers), as a result of the dissolution of Insight Midwest, L.P. (the "Insight transaction"), in January 2008
- an investment as part of an investor group in a new entity named Clearwire that is focusing on the deployment of a nationwide 4G wireless network using its significant wireless spectrum holdings and was formed through the combination of the 4G wireless broadband businesses of Clearwire's legal predecessor and Sprint Nextel ("Sprint"); through related agreements entered into in connection with our investment, we will be able to offer wireless services utilizing Clearwire's 4G and certain of Sprint's existing wireless networks
- the completion of various transactions, including the acquisition of Internet-related businesses, which include Plaxo and Daily-Candy, and the purchase of an additional ownership interest in Comcast SportsNet Bay Area
- the repurchase of approximately 141 million shares of our Class A common stock and Class A Special common stock for approximately $2.8 billion under our share repurchase authorization
- the initiation a quarterly dividend of $0.0625 per share in February 2008; we declared dividends of approximately $727 million in 2008, of which $547 million were paid during 2008

The Areas We Serve

The map below highlights our 40 major markets with emphasis on our operations in the top 25 U.S. TV markets.



Consolidated Operating Results

The comparability of our results of operations and customer data is impacted by the effects of cable system acquisitions we made in 2008, 2007 and 2006 resulting from the Insight transaction, the Houston transaction, the acquisition of Patriot Media, the Adelphia and Time Warner transactions and the acquisition of Susquehanna Communications, which we collectively refer to as the "newly acquired cable systems" (see Note 5 to our consolidated financial statements). As a result of transferring our previously owned cable systems located in Los Angeles, Cleveland and Dallas (the "Comcast exchange systems") as part of the Adelphia and Time Warner transactions in July 2006, the operating results of the Comcast exchange systems are reported as discontinued operations for 2006.

Year ended December 31 (in millions)	**2008**	2007	2006	**% Change 2007 to 2008**	% Change 2006 to 2007
Revenue	**$ 34,256**	$ 30,895	$ 24,966	**10.9%**	23.7%
Costs and expenses:					
Operating, selling, general and administrative (excluding depreciation and amortization)	**21,124**	19,109	15,524	**10.5**	23.1
Depreciation	**5,457**	5,107	3,828	**6.9**	33.4
Amortization	**943**	1,101	995	**(14.3)**	10.6
Operating income	**6,732**	5,578	4,619	**20.7**	20.8
Other income (expense) items, net	**(2,674)**	(1,229)	(1,025)	**117.4**	20.0
Income from continuing operations before income taxes and minority interest	**4,058**	4,349	3,594	**(6.7)**	21.0
Income tax expense	**(1,533)**	(1,800)	(1,347)	**(14.8)**	33.6
Income from continuing operations before minority interest	**2,525**	2,549	2,247	**(0.9)**	13.4
Minority interest	**22**	38	(12)	**(43.9)**	n/m
Income from continuing operations	**2,547**	2,587	2,235	**(1.6)**	15.8
Discontinued operations, net of tax	**—**	—	298	**n/m**	n/m
Net income	**$ 2,547**	$ 2,587	$ 2,533	**(1.6)%**	2.1%

All percentages are calculated based on actual amounts. Minor differences may exist due to rounding.

Consolidated Revenue

Our Cable and Programming segments accounted for substantially all of the increases in consolidated revenue for 2008 and 2007. Additional increases of approximately $129 million and approximately $103 million in 2008 and 2007, respectively, related to our other business activities, primarily growth in Comcast Interactive Media and revenue generated in 2008 by Comcast Spectacor's professional sports teams. Cable segment revenue and Programming segment revenue are discussed separately in "Segment Operating Results."

Consolidated Operating, Selling, General and Administrative Expenses

Our Cable and Programming segments accounted for substantially all of the increases in consolidated operating, selling, general and administrative expenses for 2008 and 2007. Additional increases of approximately $103 million and approximately $210 million in 2008 and 2007, respectively, related to our other business activities, including the continued expansion of our Comcast Interactive Media business, Comcast Spectacor and litigation expense incurred in 2007. Cable segment and Programming segment operating, selling, general and administrative expenses are discussed separately in "Segment Operating Results."

Consolidated Depreciation and Amortization

The increases in depreciation expense for 2008 and 2007 were primarily a result of an increase in property and equipment associated with capital spending in recent years, which resulted in increased depreciation of approximately $210 million and $700 million, respectively, and the newly acquired cable systems, which resulted in increased depreciation of approximately $138 million and $530 million, respectively.

The decrease in amortization expense for 2008 was primarily due to intangible assets associated with the AT&T Broadband acquisition in 2002 being fully amortized, partially offset by the amortization of similar intangible assets recorded in connection with our newly acquired cable systems. The increase in amortization expense for 2007 was primarily a result of the increases in the amortization of our intangible assets associated with our newly acquired cable systems, purchases of software-related intangibles and the write-down of intangible assets of approximately $30 million in 2007 related to the shutdown of the AZN network.

