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PRESENTATION

Operator

Good morning, ladies and gentlemen and welcome to Comcast's second-quarter 2009 earnings conference call. At this time, all participants are in a listen-only mode. Please note that this conference call is being recorded. I will now turn the call over to Senior Vice President, Investor Relations, Ms. Marlene Dooner. Please go ahead, Ms. Dooner.

Marlene Dooner - *Comcast Corporation - SVP, IR*

Thank you, operator and welcome, everyone, to our second-quarter 2009 earnings call. Joining me on the call are Brian Roberts, Steve Burke and Michael Angelakis.

As always, let me first refer you to slide number 2, which contains our Safe Harbor disclaimer and remind you that this conference call may include forward-looking statements subject to certain risks and uncertainties.

In addition, in this call, we will refer to certain non-GAAP financial measures. Please refer to our 8-K for the reconciliation of non-GAAP financial measures to GAAP. With that, let me turn the call to Brian Roberts for his comments. Brian?

Brian Roberts - *Comcast Corporation - Chairman & CEO*

Thanks, Marlene and good morning, everyone. Today, we are pleased to report solid results for the second quarter, really highlighting the strength of our subscription businesses and our continued focus on expense and capital management.

In the second quarter, we generated $1.2 billion of free cash flow and for the first six months of the year, $2.5 billion, which is a 36% increase. Our ability to continue to deliver consistent and significant free cash flow was once again the result of healthy growth in revenues of 4.5%, an operating cash flow growth of 5.5%, as well as lower cable capital expenditures.

The combination of a weak economy and increasing competition does continue to translate into slower growth in new customer additions. In the second quarter, units are also seasonally soft. But our high-speed internet net ads in particular were disappointing. We believe we understand what happened and have already made some corrections and are pretty optimistic that the second-quarter high-speed Internet unit growth will not represent a new trend. Steve will take you through this in more detail.

But all in all, we are working to strike the right balance between revenue, cash flow and unit growth and the diversity of our revenue streams and the subscription nature of many of our products are helping us to deliver healthy financial results.

At the same time, we are focused on providing a superior customer experience, offering the best products delivered reliably and serviced well. In June, the American Customer Satisfaction Index, ACSI, noted a 9% improvement in our customer satisfaction scores, highlighting some of our efforts to monitor customer feedback, to address customer issues and internally, we continue to see improvements as well in network reliability, as well as lower contact rates, trouble calls and repeat trouble calls. We know we have a lot of work still to do, but have a real commitment to this effort and we are making steady progress.

We are also innovating, investing in our products and services and executing on strategic initiatives that strengthen our competitive position now and in the future. Just this quarter, we launched a number of new features and applications that provide more choices and more ways for customers to access the Comcast services they already enjoy in the home.

First, we announced the launch of our trial of On Demand Online or TV Everywhere, which now includes programming from more than 20 programmers, including broadcasters, premium channels and cable networks. We also launched a new app for the iPhone iPod Touch community giving customers mobile access to a number of Comcast video, voice and Internet services. And similarly, with the launch of Comcast High-Speed 2go in Portland and Atlanta, we are beginning the roll-out of 4G high-speed wireless data services. We are clearly now in the execution phase of our wireless strategy as Portland and Atlanta will be followed by other major markets like Chicago, Philadelphia and others.

We continue to make progress on our key strategic initiatives, deploying DOCSIS 3.0, wideband and All-Digital and expanding our On Demand capabilities with Project Infinity, which are all very important to our long-term success.

We have already installed wideband in nearly 50% of our footprint and we hope to reach close to 80% by year-end. As we deploy this wideband capability, we are doubling the speeds to our existing customers and introducing new higher-speed services in these markets.

We are also on track executing All-Digital and we will dramatically increase our product capabilities and help enhance the experience we offer customers, particularly in high-definition choices and channels and ethnic television. Steve will give you an update on both of these projects, including results from the roll-out of All-Digital in Portland where we are now effectively complete.

All of our operating efforts are based on a disciplined and balanced financial approach. And over the last few months, we completed a number of transactions to reinforce our strong credit profile. Michael will provide more details on that and some of the new financings that we have completed in a few minutes.

So I am pleased with our results this quarter. When compared to almost any other business, Comcast is proving to be robust even in this tough economic environment. We are delivering growth in revenues, growth in operating cash flow, great growth in free cash flow and at the same time, we are positioning the Company for future success. Let me now pass it on to Michael to cover the second-quarter results in more detail.

Michael Angelakis - *Comcast Corporation - EVP & CFO*

Thank you, Brian. Let me begin by reviewing our consolidated results on slide 4. Overall, the Company continues to execute well in a challenging economic and competitive environment, reflecting our continued focus on profitable growth and proactive expense and capital management.

For the second quarter, consolidated revenue increased 4.5% to $8.9 billion and operating cash flow grew 5.5% to $3.5 billion, resulting in a consolidated operating cash flow margin of 39.6% versus 39.2% in the second quarter of 2008.

In addition to growing our revenue and operating cash flow, we are also very focused on free cash flow, free cash flow per share and adjusted earnings per share as important metrics in evaluating the strength of our Company. In each of these key metrics, our performance during the second quarter and on a year-to-date basis are very strong and reflect meaningful progress and growth.

