COMCAST CORP
Form 10-Q
October 26, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2016

OR

¨ **Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Transition Period from to

Commission File Number	Exact Name of Registrant; State of Incorporation; Address and Telephone Number of Principal Executive Offices	I.R.S. Employer Identification No.
001-32871	**COMCAST CORPORATION** **PENNSYLVANIA** **One Comcast Center** **Philadelphia, PA 19103-2838** **(215) 286-1700**	**27-0000798**
001-36438	**NBCUNIVERSAL MEDIA, LLC**	**14-1682529**

DELAWARE

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New York, NY 10112-0015

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

Comcast Corporation	Yes x No ¨
NBCUniversal Media, LLC	Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such period that the registrant was required to submit and post such files).

Comcast Corporation	Yes x No ¨
NBCUniversal Media, LLC	Yes x No ¨

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Comcast Corporation	Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨	Smaller reporting company ¨
NBCUniversal Media, LLC	Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer x	Smaller reporting company ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act).

Comcast Corporation	Yes ¨ No x
NBCUniversal Media, LLC	Yes ¨ No x

Indicate the number of shares outstanding of each of the registrant s classes of stock, as of the latest practical date:

As of September 30, 2016, there were 2,383,388,019 shares of Comcast Corporation Class A common stock and 9,444,375 shares of Comcast Corporation Class B common stock outstanding.

Not applicable for NBCUniversal Media, LLC.

NBCUniversal Media, LLC meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format.

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Explanatory Note

This Quarterly Report on Form 10-Q is a combined report being filed separately by Comcast Corporation (Comcast) and NBCUniversal Media, LLC (NBCUniversal). Comcast owns all of the common equity interests in NBCUniversal, and NBCUniversal meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing its information within this Form 10-Q with the reduced disclosure format. Each of Comcast and NBCUniversal is filing on its own behalf the information contained in this report that relates to itself, and neither company makes any representation as to information relating to the other company. Where information or an explanation is provided that is substantially the same for each company, such information or explanation has been combined in this report. Where information or an explanation is not substantially the same for each company, separate information and explanation has been provided. In addition, separate condensed consolidated financial statements for each company, along with notes to the condensed consolidated financial statements, are included in this report. Unless indicated otherwise, throughout this Quarterly Report on Form 10-Q, we refer to Comcast and its consolidated subsidiaries, including NBCUniversal and its consolidated subsidiaries, as we, us and our; Comcast Cable Communications, LLC and its consolidated subsidiaries as Comcast Cable; Comcast Holdings Corporation as Comcast Holdings; and NBCUniversal, LLC as NBCUniversal Holdings.

This Quarterly Report on Form 10-Q is for the three and nine months ended September 30, 2016. This Quarterly Report modifies and supersedes documents filed before it. The Securities and Exchange Commission (SEC) allows us to incorporate by reference information that we file with it, which means that we can disclose important information to you by referring you directly to those documents. Information incorporated by reference is considered to be part of this Quarterly Report. In addition, information that we file with the SEC in the future will automatically update and supersede information contained in this Quarterly Report.

You should carefully review the information contained in this Quarterly Report and particularly consider any risk factors set forth in this Quarterly Report and in other reports or documents that we file from time to time with the SEC. In this Quarterly Report, we state our beliefs of future events and of our future financial performance. In

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some cases, you can identify these so-called forward-looking statements by words such as may, will, should, expects, believes, e potential, or continue, or the negative of those words, and other comparable words. You should be aware that these statements are only our predictions. In evaluating these statements, you should specifically consider various factors, including the risks outlined below and in other reports we file with the SEC. Actual events or our actual results may differ materially from any of our forward-looking statements. We undertake no obligation to update any forward-looking statements.

Our businesses may be affected by, among other things, the following:

our businesses currently face a wide range of competition, and our businesses and results of operations could be adversely affected if we do not compete effectively

changes in consumer behavior driven by alternative methods for viewing content may adversely affect our businesses and challenge existing business models

a decline in advertisers expenditures or changes in advertising markets could negatively impact our businesses

our businesses depend on keeping pace with technological developments

we are subject to regulation by federal, state, local and foreign authorities, which may impose additional costs and restrictions on our businesses

changes to existing statutes, rules, regulations, or interpretations thereof, or adoption of new ones, could have an adverse effect on our businesses

programming expenses for our video services are increasing, which could adversely affect our Cable Communications segment s video business

NBCUniversal s success depends on consumer acceptance of its content, and its businesses may be adversely affected if its content fails to achieve sufficient consumer acceptance or the costs to create or acquire content increase

the loss of NBCUniversal s programming distribution agreements, or the renewal of these agreements on less favorable terms, could adversely affect its businesses

we rely on network and information systems and other technologies, as well as key properties, and a disruption, cyber attack, failure or destruction of such networks, systems, technologies or properties may disrupt our businesses

we may be unable to obtain necessary hardware, software and operational support weak economic conditions may have a negative impact on our businesses

our businesses depend on using and protecting certain intellectual property rights and on not infringing the intellectual property rights of others

strategic initiatives and acquisitions present many risks, and we may not realize the financial and strategic goals that we had contemplated

labor disputes, whether involving employees or sports organizations, may disrupt our operations and adversely affect our businesses

the loss of key management personnel or popular on-air and creative talent could have an adverse effect on our businesses

we face risks relating to doing business internationally that could adversely affect our businesses

our Class B common stock has substantial voting rights and separate approval rights over several potentially material transactions, and our Chairman and CEO has considerable influence over our company through his beneficial ownership of our Class B common stock