Segment Operating Results

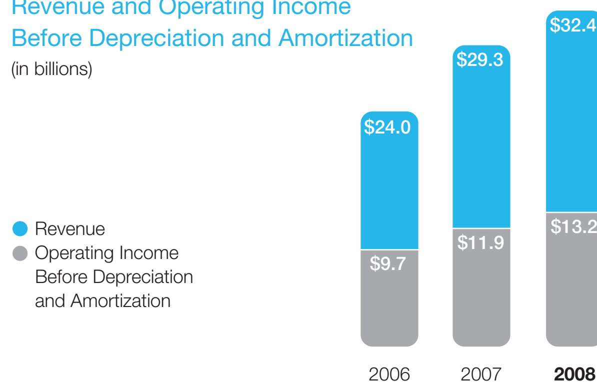
Our segment operating results are presented based on how we assess operating performance and internally report financial information. To measure the performance of our operating segments, we use operating income (loss) before depreciation and amortization, excluding impairments related to fixed and intangible assets, and gains or losses from the sale of assets, if any. This measure eliminates the significant level of noncash depreciation and amortization expense that results from the capital-intensive nature of our businesses and from intangible assets recognized in business combinations. Additionally, it is unaffected by our capital structure or investment activities. We use this measure to evaluate our consolidated operating performance and the operating performance of our operating segments and to allocate resources and capital to our operating segments. It is also a significant performance measure in our annual incentive compensation programs. We believe that this measure is useful to investors because it is one of the bases for comparing our operating performance with that of other companies in our industries, although our measure may not be directly comparable to similar measures used by other companies. Because we use this metric to measure our segment profit or loss, we reconcile it to operating income, the most directly comparable financial measure calculated and presented in accordance with generally accepted accounting principles in the United States ("GAAP") in the business segment footnote to our consolidated financial statements (see Note 16 to our consolidated financial statements). This measure should not be considered a substitute for operating income (loss), net income (loss), net cash provided by operating activities, or other measures of performance or liquidity we have reported in accordance with GAAP.

Cable Segment Overview

Our cable systems simultaneously deliver video, high-speed Internet and phone services to our customers. The majority of our Cable segment revenue is generated from subscriptions to these cable services. Customers are billed monthly, based on the services and features they receive and the type of equipment they use. While residential customers may discontinue service at any time, business customers may only discontinue their service in accordance with the terms of their respective contracts, which typically have one to three year terms. Our revenue and operating income before depreciation and amortization have increased as a result of the effects of our recent acquisitions, continued demand for our services (including our bundled and advanced service offerings), as well as other factors discussed below.

Of our total customers, in 2008 the newly acquired cable systems accounted for 696,000 video customers, 370,000 high-speed Internet customers and 74,000 phone customers. In 2007, they accounted for 81,000 video customers, 58,000 high-speed Internet customers and 16,000 phone customers. In 2006, they accounted for 3.5 million video customers, 1.7 million high-speed Internet customers and 173,000 phone customers. In 2008 and 2007, the newly acquired cable systems accounted for approximately $742 million and $2.6 billion of the increases in revenue, respectively. Intensifying competition and a weakening economy affected our net customer additions in 2008 and may, if these conditions continue, adversely impact our results of operations in the future.

Revenue and Operating Income Before Depreciation and Amortization
(in billions)



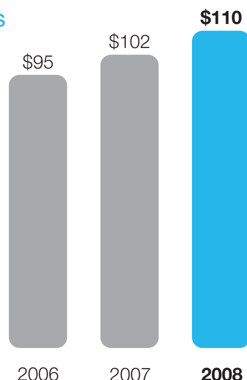
Cable Segment Results of Operations

Year ended December 31 (in millions)	2008	2007	2006	% Change 2007 to 2008	% Change 2006 to 2007
Video	**$18,849**	$17,686	$15,062	**6.6%**	17.4%
High-speed Internet	**7,225**	6,402	4,953	**12.9**	29.2
Phone	**2,649**	1,766	911	**50.0**	93.9
Advertising	**1,526**	1,537	1,468	**(0.5)**	4.5
Other	**1,283**	1,087	927	**17.6**	17.5
Franchise fees	**911**	827	721	**10.1**	14.7
Revenue	**32,443**	29,305	24,042	**10.7**	21.9
Operating expenses	**12,664**	11,409	9,322	**11.0**	22.4
Selling, general and administrative expenses	**6,609**	5,974	5,053	**10.6**	18.2
Operating income before depreciation and amortization	**$13,170**	$11,922	$ 9,667	**10.5%**	23.3%

Cable Segment Revenue

Our average monthly total revenue per video customer increased to approximately $110 in 2008 from approximately $102 in 2007 and approximately $95 in 2006. The increases in average monthly total revenue per video customer are primarily due to an increased number of customers receiving multiple services.

Average Monthly Total Revenue per Video Customers



Video

We offer video services ranging from a limited analog service to a full digital service with access to hundreds of channels, including premium and pay-per-view channels. Digital video customers may also subscribe to advanced digital video services, including DVR and HDTV. As of December 31, 2008, 70% of our video customers subscribed to at least one of our digital video services, compared to 63% and 52% as of December 31, 2007 and 2006, respectively.

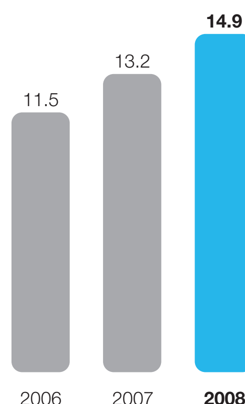
Our video revenue continued to grow in 2008 and 2007 due to customer growth in our digital video services, including the demand for digital features such as On Demand, DVR and HDTV; rate adjustments; and the addition of our newly acquired cable systems. During 2008 and 2007, we added approximately 1.5 million and 2.5 million digital video customers, respectively. During 2008 and 2007, the number of video customers decreased by approximately 575,000 and 180,000, respectively, excluding the impact of the newly acquired cable systems, primarily due to increased competition in our service areas, as well as weakness in the overall economy. Continued competition and weak economic conditions are expected to result in further declines in the number of video customers during 2009. In 2008, approximately $455 million of the increase in our video revenue was attributable to our newly acquired cable systems. In 2007, the amount was approximately $1.6 billion. Our average monthly video revenue per video customer increased to approximately $64 in 2008 from approximately $61 in 2007 and approximately $57 in 2006.

