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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to Comcast's fourth-quarter 2006 earnings conference call. (OPERATOR INSTRUCTIONS). Please note that this conference call is being recorded. I will now turn the call over to Executive Vice President and Co-CFO, Mr. John Alchin. Please go ahead, sir.

John Alchin - *Comcast Corporation - EVP, Co-CFO and Treasurer*

Thanks a lot, operator, and welcome to our fourth-quarter and 2006 year-end call.

First of all, I need to refer everybody to Slide No. 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. Additionally, in this call we refer to certain non-GAAP financial measures. Please refer to our press release for the reconciliation of non-GAAP financial measures back to GAAP. Now, for opening remarks, let me pass to Brian for his comments.

Brian Roberts - *Comcast Corporation - Chairman and CEO*

Good morning. We are thrilled to report the fourth quarter and to give you guidance for next year or this year, 2007.

2006 really was a watershed year for Comcast. I think simply put it, may have been our best year ever. Outstanding execution across all business lines with strong momentum taking us into 2007. Really, triple play, as we have been talking all year, is the driver of what has changed in the business. And 2006, we added more RGUs than at any time in the Company's history. In the fourth quarter, we had a record-setting 1.6 million RGUs, up 77% year-over-year, bringing us to around 5 million RGU additions for the full year, close to a 70% increase over 2005.

The message for consumers with triple play appears to be you not only can have the best products, best in breed, best on demand service and high-definition for video, the fastest speeds and broadband experiences and now great value with Comcast Digital Voice, but it's also the convenience. And I think I at least underestimated how important it is for consumers to make one phone call and have one truck roll with a person who can do all three products at the same time. That's a big part of our technical initiative, is to constantly improve the experience for the consumer and to make it simpler for the consumer to do business with Comcast.

We have lots of future room for growth. I think that's a point worth emphasizing this morning. With penetration rates of only 5.7% for CDV, we at least have convinced ourselves that we can do CDV and we can do it well and consumers want it and it's a great value. Now we have a marketing opportunity to take that to much higher penetration rates.

For high-speed data, we're at 25% and we think there is lots of growth there and we are 52% for digital, crossing the magical 50% barrier and we think on our way to way higher and eventually some day all digital. So we think growth and momentum are sustainable.

The cash flow growth that comes from the record RGU growth, you will hear more about in detail. I will just pick two exciting statistics, which were the fourth quarter revenue growth of 14%. That's the highest revenue growth on an apples-to-apples basis that I can ever remember for Comcast. On an organic basis for a company with roughly $25 billion a year in revenues, to be able to grow 14% in a quarter is remarkable. And to then have the improved margin and results from that kind of revenue growth to drive 17% cash flow growth. Steve Burke and the cable team, Dave [Watts] and Dave Scott and others are making it happen for the 26th consecutive quarter of double-digit cable cash flow growth.

That's allowed the Company to take the free cash flow and to aggressively buy back or shares for the year. For the year, we invested $2.3 billion and some 75 million shares. We remain committed to our buyback that has now resulted in an 11% reduction in shares and related securities outstanding. In recognition of our bullish outlook and successful growth in 2006, has authorized the 11th stock split in the Company's history with a 50% stock dividend that will take effect later this month. The Company has never been stronger. We continue to be extremely bullish about our future and the positioning in 2007 in revenue and cash flow growth. And let me take a minute and go to the next slide and talk in specifics about our outlook.

We believe, and this is probably the single most important point that I've been making for many months, that we have a moment in time first-to-market advantage. And that the momentum we have will allow us to give guidance that we will do 30% more RGUs in 2007 than we did in 2006, getting us to around 6.5 million RGUs in one year. We think we can capture market share now and this is the time to extend our lead in the market. We're going to invest capital to drive that growth. We're going to expand capacity to support future RGU growth beyond this and to continue to innovate new products and new businesses.

We think the power of the bundle is even more powerful when you have differentiated products and an integrated service offering. So as we've been saying, it's our goal to continue to innovate and to differentiate, which will be the long-term glue in the business.

At the same time, we are investing to prepare for new businesses and launching commercial and small and medium businesses, as we have talked about publicly in the beginning of the year. We now think we have identified and are comfortable sizing a new market opportunity for Comcast, which is the small and medium-sized business. We think in the next five years or so, that we're going to be able to achieve a 20% market share just as we believe we can do so in residential, we can do it in small and medium-sized businesses.

If you take our market in our footprint that is available, that will generate an additional potential $2.5 billion in revenues with about a 50% margin to generate another business line that can throw off $1.25 billion of OCF when we reach those penetrations. The capital to drive that opportunity we believe can have a 25% or better internal rate of return and continue to position the Company to grow not just in 2007 but for years to come.

So, it's a really exciting time at Comcast. Let me now kick it over to John to take you through, in greater detail, the numbers.

John Alchin - *Comcast Corporation - EVP, Co-CFO and Treasurer*

Thanks a lot, Brian. If you move to the next Slide, No. 5, I would say we're really proud of the results that we've posted in 2006 and believe our growth and RGU momentum are sustainable in 2007 and beyond. Just as we did in the third quarter, our consolidated results include first of all, all acquisitions as of the date of their closing. Secondly they present the systems that were transferred to Time Warner as discontinued operations. And the Houston systems, which closed on January 1 of this year, is accounted for on the equity method and, therefore, not included in consolidated revenue and operating cash flow.