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PART I: FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

Comcast Corporation

Condensed Consolidated Balance Sheet

(Unaudited)

(in millions, except share data)	September 30, 2016	December 31, 2015
Assets		
Current Assets:		
Cash and cash equivalents	$ 2,807	$ 2,295
Receivables, net	7,533	6,896
Programming rights	1,369	1,213
Other current assets	3,519	1,899
Total current assets	15,228	12,303
Film and television costs	7,153	5,855
Investments	3,857	3,224
Property and equipment, net of accumulated depreciation of $49,540 and $48,100	35,656	33,665
Franchise rights	59,364	59,364
Goodwill	36,652	32,945
Other intangible assets, net of accumulated amortization of $10,678 and $9,868	17,356	16,946
Other noncurrent assets, net	2,658	2,272
Total assets	**$ 177,924**	**$ 166,574**
Liabilities and Equity		
Current Liabilities:		
Accounts payable and accrued expenses related to trade creditors	$ 6,594	$ 6,215
Accrued participations and residuals	1,570	1,572
Deferred revenue	1,340	1,302
Accrued expenses and other current liabilities	5,201	5,462
Current portion of long-term debt	3,333	3,627
Total current liabilities	18,038	18,178
Long-term debt, less current portion	57,095	48,994
Deferred income taxes	34,523	33,566
Other noncurrent liabilities	11,119	10,637
Commitments and contingencies (Note 12)		
Redeemable noncontrolling interests and redeemable subsidiary preferred stock	1,326	1,221
Equity:		
Preferred stock authorized, 20,000,000 shares; issued, zero		
Class A common stock, $0.01 par value authorized, 7,500,000,000 shares; issued, 2,819,783,533 and 2,869,349,502; outstanding, 2,383,388,019 and 2,432,953,988	28	29
Class B common stock, $0.01 par value authorized, 75,000,000 shares; issued and outstanding, 9,444,375		
Additional paid-in capital	38,426	38,518
Retained earnings	22,510	21,413
Treasury stock, 436,395,514 Class A common shares	(7,517)	(7,517)
Accumulated other comprehensive income (loss)	34	(174)
Total Comcast Corporation shareholders equity	53,481	52,269
Noncontrolling interests	2,342	1,709
Total equity	55,823	53,978
Total liabilities and equity	**$ 177,924**	**$ 166,574**

See accompanying notes to condensed consolidated financial statements.

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Comcast Corporation

Condensed Consolidated Statement of Income

(Unaudited)

(in millions, except per share data)	Three Months Ended September 30 2016	Three Months Ended September 30 2015	Nine Months Ended September 30 2016	Nine Months Ended September 30 2015
Revenue	$ 21,319	$ 18,669	$ 59,378	$ 55,265
Costs and Expenses:				
Programming and production	7,003	5,582	17,926	16,714
Other operating and administrative	5,994	5,390	17,280	15,738
Advertising, marketing and promotion	1,487	1,513	4,515	4,407
Depreciation	1,865	1,697	5,518	5,005
Amortization	530	486	1,544	1,405
	16,879	14,668	46,783	43,269
Operating income	4,440	4,001	12,595	11,996
Other Income (Expense):				
Interest expense	(751)	(659)	(2,186)	(2,028)
Investment income (loss), net	80	(26)	168	24
Equity in net income (losses) of investees, net	(34)	1	(64)	(202)
Other income (expense), net	(11)	(53)	104	364
	(716)	(737)	(1,978)	(1,842)
Income before income taxes	3,724	3,264	10,617	10,154
Income tax expense	(1,400)	(1,223)	(3,989)	(3,797)
Net income	2,324	2,041	6,628	6,357
Net (income) loss attributable to noncontrolling interests and redeemable subsidiary preferred stock	(87)	(45)	(229)	(165)
Net income attributable to Comcast Corporation	**$ 2,237**	**$ 1,996**	**$ 6,399**	**$ 6,192**
Basic earnings per common share attributable to Comcast Corporation shareholders	**$ 0.93**	**$ 0.81**	**$ 2.65**	**$ 2.48**
Diluted earnings per common share attributable to Comcast Corporation shareholders	**$ 0.92**	**$ 0.80**	**$ 2.62**	**$ 2.45**
Dividends declared per common share	**$ 0.275**	**$ 0.25**	**$ 0.825**	**$ 0.75**

See accompanying notes to condensed consolidated financial statements.

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Comcast Corporation

Condensed Consolidated Statement of Comprehensive Income

(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
(in millions)	2016	2015	2016	2015
Net income	$ 2,324	$ 2,041	$ 6,628	$ 6,357
Unrealized gains (losses) on marketable securities, net of deferred taxes of $, $, $(1) and $	(1)	1	2	1
Deferred gains (losses) on cash flow hedges, net of deferred taxes of $(7), $30, $46 and $40	12	(50)	(79)	(67)
Amounts reclassified to net income:				
Realized (gains) losses on marketable securities, net of deferred taxes of $, $1, $1 and $1		(1)	(1)	(1)
Realized (gains) losses on cash flow hedges, net of deferred taxes of $(6), $(20), $(42) and $(26)	11	32	73	42
Employee benefit obligations, net of deferred taxes of $, $(8), $(2) and $(8)		14	2	14
Currency translation adjustments, net of deferred taxes of $(6), $15, $(122) and $23	45	(41)	532	(64)
Comprehensive income	2,391	1,996	7,157	6,282
Net (income) loss attributable to noncontrolling interests and redeemable subsidiary preferred stock	(87)	(45)	(229)	(165)
Other comprehensive (income) loss attributable to noncontrolling interests	(34)	16	(321)	26
Comprehensive income attributable to Comcast Corporation	**$ 2,270**	**$ 1,967**	**$ 6,607**	**$ 6,143**

See accompanying notes to condensed consolidated financial statements.