High-Speed Internet

We offer high-speed Internet services with Internet access at downstream speeds of up to 24 Mbps, depending on the service selected, and up to 50 Mbps with the introduction of DOCSIS 3.0 technology, also referred to as Wideband, based on geographic market availability. These services also include our Internet portal, Comcast.net, which provides multiple e-mail addresses and online storage, as well as a variety of proprietary content and value-added features and enhancements that are designed to take advantage of the speed our services provide.

Revenue increased in 2008 and 2007 primarily due to an increase in the number of customers and the addition of our newly acquired cable systems. As of December 31, 2008, 30% of the homes in the areas we serve subscribed to our high-speed Internet service, compared to 28% and 25% as of December 31, 2007 and 2006, respectively. In 2008, approximately $157 million of the increase in revenue was attributable to our newly acquired cable systems. In 2007, the amount was approximately $640 million. Average monthly revenue per high-speed Internet customer has remained relatively stable, between $42 and $43 from 2006 to 2008. We expect the rates of customer and revenue growth to slow in 2009 due to the market maturing, increased competition and weak economic conditions continuing.

High-Speed Internet Customers
(in millions)



Phone

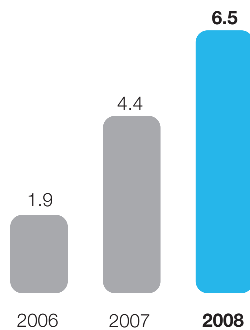
We offer digital phone services that provide local and long-distance calling and include features such as voice mail, caller ID and call waiting. As of December 31, 2008, our digital phone services were available to approximately 47 million or 92% of the homes in the areas we serve.

Revenue increased significantly in 2008 and 2007 as a result of increases in the number of digital phone customers. These increases were partially offset by the loss of approximately 170,000 and 470,000 circuit-switched phone customers in 2008 and 2007, respectively. We phased out substantially all of our circuit-switched phone service in 2008. In 2008, approximately $43 million of the increase in our phone revenue was attributable to our newly acquired cable systems. In 2007, the amount was approximately $100 million. Average monthly revenue per

customer for our digital phone service has declined, to approximately $39 in 2008 from approximately $42 in 2007 and approximately $45 in 2006, due to customers receiving service as part of a promotional offer or in a bundled service offering. We expect the rates of customer and revenue growth to slow in 2009, because we do not expect to launch any significant new service areas in 2009 and due to weak economic conditions continuing.

Comcast Digital Voice Customers

(in millions)



Advertising

As part of our programming license agreements with programming networks, we receive an allocation of scheduled advertising time that we may sell to local, regional and national advertisers. We also coordinate the advertising sales efforts of other cable operators in some markets, and in some markets we operate advertising interconnects. These interconnects establish a physical, direct link between multiple cable systems and provide for the sale of regional and national advertising across larger geographic areas than could be provided by a single cable operator.

Advertising revenue decreased in 2008 primarily due to a decline in the television advertising market, including the automotive and housing sectors, offset by an increase in political advertising and the addition of the newly acquired cable systems. Advertising revenue increased in 2007 as a result of our newly acquired cable systems. Absent the growth from the newly acquired cable systems, advertising revenue decreased slightly in 2007, reflecting weakness across the television advertising market, a lower level of political advertising and one less week in the broadcast calendar during 2007 compared to 2006. We expect our advertising revenue to decline in 2009 due to a deteriorating advertising market, less political advertising and weak economic conditions continuing.

Other

We also generate revenue from our regional sports networks, our digital media center, on-screen guide advertising, commissions from electronic retailing networks and fees for other services. Our regional sports networks include Comcast SportsNet (Philadelphia), Comcast SportsNet Mid-Atlantic (Baltimore/Washington), Cable Sports Southeast, Comcast SportsNet Chicago, Comcast SportsNet California (Sacramento), Comcast SportsNet Northwest (Portland), Comcast SportsNet New England (Boston), Comcast SportsNet Bay Area (San Francisco) and MountainWest Sports Network. These networks generate revenue through programming license agreements with multichannel video providers and the sale of advertising time.

Other revenue increased in 2008 and 2007 as a result of our acquisitions in June 2007 of Comcast SportsNet Bay Area and Comcast SportsNet New England and our acquisitions of the newly acquired cable systems.

Franchise Fees

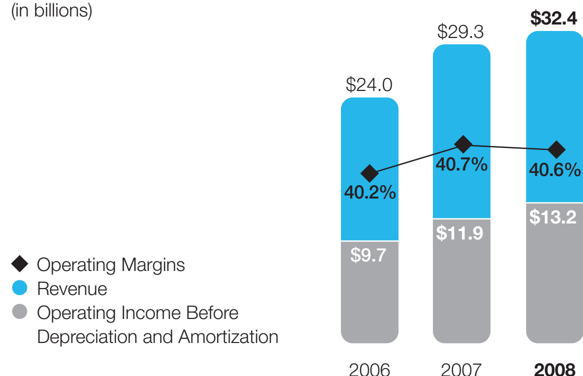
Our franchise fee revenue represents the pass-through to our customers of the fees required to be paid to state and local franchising authorities. Under the terms of our franchise agreements, we are generally required to pay to the franchising authority an amount based on our gross video revenue. The increases in franchise fees collected from our cable customers in 2008 and 2007 were primarily due to increases in the revenue on which the fees apply.

Cable Segment Expenses

We continue to focus on controlling the growth of expenses. Our operating margins (operating income before depreciation and amortization as a percentage of revenue) for 2008, 2007 and 2006 were 40.6 %, 40.7% and 40.2%, respectively.