During the second quarter, we generated consolidated free cash flow of $1.2 billion and year-to-date, free cash flow has increased 36% to $2.5 billion from $1.9 billion in 2008. To be clear, we are providing a consistent comparison with prior year's results and therefore, free cash flow for 2009 and 2008 specifically exclude any impact from the 2009 or 2008 economic stimulus packages.

In addition, free cash flow per share increased 3% in the quarter to $0.40 per share and our year-to-date free cash flow per share has increased 42% to $0.88 per share compared to the same period in 2008. We generated EPS of $0.33 per share, an increase of 57% compared to the second quarter of 2008. On a year-to-date basis, our adjusted EPS has increased 46% to $0.60 per share. The reason for this adjustment is to exclude a one-time gain in 2008 related to the dissolution of the Insight Midwest partnership.

We remain very focused on executing our strategic, operational and financial plans. But there are several areas that should be highlighted. Consistent with the ongoing recession and its consumer impact, we are continuing to experience a slowdown in gross connect activity across all of our service categories. The weak economy continues to negatively impact the consumer, providing us with fewer opportunities to sell new services.

Connect activity was exceptionally challenging in April and May; although we saw some improvement in June as connects benefited from the broadcast digital transition and additional marketing efforts. We expect connects to remain challenging due to the difficult economic environment and competition as RBOCs continue to increase their footprint and they and satellite remain promotional.

In addition, in the second quarter, churn in both video and high-speed Internet modestly increased, driven by higher voluntary disconnects that were concentrated in a handful of markets, which are experiencing particularly high unemployment rates or levels of foreclosures. However, we are managing appropriately our bad debt and it continues to trend at similar levels to prior year.

The overall advertising market continues to be challenging. Our local cable advertising revenue declined 20% this quarter and we are not seeing any signs of recovery. Advertising weakness also impacted our national programming networks. Our programming division reported a 5% increase in revenue; however, it includes a 7% decline in advertising revenue in the second quarter.

Even with these headwinds, I think it is important to recognize that we are growing the business and are confident that we will continue to execute through this recession. We remain diligent with our expense controls and are focused on delivering growth in revenue, operating cash flow and free cash flow, as well as improving capital efficiency.

Let's review our cable division's second-quarter results in more detail. Please refer to slide 5. In the second quarter of 2009, cable revenue increased 5% to $8.5 billion, reflecting growth in each of our businesses, including video, high-speed Internet, voice and business services. This revenue growth was relatively stable despite lower-than- expected customer additions and weak advertising sales. Total video, high-speed Internet and voice customers grew 84,000 for the second quarter, totaling 46 million, an increase of 4% or 1.6 million new customer additions over the last 12 months.

Even as we experienced pressure on unit growth and advertising, total revenue per video customer remained solid during the second quarter, increasing 7% to $118. Total subscription revenue per customer, which excludes advertising, grew 9% to $113 reflecting the following components.

Total video revenue increased 2% reflecting a 4% increase in video ARPU and a decline in basic video customers. Our second-quarter '09 video customer loss was 214,000, which does include some benefit from the digital transition. This quarter's increase in video ARPU reflects rate increases and a continued growth in digital and advanced services offset by additional bundling and promotions. In the second quarter, our video mix included a higher proportion of limited basic customers as a result of the digital transition and more customers subscribing to lower levels of digital service.

High-speed Internet revenue increased 8% during the quarter and as Brian mentioned, second-quarter high-speed Internet customer additions were unusually low at 65,000. But despite that, we had stable average revenue per customer of approximately $42 and penetration is approximately 30%.

Voice revenue increased 25% for the second quarter reflecting continued growth in our customer base and a modest decline in ARPU to approximately $39. We added 233,000 voice customers this quarter and now have over 7 million customers. Penetration for our voice service is approximately 15% and we believe there is meaningful growth remaining in this business.

At the end of the second quarter of 2009, 25% of our video customers took all three services compared to 20% in the second quarter of 2008. Revenue from our business services segment increased 51% in the quarter to $198 million. Business services continues to gain momentum and we expect business services to be a meaningful contributor to our growth.

Please refer to slide 6. As you can see from this slide, cable results over the last two and half years have grown consistently and reflect a stable and diversified profit mix. In the second quarter of 2009, cable operating cash flow increased 4% to $3.5 billion and our cable operating cash flow margin decreased slightly to 41.3% from 41.5% in the second quarter of 2008. On a year-to-date basis, operating cash flow grew 6% to $6.9 billion resulting in a higher OCF margin of 41.1% compared to 40.6% during the same period in 2008.

In the second quarter, total expenses in our cable segment increased 5% and as we expected, programming expenses increased 9% reflecting higher rates and additional digital programming costs as we increased our digital customer base and continued to add new programming.

In addition, we absorbed additional operating expenses to support the digital transition and our key strategic initiatives such as All-Digital and improving the customer experience, which is reflected in the 11% increase in technical labor and a 6% increase in customer service expenses.

While we continue to evaluate our cost structure to extract further efficiencies, we will continue to make these types of investments to support profitable growth, enhance our product superiority and improve our customer experience. Partially offsetting these higher expenses, we continue to extract scale benefits and efficiencies in our high-speed Internet and digital voice businesses. Compared to the second quarter of 2008, our direct costs for high-speed Internet declined 14% and digital voice direct costs decreased 18%. These expense reductions were achieved while we added almost 1 million high-speed Internet customers and 1.4 million voice customers over the last 12 months.