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Comcast Corporation

Condensed Consolidated Statement of Cash Flows

(Unaudited)

(in millions)	Nine Months Ended September 30 2016	2015
Net cash provided by operating activities	**$ 13,497**	**$ 13,813**
Investing Activities		
Capital expenditures	(6,562)	(5,862)
Cash paid for intangible assets	(1,163)	(916)
Acquisitions and construction of real estate properties	(303)	(116)
Acquisitions, net of cash acquired	(3,904)	(286)
Proceeds from sales of businesses and investments	188	420
Purchases of investments	(618)	(712)
Deposits	(1,761)	
Other	(29)	268
Net cash provided by (used in) investing activities	**(14,152)**	**(7,204)**
Financing Activities		
Proceeds from (repayments of) short-term borrowings, net	610	(220)
Proceeds from borrowings	9,231	3,996
Repurchases and repayments of debt	(2,994)	(4,353)
Repurchases and retirements of common stock	(3,762)	(5,770)
Dividends paid	(1,944)	(1,823)
Issuances of common stock	23	35
Distributions to noncontrolling interests and dividends for redeemable subsidiary preferred stock	(194)	(178)
Other	197	(313)
Net cash provided by (used in) financing activities	**1,167**	**(8,626)**
Increase (decrease) in cash and cash equivalents	512	(2,017)
Cash and cash equivalents, beginning of period	2,295	3,910
Cash and cash equivalents, end of period	**$ 2,807**	**$ 1,893**

See accompanying notes to condensed consolidated financial statements.

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Comcast Corporation

Condensed Consolidated Statement of Changes in Equity

(Unaudited)

(in millions)	Redeemable Noncontrolling Interests and Redeemable Subsidiary Preferred Stock	Common Stock A	Common Stock A Special	Common Stock B	Additional Paid-In Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests	Total Equity
Balance, December 31, 2014	$ 1,066	$ 25	$ 5	$	$ 38,805	$ 21,539	$ (7,517)	$ (146)	$ 357	$ 53,068
Stock compensation plans					573	(363)				210
Repurchases and retirements of common stock			(1)		(1,155)	(4,614)				(5,770)
Employee stock purchase plans					106					106
Dividends declared						(1,871)				(1,871)
Other comprehensive income (loss)								(49)	(26)	(75)
Contributions from (distributions to) noncontrolling interests, net	12								(114)	(114)
Other	67				187				(74)	113
Net income (loss)	59					6,192			106	6,298
Balance, September 30, 2015	**$ 1,204**	**$ 25**	**$ 4**	**$**	**$ 38,516**	**$ 20,883**	**$ (7,517)**	**$ (195)**	**$ 249**	**$ 51,965**
Balance, December 31, 2015	$ 1,221	$ 29	$	$	$ 38,518	$ 21,413	$ (7,517)	$ (174)	$ 1,709	$ 53,978
Stock compensation plans					544	(264)				280
Repurchases and retirements of common stock		(1)			(722)	(3,039)				(3,762)
Employee stock purchase plans					117					117
Dividends declared						(1,999)				(1,999)
Other comprehensive income (loss)								208	321	529
Contributions from (distributions to) noncontrolling interests, net	(20)								(99)	(99)
Other	62				(31)				245	214
Net income (loss)	63					6,399			166	6,565
Balance, September 30, 2016	**$ 1,326**	**$ 28**	**$**	**$**	**$ 38,426**	**$ 22,510**	**$ (7,517)**	**$ 34**	**$ 2,342**	**$ 55,823**

See accompanying notes to condensed consolidated financial statements.

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Comcast Corporation

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1: Condensed Consolidated Financial Statements

Basis of Presentation

We have prepared these unaudited condensed consolidated financial statements based on SEC rules that permit reduced disclosure for interim periods. These financial statements include all adjustments that are necessary for a fair presentation of our consolidated results of operations, financial condition and cash flows for the periods shown, including normal, recurring accruals and other items. The consolidated results of operations for the interim periods presented are not necessarily indicative of results for the full year.

The year-end condensed consolidated balance sheet was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles in the United States (GAAP). For a more complete discussion of our accounting policies and certain other information, refer to our consolidated financial statements included in our 2015 Annual Report on Form 10-K.

Reclassifications

Reclassifications have been made to our condensed consolidated financial statements for the prior year periods to conform to classifications used in 2016.

Note 2: Recent Accounting Pronouncements

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) updated the accounting guidance related to revenue recognition. The updated accounting guidance provides a single, contract-based revenue recognition model to help improve financial reporting by providing clearer guidance on when an entity should recognize revenue and by reducing the number of standards to which an entity has to refer. The updated guidance is effective for us as of January 1, 2018. The updated accounting guidance provides companies with alternative methods of adoption. We are currently in the process of determining the impact that the updated accounting guidance will have on our consolidated financial statements and our method of adoption.

Consolidations

In February 2015, the FASB updated the accounting guidance related to consolidation under the variable interest entity (VIE) and voting interest entity models. The updated accounting guidance modifies the consolidation guidance for VIEs, limited partnerships and similar legal entities. We have adopted this guidance as of January 1, 2016 and it did not have a material impact on our consolidated financial statements.