Operating Margins

(in billions)



Cable Segment Operating Expenses

Year ended December 31 (in millions)	2008	2007	2006	% Change 2007 to 2008	% Change 2006 to 2007
Video programming	**$ 6,479**	$ 5,813	$4,848	**11.5%**	19.9%
Technical labor costs	**2,138**	1,899	1,572	**12.6**	20.8
High-speed Internet	**523**	575	435	**(9.0)**	32.2
Phone	**730**	685	427	**6.6**	60.4
Other	**2,794**	2,437	2,040	**14.6**	19.5
Total	**$12,664**	$11,409	$9,322	**11.0%**	22.4%

Video programming expenses, our largest operating expense, are the fees we pay to programming networks to license the programming we package, offer and distribute to our video customers. These expenses are affected by changes in the fees charged by programming networks, the number of our video customers and the number of programming options we offer. Video programming expenses increased in 2008 and 2007, primarily due to rate increases, additional digital customers, an additional number of programming options and additional customers from our newly acquired cable systems. We anticipate that our video programming expenses will continue to increase in 2009 and in the future as the fees charged by programming networks increase, as new fees for retransmission of broadcast networks are incurred and as we provide additional channels and video on demand programming options to our customers.

Technical labor expenses include the internal and external labor to complete service call and installation activities in the home, network operations, fulfillment and provisioning costs. These expenses increased in 2008 and 2007 primarily due to growth in the number of customers, which required additional personnel to handle service calls and provide in-house customer support and the addition of our newly acquired cable systems.

High-speed Internet expenses and phone expenses include certain direct costs identified by us for providing these services. Other related costs associated with providing these services are generally shared among all our cable services and are not allocated to these captions. The decrease in high-speed Internet expenses in 2008 was primarily driven by lower support service costs that were the result of our entering into new contracts with lower cost providers and renegotiating existing contracts. High-speed Internet expenses increased in 2007 primarily due to growth in the number of customers receiving these services and the addition of our newly acquired cable systems. Phone expenses grew at a lower rate in 2008 due to efficiencies associated with an increased number of customers as well as the least-cost routing of call traffic and lower support service costs that were the result of our entering into new contracts with lower cost providers and renegotiating existing contracts. Phone expenses increased in 2007 primarily due to growth in the number of customers receiving these services and the addition of our newly acquired cable systems.

Other operating expenses include franchise fees, pole rentals, plant maintenance and vehicle-related costs, including fuel, as well as expenses related to our regional sports networks. These expenses increased in 2008 and 2007 primarily due to the addition of our newly acquired cable systems and the acquisitions in June 2007 of Comcast SportsNet Bay Area and Comcast SportsNet New England.

Cable Segment Selling, General and Administrative Expenses

Year ended December 31 (in millions)	2008	2007	2006	% Change 2007 to 2008	% Change 2006 to 2007
Customer service	**$1,773**	$1,674	$1,326	**5.9%**	26.2%
Marketing	**1,625**	1,404	1,196	**15.7**	17.4
Administrative and other	**3,211**	2,896	2,531	**10.9**	14.4
Selling, general and administrative	**$6,609**	$5,974	$5,053	**10.6%**	18.2%

Customer service expenses remained relatively flat in 2008 primarily due to achieving operational efficiencies and the slower growth in customers. Customer service expenses increased in 2007 primarily due to growth in the number of customers and services offered.

Marketing expenses increased in 2008 and 2007 primarily due to additional marketing costs associated with attracting and retaining customers, as well as the addition of the newly acquired cable systems.

Administrative and other expenses increased in 2008 and 2007 primarily due to the addition of our newly acquired cable systems and the acquisitions in June 2007 of Comcast SportsNet Bay Area and Comcast SportsNet New England. Administrative and other expenses in 2008 also include severance costs of approximately $126 million primarily related to approximately 3,300 personnel reductions, a portion of which resulted from a divisional reorganization.

Programming Segment Overview

Our Programming segment consists primarily of our consolidated national programming networks. The table below presents a summary of our most significant consolidated national programming networks:

Programming Network	Approximate U.S. Subscribers (in millions)	Description
E!	85	Pop culture and entertainment-related programming
Golf Channel	73	Golf and golf-related programming
VERSUS	66	Sports and leisure programming
G4	57	Gamer lifestyle programming
Style	51	Lifestyle-related programming

We also own interests in MGM (20%), iN DEMAND (51%), TV One (33%), PBS KIDS Sprout (40%) and FEARnet (33%). The operating results of these entities are not included in our Programming segment's operating results because they are presented in equity in net (losses) income of affiliates.

Programming Segment Results of Operations

Year ended December 31 (in millions)	**2008**	2007	2006	**% Change 2007 to 2008**	% Change 2006 to 2007
Revenue	**$1,426**	$1,314	$1,054	**8.5%**	24.7%
Operating, selling, general and administrative expenses	**1,064**	1,028	815	**3.6**	26.1
Operating income before depreciation and amortization	**$ 362**	$ 286	$ 239	**26.3%**	19.8%

Programming Segment Revenue

Programming revenue for 2008 and 2007 increased as a result of continued growth in advertising revenue, programming license fee revenue and international revenue. In 2008, 2007 and 2006, advertising accounted for approximately 43%, 44% and 45%, respectively, of total Programming revenue. In 2008, 2007 and 2006, approximately 11% to 13% of our Programming revenue was generated from our Cable segment. These amounts are eliminated in our consolidated financial statements but are included in the amounts presented above.

Programming Segment Operating, Selling, General and Administrative Expenses

Programming operating, selling, general and administrative expenses consist mainly of the cost of producing television programs and live events, the purchase of programming rights, the marketing and promotion of our programming networks and administrative costs. Programming expenses increased significantly in 2007 primarily due to the programming rights costs for the PGA Tour on Golf Channel, as well as a corresponding increase in marketing expenses for this programming. We have invested and expect to continue to invest in new and live-event programming that will cause our programming expenses to increase in the future.