On the other hand, all the cable results that we're presenting in this presentation today and in the references in the press release are presented on a pro forma as adjusted basis. Pro forma is adjusted only for the acquisitions and the timing of the acquisitions. So we are presenting them here as if they were acquired effective January 1, 2005 and they exclude the systems that were transferred over to Time Warner as of that same day, January 1, 2005. So, please refer to the press release and especially to note number two and table 7A and B for those details.

Now, just to get into the consolidated results for the fourth quarter, we increased revenue 30% to $7 billion, reflecting strong results at Comcast Cable and the impact of the Adelphia Time Warner and Houston transactions. Operating cash flow for the quarter grew 30% to $2.6 billion. And for the full year, reflecting the acquisitions only since August of 2006 the consolidated revenue increase of 18% and operating cash flow increased 19%.

For comparative purposes, relating to our guidance, consolidated revenue grew 12% and exceeded guidance that we had published of 10% to 11% growth. And we reported consolidated operating cash flow of 14%, which also exceeded the guidance that we had out of at least 12% growth. For the fourth quarter, consolidated operating income increased 43% to $1.2 billion. Consolidated operating income increased 31% for the full year to $4.6 billion.

The Programming division revenue increased 21% to $283 million. This reflects increases in network rating, advertising and distribution revenue. At the same time, for the full year, revenues increased 15% to $1.1 billion.

For the full year, Programming division operating cash flow decreased 11% to $241 million. This reflects investments in programming in all of our networks, particularly programming and production expenses related to Versus's coverage of the NHL.

Fourth-quarter Programming division operating cash flow increased $11 million to $43 million, primarily due to increases in revenue at E Entertainment.

Net income for the quarter was $390 million or $0.18 as compared to net income of $0.06 a share in the same period last year. Fourth-quarter and full-year net income were impacted by gains and adjustments on the Time Warner Adelphia transactions.

Included in this quarter results are two adjustments to the gains recorded in the Adelphia Time Warner transactions in the third quarter of 2006. These adjustments or reductions represent accounting refinements of estimated gains due primarily to updated valuations. The first adjustment included in investment income is $30 million net of tax.

The second is an adjustment of $39 million, net of tax on the gain on discontinued operations related to the transfer of cable systems to Time Warner. If you were to exclude these gains, adjusted net income for the quarter would have been $459 million or $0.21 a share. I would ask you to refer to Table 7C of the press release to do the reconciliation back to that number that I just referred to. The 2006 net income increased $2.5 billion or $1.19 a share.

For 2007 we expect pro forma consolidated revenue and consolidated operating cash flow growth of at least 11% and 13%, respectively.

Moving on to the next slide, Brian has already highlighted our record RGU growth for 2006. But Slide No. 6 presents that growth graphically. It also shows that the best is yet to come. I want to emphasize that the 6.5 million net RGU increase that Brian referred to for 2007 is net of an estimated 500,000 reduction in circuit switch customers as we continue to focus on selling the Comcast Digital Voice product in our markets. So, to achieve that net increase of 6.5 million, we will actually have to grow RGUs by 7 million. That's more than twice the 2005 net adds. Obviously, 2007 capital and expenses reflect the operational activity required to grow RGUs by 7 million.

You will hear much more from Steve on the outlook for 2007, but a couple of noteworthy specifics with respect to the RGUs. First and foremost, we expect Comcast Digital Voice net adds of at least 2.6 million. Basic subs are expected to grow even more in 2007 than they did in 2006. And we expect continued strength in high-speed data and digital additions.

As Steve will show you and consistent with the third quarter, 91% of our net adds during the fourth quarter and for the year were in our historical systems, demonstrating the strong growth and momentum in our core business and the impact of triple play.

Moving on to Slide No. 7, we illustrate here that the accelerating quarterly revenue and operating cash flow growth that we posted during 2006 is driven primarily by our triple play offer. Cable revenue in the fourth quarter increased 14% with operating cash flow up 17%, the fourth consecutive quarter of accelerating revenue and operating cash flow growth. For the year, cable revenue increased 12%, exceeding our guidance of 10% to 11%, while operating cash flow increased 15%, significantly exceeding the guidance of at least 13% for the year.

I will review the drivers of cable results in the following slide. Cable guidance for 2007 is for revenue growth of at least 12% and operating cash flow growth of at least 14%. 2007 guidance for operating cash flow growth should be driven by continued growth across all product categories plus the benefits of our scale, offset by costs associated with additional headcount and lower basic rate increases. Average basic rate increases are expected to be in the 4 to 4.5 range in 2007, down from 5.5 in 2006. As in prior years, you should expect quarterly growth rates of operating cash flow to increase during the course of the year, that is for growth to be back-end loaded as we build momentum with the addition of more RGUs.

On Slide No. 8, we show that we had record-setting revenue generating unit net additions, powering growth in every one of our services. Video revenue increased 9% to $4.2 billion. The year-over-year increase reflects more basic cable and digital cable customers, increasing demand for digital features including ON DEMAND, digital video recorders and high-definition programming, as well as higher cable pricing.

We added 613 digital cable customers and 110,000 basic customers in the quarter and we now have 12.7 million digital customers, 52% of the total video customer count.

Just drawing your attention to something that we have mentioned in recent presentations, that 2 million of our 12.7 million digital customers are paying us on average about $50 a month. About 50% of the digital customer base or 6.2 million are paying us around $65 a month. And those who are taking the advanced digital services, about 4.5 million of them or 36% of the total, are actually paying us in excess of $75 a month. All of our digital customers have access to ON DEMAND, and we continue to see really strong increases in movie purchases through this service.

Driven by ON DEMAND movie purchases, Pay-Per-View revenues increased 24% to $159 million. Pay-per-view revenue continues to show strong growth with the rollout of ON DEMAND and it has increased more than 20% on average over the past eight quarters.