Financial Assets and Financial Liabilities

In January 2016, the FASB updated the accounting guidance related to the recognition and measurement of financial assets and financial liabilities. The updated accounting guidance, among other things, requires that all nonconsolidated equity investments, except those accounted for under the equity method, be measured at fair value and that the changes in fair value be recognized in net income. The updated guidance is effective for us as of January 1, 2018. The updated accounting guidance requires a cumulative effect adjustment to beginning retained earnings when the guidance is adopted with certain exceptions. We are currently in the process of determining the impact that the updated accounting guidance will have on our consolidated financial statements.

Leases

In February 2016, the FASB updated the accounting guidance related to leases. The updated accounting guidance requires lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases with the exception of short-term leases. For a lessee, the recognition, measurement and presentation of expenses and cash flows arising from a lease do not significantly change from previous guidance. For a lessor, the accounting applied is also largely unchanged from previous guidance. The updated guidance is effective for us as of January 1, 2019 and early adoption is permitted. The updated accounting guidance must be adopted using a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. We are currently in the process of determining the impact that the updated accounting guidance will have on our consolidated financial statements.

Share-Based Compensation

In March 2016, the FASB updated the accounting guidance that affects several aspects of the accounting for share-based compensation. The most significant change for us relates to the presentation of the income and withholding tax consequences of share-based compensation in our consolidated financial statements. Among the changes, the updated guidance requires that the excess income tax benefits or deficiencies that arise when the tax consequences of share-based compensation differ from amounts previously recognized in the statement of income be recognized as income tax benefit or expense in the statement of income rather than as additional paid-in capital in the balance sheet. The guidance also states that excess income tax benefits should not be presented separately from other income taxes in the statement of cash flows and, thus, should be classified as an operating activity rather than a financing activity as they are under the current guidance. In addition, the updated guidance requires when an employer withholds shares upon exercise of options or the vesting of restricted stock for the purpose of meeting withholding tax requirements, that the cash paid for withholding taxes be classified as a financing activity. We currently record these amounts within operating activities.

We will implement the updated guidance in the first quarter of 2017. As required under the updated guidance, we will prospectively adopt the provisions of this guidance related to the recognition of the excess tax benefits or deficiencies in the statement of income. In addition, upon adoption we will retrospectively adopt the provisions of this guidance related to changes to the statement of cash flows for all periods presented.

If we had adopted the provisions of the updated guidance as of January 1, 2016, it would have increased net income attributable to Comcast Corporation by $34 million and $193 million for the three and nine months ended September 30, 2016, respectively. In addition, the updated guidance would have increased net cash provided by operating activities and decreased net cash provided by (used in) financing activities by $493 million for the nine months ended September 30, 2016. The most significant impact of implementing the new guidance is expected to occur in the first quarter of each year as a result of the vesting of restricted stock awards, which primarily occurs in March.

Note 3: Earnings Per Share

Computation of Diluted EPS

	Three Months Ended September 30					
	2016			2015		
(in millions, except per share data)	Net Income Attributable to Comcast Corporation	Shares	Per Share Amount	Net Income Attributable to Comcast Corporation	Shares	Per Share Amount
Basic EPS attributable to Comcast Corporation shareholders	$ 2,237	2,403	$ 0.93	$ 1,996	2,472	$ 0.81
Effect of dilutive securities:						
Assumed exercise or issuance of shares relating to stock plans		28			30	
Diluted EPS attributable to Comcast Corporation shareholders	**$ 2,237**	**2,431**	**$ 0.92**	**$ 1,996**	**2,502**	**$ 0.80**

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Comcast Corporation

	Nine Months Ended September 30					
	2016			2015		
(in millions, except per share data)	Net Income Attributable to Comcast Corporation	Shares	Per Share Amount	Net Income Attributable to Comcast Corporation	Shares	Per Share Amount
Basic EPS attributable to Comcast Corporation shareholders	$ 6,399	2,419	$ 2.65	$ 6,192	2,498	$ 2.48
Effect of dilutive securities:						
Assumed exercise or issuance of shares relating to stock plans		27			32	
Diluted EPS attributable to Comcast Corporation shareholders	**$ 6,399**	**2,446**	**$ 2.62**	**$ 6,192**	**2,530**	**$ 2.45**

Diluted earnings per common share attributable to Comcast Corporation shareholders (diluted EPS) considers the impact of potentially dilutive securities using the treasury stock method. Our potentially dilutive securities include potential common shares related to our stock options and our restricted share units (RSUs). The amount of potential common shares related to our share-based compensation plans that were excluded from diluted EPS because their effect would have been antidilutive was not material for the three and nine months ended September 30, 2016 and 2015.

Note 4: Significant Transactions

DreamWorks

On August 22, 2016, we acquired all of the outstanding stock of DreamWorks Animation SKG, Inc. (DreamWorks) for $3.8 billion. DreamWorks stockholders received $41 in cash for each share of DreamWorks common stock. DreamWorks creates animated feature films, television series and specials, live entertainment and related consumer products. The results of operations for DreamWorks are reported in our Filmed Entertainment segment following the acquisition date.