Also, marketing expenses decreased 2% year-over-year reflecting timing and favorable advertising pricing. We expect marketing expense to trend higher in the second half of the year, but full-year marketing expenses should be relatively consistent with full year of 2008.

Please refer to slide 7. In the second quarter of 2009, capital expenditures decreased 14% to $1.1 billion representing 12.5% of revenue. The decline in CapEx was a result of improved efficiencies, lower unit growth, more favorable CPE pricing and reduced construction spend. This result was achieved even as we invested in our All-Digital and DOCSIS 3.0 strategic initiatives. We expanded Project Infinity, supported significant growth areas such as business services.

Consistent with historical trends, CapEx continues to be predominately growth-oriented with growth CapEx accounting for 69% of cable CapEx for the quarter and 73% year-to-date. We remain very focused on return on incremental capital and are confident our growth investments will continue to yield attractive financial and strategic returns.

During the second quarter, we deployed 1.9 million digital set-top boxes and adapters during our total deployed to over 30 million. Included in this number, our boxes and adapters deployed to 250,000 digital customers added in the quarter. In addition, we deployed approximately 340,000 advanced high-definition and/or DVR set-tops as we added or upgraded 171,000 advanced service customers. We now have 8.3 million high-def and/or DVR customers and our advanced service penetration is approximately 48% of total digital video customers. We have also deployed 1.4 million digital adapters in the second quarter to support our roll-out of our All-Digital initiative. Steve will give an update on our progress on All-Digital in a few minutes.

We also continue to purchase equipment for DOCSIS 3.0 or wideband initiatives and as Brian mentioned, we have already deployed this service to nearly 50% of our footprint with a new goal to complete 80% of our footprint by year-end. We do expect CapEx will modestly increase during the second half of the year as we invest to sustain our momentum in business services and continue to expand our deployment of wideband and All-Digital. Nevertheless, even as we accelerate our DOCSIS 3.0 deployment, we are pleased with our capital management and expect our full-year CapEx will be both lower in absolute dollars and as a percentage of our revenue when compared to 2008.

Now please refer to slide 8. As we are now past the half-year mark, our financial strategy for 2009 hasn't changed as we are executing on a disciplined and returns-oriented approach to allocating capital, as well as growing free cash flow and free cash flow per share.

In the second quarter of 2009, as I mentioned, we generated $1.2 billion of free cash flow consistent with prior year. And year-to-date, free cash flow has increased 36% to $2.5 billion and free cash flow per share has increased 42% to $0.88 per share compared to the same period in 2008.

Given the macroeconomic events, one of our goals in 2009 was to strengthen the Company's financial profile and during the second quarter, we completed a number of transactions to achieve that. First, as we had previously indicated, we plan to use our free cash flow to pay down maturities this year and in the second quarter, and over the last two weeks, we have repaid $2 billion of maturing debt.

We have also accessed the capital markets raising $1.5 billion through attractively priced 10 and 30-year notes and immediately used these proceeds to tender for $1.3 billion of debt due in 2013, which was a year of outsized maturities for the Company.

As we go forward in the third and fourth quarters, it is our intention to repay approximately $1.4 billion of short-term debt with our internally generated cash.

Given the recession and difficult economic climate, these transactions accomplish our 2009 goals as they modestly deleverage the balance sheet, they reduce our cost of debt, improve our long-term liquidity and enhance the risk profile of the Company. We believe our strong balance sheet is an asset to our shareholders and that modest debt reduction is accretive to our equity value.

At the same time, we are committed to returning capital directly to shareholders. During the first seven months of 2009, we have paid cash dividends totaling $568 million. Also during the second quarter of 2009, we used excess liquidity to repurchase 15.5 million of our common shares for $215 million. As of June 30 of 2009, we have approximately $3.9 billion of availability remaining under our share repurchase authorization and we may continue to purchase stock from time to time. Now let me pass the call to Steve.

Steve Burke - *Comcast Corporation - COO*

Thanks, Mike and good morning, everybody. During the second quarter, we posted solid financial results and continued to grow our cable business despite a tough economy. We also made significant progress in our All-Digital initiative, launching DOCSIS 3.0, introducing 4G wireless data and completing the country's digital transition.

With half of 2009 remaining, we are really focused on the four following things. One, striking the right balance between cash flow and unit growth; two, driving consumer additions in a challenging environment; three, realizing operating and capital efficiencies while investing in growth areas such as business services; and four, improving our competitive position by developing new products and customer service.

Now let me move on to each of our major lines of business starting with video. Total video revenue came in about as planned, but basic subscribers were weaker than expected. The RBOCs now have overbuilt 28% of our footprint and they and satellite were very aggressive during the quarter. We have recently launched a number of high-impact marketing campaigns and are seeing better trends in July than we did in the second quarter.

As discussed previously, we have started to convert systems to All-Digital. Please refer to slide 9 for information on this. Portland became the first large system to go All-Digital in June. Today, 10% of the Company has made the conversion and somewhere over a third of all of our systems are actively engaged in the process of converting. By the end of this year, a third of our systems will have completed the conversion process.

Results to date have been better than planned. Costs are a drag on cash flow growth, but costs are coming in below what we had planned for them to be. We are also seeing operational savings post-transition in Portland and believe this effort will have an attractive ROI in addition to paving the way for 100 high-def channels, ethnic programming and other product enhancements.