Our high-speed data business continues to be a really strong performer and delivered $5.5 billion of revenue last year. high-speed data fourth-quarter revenue increased 23% to $1.5 billion. That is directly in line with the full-year annual increase of 23%. We ended the year with nearly 11.5 million high-speed data customers, and penetration now stands at 25%. We continue to believe that there is really significant upside growth potential in high-speed data as we go into 2007. For the year and for the quarter, average revenue per sub for high-speed data was relatively stable at around $43 and in line with a number reported for 2005.

You will hear a lot more about phone from Steve but CDV continues to ramp and as a result, phone revenue increased over $300 million in the fourth quarter, driven by over 500,000 net customer additions. Phone revenue increased 45% to almost $1 billion as we added 1.5 million CDV customers for the year, 50% above the original guidance. CDV revenue increases were offset by a $132 million decline in the circuit switch phone revenue, as Comcast continues to focus on CDV marketing in most of our markets.

Advertising revenue increased 26% in the quarter, reflecting double-digit growth in local and regional and national advertising, as well as a fivefold increase in political advertising. And that amounts to about $54 million of revenue, principally associated with the 2006 fall elections. Remember, in 2006, we had over $90 million of political advertising revenue, which will not reoccur in 2007.

As previously stated we are reporting strong operating cash flow growth and I will refer you now to Slide 9, driven by double-digit top-line growth. And with our success in controlling growth and operating costs, we were able to deliver a 110 basis point improvement in operating cash flow margin in 2006. Even as we delivered record-setting RGU additions, including accelerating CDV additions, we continue to tap into the benefits of scale and are effectively managing overall expense growth.

In 2006, Programming expense increased 8% to $5.4 billion, primarily reflecting the significant growth in digital customers. Without this volume increase, Programming expense would have been up approximately 5%.

During the year, we hired and trained about 6500 new employees to support higher RGU net additions. We also integrated lower margin operations received with the cable acquisitions. Margins at these new systems should trend to our historic system margins within about a year or so. As you will see from the chart, margins have historically expanded year over year with some seasonality over the course of the year. We expect this trend to continue in 2007, particularly in the second half of the year. Also, as our guidance implies, operating cash flow margins will continue to expand in 2007.

Capital expenditures increased by 15% to $4.6 billion as we show on Slide No. 10. This increase in CapEx was directly associated with the 70% increase in RGUs for the year. CapEx continues to be predominantly variable and revenue driven. Approximately three-quarters of cable capital expenditures were variable. That's the customer premise equipment and scalable infrastructure that we break out in the press release. This is directly associated with new product deployment and consumer demand for our advanced services.

We get great returns on this investment. We continue to see incremental returns of 25% to more than 30% as we generate on average more than $200 of annualized EBITDA per RGU. The line graphs on Slide No. 10 show declining investment required per RGU. We have a great business model. We're seeing accelerating RGU additions, supported by a capital investment with great returns. And our CapEx per new addition is projected to decline approximately 40% over a two-year period from 2005 to

2007. We expect the rollout of new RGUs including Comcast Digital Voice and demand for advanced services as well as our new commercial services business to drive capital expenditures in 2007.

Cable capital expenditures will be approximately $5.7 billion, supporting an expected 30% increase in RGUs and a push into the small to medium-sized business market with a capital commitment of about $250 million to that small to medium-sized business market.

On Slide No. 11, we are highlighting here that we are really executing on what Brian highlighted at the beginning, and that is our time-to-market advantage. And we really intend to exploit this in 2007. After taking into account the $250 million investment in commercial services in 2007 we expect to invest an incremental $800 to $900 million in two primary areas.

First of all, the acquired systems. We will invest about $120 million to $180 million to improve the plant in the acquired properties and to enable these systems for Comcast Digital Voice, video-on-demand and digital simulcast, and other head end improvements. The remaining 80% to 85% of the incremental investment is for revenue generating RGU growth. Incremental CapEx will be invested on the additional customer premise equipment and installation costs required to support the 30% increase in RGUs.

CapEx guidance incorporates RGU growth expectation of the 6.5 million on a net basis that I referred to earlier or 7 million on a gross basis. To the extent that we're successful at driving RGU growth higher than our guidance, this in turn could drive higher variable capital and impact free cash flow.

We will use a number of tools to enable new services and to bring other enhancements to our existing services. By using switch digital broadcast and mode splits we plan to offer more speed, more high-definition television, more video-on-demand and to lay the groundwork for more revenue opportunities, such as interactive advertising in 2007. Investments in these technologies are all built into our 2007 capital budget.

Our focus on 2007 is on driving new product RGUs and extending our competitive advantage by capturing the market share now. To achieve this goal we are reinvesting in the business to generate long-term benefits with great returns.

Moving on to Slide No, 12, we show here that we generated $2.6 billion of consolidated free cash flow in 2006. This is over a 30% increase or $628 million when compared to the $2 billion that we generated in 2005. This increase was driven primarily by a 37% increase in cash from operations, which in turn results from the strong operating cash flow growth at the Cable division.

For the year we converted 28% of consolidated operating cash flow into free cash flow directly in line with our guidance for a free cash flow conversion rate of 20% to 30%. We expect free cash flow in 2007 to be approximately that of 2006 as we drive RGU growth.