Consolidated Other Income (Expense) Items

Year ended December 31 (in millions)	**2008**	2007	2006
Interest expense	**$(2,439)**	$(2,289)	$(2,064)
Investment income (loss), net	**89**	601	990
Equity in net (losses) income of affiliates, net	**(39)**	(63)	(65)
Other income (expense)	**(285)**	522	114
Total	**$(2,674)**	$(1,229)	$(1,025)

Interest Expense

The increase in interest expense for 2008 was primarily due to an increase in our average debt outstanding and an increase in early extinguishment costs of approximately $61 million associated with the repayment and redemption of certain debt obligations prior to their maturity, partially offset by the effects of lower interest rates in 2008 on our fixed to variable rate interest rate exchange agreements. The increase for 2007 was primarily due to an increase in our average debt outstanding.

Investment Income (Loss), Net

The components of investment income (loss), net for 2008, 2007 and 2006 are presented in a table in Note 6 to our consolidated financial statements. We have entered into derivative financial instruments that we account for at fair value and that economically hedge the market price fluctuations in the common stock of all of

our investments accounted for as trading securities. The differences between the unrealized gains (losses) on trading securities and the mark to market adjustments on derivatives related to trading securities, as presented in the table in Note 6 to our consolidated financial statements, result from one or more of the following:

- there were unusual changes in the derivative valuation assumptions such as interest rates, volatility and dividend policy
- the magnitude of the difference between the market price of the underlying security to which the derivative relates and the strike price of the derivative
- the change in the time value component of the derivative value during the period
- the security to which the derivative relates changed due to a corporate reorganization of the issuing company to a security with a different volatility rate

Other Income (Expense)

Other expense for 2008 includes an impairment of approximately $600 million related to our investment in Clearwire (see Note 6 to our consolidated financial statements), partially offset by a gain of approximately $235 million on the sale of our 50% interest in the Insight asset pool in connection with the Insight transaction. Other income for 2007 consisted primarily of a gain of approximately $500 million on the sale of our 50% interest in the Kansas City asset pool in connection with the Houston transaction. Other income for 2006 consisted primarily of $170 million of gains on the sale of nonoperating assets, partially offset by a $59 million impairment related to one of our equity method investments.

Income Tax Expense

Our effective income tax rate for 2008, 2007 and 2006 was 37.8%, 41.4% and 37.5%, respectively. Income tax expense reflects an effective income tax rate that differs from the federal statutory rate primarily due to state income taxes and interest on uncertain tax positions. Our 2008 income tax expense was reduced by approximately $154 million, $80 million of which is due to the settlement of an uncertain tax position (see Note 13 to our consolidated financial statements) and the net impact of certain state tax law changes that primarily affected our deferred income tax liabilities and other noncurrent liabilities, and the balance of which is primarily due to the future deductibility of certain deferred compensation arrangements. Our tax rate in 2006 was impacted by adjustments to uncertain tax positions, which were primarily due to the favorable resolution of issues and revised estimates of the outcome of unresolved issues with various taxing authorities. We expect our 2009 annual effective tax rate to be in the range of 40% to 45%.

Discontinued Operations

The operating results of our previously owned cable systems located in Los Angeles, Dallas and Cleveland, which were reported as discontinued operations for 2006, included 7 months of operations in 2006 because the closing date of the transaction was July 31, 2006. As a result of the exchange of these systems in the Adelphia and Time Warner transactions, we recognized a gain of $195 million, net of tax of $541 million in 2006 (see Note 5 to our consolidated financial statements). The effective tax rate on the gain is higher than the federal statutory rate primarily due to the nondeductible amounts attributed to goodwill.

Liquidity and Capital Resources

Our businesses generate significant cash flows from operating activities. We believe that we will be able to meet our current and long-term liquidity and capital requirements, including fixed charges, through our cash flows from operating activities; through existing cash, cash equivalents and investments; through available borrowings under our existing credit facilities; and through our ability to obtain future external financing.

We anticipate that we will continue to use a substantial portion of our cash flows to fund our capital expenditures, to invest in business opportunities, to meet our debt repayment obligations and to return capital to investors.

The global financial markets have been and continue to be in turmoil, with extreme volatility in the equity and credit markets and with some financial and other institutions experiencing significant financial distress. As of December 31, 2008, we had approximately $5.5 billion remaining availability under our credit facilities and no outstanding commercial paper obligations. From 2009 to 2011, our scheduled debt maturities total approximately $5.3 billion. In addition, neither our access to nor the value of our cash equivalents or short-term investments have been negatively affected by the recent liquidity problems of financial institutions. Although we have attempted to be prudent in our investment strategy, it is not possible to predict how the financial market turmoil and the deteriorating economic conditions may affect our financial position. Additional financial institution failures could reduce amounts available under committed credit facilities, could cause losses to the extent cash amounts or the value of securities exceed government deposit insurance limits, and could restrict our access to the public equity and debt markets.

Operating Activities

Components of Net Cash Provided by Operating Activities

Year ended December 31 (in millions)	2008	2007	2006
Operating income	**$ 6,732**	$ 5,578	$ 4,619
Depreciation and amortization	**6,400**	6,208	4,823
Operating income before depreciation and amortization	**13,132**	11,786	9,442
Operating income before depreciation and amortization from discontinued operations	**—**	—	264
Noncash share-based compensation and contribution expense	**258**	223	223
Changes in operating assets and liabilities	**(251)**	(200)	(280)
Cash basis operating income	**13,139**	11,809	9,649
Payments of interest	**(2,256)**	(2,134)	(1,880)
Payments of income taxes	**(762)**	(1,638)	(1,284)
Proceeds from interest, dividends and other nonoperating items	**125**	185	233
Payments related to settlement of litigation of an acquired company	**—**	—	(67)
Excess tax benefit under SFAS No. 123R presented in financing activities	**(15)**	(33)	(33)
Net cash provided by operating activities	**$10,231**	$ 8,189	$ 6,618

The increases in interest payments in 2008 and 2007 were primarily due to an increase in our average debt outstanding.