Moving on to data, ARPU was strong, but high-speed data net ads were disappointing at 65,000. We expected to see some deceleration during the second quarter, but not at this level. There are a variety of factors that contributed to this performance. Seasonality and the economy clearly played a part in our net add softness, but so did our marketing emphasis. Much of our marketing during the second quarter was for the digital transition and other initiatives that had nothing to do with high-speed data.

When we started marketing the triple play and high-speed data more aggressively in July, our data sales improved markedly. In fact, we have already gained more subscribers third quarter to date than we did in all of the second quarter. We expect August and September to build on July's momentum as we head into our strongest time of the year for data -- the back-to-school season. Longer term, DOCSIS 3.0 will give us a speed advantage across the country. These efforts are about half complete, but they have yet to contribute to our net add performance in a significant way.

During the quarter, we introduced our 4G wireless product, which we call Comcast 2go. Please refer to slide 10. We launched July 1 in Portland, Oregon and July 28 in Atlanta. We'll be moving this product into Chicago, Philadelphia, the Washington State area and other markets later this fall. While it is early, we have gotten off to a strong start and are ahead of plan.

For new customers, we are offering a compelling combination of in-home and mobile data for $49.99 a month for the first 12 months. This is a great product and the good news is it is bringing a lot of customers into the high-speed data fold that are new to that segment of our business.

As reported, we also recently announced a new Web service that allows authenticated cable customers to get more programming via the Internet. Please refer to slide 11. We are beta testing this with 5000 customers today. The site is terrific and it is continuing to perform well with over 20 programmers and over 4000 titles available. And we plan to expand this launch nationally this fall. We think this effort is very important strategically for the cable industry and we are pleased to see it starting off so well.

Moving on to voice. We added 233,000 voice customers in the quarter. Penetration is now up to 15%. Close to a quarter of all our customers now subscribe to all three of our products. Similar to high-speed data, we are seeing an improvement as we exit the second quarter and look at July results.

We continue to enhance and differentiate our voice offering. For example, we are testing and will soon launch an enhanced cordless telephone that allows you to check your Comcast.net e-mail without turning on your computer, synchronize your address book, search local business listings and read the latest news, weather and sports all from your home phone.

As Brian mentioned, we recently launched a Comcast mobile app for Apple iPhones. This app allows you to check e-mail, sync your address book and this fall will allow you to program your DVR. In just a couple of weeks, we have had over 200,000 downloads and we are one of the top 12 apps for the Apple iPhone. In the near future, we will be launching converged wireless apps on BlackBerry and other devices. Between our 4G launch and the Comcast mobile apps, you're starting to see us flesh out our wireless strategy.

Our cable advertising business was down 19.6% for the second quarter. This is obviously real weakness and a material enough miss that our cash flow growth rate would have been over two percentage points higher without ad sales. Our ad sales business was down 25% in the first quarter and 20% in the second quarter, so you could say this is a sign of some improvement, but the market is very opaque at this point. We have had some weeks that are better than the second quarter, but it is really too soon to say that the advertising market is recovering.

Moving on to business services. Our commercial business continues to show very strong growth. Please look at slide 13 for a sense for how this business is ramping. Revenue was up over 50% in the quarter and year-to-date. This business is firing on all cylinders, even as our base gets bigger. Our growth rate is accelerating from the mid-30%s 18 months ago to over 50% this quarter. We look forward to continued high growth rates in the quarters ahead.

We are continuing to focus on the small business sector with eight line phone, high-speed data and Microsoft communication services. We are sharpening our marketing message and building real scale in this business. At the same time, we are branching off into new businesses beyond just small business customers. For example, we are expanding our cell backhaul operations and now have agreements with wireless carriers contracted for over 2000 towers. Our goal is to keep this business growing rapidly and this is an area where we would like to invest as much capital that gets a good return as possible. Our plan is to do that in the second half of 2009.

In summary, while the environment is challenging, we are continuing to grow our cable business. As importantly, with All-Digital, DOCSIS 3.0, 4G and business services, we are making the investments today that will power our growth in the future. Marlene?

Marlene Dooner - *Comcast Corporation - SVP, IR*

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Spencer Wang, Credit Suisse.

Spencer Wang - *Credit Suisse - Analyst*

Good morning. Two quick questions. First, for Steve. If we could just go back to the broadband net adds again. You talked about seasonality in marketing playing a role in the weak results. Anything -- can you talk a little bit about anything you are seeing in the competitive environment that may be impacting the results, and do you have any plans to be more promotional with data pricing?

And then one quick question for Mike. In the past, Comcast has given us a sense of timing in terms of completing the buyback. Can you give us any clarity there on the buyback? Thank you.

Steve Burke - *Comcast Corporation - COO*

So Spencer, let me go first. In terms of high-speed data net adds, I think in the first quarter we gained about 300,000 high-speed data subs, so 300,000 to 65,000 is a big drop. It really, in sort of looking at it, was a whole bunch of different factors. But the good news is once we adjusted and really started doing more single-product high-speed data promotions and triple-play promotions and shifted away from the country's digital transition, we have seen the business pick up significantly. And I think the third quarter is going to look a lot more like the first quarter than the second.

As I mentioned in my opening remarks, already in the third quarter we have added more subs that we did in all the second. So I think it is really -- the primary driver that we can control is concentrating on getting those marketing campaigns out there, which is what we are doing.

Michael Angelakis - *Comcast Corporation - EVP & CFO*

Yes, why don't I take the call on timing of the buyback. We continue to believe the stock is undervalued. We have articulated, I think, a pretty balanced financial strategy for the year, and we are really pleased that we resumed purchasing the shares.