The transaction is accounted for under the acquisition method of accounting and, accordingly, the assets and liabilities are to be recorded at their fair market values as of the acquisition date. Due to the limited amount of time since the acquisition date, the assets and liabilities of DreamWorks were recorded based primarily on their historical carrying values. We recorded the debt we assumed from DreamWorks at its estimated fair value of $381 million and we recorded a liability related to a tax receivable agreement that DreamWorks had previously entered into with one of its former stockholders (the tax receivable agreement) at its estimated fair value of $146 million. The fair value of the assumed debt was primarily based on quoted market values. The fair value of the tax receivable agreement was based on the contractual settlement provisions in the agreement and the value is subject to adjustment. In addition, we recorded deferred income taxes based on our estimate of the tax basis of the acquired assets and valuation allowances based on the expected use of net operating loss carryforwards. The remaining assets and liabilities primarily consisted of goodwill and film and television costs. We will adjust the remaining assets and liabilities to fair value and will record the related deferred income tax adjustments as valuations are completed and we obtain information necessary to complete the analyses, but no later than one year from the acquisition date. For purposes of the preliminary allocation of purchase price, the excess of the total transaction value over the recorded values of the net assets acquired has been recorded as goodwill.

The tax receivable agreement was settled immediately following the acquisition and the payment was recorded as an operating activity in our condensed consolidated statement of cash flows. In addition, during the three months ended September 30, 2016, we repaid all of the assumed debt of DreamWorks (see Note 8).

Revenue and net income attributable to the acquisition of DreamWorks were not material for the three and nine months ended September 30, 2016. During the three months ended September 30, 2016, we incurred severance costs of $50 million, which were recorded in operating costs and expenses in our Filmed Entertainment segment.

Comcast Corporation

Universal Studios Japan

On November 13, 2015, NBCUniversal acquired a 51% economic interest in the Universal Studios theme park in Osaka, Japan (Universal Studios Japan) for $1.5 billion.

Universal Studios Japan is a VIE based on the governance structure and we consolidate Universal Studios Japan as we have the power to direct activities that most significantly impact its economic performance. There are no liquidity arrangements, guarantees, or other financial commitments between us and Universal Studios Japan, and therefore our maximum risk of financial loss is NBCUniversal s 51% interest. Universal Studios Japan s results of operations are reported in our Theme Parks segment following the acquisition date.

Preliminary Allocation of Purchase Price

The acquired assets and liabilities of Universal Studios Japan and the 49% noncontrolling interest were recorded at their estimated fair values. During the nine months ended September 30, 2016, we updated the preliminary allocation of purchase price for Universal Studios Japan based on valuation analyses, which primarily resulted in increases to property and equipment and intangible assets and a decrease in goodwill. The changes did not have a material impact on our consolidated financial statements. We may adjust these amounts further as valuations are finalized and we obtain information necessary to complete the analyses, but no later than one year from the acquisition date.

The table below presents the preliminary allocation of the purchase price to the assets and liabilities of Universal Studios Japan.

Preliminary Allocation of Purchase Price

(in millions)	
Property and equipment	$ 780
Intangible assets	323
Working capital	(33)
Debt	(3,271)
Other noncurrent assets and liabilities	22
Identifiable net assets (liabilities) acquired	(2,179)
Noncontrolling interest	(1,440)
Goodwill	5,118
Cash consideration transferred	$ 1,499

Actual and Unaudited Pro Forma Results

Our consolidated revenue for the three and nine months ended September 30, 2016 included $424 million and $1.1 billion, respectively, from the acquisition of Universal Studios Japan. Our consolidated net income attributable to Comcast Corporation for the three and nine months ended September 30, 2016 included $48 million and $76 million, respectively, from the acquisition of Universal Studios Japan.

The following unaudited pro forma information has been presented as if the acquisition of Universal Studios Japan occurred on January 1, 2014. This information is primarily based on historical results of operations and is subject to change as valuations are finalized. In addition, the unaudited pro forma accounting adjustments are not necessarily indicative of what our results would have been had we operated Universal Studios Japan since January 1, 2014. No pro forma adjustments have been made for our transaction-related expenses.

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Comcast Corporation

Unaudited Pro Forma Results

(in millions, except per share amounts)	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Revenue	$ 19,013	$ 56,147
Net income	$ 2,113	$ 6,498
Net income attributable to Comcast Corporation	$ 2,033	$ 6,263
Basic earnings per common share attributable to Comcast Corporation shareholders	$ 0.82	$ 2.51
Diluted earnings per common share attributable to Comcast Corporation shareholders	$ 0.81	$ 2.48

Note 5: Film and Television Costs

(in millions)	September 30, 2016	December 31, 2015
Film Costs:		
Released, less amortization	$ 1,586	$ 1,275
Completed, not released	222	226
In production and in development	1,402	907
	3,210	2,408
Television Costs:		
Released, less amortization	1,839	1,573
In production and in development	886	737
	2,725	2,310
Programming rights, less amortization	2,587	2,350
	8,522	7,068
Less: Current portion of programming rights	1,369	1,213
Film and television costs	**$ 7,153**	**$ 5,855**

Note 6: Investments

(in millions)	September 30, 2016	December 31, 2015
Fair Value Method	$ 166	$ 167
Equity Method:		
Atairos	363	
Hulu	286	184
Other	563	494
	1,212	678
Cost Method:		
AirTouch	1,595	1,583
Other	938	902
	2,533	2,485

Total investments	3,911	3,330
Less: Current investments	54	106
Noncurrent investments	**$ 3,857**	**$ 3,224**

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Investment Income (Loss), Net