On Slide No. 13, we show that we invested billions in 2006 to grow our business while continuing to invest in our own stock. As we indicate on this Slide No. 11, investment activity for the year approximated $6 billion. At the same time we bought back, as Brian said, 75 million shares for $2.3 billion, reducing our share count by approximately 3%. We accomplished all of this and were able to maintain our investment-grade ratings and we remain committed to our strong investment-grade ratings. It is unlikely that our debt balance will decline in the near term. We will use the financial strength of our business to invest in future growth and to maintain our competitive advantage while also returning capital to shareholders.

And then finally, on Slide 14, we have summarized here all of the guidance that I've given throughout my presentation on one slide and so you will be able to refer to that in one place.

And with this, let me pass to Steve for his comments on the operations.

Steve Burke - *Comcast Corporation - COO and President, Comcast Cable Communications*

Thanks, John. It's my pleasure to report on what was the best quarter and best year in memory and I'm looking at Ralph as I say this -- maybe even the best year in the history of Comcast. There were a variety of reasons why we are doing so well but the real driver that emerged this year is the launch of the triple play.

John covered the financials but just to highlight just how much our business has changed, in the fourth quarter this year, revenues grew 14% compared to 8.7% in the same period last year. That is a big ramp on a business with $25 billion in annual revenue. Meanwhile, OCF grew 17% in the fourth quarter this year versus 10% in the same quarter last year, again a really big shift on a business which generates over $10 billion in operating cash flow per year.

As positive as these financial trends are, we are even more pleased with our unit growth, where we set records in pro forma and absolute terms for each of our four lines of business. 110,000 basic sub adds was the highest in the history of the Company. 613,000 digital sub adds was an all-time record. 487,000 high-speed data sub adds was a Company record for the fourth quarter. CDV net adds broke 500,000 for the first time, obviously a Company record. And of course, total quarterly RGU adds of 1.6 million represents an all-time high as well. Some of these businesses are new, such as CDV but others like basic subscribers and digital are fairly mature. You really have to ask yourself, why are all of these businesses doing better than ever before? We believe the answer is the triple play and think that is good news for the future as its impact grows.

Turning to units, basis basic subscriber growth was a real highlight as we added 110,000 subs for the quarter and improved our performance for the full year 2006 versus the full year 2005 by 220,000 subscribers. About 94,000 subscribers were added in Classic Comcast systems that we had prior to the recent deals we've done and 16,000 subscribers came from newly acquired Adelphia and Time Warner systems.

With the RBOCs getting into video, the landscape will get more competitive in the future. However, with a broader CDV rollout and increased digital penetration, we are very confident we will gain more subscribers in 2007 than we did in 2006. Digital net adds were up 68% versus the fourth quarter's net adds last year, with 613,000 subs added during the quarter. We had a strong quarter for high-definition net adds as well with 531,000 new high-definition subscribers, representing over one-third of our 12.7 million digital customers having high-def boxes. We have a great high-def lineup today and we've launched a lot of high-def VOD in the last few months. So we feel really good about our position as high-def adoption grows.

We now have 52% digital penetration and expect to drive this number to over 60% by the end of 2007. We think this is really important because digital unlocks VOD and, therefore, more satisfied customers.

Our VOD strategy is doing really well with a record 187 million VOD sessions in the month of December. For the year, VOD usage surprised us, increasing over 36% during calendar 2006 to over 1.8 billion sessions. We're pleased to know we will soon have prime-time shows from three of the four big networks. We are also testing day in date movies, something that we have talked about for years. We are actually testing in two cities with six studios and buy rates are up very substantially and we look forward to rolling out those tests in the future. In short, VOD is getting better and better. Our customers are using it more. That's making them happier customers and reducing churn.

As a result of higher digital penetration and increased VOD usage, our basic churn today is at record low levels. And you are seeing the impact of that in our Basic subscriber counts.

Moving to high-speed data, we added 487,000 subscribers for the quarter, which as a total Company is 12% higher than last year. However, due to conversions and capacity constraints, high-speed data net adds in the newly acquired systems actually declined slightly. So Classic Comcast systems that we've had for longer than a year actually added 17% more customers than the same period in 2005. This compares favorably to Verizon and AT&T, which reported declining net adds in the fourth quarter of 33% and 10%, respectively.

While we added more customers, we also increased high-speed data ARPU from $41.99 in the fourth quarter last year to $43.12 during this quarter. The driver behind this high-speed data accelerations clearly the triple play, and we continue to see markets with phone indexed at 10% to 15% higher than markets without.

CDV had another strong quarter. A year ago we were talking about having 200,000 subscribers and how excited we were about 2006. In January of this year, just a few weeks ago, this business continued its ramp and passed the 2 million subscriber mark. So it is amazing; if you look back we added 290,000 subscribers last year -- in 2005; 1.5 million in 2006; and as John mentioned we're projecting adding 2.6 million or more in 2007. So we are significantly ahead of our plan to reach 20% penetration by the end of 2009.

On average, we marketed phone to 27 million homes in 2006, and that number will grow to over 37 million homes on average in 2007. This footprint expansion, coupled with the newly launched markets maturing makes us feel confident we will meet our goal of adding at least 2.6 million phone customers in 2007.

In the fourth quarter this year, we added 508,000 CDV customers which is 25,000 subscribers better than the additions we had in the third quarter, but actually was quite a bit better considering seasonality. The third quarter is always stronger for high-speed data because people move before the school year starts and that will be the same for the phone business. So, adjusted for this seasonality, we think the fourth quarter was very strong and we're entering 2007 with a lot of momentum for CDV.