The way we viewed purchasing the shares is really based on excess liquidity. When you look at what our thoughts were with regards to the strategy this year of how we delever and how we use free cash flow, we are generating some excess liquidity and we thought the best use for that was to repurchase some shares. So we will continue to resume purchasing. We are pleased to do it.

Spencer Wang - *Credit Suisse - Analyst*

Great. Thank you.

Operator

Ingrid Chung, Goldman Sachs.

Ingrid Chung - *Goldman Sachs - Analyst*

Good morning. Thank you. Just a follow-up on Spencer's question regarding free cash flow and the uses of free cash flow. I guess my first question is why wouldn't you refinance the short-term debt that you have coming due this year? And then what is your outlook for returning more capital to shareholders in 2010 when you are hopefully growing free cash flow again?

Michael Angelakis - *Comcast Corporation - EVP & CFO*

I think, Ingrid, and we were very clear at the beginning of the year that we wanted to modestly delever. And when we think about leverage, we think about leverage clearly as debt to operating cash flow. We also think about debt to unlevered free cash flow, as well as debt to free cash flow.

I think that the goal this year was to really create an independent company from a financing standpoint. We don't want to get into a situation where what occurred last fall with the financial crisis. And I think that a number of things we have done this year in terms of modestly delevering, in terms of growing free cash flow, in terms of pushing out some of the maturities at attractive rates all represents what we think is a pretty balanced strategy, as well as increasing the dividend and now resuming the purchase of shares. We are looking at that as a very balanced, maybe a touch conservative, but a very balanced strategy of how we are using free cash flow.

Ingrid Chung - *Goldman Sachs - Analyst*

And the outlook for 2010?

Michael Angelakis - *Comcast Corporation - EVP & CFO*

I think we will talk about it later in the year.

Ingrid Chung - *Goldman Sachs - Analyst*

Okay, great. Thanks.

Marlene Dooner - *Comcast Corporation - SVP, IR*

Thanks, Ingrid. Operator, next question please.

Operator

Jason Bazinet, Citi.

Jason Bazinet - *Citigroup - Analyst*

Just had a question for Mr. Angelakis on OCF margins. I guess over a long period of time, we have always been able to sort of think about 40%-ish margins over the last decade. And I guess if we looked under the hood, I think you guys would agree that the gross profit margins on video have come down and it has sort of been helped by high gross profit margins on data and phone. If those revenues begin to slow on data and phone, do you think there is enough sort of cost-cutting in the system over the next two to three years that will allow you to maintain these margins or do you think it is more apt that they drift a touch lower? Thanks.

Michael Angelakis - *Comcast Corporation - EVP & CFO*

I think our margins, number one, are the highest in the industry, so I think that is important to know. Secondly, if you just look at slide 6, which really goes through two and a half years of margins, we steadily increased the margin by 150 odd basis points. I think that we are very focused on where the margin goes, but I think we have appropriate costs in the Company, both on high-speed and on voice that we are going to manage well and as we articulated in the call. I think over the next -- it's very difficult to look at the next few years, but I think we are pretty confident with where our margins are.

Jason Bazinet - *Citigroup - Analyst*

Okay, thank you.

Marlene Dooner - *Comcast Corporation - SVP, IR*

Thanks, Jason. Operator, let's have the next question please.

Operator

Craig Moffett, Sanford Bernstein.

Craig Moffett - *Sanford Bernstein - Analyst*

Hi, good morning. I wonder if you could elaborate a little bit more on your strategy as it relates to Clearwire. Your pricing strategy, at least your promotional pricing strategy in Portland was quite aggressive. I presume that reflects a low transfer price. So I am just wondering if you can talk at all about what kinds of margins you expect to make on the Clearwire business. And then second, if you can talk about what your voice strategy might be as it relates to Clearwire and the wireless business in general. Would you expect to start offering voice services that ride on top of the Clearwire service? And do you think of those as effectively another free add-on or do you think of those as another potential profit pool?

Steve Burke - *Comcast Corporation - COO*

Okay, Craig, just so that everybody understands exactly what we are doing with this product, which we call Comcast 2go, it is powered by the Clearwire network in the markets where they have launched their network, but to the consumer, it is branded as Comcast 2go. It is primarily sold in conjunction with our high-speed data products and we think of them as sold in a bundle that makes a lot of sense for the consumer and it is quite straightforward transactionally for us to process.

We charge $49.95 for the first year. Most of the time when we are selling high-speed data, we have high-speed data alone. We have some form of promotional price. So one way to look at it is you are getting high-speed data subs that you would've otherwise promoted for, plus you are getting the Comcast 2go subs. The product at the end of the year resets to $69.95. And the combination product of the two has a very healthy margin. We were just talking about 40% margins. The margin is in excess of 40%, the combination once it resets to $69.95.

We think the product is very sticky. The mobile component always comes with a contract. We think that is very sticky and really importantly, 40% of the customers we are getting in Portland are brand new to Comcast. So they are lapsed DSL customers or customers who otherwise potentially would be getting DSL. And for us, this is a way to grow our high-speed data business in the home and add a new business line.

So I understand your point. We are using someone else's network, there is a transfer price, how does that all work economically? But we are very comfortable that this is a product that is an enhancement to our high-speed data business and can grow the overall pie.