(in millions)	Three Months Ended September 30 2016	2015	Nine Months Ended September 30 2016	2015
Gains on sales and exchanges of investments, net	$ 24	$ 3	$ 39	$ 7
Investment impairment losses	(7)	(15)	(28)	(46)
Unrealized gains (losses) on securities underlying prepaid forward sale agreements				42
Mark to market adjustments on derivative component of prepaid forward sale agreements and indexed debt instruments	(4)	(5)	(3)	(42)
Interest and dividend income	31	27	91	83
Other, net	36	(36)	69	(20)
Investment income (loss), net	**$ 80**	**$ (26)**	**$ 168**	**$ 24**

Equity Method

The Weather Channel

On January 29, 2016, following a legal restructuring at The Weather Channel, we and the other investors sold the entity holding The Weather Channel s product and technology businesses to IBM. Following the close of the transaction, we continue to hold an investment in The Weather Channel cable network through a new holding company. As a result of the sale of our investment, we recognized a pretax gain for the nine months ended September 30, 2016 of $108 million in other income (expense), net.

During the nine months ended September 30, 2015, The Weather Channel recorded an impairment charge related to goodwill. We recorded an expense of $252 million that represents NBCUniversal s proportionate share of this impairment charge in equity in net income (losses) of investees, net in our condensed consolidated statement of income.

Atairos

In 2015, we entered into an agreement to establish Atairos Group, Inc. (Atairos), a strategic company focused on investing in and operating companies in a range of industries and business sectors, both domestically and internationally. The agreement became effective as of January 1, 2016. Atairos has a term of up to 12 years and is controlled by management companies led by our former CFO through interests that carry all of the voting rights. We are the only investor other than our former CFO and the other management company employees. We have committed to fund up to $4 billion in the aggregate at any one time in Atairos, subject to certain offsets, and $40 million annually to fund a management fee, subject to certain adjustments, while the management company investors have committed to fund up to $100 million (with at least $40 million to be funded by our former CFO, subject to his continued role with Atairos). Our economic interests do not carry voting rights and obligate us to absorb approximately 99% of any losses and provide us the right to receive approximately 86.5% of any residual returns in Atairos, in either case on a cumulative basis.

We have concluded that Atairos is a VIE, that we do not have the power to direct the activities that most significantly impact the economic performance of Atairos as we have no voting rights and only certain consent rights, and that we are not a related party with our former CFO or the management companies. We therefore do not consolidate Atairos and account for this investment as an equity method investment. There are no other liquidity arrangements, guarantees, or other financial commitments between Comcast and Atairos, and therefore our maximum risk of financial loss is our investment balance and remaining unfunded capital commitment.

For the nine months ended September 30, 2016, we made capital contributions totaling $399 million to Atairos.

Hulu

In August 2016, Time Warner Inc. acquired a 10% interest in Hulu, LLC (Hulu), which diluted our interest in Hulu from 33% to 30%. For a period not to exceed three years, Time Warner may put its shares to Hulu or Hulu may call Time Warner s shares under certain limited circumstances arising from regulatory review. Given the contingent nature of the put and call options, we recorded a deferred gain of $159 million and a corresponding increase to our investment in Hulu as a result of the dilution. The deferred gain will be recognized in other income (expense), net if and when the options expire unexercised.

For the three and nine months ended September 30, 2016, we recognized our proportionate share of losses of $43 million and $108 million, respectively, related to our investment in Hulu. For the three and nine months ended September 30, 2015, we recognized our proportionate share of losses of $19 million and $43 million, respectively, related to our investment in Hulu.

Cost Method

AirTouch

We hold two series of preferred stock of Verizon Americas, Inc., formerly known as AirTouch Communications, Inc. (AirTouch), a subsidiary of Verizon Communications Inc., which are redeemable in April 2020. As of September 30, 2016, the estimated fair value of the AirTouch preferred stock and the estimated fair value of the associated liability related to the redeemable subsidiary preferred shares issued by one of our consolidated subsidiaries were each $1.7 billion. The estimated fair values are based on Level 2 inputs that use pricing models whose inputs are derived primarily from or corroborated by observable market data through correlation or other means for substantially the full term of the financial instrument.

Note 7: Goodwill

		NBCUniversal					
(in millions)	Cable Communications	Cable Networks	Broadcast Television	Filmed Entertainment	Theme Parks	Corporate and Other	Total
Balance, December 31, 2015	$ 12,389	$ 12,947	$ 806	$ 267	$ 6,344	$ 192	$ 32,945
Acquisitions	73	247		2,560			2,880
Adjustments	175			2	(255)	(181)	(259)
Foreign currency translation		5		10	1,071		1,086
Balance, September 30, 2016	**$ 12,637**	**$ 13,199**	**$ 806**	**$ 2,839**	**$ 7,160**	**$ 11**	**$ 36,652**

Acquisitions during the nine months ended September 30, 2016 included the DreamWorks acquisition in our Filmed Entertainment segment (see Note 4 for additional information). Adjustments to goodwill during the nine months ended September 30, 2016 included the updated preliminary allocation of the purchase price for Universal Studios Japan in our Theme Parks segment and the reclassification of certain operations and businesses from Corporate and Other to our Cable Communications segment.

Note 8: Long-Term Debt

As of September 30, 2016, our debt had a carrying value of $60.4 billion and an estimated fair value of $69.4 billion. The estimated fair value of our publicly traded debt is primarily based on Level 1 inputs that use quoted market values for the debt. The estimated fair value of debt for which there are no quoted market prices is based on Level 2 inputs that use interest rates available to us for debt with similar terms and remaining maturities.