The decrease in tax payments in 2008 was primarily due to the Economic Stimulus Act of 2008, which resulted in a reduction in our tax payments of approximately $600 million. The increase in tax payments in 2007 was primarily due to the effects of increases in income, sales of investments, and the settlement of federal and state tax audits of $376 million.

Financing Activities

Net cash provided by (used in) financing activities consists primarily of our proceeds from borrowings offset by our debt repayments, our repurchases of our Class A and Class A Special common stock and dividend payments. Proceeds from borrowings fluctuate from year to year based on the amounts paid to fund acquisitions and debt repayments. We have made, and may from time to time in the future make, optional repayments on our debt obligations, which may include repurchases of our outstanding public notes and debentures, depending on various factors, such as market conditions. In 2008, we made $307 million of optional public bond repurchases. See Note 9 to our consolidated financial statements for further discussion of our financing activities, including details of our debt repayments and borrowings.

Available Borrowings Under Credit Facilities

We traditionally maintain significant availability under our lines of credit and our commercial paper program to meet our short-term liquidity requirements. In January 2008, we entered into an amended and restated revolving bank credit facility that may be used for general corporate purposes. This amendment increased the size of the credit facility from $5.0 billion to $7.0 billion and extended the maturity of the loan commitment from October 2010 to January 2013. Under our credit facility, other lenders are not obligated to fund a defaulting lender's commitment, although another lender could agree to fund the defaulting lender's commitment. However, non-defaulting lenders are not able to use a default by another bank to avoid their own commitments. In December 2008, we terminated a $200 million commitment to our credit facility by Lehman Brothers Bank, FSB ("Lehman") as a result of Lehman's default under a borrowing request. At a discounted value, we repaid Lehman's portion of our outstanding credit facility, along with accrued interest and fees. Subsequent to this termination, the size of our credit facility is $6.8 billion. As of December 31, 2008, amounts available under all of our credit facilities totaled approximately $5.5 billion.

Debt Covenants

We and our cable subsidiaries that have provided guarantees are subject to the covenants and restrictions set forth in the indentures governing our public debt securities and in the credit agreements governing our bank credit facilities (see Note 18 to our consolidated financial statements). We and the guarantors are in compliance with the covenants, and we believe that neither the covenants nor the restrictions in our indentures or loan documents will limit our ability to operate our business or raise additional capital. Our credit facilities' covenants are tested on an ongoing basis. The only financial covenant in our $6.8 billion revolving credit

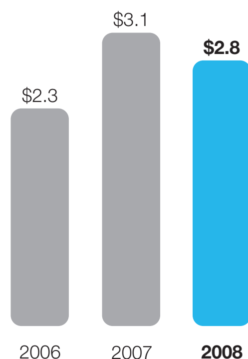
facility due 2013 relates to leverage (ratio of debt to operating income before depreciation and amortization). As of December 31, 2008, we met this financial covenant by a significant margin. Our ability to comply with this financial covenant in the future does not depend on further debt reduction or on improved operating results.

Share Repurchase and Dividends

As of December 31, 2008, we had approximately $4.1 billion of availability remaining under our share repurchase authorization. We have previously indicated our plan to fully use our remaining share repurchase authorization by the end of 2009, subject to market conditions. However, as previously disclosed, due to difficult economic conditions and instability in the capital markets, it is unlikely that we will complete our share repurchase authorization by the end of 2009 as previously planned.

Share Repurchases

(in billions)



Our Board of Directors declared a dividend of $0.0625 per share for each quarter in 2008 totaling approximately $727 million. We paid approximately $547 million of dividends in 2008. We expect to continue to pay quarterly dividends, though each subsequent dividend is subject to approval by our Board of Directors. We did not declare or pay any cash dividends in 2007 or 2006.

Investing Activities

Net cash used in investing activities consists primarily of cash paid for capital expenditures, acquisitions and investments, partially offset by proceeds from sales of investments.

Capital Expenditures

Our most significant recurring investing activity has been capital expenditures in our Cable segment and we expect that this will continue in the future. A significant portion of our capital expenditures is based on the level of customer growth and the technology being deployed. The table below summarizes the capital expenditures we incurred in our Cable segment from 2006 through 2008.

Year ended December 31 (in millions)	**2008**	2007	2006
Customer premises equipment[a]	**$3,147**	$3,164	$2,321
Scalable infrastructure[b]	**1,024**	1,014	906
Line extensions[c]	**212**	352	275
Support capital[d]	**522**	792	435
Upgrades (capacity expansion)[e]	**407**	520	307
Business services[f]	**233**	151	—
Total	**$5,545**	$5,993	$4,244

(a) Customer premises equipment ("CPE") includes costs incurred to connect our services at the customer's home. The equipment deployed typically includes standard digital set-top boxes, HD set-top boxes, digital video recorders, remote controls and modems. CPE also includes the cost of installing this equipment for new customers as well as the material and labor cost incurred to install the cable that connects a customer's dwelling to the network.

(b) Scalable infrastructure includes costs incurred to secure growth in customers or revenue units or to provide service enhancements, other than those related to CPE. Scalable infrastructure includes equipment that controls signal reception, processing and transmission throughout our distribution network, as well as equipment that controls and communicates with the CPE residing within a customer's home. Also included in scalable infrastructure is certain equipment necessary for content aggregation and distribution (video on demand equipment) and equipment necessary to provide certain video, high-speed Internet and digital phone service features (e.g., voice mail and e-mail).