As it relates to voice and some of the other things we are doing in wireless, I think at this point it really doesn't make sense for us to tip our hand. But we have been talking about wireless a long time and I think you're starting to see us execute our wireless strategy. And obviously 4G is a big part of it, but there are other parts, multiple other parts that you will be seeing in the months ahead?

Craig Moffett - *Sanford Bernstein - Analyst*

And Steve, the growth rate that you have had in that 40% in Portland that you are taking from competitors, does that translate to a meaningfully faster growth rate overall in Portland or can't you tell?

Steve Burke - *Comcast Corporation - COO*

Our high-speed data net adds?

Steve Burke - *Comcast Corporation - COO*

Yes, it is definitely faster.

Craig Moffett - *Sanford Bernstein - Analyst*

Okay, got it. Thank you.

Marlene Dooner - *Comcast Corporation - SVP, IR*

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

Operator

Jessica Reif-Cohen, Bank of America-Merrill Lynch.

Jessica Reif-Cohen - *Bank of America-Merrill Lynch - Analyst*

Thank you. I have two questions. The first one is can you give us an update on Canoe?

Steve Burke - *Comcast Corporation - COO*

Yes. Do you want to do the second question now, Jessica, or you want that first?

Jessica Reif-Cohen - *Bank of America-Merrill Lynch - Analyst*

The second question is completely different, so if we can just do that one first.

Steve Burke - *Comcast Corporation - COO*

Okay, we just had a Canoe Board meeting a couple of days ago. I think we are making very good progress. You are not seeing it in the numbers right now. And you really won't see it in the numbers in a material fashion for a while.

But the industry has really come together well. One of the products that we are working on now relates to the roll-out of eBIS, which those of you who follow the industry well understand, but eBIS is going to allow us to do a lot of interactivity, RFI voting and polling. And depending on how that roll-out goes, the partner MSOs could have as many as 25 million Ibis-enabled homes by the fourth quarter. And those homes are going to be Canoe-enabled homes and then there is going to be an entire business built on that. And that project is going quite well as are other things that Canoe is doing. So we -- the Board meeting was three hours long. I spent another three or four hours with the Canoe team. And obviously this is a really important initiative for the Company. We have got to get interactive advertising moving and I think we're making real progress.

Jessica Reif-Cohen - *Bank of America-Merrill Lynch - Analyst*

So is this like 2011 we will see revenue from this business?

Steve Burke - *Comcast Corporation - COO*

I think you will see some revenue in 2010 and it will become more material in the future.

Jessica Reif-Cohen - *Bank of America-Merrill Lynch - Analyst*

Okay. And then just switching gears, what exactly caused you to step up the roll-out of DOCSIS to 80% of the country? I mean what are you seeing, what do you expect to get?

Steve Burke - *Comcast Corporation - COO*

Well, I think we have always been real believers and one of the earliest sort of advocates of DOCSIS 3.0. And it was always our intention to roll it out to the majority of the country. A lot of it is operational how you get it into the markets and is it working well, etc. and I think part of raising the estimate is just we are getting it implemented and we are a little further along the line and continue to be big believers in it. I think everybody in the industry eventually is going to put DOCSIS 3.0 pretty much everywhere and it is just a question of how fast you go.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

I just want to add -- I think it is part of our sort of technical repositioning of the Company and we are getting the plumbing work done and getting all the operational and capital and every other issue kind of behind us. All-Digital, as Steve talked about earlier, and DOCSIS 3.0 are the two big initiatives that we have got to get through the whole Company, have true two-way completely up and running on all the various devices. And you come out of that period and you have a totally different product. You have faster Internet, you have more high-def channels, more ethnic channels. You have a whole other way to begin to think about bandwidth allocation. And so it is going well, it is a lot of work, a big company. If the goal is to come out and be able to credibly position our products as the best, whether it is video or data or cross-platform, having the DOCSIS 3.0 platform is an essential agreement in our strategy and so pretty happy to have it getting throughout the machine a lot faster.

Steve Burke - *Comcast Corporation - COO*

And Brian mentioned All-Digital. We would like to be in a position to report that we are speeding up All-Digital as well. Right now, we have about 10% of the country done, but about a third of all the systems are in process. And it is a lot of work. Both DOCSIS 3.0 and All-Digital are a lot of work. Strategically, we think it is important to get those projects done and if we can speed up All-Digital, we will as well.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

And basically they are both going well.

Marlene Dooner - *Comcast Corporation - SVP, IR*

Okay, thanks, Jessica. Operator, let's have the next question please.

Operator

Vijay Jayant, Barclays Capital.

Vijay Jayant - *Barclays Capital - Analyst*

Steve, just a question on --we are hearing that Motorola has finally got a switching solution that can scale. Will that change your All-Digital strategy? Is that something you would consider? And just following on that, given the recent ruling on network DVR, how do you think about that? Have you done any cost-benefit analysis to sort of do that at this time? Thanks.

Steve Burke - *Comcast Corporation - COO*

Well, I think our vision of the future is you want to be All-Digital and you want to switch and you want to be able to offer as many possible choices to consumers as you can. So I don't think they are mutually exclusive, so we are going to continue moving and taking 100% of the Company or functionally 100% of the company All-Digital while continuing to work on switching. And we do think we have made real progress on the Motorola side of the house in terms of switching.