At the same time we're building the CDV business were transitioning away from the legacy circuit switch business we inherited from AT&T. Next year we plan on losing 500,000 circuit switch customers, which makes our 6.5 million RGU net adds for 2007 even more impressive. By year end we will have some markets that are completely out of the circuit switch business, which means no more drag on revenues in OCF and also the ability to free up two more analog channels as we leave that way of delivering phone service in those markets.

Moving from units to our Adelphia and Time Warner integration, the bottom line is, things are going according to plan. Subscriber trends are solid and we're doing a lot of system and process conversions. These conversions start with fiber connectivity then billing if applicable, high-speed data and CDV provisioning cut-overs followed by CMTS changes and finally, e-mail migration. This process takes three to six months. We have established 15 migration waves and completed 10 of the 15 waves, representing 58% of the 3.8 million video customers, 51% of high-speed data customers and 22% of voice customers. During these migrations, we don't drive the business as aggressively as we will once they are completed. Margins have increased from 33% in these systems in 2005 to 36% this year and they are budgeted at (technical difficulty) 2007.

Turning to 2007, we are (technical difficulty) this year with great momentum and a lot of optimism. Our revenue, OCF and RGU guidance is higher than in previous years but we have confidence we will achieve these targets. We are also laying the foundation for future growth with a number of product enhancements, interactive advertising and as Brian recently announced, the rollout of our commercial business.

In summary, we had an excellent year in 2006 and look forward to continued success in 2007 and beyond.

John Alchin - *Comcast Corporation - EVP, Co-CFO and Treasurer*

Thanks a lot, Steve. I hope you're not hearing out there the static that we are hearing here but we we'll proceed anyway.

Just before we open up to Q&A I would like to refer everybody to Slide No. 16, in which we're putting a save the date slide out there for May 1, here in Philadelphia. We intend to have an analyst investor day here in Philly and we will announce the time and location here in Philadelphia at a later date relatively soon. So with that, could we please open the line for question and answer. Operator?

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS). Jessica Reif Cohen, Merrill Lynch.

Jessica Reif Cohen - *Merrill Lynch - Analyst*

I have two questions. One, could you talk about the advertising opportunity -- the interactive advertising opportunity? Can you size the market, the time frame and how much you might need to invest?

And secondly, just in competition -- the net adds were great versus the telephone companies. Just wondering though, what are you expecting in terms of ARPU as you look out to '06? Just the revenue growth versus the RGU growth; (technical difficulty) may be a little bit conservative?

Steve Burke - *Comcast Corporation - COO and President, Comcast Cable Communications*

In terms of interactive advertising, the phrase can cover a variety of different things and we're actually doing a fair amount of interactive advertising now with real revenues associated with it. We have interactive advertising related to our VOD platform. We have interactive advertising on our program guide. We obviously are selling interactive advertising on Comcast.net, our portal. You'll see during this year the numbers increase in terms of real revenues from interactive advertising. It's still a fairly small percentage of a business that is approaching $2 billion a year in revenues but it is real. The Holy Grail, as you know, Jessica, would be truly addressable advertising, where you send a unique video add to a unique person and that is going to require a shift to a more switched digital type environment, which is something that we have in our sites but is not going to happen in 2007. You'll start to see some tests and small rollouts. It's really 2008 and beyond.

But, we all believe that as advertising moves from one-way advertising to two-way advertising, the winners are the Googles of the world and others that can provide truly two-way addressable advertising. And cable is really the only way to do that to a television set. So, you can really assign some pretty amazing CPM's to a business that can do that and I think we will be in a position to do that, not in 2007 in a large way but, certainly once you get out to 2009, 2010. So, that is an initiative of cable ads as well, trying to have the whole industry look at interactive advertising as a technology platform. And we just did some of that at the Consumer Electronics show, and I think you'll hear more about that as time goes on.

Regarding your revenue question, I think John addressed a couple. Just one technical thing is, political advertising drops $90 million or so in year-over-year, that we are -- we've chosen to have a lower rate increase in the video business and we are delighted to be able to keep the momentum. We've also, just as a technical matter, changed the way -- I'm sure you noticed, Jessica, the guidance is no longer in ranges but rather in at least positions. So I have no idea of exactly how you calibrate every bit of revenue. But, we are pretty darn excited that the momentum that we have built in '06 is going to accelerate and that our main focus is to sell more RGUs. We don't think there will be a decline in ARPUs, as people have worried in the past. In various categories, if anything, as John reported, the health of the overall bundle is slightly better. We have people rolling off packages. It will be the first time we've done that. So we will see how the whole year progresses. But the main focus is to see if we can increase by 30% the RGUs and keep the momentum going.

Operator

(OPERATOR INSTRUCTIONS). Aryeh Bourkoff, UBS.

Aryeh Bourkoff - *UBS - Analyst*

Just two quick ones. The CapEx incremental number in '07 for the guidance versus '06 is $1.1 billion, as you detailed. How much would you say of that is recurring versus non-recurring? Clearly you have the Adelphia acquisition. But you also have things like the capacity enhancements that you are making. Is that a recurring number? If you could sort of kind of bucket that for us.

Secondly, for Brian, obviously, the industry is evolving a lot in terms of view online. And we've seen a lot from the content companies about how they are trying to formulate models to address that. Your broadband and the experience for the consumers is obviously enhanced with video usage now. How is Comcast playing in that environment, in terms of, is it enhancing the broadband experience and becoming almost more of a content provider online? Thanks.