Debt Borrowings and Repayments

In July 2016, we issued $700 million aggregate principal amount of 1.625% senior notes due 2022, $1.4 billion aggregate principal amount of 2.35% senior notes due 2027, $1.0 billion aggregate principal amount of 3.20% senior notes due 2036 and $1.4 billion aggregate principal amount of 3.40% senior notes due 2046. The proceeds from this offering were primarily used to fund our acquisition of DreamWorks. In May 2016, we issued $1.43 billion aggregate principal amount of 4.05% senior notes due 2046. In February and March 2016, we issued $1.1 billion aggregate principal amount of 2.75% senior notes due 2023 and $2.2 billion aggregate principal amount of 3.15% senior notes due 2026.

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Following our acquisition of DreamWorks, we paid $381 million to settle all of the debt we assumed in the DreamWorks acquisition. In June 2016, we repaid at maturity $750 million aggregate principal amount of 4.95% senior notes due 2016. In April 2016, we repaid at maturity $1 billion aggregate principal amount of 2.875% senior notes due 2016 and $700 million aggregate principal amount of NBCUniversal Enterprise Inc. s (NBCUniversal Enterprise) senior notes due 2016.

Revolving Credit Facilities

In May 2016, we entered into a new $7 billion revolving credit facility due 2021 with a syndicate of banks (Comcast revolving credit facility) that may be used for general corporate purposes. We may increase the commitment under the Comcast revolving credit facility up to a total of $10 billion, as well as extend the expiration date to a date no later than 2023, subject to approval of the lenders. In addition, NBCUniversal Enterprise entered into a new $1.5 billion revolving credit facility due 2021 with a syndicate of banks (NBCUniversal Enterprise revolving credit facility) that may be used for general corporate purposes. We may increase the commitment under the NBCUniversal Enterprise revolving credit facility up to a total of $2 billion, as well as extend the expiration date to a date no later than 2023, subject to approval of the lenders. The new revolving credit facilities replaced Comcast s $6.25 billion and NBCUniversal Enterprise s $1.35 billion revolving credit facilities, which were terminated in connection with the execution of the new revolving credit facilities. The interest rates on the new revolving credit facilities consist of a base rate plus a borrowing margin that is determined based on Comcast s credit rating. As of September 30, 2016, the borrowing margin for borrowings based on the London Interbank Offered Rate was 1.00%. The terms of the new revolving credit facilities financial covenants and guarantees are substantially the same as those under the prior revolving credit facilities.

As of September 30, 2016, amounts available under the new consolidated revolving credit facilities, net of amounts outstanding under our commercial paper programs and outstanding letters of credit, totaled $6.6 billion, which included $408 million available under NBCUniversal Enterprise s revolving credit facility.

Commercial Paper Programs

As of September 30, 2016, Comcast and NBCUniversal Enterprise had $505 million and $1.1 billion, respectively, face amount of commercial paper outstanding.

Note 9: Fair Value Measurements

The accounting guidance related to financial assets and financial liabilities (financial instruments) establishes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach and cost approach). Level 1 consists of financial instruments whose values are based on quoted market prices for identical financial instruments in an active market. Level 2 consists of financial instruments that are valued using models or other valuation methodologies. These models use inputs that are observable either directly or indirectly. Level 3 consists of financial instruments whose values are determined using pricing models that use significant inputs that are primarily unobservable, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. Our financial instruments that are accounted for at fair value on a recurring basis are presented in the table below.

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Recurring Fair Value Measurements

	Fair Value as of September 30, 2016				December 31, 2015
(in millions)	Level 1	Level 2	Level 3	Total	Total
Assets					
Trading securities	$ 5	$	$	$ 5	$ 22
Available-for-sale securities		126	11	137	133
Interest rate swap agreements		43		43	53
Other		6	24	30	17
Total	**$ 5**	**$ 175**	**$ 35**	**$ 215**	**$ 225**
Liabilities					
Other	$	$ 212	$	$ 212	$ 91
Total	**$**	**$ 212**	**$**	**$ 212**	**$ 91**

Fair Value of Redeemable Subsidiary Preferred Stock

As of September 30, 2016, the fair value of the NBCUniversal Enterprise redeemable subsidiary preferred stock was $757 million. The estimated fair value is based on Level 2 inputs that use pricing models whose inputs are derived primarily from or corroborated by observable market data through correlation or other means for substantially the full term of the financial instrument.

Note 10: Share-Based Compensation

Our share-based compensation plans primarily consist of awards of RSUs and stock options to certain employees and directors as part of our approach to long-term incentive compensation. Additionally, through our employee stock purchase plans, employees are able to purchase shares of Comcast Class A common stock at a discount through payroll deductions.

In March 2016, we granted 5.9 million RSUs and 20.7 million stock options related to our annual management awards. The weighted-average fair values associated with these grants were $59.50 per RSU and $11.45 per stock option.

Recognized Share-Based Compensation Expense

	Three Months Ended September 30		Nine Months Ended September 30	
(in millions)	2016	2015	2016	2015
Restricted share units	$ 77	$ 67	$ 236	$ 205
Stock options	48	40	133	118
Employee stock purchase plans	6	6	22	20
Total	**$ 131**	**$ 113**	**$ 391**	**$ 343**

As of September 30, 2016, we had unrecognized pretax compensation expense of $771 million and $425 million related to nonvested RSUs and nonvested stock options, respectively.