Regarding network DVR, we have always believed that the network DVR is a great application that satellite can't replicate. There are a lot of different nuances in terms of how you manage the storage, what the actual product is, etc. and with all of those different choices come different costs and cost benefits. And we are working our way through those now, but I think there is no question some form of network DVR type service is going to be in our future. It is just a matter of determining which form it is and then getting that implemented.

Vijay Jayant - *Barclays Capital - Analyst*

Thank you.

Marlene Dooner - *Comcast Corporation - SVP, IR*

Thanks, Vijay. Operator, next question please.

Operator

Benjamin Swinburne, Morgan Stanley.

Benjamin Swinburne - *Morgan Stanley - Analyst*

Thank you. Good morning. If I could ask one for Michael, one for Steve. Mike, on the All-Digital roll-out, I believe you are expensing, and correct me if I'm wrong, but I believe you are expensing the labor on those DTA deployments, which I think is probably creating some drag on your margins. As we think about next year, some of those expenses should roll off as you guys complete this project. I don't know if you could help us think about or quantify that trend this year and as you look forward?

And then for Steve, on the competitive front, I think you said 28% overlap with team Verizon. Are either -- which of those two might be meaningfully more competitive or more promotional? I don't know if there is a big difference in the two from a product perspective. And where do you think that 28% goes, sort of best guess, from here over time? Thank you.

Michael Angelakis - *Comcast Corporation - EVP & CFO*

Let me take a stab at both of them. First, on the competitive, it is 28% now. I think by the end of the year, it will go to around 30%. AT&T has much more footprint. It's easier for AT&T to expand their footprint more quickly because they are not doing as intense investment or fiber work as Verizon. But AT&T and Verizon go back and forth in terms of who is most impactful to our business. They are about the same. In any one quarter, one might be slightly ahead than the other, but it is not as if one is taking many more than the other and it varies by quarter. It varies by region obviously depending on where they are.

In terms of the All-Digital drag, if you look at -- if you look at what is happening when a market goes All-Digital, first of all, it affects almost everyone in the market. It affects almost every tech, it affects almost every person in the call center, marketing, everyone else and it does have a drag on the business.

We think in the first quarter -- in the second quarter -- excuse me -- All-Digital and the country's digital transition, the combination of those two efforts was probably a drag of about a point of cash flow. You sort of implied that in 2010 it would be a positive for us. The reality is I think for all of 2010, every quarter in 2010, we are still going to be taking systems All-Digital. So I don't think that one percentage point necessarily comes back until 2011.

But the drag is more than just financial. The drag is sort of -- there is only a certain amount of intellectual bandwidth that a system can have and when you're going through one of these conversions, it is quite intense. What is great is when you come out and the Oregon system has now come out the other side, you have clear savings and efficiencies and you can then offer your customers 100 high-def channels, lots of ethnic channels, really a better video product than any of our competition plus, of course, high-speed data and everything else.

So when a system is going through it and it might take nine or 12 months for a particular system to get through the All-Digital conversion, it is clearly a drag in a lot of different ways. But when they come out, it is a real benefit.

Steve Burke - *Comcast Corporation - COO*

Let me just add one minor point, which is the reason we are taking nine to 12 months in a system is we want to be the minimal customer dislocation. You could do it faster, but then as more people clog up phone calls, we are really sensitive to trying to make this as least disruptive to the consumer as possible and just have it be a benefit when we are finally done. That seems to be working.

Michael Angelakis - *Comcast Corporation - EVP & CFO*

And just to follow up, Ben, I think we have talked about this before that, in 2009, 2010, we are allocating capital for both the All-Digital, as well as through DOCSIS 3.0 roll-outs. Obviously, we are accelerating DOCSIS 3.0 a bit, not going to be meaningful in terms of how we manage capital. That will be a bit of a benefit to us in 2010, but we will have the All-Digital CapEx in 2010 and then 2011, our hope is obviously this capital goes away and some of the expense drag goes away as well.

Benjamin Swinburne - *Morgan Stanley - Analyst*

Thanks, everyone.

Marlene Dooner - *Comcast Corporation - SVP, IR*

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

Operator

Thomas Eagan, Collins Stewart.

Thomas Eagan - *Collins Stewart - Analyst*

Great, thank you very much. I guess a question on basic. Who do you see as being more competitive right now, i.e. who are you losing more of your basic customers to? Is it more the RBOCs or is it satellite? And then I have a follow-up on the All-Digital. Thanks.

Steve Burke - *Comcast Corporation - COO*

I think at this point it is more the RBOCs than satellite.

Thomas Eagan - *Collins Stewart - Analyst*

Okay. Then regarding All-Digital, we saw with Cablevision, as they took about 14 analog channels off of the channel lineup, they added digital, but lost analog. So if you could talk a little bit about, as you proceed with the All-Digital transition, what the impact is going to be with analog versus digital subs. Thanks.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

Well, the way our All-Digital works, the only people who stay analog are lifeline or B1 customers, which is a small minority and they continue to get ABC, NBC, CBS, C-SPAN, whatever is on that lifeline tier. Everyone else goes to digital, so there really is no analog base. We don't lose subs when we go through the transition. We may lose some, but we also gain some because of (inaudible) production, etc.

Everyone who then gets converted to a digital customer who was analog gets something. We typically add a dozen new channels, we add music channels. They get digital picture quality. So really no one goes backwards. There is an inconvenience. You need to put a digital converter or set-top box in someone's house. 80% of the time we do that with a self-install kit, so it is a fairly easy thing. We drop ship, you don't need to take a half a day off from work and wait for somebody to come in and do it. But whether it is a regular functioning digital set-top box or a D-to-A converter, no matter what happens, everybody goes forward in the market, no one goes backwards.