John Alchin - *Comcast Corporation - EVP, Co-CFO and Treasurer*

To answer the CapEx question first, that's why we put out Slide No. 11. And to give you a little bit more detail on that, if you look at the increment that is associated out of the $800 million to $900 million of incremental investment that we're making in the cable sector in 2007, right off the top, there is $120 million to $180 million of onetime investment in those areas that I've referred to, bringing those systems up to our Comcast Digital Voice product that obviously wasn't there before, putting in VOD, putting in digital simulcast. So that leaves you with about $600 million to $700 million of incremental revenue that is associated with both RGUs and increased capacity. Out of that $600 to $700 million, about 50% to 60% of that is associated with the RGU volume growth. The remainder of that has to do with the categories that I went through in the presentation -- putting in more capacity and enhancements to the products to provide more high-definition, more VOD, more interactive advertising, all of those categories. So I think that is sort of the breakdown, recognizing that 50% to 60% is sort of the important volume component related to RGUs.

Brian Roberts - *Comcast Corporation - Chairman and CEO*

I think that the -- we continue to believe that streaming video over the Internet is a great driver of the growth of high-speed Internet. I don't think there's any coincidence that we had our strongest year in high-speed Internet and the growth of video on the Internet. People are attracted to it more. It's easier, it's fun.

And the kind of things that people are doing online continue to be the YouTubes of the world. I think I saw a statistic that 4% of all bits going across high-speed Internet lines at Comcast is YouTube. We don't view that as a bad thing. We view that as a great thing in terms of the core video business versus a differentiated broadband business.

Secondly, we are working with the content companies to find ways to enhance the already television experience. We obviously did that successfully with ON DEMAND. How can we do the same? You see folks like ESPN and others having an enhancement to their site but not necessarily a replacement of the television experience as some have thought might happen or might be a threat. We don't see that. I don't think they see that, and if you talk to them, you get I think a fairly consistent view.

Finally, to your question of how can we play on the content side, we've formed Comcast Interactive Media. You're going to see and hear more from them in 2007. A whole focus is video-centric, and also on an integrated product experience -- what we call cross platform, where you will look to Comcast, just as it worked with triple play, you will look to Comcast to bring you integrated video experience and working on all devices. Nobody today connects to as many televisions as we do. We think that is a great asset in bringing that back to your PC, back to wireless devices, back throughout your home network. And that's part of what we are working on. And you also layer in communication services and you have that experienced bundle.

That's not yet happening. That's for anybody. And we think we have as good a chance to succeed in that as anyone out there, and we are working hard at it. Next question, please.

Operator

Craig Moffett, Sanford Bernstein.

Craig Moffett - *Sanford Bernstein - Analyst*

I hate to do this -- three questions, if I could.

John Alchin - *Comcast Corporation - EVP, Co-CFO and Treasurer*

We will see.

Craig Moffett - *Sanford Bernstein - Analyst*

First, I just want to help understand the underlying margins a bit better. You added some high margin systems in Houston and Minneapolis. You divested some lower margin systems like Dallas. Can you give us an understanding of the trends in the underlying margins in the cable business and how high those might go?

Second, can you talk about in the CapEx budget what role switch broadcast plays and how quickly we might expect the capacity enhancements from switch broadcast?

And then, just one clarification, if I could. Footnote 8 of the slide suggests that free cash flow guidance for '07 refers to the free cash flow conversion rate being constant, rather than the free cash flow dollar amount. But I think that the rest of the text implies that it is free cash flow itself that is flat year-over-year. And I just wanted to make sure I understood that correctly.

John Alchin - *Comcast Corporation - EVP, Co-CFO and Treasurer*

That's correct, taking the last point. It is the free cash flow dollar amount that is flat year to year.

Going back to the margins, Craig, as we mentioned in the third quarter, the systems that came in on average had margins in the mid-30% range. So, 33%, 35%, somewhere in that. As I said in my presentation, we should have, by about the end of this year, those systems up to about the level of margin that we have in our historic systems.

Brian Roberts - *Comcast Corporation - Chairman and CEO*

Yes, I think our experience with AT&T systems is it takes you about two years to get to cruising altitude.

I think more broadly you have seen our margin climb the last few years as we've finished all of the improvements in the AT&T systems. And obviously, when you run the math, you're going to see our margin we're projecting to improve in 2007.

We have a lot of these new businesses that are actually higher margin than the traditional video business. And so, I think there is going to be an uptick in the margin as you go out into the future; how precise we can be about that uptick, I think right now is up in the air, but the direction is clearly up.

In terms of switch broadcast, we're doing a couple of technical trials right now. Time Warner, as you know, and Cablevision have been at this for longer than we have. We think that capacity augmentation offered by switch broadcast or going all-digital in some markets is going to be beneficial as the world migrates to all high-def. And we, for switch broadcast, we're on sort of an

18-month program to make sure that all of our systems have vastly more high-def capacity than they have today. Frankly, we have plenty of capacity right now, and we will have plenty of capacity, in our opinion, for the next six to 12 months, given the available products.

And I would also not discount high-def VOD. The fact of the matter is, what people want is, they want to consume movies and sports and programming in high-def that they want to watch. It really doesn't matter how many channels you have. The fact that we can have 300, 500, 1000 great movies at your fingertips in high-def, particularly at a time when not everybody has a high-def recorder -- playback device -- is going to be a real advantage.

John Alchin - *Comcast Corporation - EVP, Co-CFO and Treasurer*

And the dollar amount that you should associate with that switched digital initiative, Craig, is around about the $150 million mark. That's sort of about 30% of the footprint -- thinking in those terms. Next question, please, operator?

Operator

Anthony Noto, Goldman Sachs.