(c) Line extensions include the costs of extending our distribution network into new service areas. These costs typically include network design, the purchase and installation of fiber-optic and coaxial cable, and certain electronic equipment.

(d) Support capital includes costs associated with the replacement or enhancement of non-network assets due to technical or physical obsolescence and wear-out. These costs typically include vehicles, computer and office equipment, furniture and fixtures, tools, and test equipment.

(e) Upgrades include costs to enhance or replace existing portions of our cable network, including recurring betterments.

(f) Business services include the costs incurred related to the rollout of our services to small and medium-sized businesses. The equipment typically includes high-speed Internet modems and phone modems and the cost of installing this equipment for new customers as well as materials and labor incurred to install the cable that connects a customer's business to the closest point of the main distribution network.

Cable capital expenditures decreased 7.5% in 2008 primarily due to lower spending in residential cable services. Line extensions decreased in 2008 compared to 2007 primarily due to the slowdown in the housing market. Cable capital expenditures increased 41.2% in 2007 primarily as a result of the continued rollout of our digital phone service and an increase in demand for advanced set-top boxes (including DVR and HDTV) and high-speed Internet modems. These increases were accelerated by the success of our triple play bundle and as a result of regulatory changes in 2007. We also incurred additional capital expenditures in our newly acquired cable systems and continued to improve the capacity and reliability of our network in 2007 in order to handle the additional volume and advanced services.

Capital expenditures in our Programming segment were not significant in 2008, 2007 and 2006. In 2008 and 2007, our other business activities included approximately $137 million and $110 million, respectively, of capital expenditures related to the consolidation of offices in Pennsylvania and the relocation of our corporate headquarters. Capital expenditures for 2009 and for subsequent years will depend on numerous factors, including acquisitions, competition, changes in technology, regulatory changes and the timing and rate of deployment of new services. Our 2009 capital expenditures will include the purchase of set-top boxes associated with our migration to all digital transmission for certain analog channels.

Acquisitions

In 2008, acquisitions were primarily related to our acquisition of an additional interest in Comcast SportsNet Bay Area; our acquisition of the remaining interest in G4 that we did not already own; and our acquisitions of Plaxo and DailyCandy. In 2007, acquisitions were primarily related to our acquisitions of Patriot Media, Fandango, Comcast SportsNet New England, and an interest in Comcast SportsNet Bay Area. In 2006, acquisitions were primarily related to the Adelphia and Time Warner transactions, the acquisition of the cable systems of Susquehanna Communications and the acquisition of our additional interest in E! Entertainment Television.

Proceeds from Sales of Investments

In 2008, proceeds from the sales of investments were primarily related to the disposition of available-for-sale debt securities. In 2007 and 2006, proceeds from the sales of investments were primarily related to the disposition of our ownership interests in Time Warner Inc.

Purchases of Investments

In 2008, purchases of investments consisted primarily of the funding of our investment in Clearwire. In 2007, purchases of investments consisted primarily of an additional investment in Insight Midwest, L.P. and the purchase of available-for-sale debt securities. In 2006, purchases of investments consisted primarily of the purchase of our interest in SpectrumCo LLC and our additional investment in Texas and Kansas City Cable Partners.

Contractual Obligations

Our unconditional contractual obligations as of December 31, 2008, which consist primarily of our debt obligations and the associated payments due in future periods, are presented in the table below.

	Payments Due by Period				
(in millions)	Total	Year 1	Years 2–3	Years 4–5	More than 5
Debt obligations[a]	$ 32,394	$ 2,269	$ 2,957	$ 5,613	$ 21,555
Capital lease obligations	62	9	36	8	9
Operating lease obligations	2,088	385	542	328	833
Purchase obligations[b]	16,069	3,666	3,915	2,462	6,026
Other long-term liabilities reflected on the balance sheet:					
Acquisition-related obligations[c]	153	118	32	3	—
Other long-term obligations[d]	3,795	232	511	383	2,669
Total	$ 54,561	$ 6,679	$ 7,993	$ 8,797	$ 31,092

Refer to Note 9 (long-term debt) and Note 15 (commitments) to our consolidated financial statements.

(a) Excludes interest payments.

(b) Purchase obligations consist of agreements to purchase goods and services that are legally binding on us and specify all significant terms, including fixed or minimum quantities to be purchased and price provisions. Our purchase obligations are primarily related to our Cable segment, including contracts with programming networks, CPE manufacturers, communication vendors, other cable operators for which we provide advertising sales representation and other contracts entered into in the normal course of business. We also have purchase obligations through Comcast Spectacor for the players and coaches of our professional sports teams. We did not include contracts with immaterial future commitments.

(c) Acquisition-related obligations consist primarily of costs related to exiting contractual obligations and other assumed contractual obligations of the acquired entity.

(d) Other long-term obligations consist primarily of prepaid forward sale agreement transactions of equity securities we hold; subsidiary preferred shares; effectively settled tax positions and related interest, net of deferred tax benefit; deferred compensation obligations; pension, post-retirement and post-employment benefit obligations; and programming rights payable under license agreements. Reserves for uncertain tax positions of approximately $1.4 billion are not included in the table above. The liability for unrecognized tax benefits has been excluded because we cannot make a reliable estimate of the period in which the unrecognized tax benefits will be realized.