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Note 11: Supplemental Financial Information

Receivables

(in millions)	September 30, 2016	December 31, 2015
Receivables, gross	$ 8,090	$ 7,595
Less: Allowance for returns and customer incentives	289	473
Less: Allowance for doubtful accounts	268	226
Receivables, net	**$ 7,533**	**$ 6,896**

Accumulated Other Comprehensive Income (Loss)

(in millions)	September 30, 2016	September 30, 2015
Unrealized gains (losses) on marketable securities	$ 2	$ 1
Deferred gains (losses) on cash flow hedges	(52)	(29)
Unrecognized gains (losses) on employee benefit obligations	8	(54)
Cumulative translation adjustments	76	(113)
Accumulated other comprehensive income (loss), net of deferred taxes	**$ 34**	**$ (195)**

Net Cash Provided by Operating Activities

(in millions)	Nine Months Ended September 30 2016	2015
Net income	$ 6,628	$ 6,357
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,062	6,410
Share-based compensation	495	430
Noncash interest expense (income), net	172	147
Equity in net (income) losses of investees, net	64	202
Cash received from investees	58	139
Net (gain) loss on investment activity and other	(159)	(344)
Deferred income taxes	985	67
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:		
Current and noncurrent receivables, net	(315)	(322)
Film and television costs, net	(593)	(65)
Accounts payable and accrued expenses related to trade creditors	46	169
Other operating assets and liabilities	(946)	623
Net cash provided by operating activities	**$ 13,497**	**$ 13,813**

Cash Payments for Interest and Income Taxes

	Three Months Ended September 30	Nine Months Ended September 30

(in millions)	2016	2015	2016	2015
Interest	$ 808	$ 673	$ 2,043	$ 1,914
Income taxes	$ 1,031	$ 1,146	$ 2,716	$ 3,145

Noncash Investing and Financing Activities

During the nine months ended September 30, 2016:

- we acquired $1.3 billion of property and equipment and intangible assets that were accrued but unpaid we recorded a liability of $658 million for a quarterly cash dividend of $0.275 per common share to be paid in October 2016

Note 12: Commitments and Contingencies

Contingencies

We are a defendant in several unrelated lawsuits claiming infringement of various patents relating to various aspects of our businesses. In certain of these cases other industry participants are also defendants, and also in certain of these cases we expect that any potential liability would be in part or in whole the responsibility of our equipment and technology vendors under applicable contractual indemnification provisions.

We are also subject to other legal proceedings and claims that arise in the ordinary course of our business. While the amount of ultimate liability with respect to such actions is not expected to materially affect our results of operations, cash flows or financial position, any litigation resulting from any such legal proceedings or claims could be time-consuming and injure our reputation.

Note 13: Financial Data by Business Segment

We present our operations in five reportable business segments:

Cable Communications: Consists of the operations of Comcast Cable, which is one of the nation s largest providers of video, high-speed Internet and voice services to residential customers under the XFINITY brand; we also provide these and other services to business customers and sell advertising.

Cable Networks: Consists primarily of our national cable networks, our regional sports and news networks, our international cable networks and our cable television studio production operations.

Broadcast Television: Consists primarily of the NBC and Telemundo broadcast networks, our NBC and Telemundo owned local broadcast television stations, the NBC Universo national cable network, and our broadcast television studio production operations.

Filmed Entertainment: Consists primarily of the operations of Universal Pictures, which produces, acquires, markets and distributes filmed entertainment worldwide. On August 22, 2016, we acquired all of the outstanding stock of DreamWorks.

Theme Parks: Consists primarily of our Universal theme parks in Orlando, Florida; Hollywood, California; and Osaka, Japan.

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In evaluating the profitability of our operating segments, the components of net income (loss) below operating income (loss) before depreciation and amortization are not separately evaluated by our management. Our financial data by business segment is presented in the tables below.

	Three Months Ended September 30, 2016				
(in millions)	Revenue[g]	Operating Income (Loss) Before Depreciation and Amortization[h]	Depreciation and Amortization	Operating Income (Loss)	Capital Expenditures
Cable Communications[a][b]	$ 12,557	$ 4,986	$ 1,929	$ 3,057	$ 2,044
NBCUniversal					
Cable Networks[c]	2,942	893	184	709	7
Broadcast Television[c]	3,087	378	27	351	28
Filmed Entertainment	1,792	353	13	340	6
Theme Parks[d]	1,440	706	130	576	228
Headquarters and Other[e]	1	(183)	91	(274)	67
Eliminations[f]	(84)	(1)		(1)	
NBCUniversal	9,178	2,146	445	1,701	336
Corporate and Other[b]	168	(223)	21	(244)	26
Eliminations[d][f]	(584)	(74)		(74)	
Comcast Consolidated	**$ 21,319**	**$ 6,835**	**$ 2,395**	**$ 4,440**	**$ 2,406**

	Three Months Ended September 30, 2015				
(in millions)	Revenue[g]	Operating Income (Loss) Before Depreciation and Amortization[h]	Depreciation and Amortization	Operating Income (Loss)	Capital Expenditures
Cable Communications[a][b]	$ 11,751	$ 4,726	$ 1,782	$ 2,944	$ 1,853
NBCUniversal					
Cable Networks	2,412	835	193	642	9
Broadcast Television	1,971	150	26	124	28
Filmed Entertainment	1,946	376	8	368	2
Theme Parks[d]	896	434	72	362	156
Headquarters and Other[e]	5	(164)	81	(245)	94
Eliminations[f]	(79)				