Anthony Noto - *Goldman Sachs - Analyst*

Steve, you had made the comment that you will pass about 37 million homes with -- and make them telephone ready in 2007. And I had a couple questions related to that. That's a significant slowdown in terms of incremental homes versus '06 compared to '05 and I was just wondering if you could comment on that number specifically. And then, you had also mentioned 2.6 million net phone ads. I assume that doesn't include the 500,000 circuit switch that you'll lose. And if it doesn't then that would imply about 12% penetration, which is well above what Time Warner Cable has been able to do and closer to what Cablevision has been able to do from a trend standpoint of homes passed. I was wondering if you would comment on what you think is different about your market and your approach? Thank you.

Steve Burke - *Comcast Corporation - COO and President, Comcast Cable Communications*

Okay, the 37 million homes for 2007 is the average. So, we will actually end the year with about 40 million homes out of the 45 million homes that we have. And the disparity of those 5 million remaining homes comes from systems that are small or systems that we just haven't gotten to. So in terms of the total overall footprint addition, it's more substantial and we end the year at higher than 37.

The 2.6 million is the number of CDV customers we are adding. So we will be adding 2.6 million CDV, losing 500,000 circuit switch. So the total increment to our total universe of phone customers will be 2.1 million or more.

John Alchin - *Comcast Corporation - EVP, Co-CFO and Treasurer*

Next question please, operator.

Operator

Doug Shapiro, Banc of America Securities.

Doug Shapiro - *Banc of America Securities - Analyst*

I also have two. John, just to drill down on the margins a little bit more, I was wondering if you could give us a general sense -- maybe just index it if you want. Our CDV margins are now relative to where you think they are going to be at mature levels? And maybe even a sense of how long it takes us to get there.

And then, the second thing was, if you could just talk a little bit more about the -- I think it was $3 billion in CapEx you talked about associated with the enterprise opportunity over the next, I don't know what it was, five years or so. But if you could just talk about what proportion of that is demand driven. Thanks.

Steve Burke - *Comcast Corporation - COO and President, Comcast Cable Communications*

Let me start on the CDV margins, and this is not to evade the question but just to tell you how we are looking at it. It's very, very hard and you have to a lot of allocations. When someone buys all three products for $125, and it's on one platform with one installation and one bill, it really -- there's a lot of allocation work to determine precisely what the margins are.

If your question is, is the CDV business currently a drag on our margins? I don't think it's a major drag on our business. I think the overall profitability of our phone effort will improve in 2007.

And when we look at a customer coming on, as long as we are adding customers -- triple play customers that average $120 to $130 compared to our average customer, which is less than $100, and that margin looks the way it looks, we think it is additive to where we are. It will get a little bit better in the future. I don't think CDV is a huge drag and we don't precisely look at that P&L because the allocations would be so difficult to make.

Brian Roberts - *Comcast Corporation - Chairman and CEO*

We do have objectives as we now get to more and more scale, to run things more on our own network, to have our own backbone, to do our own interconnection with our own callers and other cable callers. And as we did with high-speed data, we are long-term bullish that the margins, whatever they are and however you choose to determine them, get better over time from the expense management side -- you know, make whatever assumptions you want on the revenue side. So, we're pretty excited that we had thought -- just look at where we were a year ago at this call. We thought we would grow cash flow I think it was around 10% to 11% because we did anticipate what you just asked, which is, would there be an initial drag from the phone business. Having never really been in it, we didn't know. Of course, the results were 40% better than that. And part of it is that even with adding 6500 people that John was talking about and all the actual extra work that we've had to do to go into this business, it goes back to Jessica's question a little bit. We are in uncharted water on what happens on the revenue side because you are now selling these bundles. And people are finding that there's such an attractive value that they are buying more digital than we ever sold before. They are buying more advanced products. We're selling more high-speed data than we had thought and we had the biggest year. And so if that momentum can continue I think you will continue to see margins get better. From the expense side of the Company, I think we have things pretty well under control and they get better with scale.

John Alchin - *Comcast Corporation - EVP, Co-CFO and Treasurer*

And then moving to your question, Doug, on the capital for the SME business, obviously, in the capital for 2007 of $250 million, there's more fixed capital component in that, just as we got into our other businesses. As we get into later years we fully expect that mix of fixed and variable to swing around in much the same way as it has in the rest of our businesses. So we'll go from 75, 25 fixed to variable upfront. But that will change to a lot more variable capital as we get out into later years and the business continues to grow.

Steve Burke - *Comcast Corporation - COO and President, Comcast Cable Communications*

But let me just again point out, this is I think all success-based driven from where I am sitting from. Because if we were to go out into the first initial market and for some reason, something did not go well, which we have no reason to think that would be the case, it's not like we have to build the whole network. This is not a rebuild of any type. This is -- I think it is all success based because you are going to extend the plant; because you know (multiple speakers)

Brian Roberts - *Comcast Corporation - Chairman and CEO*

All the capital is based on a payback on particular accounts.

Steve Burke - *Comcast Corporation - COO and President, Comcast Cable Communications*

It's a very precise model that we are setting up market by market, where they come in and say we want to extend the plant for this reason or go to this office complex.

Operator

Kathy Styponias, Prudential.

Kathy Styponias - *Prudential - Analyst*

I have a couple questions as well. Brian, having gone to the Consumer Electronics show, I'm wondering if you thought -- if there was anything in particular that you saw that you think is something that needs to be discussed or pursued in conjunction with Spectrum Co. And along those lines, do you think Spectrum Co. will have any interest in the 700 MHz spectrum that may come up for auction later this year?