Thomas Eagan - *Collins Stewart - Analyst*

Great. Thank you.

Marlene Dooner - *Comcast Corporation - SVP, IR*

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

Operator

Doug Mitchelson, Deutsche Bank.

Doug Mitchelson - *Deutsche Bank - Analyst*

Thanks very much. Just two questions, one for Brian and Steve. Just to further the conversation on wireless, let's look out a couple years. One question I get a lot from investors is regarding RBOC, 4G, wireless roll-outs and the impact it will have. You've already discussed your wirelesss efforts and you are the first to market with your solutions, so that helps you take share for now. Is there a risk that that reverses when 4G gets out there for the RBOCs given their scale and their ability to essentially compete on price? That is the first one.

The second one is just, Michael, wondering about the 2010 programming cost outlook. This is a tough year for programming cost renewals, but based on the contracts coming up for renewal, I would think that 2010 might be a little bit better year. Just curious any comments you might make there. Thanks.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

This is Brian. So on wireless, our working assumption is the wireless companies are going to do whatever they are going to do anyway and so 4G is the next evolution in their technology. I am not sure how quickly it really does get here. They are barely deployed to 3G and what the return on capital would be to completely go to the next generation this quickly. We are just going to have to see their behavior. There is not much we can do.

So our view is how best to enter the market and when Clearwire came to us and said we can start from scratch with over 100 megahertz per market and have virgin spectrum deployed to innovation with 4G right out of the box, that was very appealing to us. Now we have only launched two markets. It has been just a few weeks or a few months, but it is very exciting to begin to have the bundle that Steve talked about. And we are assuming that obviously the wireless companies will have their own bundle.

The question that we never got back to that was asked in this space as well is what about voice with wireless. And it is always -- a lot of us believe that, in wireless long run, voice is going to ride on top of data as an application and that is not here today, but there are a lot of people who see that day coming.

So it is a real good beginning. We also have done some nice work with the iPhone, with our wireless team and the data team. And it is just the beginning of having a complement of products and I think it is important strategically and hopefully be a good investment in addition to that as well.

Michael Angelakis - *Comcast Corporation - EVP & CFO*

Doug, obviously on the programming side, don't want to get too far ahead of ourselves with regards to 2010. We look at programming costs from sort of two perspectives. One is, as we add more digital customers, obviously our programming costs go up. That where we acknowledge and actually happy to have more digital customers. What we are obviously very focused on is what is the increase in our costs on a run rate basis. And I know we are somewhere around 9%, a little bit higher and we're working really hard to make sure that that number comes down.

Doug Mitchelson - *Deutsche Bank - Analyst*

Thanks.

Marlene Dooner - *Comcast Corporation - SVP, IR*

Thanks, Doug. Operator, let's take our last question.

Operator

John Hodulik, UBS.

John Hodulik - *UBS - Analyst*

Okay, thanks good, morning. Thanks for the question. I guess this is a question for Michael. You mentioned that you saw some improving trends in July on the basic subs, basic video subs front I think versus what you are seeing in June and could you just talk a little bit about what is driving that? Are you seeing some bottoming in the economy or -- because I would imagine that you would have gotten some benefit from the digital transition in June and then for July to be better. Just wondering if you guys are doing something different or if you are seeing something different in the market?

Michael Angelakis - *Comcast Corporation - EVP & CFO*

I think really what is happening in terms of our business picking up relative to our plan is really just the focus of the marketing efforts. When a third of your Company is going through the All-Digital transition, they are really thinking about that. When 100% of the country is doing the country's DTV transition, they are thinking about that. And what we have found is, day in and day out, we need to have a strong triple play promotion, which we do, a $99 one-year triple play promotion and we need to have a strong high-speed data message in the market frequently and a basic sub message and a phone message in the market frequently. And it is interesting. Once we started doing that and really getting back to that during the month of June and July, the business really responded.

And as it relates to high-speed data, what happens in the third quarter, which traditionally is a good high-speed data quarter, is you have back-to-school. And so whatever momentum you start in July and August typically increases in September and it is very hard to predict what is going to happen with competitors. I don't think the change in the economy is having the material impact. I think it is more what we are doing in terms of our marketing and we hope the trends continue.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

I just want to conclude by saying that it is an important question that we are studying all the time. But I think what this quarter demonstrated, what the first half demonstrated is it is about a balance between our financial focus and discipline and rigor and units in a world where 28% has now been overbuilt and we are realistic about that. We plan for it and we are constantly balancing. So it is a combination of execution, as Steve just has talked about, how do we adjust that execution every week, every month, every quarter and keeping a focus on the big picture, which is this is a very solid business in a tough economic time with some unusual things going on. And I think we are going to come out of it and be the strongest we have ever been. So we are pleased with the quarter.

Marlene Dooner - *Comcast Corporation - SVP, IR*

Thank you, John and thank you all for joining us this morning. Operator, please provide instructions for the replay.

Operator

There will be a replay available of today's call starting at 11:30 a.m. Eastern standard Time. It will run through Tuesday, August 11 at midnight Eastern time. The dial-in number is 800-642-1687 and the conference ID number is 15891171. This concludes today's teleconference. Thank you for participating. You may all disconnect.