Off-Balance Sheet Arrangements

We do not have any significant off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Judgments and Estimates

The preparation of our financial statements requires us to make estimates that affect the reported amounts of assets, liabilities, revenue and expenses, and the related disclosure of contingent assets and contingent liabilities. We base our judgments on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making estimates about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe our judgments and related estimates associated with the valuation and impairment testing of our cable franchise rights and the accounting for income taxes are critical in the preparation of our financial statements. We had previously disclosed that the accounting judgments and estimates related to our legal contingencies were critical in the preparation of our financial statements. This identification was based in large part on the fact that significant amounts were included in our consolidated balance sheet representing management's estimates of the ultimate outcome of these legal contingencies. As substantially all of the contingencies to which these balance sheet estimates have been resolved and there are no significant estimates recorded for current legal contingencies as they are either not probable, estimable or both, estimates related to our legal contingencies are not critical in the preparation of our financial statements at December 31, 2008. Management has discussed the development and selection of these critical accounting judgments and estimates with the Audit Committee of our Board of Directors, and the Audit Committee has reviewed our disclosures relating to them, which are presented below.

Refer to Note 2 to our consolidated financial statements for a discussion of our accounting policies with respect to these and other items.

Valuation and Impairment Testing of Cable Franchise Rights
Our largest asset, our cable franchise rights, results from agreements we have with state and local governments that allow us to construct and operate a cable business within a specified geographic area. The value of a franchise is derived from the economic benefits we receive from the right to solicit new customers and to market new services, such as advanced digital video services and high-speed Internet and phone services, in a particular service area. The amounts we record for cable franchise rights are primarily a result of cable system acquisitions. Typically when we acquire a cable system, the most significant asset we record is the value of the cable franchise rights. Often these cable system acquisitions include multiple franchise areas. We currently serve approximately 6,400 franchise areas in the United States.

We have concluded that our cable franchise rights have an indefinite useful life since there are no legal, regulatory, contractual, competitive, economic or other factors which limit the period over which these rights will contribute to our cash flows. Accordingly, we do not amortize our cable franchise rights but assess the carrying value of our cable franchise rights annually, or more frequently whenever events or changes in circumstances indicate that the carrying amount may exceed its fair value ("impairment testing"), in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," ("SFAS No. 142").

We estimate the fair value of our cable franchise rights primarily based on a discounted cash flow analysis that involves significant judgment. We also consider multiples of operating income before depreciation and amortization generated by underlying assets, current market transactions, and profitability information in analyzing the fair values indicated under the discounted cash flow models.

If we were to determine the value of our cable franchise rights is less than the carrying amount, we would recognize an impairment for the difference between the estimated fair value and the carrying value of the assets. For purposes of our impairment testing, we have grouped the recorded values of our various cable franchise rights into our cable divisions or units of account. We evaluate the unit of account periodically to ensure our impairment testing is performed at an appropriate level (see Note 2 to our consolidated financial statements).

Since the adoption of SFAS No. 142 in 2002, we have not recorded any significant impairments as a result of our impairment testing. A future change in the unit of account could result in the recognition of an impairment.

We could also record impairments in the future if there are changes in long-term market conditions, in expected future operating results, or in federal or state regulations that prevent us from recovering the carrying value of these cable franchise rights. Assumptions made about increased competition and a further slowdown in the economy on a longer-term basis could impact the valuations to be used in future annual impairment testing and result in a reduction of fair values from those determined in the July 1, 2008 annual impairment testing ("July 1 testing"). Such assumptions and fair values will not be determined until the July 1, 2009 annual impairment testing is performed. Our July 1 testing, which included assumptions related to the weakening economy,

indicated that the estimated fair value of our cable franchise rights exceeded the carrying value ("headroom") for each of our units of accounts by a significant amount (see table below). Given the significant headroom that existed on July 1, 2008, we do not believe the current economic environment, regulatory changes, or the decline in our market capitalization since our July 1 testing, represent events or changes in circumstances that are indicative of an impairment of value at December 31, 2008. The table below illustrates the impairment related to our various cable divisions that would have occurred had the hypothetical reductions in fair value existed at the time of our last annual impairment testing.

	Percent Hypothetical Reduction in Fair Value and Related Impairment			
(in millions)	10%	15%	20%	25%
Eastern Division	$ —	$ (55)	$ (999)	$ (1,942)
NorthCentral Division	—	—	—	—
Southern Division	—	—	—	—
Western Division	—	—	—	—
	$ —	$ (55)	$ (999)	$ (1,942)

Income Taxes

Our provision for income taxes is based on our current period income, changes in deferred income tax assets and liabilities, income tax rates, changes in estimates of our uncertain tax positions, and tax planning opportunities available in the jurisdictions in which we operate. We prepare and file tax returns based on our interpretation of tax laws and regulations, and we record estimates based on these judgments and interpretations.

On January 1, 2007, we adopted Financial Accounting Standards Board ("FASB") Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109," ("FIN 48"). We evaluate our tax positions using the recognition threshold and the measurement attribute in accordance with this interpretation. From time to time, we engage in transactions in which the tax consequences may be subject to uncertainty. Examples of these transactions include business acquisitions and disposals, including consideration paid or received in connection with these transactions, and certain financing transactions. Significant judgment is required in assessing and estimating the tax consequences of these transactions. We determine whether it is more likely than not that a tax position will be sustained on examination, including the resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, we presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to be recognized in the financial statements. The tax position is measured at the largest amount of benefit that has a greater than 50% likelihood of being realized when the position is ultimately resolved.

We adjust our estimates periodically because of ongoing examinations by and settlements with the various taxing authorities, as well as changes in tax laws, regulations and precedent. The effects on our financial statements of income tax uncertainties that arise in connection with business combinations and those associated with entities acquired in business combinations are discussed in Note 2 to our consolidated financial statements. We believe that adequate accruals have been made for income taxes. When uncertain tax positions are ultimately resolved, either individually or in the aggregate, differences between our estimated amounts and the actual amounts are not expected to have a material adverse effect on our consolidated financial position but could possibly be material to our consolidated results of operations or cash flow for any one period.