And then the second question is, DirecTV has announced that they have commitments for 70 HD channels. And I'm wondering what Comcast -- I know you feel that you are well positioned for HD. But do you have the ability to offer a similar package with respect to channels or is it as Steve kind of suggested? You're going to focus more on movies, VOD and HD and/or sports? Thanks.

Brian Roberts - *Comcast Corporation - Chairman and CEO*

Well, let's start with the HD question, just to reiterate again what Steve said. You have to look first of all what channels are in HD, what's the quality of the programming? How much of that underlying programming is actually in HD? And I think we carry every channel that we can possibly get our hands on today that we think has any HD merit and the consumers seem quite satisfied. A lot of that has to do with local HD, it has to do with sports and HD. And we carry all of our regional sports, all of our broadcasters. And what we think movies on demand in high-def is a big idea. And we are seeing -- I think we saw 4 million orders or so in the last couple of months of the year just coming from the high-def narrow universe, who are subscribing high-def movies. We would rather allocate bandwidth to what the customer wants when they want it and give them more than -- if you have 200 hours of high-def and let's just say that's 100 movies -- you could easily say well that's 100 channels at that moment that a consumer has a choice, plus the 20 or 30 that we already have. So we're pretty comfortable that we have a migration plan with switched video, with taking analog and converting it to digital. We have plenty of bandwidth. We're not going to radically change our game plan here and I think we have a superior high-def experience to the consumer and the consumers will know that.

Your question about CES is an interesting one. Probably the short answer is no, I did not see anything that was so [wild] that would change business as usual. I think if anything, I, like many others are waiting to see the iPhone, which wasn't even at CES. So, but I don't think that has a meaningful impact on our business that I can see in '07 or any short term. We have no announced plans for any activity out of Spectrum Co. that you haven't already heard about.

But you know it's an area that I think we have a lot on our plate in '07. We will be doing some work with Sprint in a couple of markets to roll out wireless, to see if quadruple play has a meaningful difference than triple play better or worse to the consumer. Other cable operator partners will be doing different versions of that. One of the benefits of working in partnership with Sprint is we're going to get to see what ideas work and what ideas don't work. And we are -- continue to monitor it. But when you can go out and sell 6.5 million new products with the three you've got, we don't want to do a whole lot to divert that and try to figure out how to execute on that. That's something I'm sure we will talk about in years ahead.

Operator

Spencer Wang, Bear Stearns.

Spencer Wang - *Bear Stearns - Analyst*

Thanks and good morning. Just two quick questions. John, the Enhanced Basic contribution seemed to slow a little bit in the fourth quarter. Can you give us a sense of what was driving that? Was that by design? Secondly on the VOD day and date trials, can you just talk about how you are pricing the product? And are there any changes in the splits with the CDO? Thanks.

Steve Burke - *Comcast Corporation - COO and President, Comcast Cable Communications*

I'm not sure how much we've said publicly about the trial. The price is the same price. It's just a movement of the windows. I'm not sure what we said about the splits. So I'm going to defer on that one.

In terms of Enhanced Basic, we really didn't slow down on Enhanced Basic in the fourth quarter. It was just a very dramatic acceleration in high-def and DDRs, which was a combination of normal seasonality and us putting a little bit more effort behind it because we thought the fourth quarter was a good time to promote high-def.

John Alchin - *Comcast Corporation - EVP, Co-CFO and Treasurer*

And could we take one last question? Thanks, Spencer.

Operator

Our next question comes from Brian Kraft, Credit Suisse.

Brian Kraft - *Credit Suisse - Analyst*

A question on programming costs. If you break down the 8% growth that you saw in 2006, how much of that would you attribute to VOD content acquisition versus rate increases in unit growth? And then what are your expectations for programming growth in 2007? And then, just lastly, given that the broadcasters are becoming increasingly bold and asking for a payment for retrans, how do you see these negotiations playing out for Comcast?

Steve Burke - *Comcast Corporation - COO and President, Comcast Cable Communications*

Okay, if you look at the programming costs in the fourth quarter, virtually none of that was for free video-on-demand. There's obviously a portion of the pay-per-view business that we pay the studios for. But in our traditional programming structure, it's really basic and premium assets. If you then look at the retransmission issue and the other issues facing our programming business, I have now been in the cable business for 8.5 years. Every year there are two or three or four issues that are concerning us in terms of programming costs and that's just part of being in this business. A few years ago it was sports and then it was regional sports. And right now, the issue that's on everybody's mind is retransmission consent. We are in very good shape with all of the majors. We have deals into the next decade. We have the majority -- great, vast majority of all of the good television stations under long-term retransmission deals, and would assume that the existing arrangements would continue until proven otherwise and feel like we are in pretty good shape.

John Alchin - *Comcast Corporation - EVP, Co-CFO and Treasurer*

And Brian, just to clarify, on the increase in programming expenses of 8% in 2006, as I said in my comments, about 5% of that had to do with apples-to-apples cost increases year-over-year, and the remaining 3% was all volume driven, driven primarily by the increase in the digital customer count. We don't give outlook beyond this.

But we've been very consistent in saying that we think we will be able to manage programming expenses absent volume increases in the CPE plus a couple of percentage point range.

So, with that, thank you all for joining us on this call and we look forward to seeing you on May 1 at our investor day. Thanks.

Operator

We have no further questions at this time. There will be a replay available of today's call starting at 11.30 AM Eastern time. It will run through Saturday, February 3, at midnight Eastern time. The dial-in number is 1-800-642-1687 and the conference ID number is 566843. A recording of the conference call will also be available on the Company's Web site beginning at 12.30 PM today. This concludes today's teleconference. Thank you for participating. You may all disconnect.
